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MEMORANDUM

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April 2, 2004

REPORT TO THE COMMISSIONERS

Prepared by: Tom Daniel, Project Coordinator, Phone 612-673-5079

Approved by: Lee Sheehy, Executive Director
Chuck Lutz, Deputy Executive Director __________________

SUBJECT: Award of Low Responsible Bid, Target Center Seating Replacement Project. Authorization to Enter into Contract.

Previous Directives: On August 22, 2003, the City Council adopted an amendment to the Target Center Finance Plan to include up to $14 million in Common Project tax increment revenue to finance capital improvements relating to the Target Center. On April 18, 2003, the City Council and MCDA Board of Commissioners authorized staff to permit privately financed capital improvements for Target Center within the five percent private payment exemption. On May 19, 2000, the Board of Commissioners authorized issuance of notice of termination to Ogden Entertainment Inc. and execution of Assignment and Assumption Agreement with SFX Entertainment Corporation and amendments to related Target Center documents. On March 10, 1995, the City Council and Board of Commissioners approved the terms and authorized the execution of the Target Center Purchase Agreement, related Lease and financing documents, and the issuance of $84,650,000 in bonds.

Ward: 5

Neighborhood Group Notification: Not applicable.

Consistency with *Building a City That Works:* Goal 4: Preserve and enhance the historic structures, urban institutions, environments and amenities that define Minneapolis; Strategy 1: Oversee management and maintenance of publicly-owned entertainment venues.

Comprehensive Plan Compliance: Not applicable.

Zoning Code Compliance: Not applicable.

Impact on MCDA Budget: The cost of the improvements will be charged against the Target Center Capital Improvement Program (CIP). Funds will be expended from Fund CPK. There are appropriated funds available for these expenditures.

Living Wage / Business Subsidy: Not applicable.

Job Linkage: Not applicable.

Affirmative Action Compliance: Will comply.

Recommendation: The Executive Director recommends that

1. **The Low Responsible Bid be awarded to Hussey Seating Company for a base bid with alternates two and three in the total amount of $4,947,964; and**
2. **The Executive Director be authorized to enter into a general construction contract with Hussey Seating Company for the seating replacement project at the Target Center.**

Background

As a condition for maintaining the tax exempt nature of the bonds issued by the City and MCDA for the Target Center acquisition in 1995, the MCDA, as fee owner of the facility, must undertake and pay for certain types of capital improvements and equipment purchases. The various leases and related documents with SFX/Clear Channel ("Manager"), Minnesota Timberwolves ("Team"), and Northwest Athletic Club ("Health Club") require that all proposed capital projects must be done by MCDA pursuant to the bond restriction. The documents also define the contractual obligations of MCDA to pay for certain capital improvements: (a) structure integrity requirements; (b) those necessary for the arena to be open to the public for the uses originally intended; (c) scoreboard replacement.

The Target Center Capital Improvement Program is funded through the public revenues that comprise the Target Center Finance Plan. As approved in 1995, these revenues consisted of Target Center tax increment (and City share of the base taxes), City Entertainment Tax from Target Center events, payments from the Minnesota Amateur Sports Commission (dependent on annual appropriation), and Parking Fund allocations. Due to the drastic reduction in project tax increment attributable to the State reduction in tax classification rates and exclusion of the State Education Tax Levy from tax increment, the Finance Plan was amended in 2003 to include allocations from the Common Project for payment of debt service and up to $14 million in Common Project tax increment revenue to finance capital improvements relating to the Target Center.

Current Project

Both Manager and Team identified the replacement of the Arena seating as the top priority for the Arena. The chairs are approximately 14 years old, are worn, and have been failing. Of the five other NBA arenas built in the same era as the Target Center that are expected to continue in operation, only one (Detroit) has not replaced, or has no current plans to replace, the seating.

Manager, Team, MCDA, and the MCDA's project architect, SLL/Leo A Daly, met intensively to develop the project scope. The goal of the project was to replace the seating with quality chairs and riser systems. We sought to add capacity where possible, maintain or improve patron comfort and safety, and increase operational efficiency. The project needs to be completed in time for the opening home game in October 2004.

The project scope includes the removal of the existing fixed seats and installation of new permanent seating on a one-for-one basis. In the lower level, additional seating will be added in aisles that are not required for exiting.

The scope also includes the removal of the flexible riser system in the lower level and installation of new telescoping seating. A new configuration will improve sight lines, increase capacity, and create center end entrances. The floor joints will be repaired and a corridor will be provided at the south end of the arena.

The project scope preserves Target Center's tradition of having roomier chairs. Although 445 more seats will be added to the lower level, no seat widths will be reduced. All of the new capacity seating will be either 21 or 22 inches wide. Only three chairs out of more than the 19,000 total will be 19 inches wide. In comparison, the Xcel Center has more than 5,000 chairs that are only 19 inches wide. In fact, over 77 percent of Xcel's chairs are only 19 or 20 inches wide. This is a striking contrast to the Target Center where more than 82 percent are the more comfortable 21 or 22 inch wide chairs.

The project will result in quality chairs in all seating areas, additional ADA seating options, more beverage cup holders, improved aisle lighting, and step demarcation.

An increase in operational efficiency is expected due to two factors—1. the center end entrance will allow for loading and unloading of some equipment without having to move the seating risers; and 2. the telescoping system will have chairs permanently mounted to it (currently folding chairs are set up manually).

The MCDA began the public bid process for the project on March 4, 2004, with an Invitation to Bid in accordance with MCDA Procurement Policy. The bid package was prepared by the Agency's project architect, SLL/Leo A Daly, and included six alternates to the base.

Specification packets for the project were distributed to 27 companies. Bids were opened at 10:00 a.m. on March 25, 2004, at MCDA offices. All steps in the MCDA Procurement Policy in soliciting for these bids were met. The following bids were received.

Name	Base Bid
Mortenson/Irwin	$5,049,000
Hussey	$4,744,464

The Hussey base bid is $304,536 less than the Mortenson/Irwin base bid.

In addition to the base, alternates two and three are being recommended for inclusion in the scope. Alternate two would create a different seating structure in the south end of the lower level and would allow for improved access to certain seating sections. The Team has agreed to pay fifty percent of the cost associated with this alternate which will count against the five percent private payment exemption. Alternate three would result in new steel chair standards being used rather than reusing the existing standards.

Name	**Alternate 2**	**Alternate 3**	**Total of Alternates**
Mortenson/Irwin	$31,000	$121,000	$152,000
Hussey	$208,500	($5,000)	$203,500

Name	**Total Base with Alternates 2 and 3**
Mortenson/Irwin	$5,201,000
Hussey	$4,947,964

When alternates two and three are added to the base, the Hussey bid is $253,036 lower than the Mortenson/Irwin bid.

After staff review of the bids received, and after consultation with the Project Architect, it was determined that the bid submitted by Hussey was the Low Responsible Bid.

The SUBP Manager has indicated that Hussey's bid meets the goals of the program. Before contract signing, all Affirmative Action, Small and Underutilized Business, Apprenticeship Training and Prevailing Wage requirements will be specified and approved.