



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: Easement Acquisition from Hi-Lake LLC

Recommendation: Approve terms for the City acquisition of an easement from Hi-Lake LLC with Metropolitan Council LCDA grant funds

Previous Directives:

On May 19, 2000 the City Council approved the Hiawatha and Lake Redevelopment Plan. This plan established objectives for the project area including coordination of redevelopment projects with transit infrastructure and authorized property acquisition around the Light Rail Station.

On December 28, 2001 the City Council approved Development Objectives for the Hi-Lake Center which established "the integration of private development with supportive public infrastructure" as a principal public objective for the phased redevelopment of this site into a mixed-use transit oriented development. This document also identified the need to establish a future transportation corridor connecting the Midtown Greenway with the Lake Street LRT Station along the northeast corner of the site that could accommodate bike, pedestrian and transit needs. This report recommended as a development strategy that the City help convene the multiple public jurisdictions and private interests necessary to design, build, operate and maintain the appropriate connections.

On February 10, 2006 the City Council approved the second extension of the Metropolitan Council's Livable Communities Demonstration Account Grant Agreement for Grant #SG-000-134 Hiawatha-Lake Transit Oriented Development, of which \$100,000 remains available for property acquisition. The grant funds were allocated for purposes of acquiring the proposed easement across the northeast corner of the Hi-Lake Shopping Center.

Prepared by: Mark Garner, Senior Project Coordinator, CPED Phone: 673-5037

Approved by: Chuck Lutz, Deputy Director, CPED _____

Mike Christenson, Director Econ. Policy & Dev. _____

Permanent Review Committee (PRC) Approval__ Not Applicable X

Presenter in Committee: Mike Christenson, Director Economic Policy & Development, CPED

Financial Impact:

- No financial impact (If checked, go directly to Background/Supporting Information).
- 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:

Neighborhood Notification: The Development Objectives for the Hi-Lake Center were approved after a multi-year planning process with extensive neighborhood involvement. Over the past year, the Midtown Community Works Partnership has served as the partnership vehicle for aligning stakeholders, property interests and adopted planning policies for this area. This easement agreement has been unanimously approved by the Partnership. Terms of the easement will be further shaped through community process regarding transportation modes and development objectives.

City Goals: Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets. Maintain the physical infrastructure to ensure a healthy, vital and safe City. Preserve and enhance our environmental, economic and social realms to promote a sustainable Minneapolis.

Comprehensive Plan: Section 4.19: Minneapolis will require design standards for Transit Station Areas that are oriented to the pedestrian and bicyclist and that enforce traditional urban form. Section 4.20 Minneapolis will provide direct connections to transit stations for pedestrians, bicyclists, and bus riders.

Zoning Code: Not Applicable.

Other: Not Applicable.

Background/Supporting Information

The success of the Hiawatha LRT line and the completion of phase two of the Midtown Greenway has increased public awareness of the gaps in public infrastructure and the derelict publicly-owned land around the Lake Street/Midtown LRT station.

The Lake Street/Midtown LRT station is located on a bridge crossing Lake Street. The LRT is constructed along the eastern edge of a triangular property located between the Hi-lake Shopping Center on the west side and Hiawatha Avenue to the east (see Exhibit 1: aerial photograph). Most of the triangle property – approximately ¾ acre - was utilized for LRT construction staging and

remains unimproved, except for a small transit plaza at the southeast corner of the site which provides access to the station lobby and platform.

Adopted City plans at Hi-Lake emphasize the importance of improving connections to the Lake Street LRT Station from nearby neighborhoods, adjacent properties, and the Midtown Greenway. However, connections between the triangle parcel and the Midtown Greenway corridor are limited by the narrow width of the LRT right-of-way corridor, which is partially obstructed by the bridge supports for the elevated LRT guideway. This connecting corridor can only be expanded on the west side of the guideway by encroaching onto Hi-Lake Shopping Center property, where a private alley located at the northeast corner of the property provides access for delivery vehicles and trash removal.

This report seeks to seize the opportunity, through this easement agreement, to further implement a program of improved transportation connections, public spaces, and integration of the station with surrounding land uses.

