



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

Date: June 6, 2006

To: Council Member Lisa Goodman, Community Development Committee

Subject: Minnesota Shubert Center

Recommendation: With regard to the Minnesota Shubert Center: approve the terms of the Grant Agreement with the Minnesota Department of Employment and Economic Development (2005 State bonding of \$1.0 million for pre-design and design); the Design Sub-Grant Agreement with Artspace Projects, Inc.; the Amendment to Contract for Private Redevelopment and Option Agreement with Artspace Projects, Inc.; and the NRP Grant Agreement, on behalf of the Downtown Minneapolis Neighborhood Association (\$95,000), and authorize proper City officers to execute these and all related documents.

Previous Directives: August 21, 1998, (Resolution 98R-308) approval of terms of Redevelopment, Lease and Option Agreements with Artspace Projects, Inc. providing for the move of the Shubert Theatre from Block E- including approval of terms of sale of land at 516 Hennepin Avenue to Artspace Projects, Inc. and Guaranty Agreement with Butler Properties LLC. August 25, 2000, extension of Lease and Option Agreement to October 31, 2003. October 10, 2003, extension of lease and Option Agreement to October 31, 2005. September 23, 2005 City ranking of the Minnesota Shubert Center as number one priority for inclusion in the City 2006 State Bonding Proposal for Capital Projects. October 11, 2005, extension of lease and Option Agreement to October 31, 2007.

Prepared by: George M. Kissinger, Sr. Project Coordinator Phone: 673-5014

Approved by: Mike Christenson, Director of Economic Development and Policy _____.

Charles T. Lutz, Deputy Executive Director _____.

Presenters in Committee: Mike Christenson.

Permanent Review Committee (PRC) Approval _____ Not Applicable X.

Financial Impact (Check those that apply)

No financial impact.

Action requires an appropriation increase to the _____ Capital Budget or _____ Operating Budget.

Action provides increased revenue for appropriation increase.

___ Action requires use of contingency or reserves.

___ Business Plan: ___ Action is within the plan. ___ Action requires a change to plan.

___ Other financial impact (Explain):

___ Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: Not Applicable.

City Goals: The Sam S. Shubert Theatre is listed in the National Register of Historic Places. The Minnesota Shubert Center will ensure the preservation and re-use of that historic building as well as create an amenity that will benefit the citizens of the State of Minnesota and Minneapolis.

Comprehensive Plan: The property is located within the formally designated Entertainment District as specified in the Minneapolis 2010 Plan. The Minnesota Shubert Center will contribute to the arts and entertainment offered within the district.

Zoning Code: The Minnesota Shubert Center will conform to existing zoning with the possible need for a conditional use permit.

Other: None.

Background/discussion.

Minnesota State Laws of 2005 allocated \$1.0 million in the form of a grant to the City of Minneapolis for pre-design and design of an atrium to be constructed as part of the Minnesota Shubert Center the required Grant Agreement will set out the provisions relating to the grant and the disbursement of funds under the grant. Funded grant activities/expenditures will be for pre-design and design of the atrium portion of the project (located between, connecting and integrating the Hennepin Center for the Arts with the Shubert Theatre).

The City currently owns a portion of the real estate upon which the Shubert Theatre is located, subject to a Redevelopment Agreement, Lease and Option Agreement with Artspace projects, Inc. (Artspace). The existing agreements allow Artspace to pay down the \$1.1 million land purchase price through fundraising credits. It is proposed to amend these existing agreements to provide for immediate transfer of title of the City land to Artspace. The purpose of title transfer prior to execution of the State Grant Agreement is to avoid encumbering the parcel with state bond restrictions during the design phase of the project. To effect the early transfer, Artspace will be required to sign a promissory note and mortgage securing its land sale purchase price obligation to the City. (Any amount of the purchase price not credited through fund raising credits by October 31, 2007). Note that Artspace will also have to reimburse the City for the unrepaid amounts the City advanced to Butler Properties LLC under the Guaranty Agreement; expected to be \$212,400 at the time of entering into these amended agreements. The reimbursement obligation is a condition precedent to the purchase price credit referenced above.

Assuming the State ultimately awards the City a construction grant for the Minnesota Shubert Center, Artspace will then have to reconvey fee or leasehold title of the entire project to the City as a condition of obtaining the state bond financing. At that point in time the State will record a state bond-financed property declaration against the entire property.

There will be a Sub-Grant Agreement between Artspace and the City granting Artspace the \$1.0 million for the intended pre-design and design activities. Under the Sub-Grant Agreement, Artspace will be required to enter into a pre-specified architectural contract with sufficient funds on hand (including the Sub-Grant and \$95,000 NRP Grant) to complete the design to the point of construction bid documents for the atrium portion of the project. The Downtown Minneapolis Neighborhood Association has approved a grant of \$95,000 for the Minnesota Shubert Center from their NRP funding allocation. This grant will be administered through a standard NRP contract.

2006 State Legislative Up-Date.

Artspace, through the City of Minneapolis, has requested \$15 million in capital funding for the Minnesota Shubert Center in this year's state bonding request. The City has ranked this project as its number one priority. As of the writing of this report, there is \$11 million in both the Senate and House bonding bills. Te Governor has not included this project in his 2006 funding proposal.