

Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: January 5, 2009

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Receive MacPhail Center for Music 2009 Annual Report and approve the continued operation of the Governmental Program at the MacPhail Center for Music for 2010.

Recommendation:

1. Approve budget and governmental program as attached;
2. Approve resolution as attached

Previous Directives:

1. On September 22, 2006, the City Council authorized the execution of an amendment to the Ground Lease Agreement with MacPhail Center for Music to allow new terms that compensates MacPhail if the City chooses not to renew the Operating Lease.
2. On July 21, 2006, the City Council adopted a resolution establishing the governmental program to be achieved through the construction and operation of MacPhail Center for Music; accepted a \$5,000,000 grant from the State of Minnesota for the project; authorized city officials to execute a grant agreement with the State of Minnesota, a use/lease agreement with MacPhail, a ground lease with MacPhail, a disbursing agreement with the title company and other funders; and amended the 2006 General Appropriation Resolution to increase the appropriation in Fund 0600-890-8933 (state grants and loan programs) by \$5,000,000.
3. On February 14, 2004, the MCDA Board of Commissioners authorized an extension of MacPhail Center for Music's 100 percent funding requirement deadline to June 30, 2006, and associated contract modifications.
4. On December 14, 2001, the City Council and MCDA Board of Commissioners approved the Parcel C redevelopment and TIF plans.
5. Also on December 14, 2001, the Board of Commissioners approved redevelopment contract terms and authorized the land sale to CSM Investors II, Inc.

Prepared by: Carrie Flack, Sr. Project Coordinator, 673-5010
Approved by: Charles T. Lutz, Deputy Director of CPED _____

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification - The MacPhail Center for Music project has been presented on several occasions to the Downtown Minneapolis Neighborhood Association and the Industry Square Project Committee and both organizations support the project.
- City Goals - Connected Communities – great spaces and places, thriving neighborhoods; Enriched Environment – greenspace, arts, sustainability; A Premier Destination – visitors, investment and vitality.
- Comprehensive Plan – The redevelopment of this parcel for mixed use in the Mill District is consistent with a number of goals in the Comprehensive Plan. In addition, the project is consistent with the Historic Mills District Master Plan and Update.
- Zoning Code - The City Planning Commission has approved the actions needed for the MacPhail Center for Music project.

Supporting Information

In 2006, the City of Minneapolis received a \$5 million general obligation bond financing grant from the State of Minnesota for the construction of the MacPhail Center for Music project. A condition to receiving the State bond financing grant is that the City own the land and the building comprising the MacPhail Center for Music project and operate an eligible governmental program at the project. The City entered into a Bond Grant Agreement with the Department of Education for the disbursement of the State bond funds. The City, as Lessor, also entered into a Ground Lease Agreement and a Use Lease Agreement with MacPhail Center for Music, as Lessee, for the construction of a facility comprising the project and the operation of a Governmental Program at the project.

The Governmental Program is a music education center that includes studios, classrooms, and a performance hall, together with educational programming, other cultural performances, and related and ancillary uses of the MacPhail Music Center, all of which shall achieve the goal of supporting and improving the cultural fabric of the region and promoting economic development and tourism.

Annual Reporting Requirements

Annually, the City of Minneapolis is required to report to the State of Minnesota on the operation of the facility and approve its continued use for the Governmental Program. Pursuant to Section 2.03 of the Bond Grant Agreement, the City may enter into a Use Agreement with a third party entity, like MacPhail Center for Music (MacPhail), to operate the facility and the Governmental Program at the project. In its annual report to the State, the City is also required to certify that (i) MacPhail has the ability to fund the Governmental Program; (ii) MacPhail submits an annual Program budget showing that MacPhail will have enough funds to operate the Program for the next fiscal year with forecast revenues equal to or exceeding forecast expenses; and (iii) the City has reviewed, made findings and approved by resolution the Program budget submitted by MacPhail showing that the operation of the Program will be equal to or greater than the budget forecast for the next fiscal year. Section 9 of the Use Lease Agreement requires MacPhail to (a) report on its major Program activities during its current fiscal year; (b) submit to the City an annual Program budget for the current fiscal year that shows forecast Program revenues will be equal to or exceed the forecast Program expenses; and (c) submit to the City a projected

Program budget for the next 3 fiscal years showing forecast Program revenues will be equal to or greater than forecast Program expenses.

