



Request for City Council Committee Action From the Department of Finance and Property Services

Date: March 30, 2015
To: Honorable John Quincy, Chair Ways & Means Committee
Subject: Lease of Hamilton School at 4119 Dupont Avenue North

Recommendation:

That the proper City officers be authorized to negotiate and execute a new ten (10) year lease with the Minneapolis Public Schools to use Hamilton School at 4119 Dupont Avenue North. Lease costs will be paid for utilizing the existing operating budget of the Police Department Fund 00100, Department 4004310.

Previous Directives:

- 12/10/14 - Council Resolution 2014R-522 approving \$2 million in Net Debt Bonds for MPD03 Hamilton School Facility Improvements
- 12/11/13 – Council approval of \$1 million in Net Debt Bonds for MPD03 Hamilton School Facility Improvements
- 3/6/09 - Authorizing the proper City Officers to determine a potential purchase price for the acquisition of Hamilton School
- 6/30/06 – Council approval to lease Hamilton School for Police Dept. needs

Prepared by: Rebecca Law, Project Manager, Property Services, 673-5064

Approved by:

Kevin Carpenter, Chief Financial Officer, Finance and Property Services Dept.

Spencer Cronk, City Coordinator

Presenters: Greg Goeke, Director of Property Services

Reviews

Permanent Review Committee (PRC):	Approval _NA
Civil Rights Approval	Approval _NA
Policy Review Group (PRG):	Approval _NA

Financial Impact

Action is within current department budget. Capital expenses are to be paid from current and future appropriations for the MPD03 Hamilton School Facility Improvement Project Fund 04100 Department 9010923 (Property Services Capital.)

Community Impact

City Goals: A City that works: City government runs well and connects to the community it serves

Background/Supporting Information

The City has leased Hamilton School from the Minneapolis Public Schools (MPS) since 2006 with the intention of purchasing the property and making significant capital investment in the property. The building has mainly been used for Police Department training needs and contains 50,920 square feet. On February 10, 2009 the MPS Board declared Hamilton School as “excess property” and authorized MPS staff to negotiate terms for selling it to the City. Similarly, City officials directed staff to investigate the acquisition costs.

However on May 29, 2014, City staff first received notice from Mark Bollinger, MPS Executive Director of Facilities Management and Capital Construction, that MPS had reversed its position and was no longer willing to sell. MPS decided to keep the building as a “back-up” facility in case there was severe damage at another school or in case a magnet school was needed later.

The building needs significant capital investment for remodeling and for correcting deferred maintenance issues. Three million dollars have already been allocated to the MPD03 Hamilton School Facility Improvement Project and an additional one million dollars will be requested through this year’s Capital Budget Request process. This investment would address some of the most urgent needs in the building with the idea that this would no longer be utilized by the City at the end of the lease. MPS has also requested an early termination clause that allows a termination notice to be given no earlier than June, 2016. The City of Minneapolis will be given a minimum of three (3) years advance notice prior to termination becoming effective.

The current Hamilton School lease has now expired and the Police Department is occupying the building on a month to month basis. On April 14, 2015, MPS staff will ask for the Board of Education’s approval to implement a new lease with the City and revoke their previous motion to sell the property.

Recommendation

Finance and Property Services recommends entering into a new lease with MPS to rent Hamilton School for the Police Department for the next ten years. Property Services staff in cooperation with Community, Planning and Economic Development (CPED), will start the process to identify potential real estate options to meet the long term needs of the Police Department.

The proposed lease terms will include:

- Ten year lease with either side being able to terminate with three years notice.
- Consistent with the original lease, the City is responsible for daily cleaning, grounds care, and minor maintenance.

- The City is proposing to spend up to \$4 million in capital improvements and replacements. If MPS terminates the lease before ten years, MPS will reimburse a portion of those capital expenditures.

•

Cc: Sandra Christenson
LaTonia Green
Robin McPherson