



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

Date: July 11, 2006

To: Council Member Lisa Goodman, Community Development Committee
Council Member Sandy Colvin Roy, Transportation and Public Works Committee

Subject: Lease Agreement for Riverfront East Parcel; Parking Agreement with Guthrie Theater Foundation

Recommendation:

- (1) Authorize CPED to execute a lease agreement with the Park Development Foundation for development of a park on the Riverfront East Parcel.
- (2) Authorize CPED and Public Works to negotiate and execute an amendment to the parking agreement with the Guthrie Theater Foundation.
- (3) Authorize appropriate City officials to execute such other documents and agreements as are reasonably necessary to implement the lease and parking transactions described in this report.

Previous Directives: On April 14, 2006, the City Council granted to the William W. and Nadine M. McGuire Family Foundation exclusive rights for a period of one hundred and twenty days (120) days to negotiate the terms of a lease for the Riverfront East Parcel. On December 23, 2005, the City Council authorized the distribution of a development Request for Proposals for the Riverfront East Parcel. On November 22, 2002, the City Council authorized the execution of a redevelopment contract with the Guthrie Theater Foundation that provided for the provision of certain employee parking for the Guthrie Theater on the Riverfront East Parcel. The acquisition of the property now included in the Riverfront East Parcel was approved by the MCDA Board of Commissioners and completed in 1987, 1991 and 1994.

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Approved by: Lee E. Sheehy, Director _____

Permanent Review Committee (PRC) Approval Not Applicable

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Presenter in Committee: Chuck Lutz

Financial Impact (Check those that apply)

- 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): Relocation of Guthrie employee parking into Riverfront Ramp is likely to have an impact on the Parking Fund.
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: The Downtown Minneapolis Neighborhood Association (DMNA) and Industry Square Project Committee (ISPC) both appointed representatives to the proposal review advisory committee for the Riverfront East Parcel. In addition, staff presented summaries of the three proposals to the ISPC on March 9, 2006, and to the DMNA on March 14, 2006. During the exclusive rights period, representatives of the McGuire Family Foundation met again with DMNA and ISPC; they also met with the St. Anthony Falls Heritage Board.

City Goals: Addresses the goal of creating an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets, specifically by encouraging through a partnership with a private party the development of a green space amenity in order to create a strong sense of place and an environment in which businesses want to locate and workers want to live. Also addresses Sustainability Goal of adding 2,500 trees on public land every year through 2015.

Comprehensive Plan: The recommended proposal generally complies, although the plan identifies this area as a location for housing or other amenities.

Zoning Code: The land use in the recommended proposal complies; additional detail will be required for a full compliance review.

Background Information

The property now known as the "Riverfront East Parcel" is owned by the City as part of the CPED (previously, MCDA) land inventory. The parcel is bounded by West River Parkway, 11th Avenue South and Second Street South and includes vacated Tenth Avenue South. The current parcel was assembled for redevelopment through a number of acquisitions over a

period of several years and is the last CPED-owned parcel with frontage along West River Parkway. See Exhibit A for an overall location map.

As authorized by the City Council, CPED issued a Request for Proposals (RFP) at the beginning of 2006. Three proposals were received and reviewed extensively by an advisory committee. The committee recommended the selection of the proposal from the William W. and Nadine M. McGuire Family Foundation (the "McGuire Foundation"). On April 14, 2006, the City Council granted the McGuire Foundation exclusive rights for 120 days to negotiate the terms of a Lease.

The McGuire Foundation proposal was recommended for the following reasons:

- It will allow the Guthrie expansion parcel and Riverfront East Parcel to be combined to provide an 8-acre park for ten years to benefit the surrounding neighborhood and downtown, complement the Mississippi Central Riverfront Regional Park and support the current efforts to green the city.
- It preserves sightlines to the Guthrie Theater, a signature piece of architecture, and opens the possibility of visually connecting the riverfront to Washington Avenue at Tenth and 11th Avenues.
- The ten-year lease structure preserves options for the long-term future of this last available parcel with parkway frontage in the Minneapolis riverfront district.
- The construction financing has been committed, and the project is ready to move ahead in a timely manner with little or no uncertainty about market, funding availability or approvals.
- The proposed structure represents an intriguing public-private partnership opportunity that merits exploration and may serve as a model for future projects.