Findings

In accordance with the terms of the Use Lease Agreement, MacPhail Center for Music has submitted the required Program budgets to the City. City staff has reviewed MacPhail's audited financial statements and the annual and projected Program budgets as submitted by MacPhail. City staff has also analyzed the Governmental Program operated by MacPhail at the project and believe that MacPhail Center for Music is in compliance with carrying out the Governmental Program at the project pursuant to the requirements of the Bond Grant Agreement and the Use Lease Agreement. As further required by the Use Lease Agreement, the CPED Director has reviewed and approved the Program budgets submitted by MacPhail to the City and found (i) that the current Program budget forecast for the 2009 fiscal year shows Program revenues that are equal to or exceed Program expenses; (ii) that the projected Program budgets for the next 3 fiscal years (2010, 2011 and 2012) forecast Program revenues that are equal to or exceed forecast Program expenses; and (iii) that the operation of the facility by MacPhail continues to meet the requirements of the Governmental Program.

RESOLUTION
of the
CITY OF MINNEAPOLIS

By _____

Approving the governmental program and annual budget for the operation of the MacPhail Center for Music facility in Minneapolis for fiscal year 2009-2010.

WHEREAS, Minnesota Laws 2006, Chapter 258, Article 1, Section 4, Subdivision 4, authorizes the City of Minneapolis to undertake the design, construction and operation of the MacPhail Center for Music facility; to establish the MacPhail Center for Music facility as a governmental program providing music education, music therapy, and music education programming in public and private schools and in partnership with other organizations; and to appropriate funds for such purposes; and

WHEREAS, in 2006 the City accepted a \$5,000,000 bond grant from the State of Minnesota to design, construct, furnish and equip the MacPhail Center for Music facility in the City of Minneapolis; and

WHEREAS, to satisfy conditions of the State bond grant, the City must own or ground lease the MacPhail Center for Music facility, and enter into a use/lease agreement with MacPhail Center for Music under which it will take on the responsibility for the operation of the musical institution and the governmental program at the facility; and

WHEREAS, on July 21, 2006, the City Council adopted the governmental program to be achieved by the City's sponsorship of the MacPhail Center for Music facility to construct, equip and operate a music education center that includes studios, classrooms, and a performance hall, together with education programming, other cultural performances, and related and ancillary uses in the City of Minneapolis, pursuant to which the City expects to support cultural participation and encourage economic development and tourism; and

WHEREAS, pursuant to the State bond grant the City is required to annually report to the State on the operation of the MacPhail Center for Music facility and approve its continued use for the governmental program; and

WHEREAS, pursuant to the use/lease agreement MacPhail Center for Music has submitted annual current and projected budgets for the operation of the governmental program at the MacPhail Center for Music facility to the City; and

WHEREAS, the City's Department of Community Planning and Economic Development (CPED Department) Director has reviewed and approved the budgets for the operation of the governmental program at the MacPhail Center for Music facility submitted by MacPhail Center for Music to the City and found (i) that the current governmental program budget forecast for the 2009-2010 fiscal year shows revenues that are equal to or exceed expenses; (ii) that the projected governmental program budgets for the next 3 fiscal years (2010-2011, 2011-2012 and 2012-2013) forecast revenues that are equal to or exceed forecast expenses; and (iii) that the operation of the MacPhail Center for Music

facility by MacPhail Center for Music continues to meet the requirements of the governmental program.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

1. **THAT** based on the reports and documents submitted by MacPhail Center for Music, the review performed by City staff and the findings of the CPED Department Director, the City Council finds (i) that the current MacPhail Center for Music facility governmental program budget forecast for the 2009-2010 fiscal year shows revenues that are equal to or exceed expenses; (ii) that the projected MacPhail Center for Music facility governmental program budgets for the next 3 fiscal years (2010-2011, 2011-2012 and 2012-2013) forecast revenues that are equal to or exceed forecast expenses; and (iii) that the operation of the MacPhail Center for Music facility by MacPhail Center for Music continues to meet the requirements of the governmental program.

2. **BE IT FURTHER RESOLVED THAT** the City Council hereby approves and authorizes the continued use of the governmental program at the MacPhail Center for Music facility by MacPhail Center for Music for the fiscal year 2009-2010.

3. **BE IT FURTHER RESOLVED THAT** this resolution shall be in full force and effect from and after its passage.

RECORD OF CITY COUNCIL VOTE													
Member	Aye	Nay	NV	Abs	Ovrd	Sust	Member1	Aye	Nay	NV	Abs	Ovrd	Sust
Benson							Lilligren						
Colvin Roy							Ostrow						
Glidden							Remington						
Gordon							Samuels						
Hodges							Schiff						
Hofstede							Goodman, chair						
Johnson													
Vote: NV - Not Voting			Abs - Absent			Ovrd - Vote to Override			Sust - Vote to Sustain				

ADOPTED _____ . _____
APPROVED _____ . _____
NOT APPROVED _____ . _____
VETOED _____ . _____
Chairperson
Mayor

Minneapolis Department of Community Planning
and Economic Development
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Minneapolis, MN 55401