In 2004, the Hi-Lake Shopping Center was purchased by Hi-Lake LLC, owned by Stephen B. Wellington, Jr. Since that time, the property owner has secured public approvals for the renovation and improvement of the center, including the construction of a new mixed use building called Corridor Flats. The property owner has also participated in the Midtown Community Works Partnership (MCWP), and requested MCWP and City assistance to secure better maintenance, public improvements or development of the unsupervised triangle parcel located between the shopping center and the LRT station.

Upon completion of the LRT project, MnDOT, which managed the construction of the project, began to transfer the LRT right-of-way to the Metropolitan Council, the owner-operator of the transit system. On February 8, 2006 the Metropolitan Council identified the triangle parcel as surplus property and identified options for disposition of the property.

In March 2005, the MCWP adopted an implementation strategy for transit-oriented development in the Hiawatha Lake station area. The implementation plan prioritized developing a consensus plan for circulation improvements around the LRT station and for improving the triangle parcel consistent with the approved policy plans for the station area.

Process

CPED has worked closely with consultants to the MCWP, including the Metropolitan Design Center, Close Landscape Architecture, Smith Partners and the Center for Transit Oriented Development to support a collaborative planning process to 1. reconcile public and private stakeholder objectives, 2. identify transportation options and improvements, and 3. identify space and property allocation requirements in this corridor. The goal of this planning process has been to shape a consensus plan for public improvements and preserve infrastructure options as needed while supporting needed private improvements.

On December 14, 2005 the MCWP adopted a framework to guide development of the triangle parcel and establish an integrated transportation framework for the site. The resolution endorsing that framework has been attached as Exhibit 2 to this report. On February 10, 2006 the City Council approved the second extension of the Metropolitan Council's Livable Communities Demonstration Account Grant Agreement for Hiawatha-Lake Transit Oriented Development to pursue the acquisition of this easement.

Terms of Easement Acquisition

On May 5, 2006, Stephen Wellington signed a Letter of Intent to convey the property easement to the City of Minneapolis (see Exhibit 3). This letter specifies the negotiated business terms for the transaction.

The property owner is willing to grant the City the easement in exchange for \$100,000 (funded from the LCDA grant) and the City's agreement to coordinate a process that will result in the preparation of a specific development proposal for the adjacent property that may include some private development rights on the surplus triangle property. On May 16, 2006, the MCWP Partnership approved a resolution endorsing the redevelopment framework identified in this Letter

of Intent, and committed partnership resources to facilitate the preparation of a consensus plan and development proposal for this site.

The easement agreement accomplishes several immediate goals:

1. Acquisition of a perpetual easement to allow a non-exclusive right for public access across the easement by buses, bicycles and pedestrian traffic.
2. Establishment of an escrowed improvements fund from the acquisition proceeds for interim or permanent improvements approved by the City that will facilitate the intended uses of the easement, such as safety lighting, paving, sod and other landscaping.
3. Commitment of Hi-Lake LLC to contribute at no public expense the operating costs of electricity, water and trash pickup related to these improvements.
4. Establishment of a defined schedule (three months from the grant of this easement) for completion of a consensus development plan and proposal for the excess triangle property. The proposal will be based upon the transportation analysis, space allocation and design studies underway through the MCWP consultant process. The City will utilize the MCWP as a forum to integrate planning and policy concerns of the multiple jurisdictions, including:
 - a. Bus transit needs;
 - b. Future trail connections;
 - c. Future streetcar/rail connections;
 - d. Pedestrian connections;
 - e. Public spaces; and
 - f. Highest and best transit-oriented development options.

The landowner will be given three months from the date of the receipt of the development proposal from the City to negotiate for the purchase of any development rights for the surplus triangle parcel consistent with the development plan. If the City and Hi-Lake LLC are not able to agree on final terms and conditions, then the Landowner shall have the option to repurchase the easement for the original price minus the cost of any City approved improvements made from the improvement funds. If the developer elects not to purchase development rights on the triangle, and also elects not to repurchase the easement property, the City shall have the option to compel the landowner to repurchase the City's interest in the easement property for the original purchase price minus the City approved improvement costs during a 60 day period following the conclusion of negotiations over the development rights. Specific procedures regarding the improvement fund, development proposal, and process for finalizing or rescinding the easement agreement are outlined in greater detail in the Letter of Intent.

Acquisition of this easement shall comply with requirements in the City's real estate acquisition policy.