Staff recommended a series of refinements to the proposal, which have been addressed either through the lease terms or in work between City staff and representatives of the McGuire Foundation.

Terms of Proposed Lease

Parties to the Lease

The parties to the Lease are the City of Minneapolis and the Park Development Foundation ("Foundation"). Note that the Foundation is a new entity that will have sufficient assets to construct and maintain the park. The Foundation will likely have Board members who represent the McGuire Foundation, a variety of organizations in the area as well as area residents. (Since the park is also partially located on land owned by the Guthrie Theater, the Foundation will have a lease agreement with the Guthrie Theater too.)

Lease Term and Use

The Riverfront East Parcel ("Premises") is proposed to be leased to the Foundation for a period of ten years from the date of substantial completion of park construction for \$50,000 per year, which is the fair market rate. The Premises will be used as a park/open space during the Lease term. The park will be available to the public during the Lease term, subject to reasonable restrictions.

During the Lease term, the Foundation will hold title to personal property that is part of the improvements on the Premises. Upon termination of the Lease, the Foundation may remove its personal property.

Permits and Clearances

The Foundation is responsible for obtaining all environmental clearances, land use and building permits necessary for construction of the park. See Exhibit B for a site plan and Exhibit C for a site rendering. If approvals and permits are not obtained, either party can terminate the Lease. The City has the opportunity to review and comment on the park design. Material alterations of the park during the Lease term will be subject to City approval.

Funding

Construction funding and all responsibility for potential construction cost overruns will be provided by the Foundation.

Construction

Construction on the Premises, which includes remediation of any hazardous substances, will be completed by July 2007. (It is the goal of the Foundation to begin work in early September and substantially complete the park before winter.) The Foundation agrees that each contractor or subcontractor with a contract over \$50,000 will participate in a registered apprenticeship program certified by the State. The Foundation also agrees to comply with wage and hour standards (local Davis-Bacon).

Repairs and Maintenance

The Foundation will either provide, or cause to be provided at its sole cost and expense, maintenance (as described in the Lease) of the Premises during the Lease period. Reasonable maintenance will include the sidewalks on the perimeter of the Premises.

Security

The Foundation intends to discuss cooperative security oversight with the Guthrie given that its property is involved and that its adjacent Theater complex has 24-hour security. The design of the park has been reviewed by City representatives familiar with Crime Prevention Through Environmental Design (CPTED) principles.

Property Taxes

The Premises are currently exempt from property taxes. Representatives of the Foundation are working with the City Assessor and County Attorney to secure an exemption from property taxes during the Lease term.

Insurance

The Foundation must maintain insurance on the Premises during the construction period and Lease term, verification of which must be made available to the City.

Damage or Destruction During Lease Term

If the Premises sustain major damage during the Lease term, and the cost to repair or reconstruct exceeds the amount of available insurance, the Foundation can make the repairs or terminate the Lease. In the case of Lease termination, the City may require the

Foundation to restore the Premises to its original condition using available insurance proceeds. If insurance proceeds are insufficient, the City is responsible for the shortfall. Alternatively, the City may not require the Premises to be restored to its original condition, in which case the City would receive the insurance proceeds.

Long Term Operation

The Parties will meet in 2012 (6 years into the 10-year Lease term) to discuss long-term ownership, funding and operation of the park, if indeed it is the City's desire to retain the Premises as a park.

End of Lease Term

At the end of the Lease term, the Foundation will surrender the Premises to the City in good condition and will have no further interest in the Premises. The Foundation will have 90 days to remove any personal property on the Premises. The Foundation, however, is not obligated to remove the 25-foot earth mound that will span the City and Guthrie parcels. The City and the Guthrie may each grant easement rights to the other to remove the mound, as the remover's expense, to facilitate future development of the property.

Parking Agreement with Guthrie Theater Foundation

The redevelopment contract with the Guthrie Theater Foundation commits the City to enter into an agreement to provide the Guthrie Theater with 135 parking spaces for its employees and other non-patrons for a period of seven years (through March 2013). The original terms assumed the parking would be located initially in the Riverfront Ramp, but then would be moved to the Parcel E Liner development parcel and/or the southeast portion of the Riverfront East Parcel once the Riverfront Ramp filled up with market-rate users. The Parcel E Liner has been committed for development and thus is not available. The Guthrie parking has been accommodated on the Riverfront East Parcel since March 2006 in accordance with the financial terms outlined in the redevelopment contract, but the actual employee parking agreement has not yet been executed, pending clarification of the impact of the proposed park development on the parking location.

In order to allow the park development to proceed, the Guthrie parking will need to move and the most obvious alternative is to relocate the parking to the Riverfront Ramp. Relocation of parking will require an amendment to the Guthrie parking lease, the key terms of which are outlined below.

Revised Terms

- **Location of spaces** – Riverfront East Parcel until parcel is leased or sold for development, then Riverfront Municipal Ramp for remainder of term. (Parcel E Liner site is deleted as an option as it is no longer available for parking, and language about potential relocation to Guthrie expansion parcel will be eliminated upon lease to Park Development Foundation for public park/open space.)
- **Number of spaces** – Guthrie waives right to annually revise number of spaces to be leased.

Terms to Remain As Originally Approved

- **Number of spaces** – 135 (i.e., 150 less 15 spaces accommodated on Guthrie property), available 24 hours per day, seven days per week. Guthrie will allow City to rent unused spaces for event parking (upon consultation).
- **Term** – Seven years (beginning March 1, 2006)
- **Monthly parking rate** – \$40.00 per space per month for first full year and then inflating at each annual anniversary date of lease in proportion to increases in average monthly 24-hour rate in City parking system (average reserved rate if reserved spaces continue to be offered).

- **Eligible parkers** -- Guthrie may allocate leased spaces to, or permit use of spaces by, more than 135 Guthrie users (i.e., those who visit Guthrie regularly for Guthrie business such as employees, volunteers, vendors, food service people who are not employees, contract employees such as cleaning staff and board members), on condition that no more than 135 spaces will be occupied at any one time. Guthrie has right and responsibility to administer allocation of hang tags/parking cards within maximum number of spaces. Guthrie may not allocate spaces to parkers who would impact tax-exempt status of bonds sold to finance Riverfront Ramp.
- **Operations** – If Guthrie requests any special operating procedures or equipment not currently in effect, those would be at Guthrie's cost.

The provision of Guthrie employee parking in the Riverfront Ramp for the remainder of the seven year term of the agreement will have an impact on the Parking Fund. In the interim until the ramp fills with other users, the Guthrie parking will bring revenue to the ramp. The monthly Guthrie parking rate is \$40 per month per space initially, increased annually by an inflation factor. When the ramp reaches the point that these 135 stalls could be occupied by market rate users, it will result in reduced revenues to the Parking Fund because the Guthrie parking rate is less than the market rate for the stalls. It is difficult to predict with certainty the overall impact on the Parking Fund due to the agreement for Guthrie employee parking, but it is likely that the cumulative impact will be reduced revenue.

Summary

Staff is recommending that the City of Minneapolis enter into this Lease with the Park Development Foundation and revise the terms of the Guthrie parking agreement to make the Riverfront East Parcel available for this use. The park, to be developed and maintained at no cost to the City, will be an important urban amenity for the term of the Lease. To make space available for the park, staff also is recommending that the City enter into the above-described Parking Agreement with the Guthrie Theater Foundation.