

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 1/19/2016
Referral: Ways & Means
From: Community Planning & Economic Development
Prepared by: CPED, Finance and City Attorney Staff
Presented by: Miles Mercer
File type: Action
Subcategory: Contracts & Agreements

Subject:

Downtown East Commons Additional Construction

Description:

- Authorizing one or more additional amendments to existing agreements with Ryan Companies and First American Title Insurance Company for construction of additional enhancements to the Commons;
- Amending the 2016 General Appropriation Resolution to recognize \$2.0 million in donated revenue and appropriate \$2.0 million in expenditures related to the Commons.

Previous Actions:

July 19, 2013, the City Council authorized staff to negotiate term sheets consistent with the general conceptual framework for the broader Downtown East project. October 4, 2013, the City Council established a Park Committee to formulate a vision for the new green space. December 13, 2013, the City Council approved a term sheet with Ryan Companies and the Minnesota Sports Facilities Authority for the Downtown East project and adopted resolutions related to the financing. August 29, 2014, the City Council accepted a Pre-Development grant (LCDA-TOD) from the Met Council for design work of the Commons. December 11, 2014, the City Council approved a Memorandum of Understanding with the Minneapolis Park & Recreation Board providing for the conveyance and lease back of the Commons. January 16, 2015, the City Council authorized staff to enter into a contract with Hargreaves Associates for the design of the Downtown East Commons. April 3, 2015, the City Council authorized an amendment for continued project management services. June 5, 2015, the City Council authorized a contract for owner's representative services. September 11, 2015 City Council authorized Green Minneapolis to undertake a fundraising campaign for and Ryan Companies to construct an initial phase of enhancements to the Downtown East Commons. November 20, 2015 City Council adopted a resolution accepting charitable gifts from Green Minneapolis and Ryan Companies for the Commons. January 15, 2016, anticipated that the City Council will adopt a resolution accepting an additional \$2 million charitable contribution from Minnesota Vikings Football, LLC.

Ward/Address:

Ward 3
425 Portland Ave S and 521 4th St S

Background/Analysis:

One component of the broader Downtown East project is the development of a green space on the one and two-thirds of the blocks bounded by 4th Street South, 5th Street South, 5th Avenue South and Park Avenue. This space is currently referred to as the “Downtown East Commons.” A key factor in Wells Fargo Bank’s decision to build two new office towers in Downtown East (the anchor buildings of the Downtown East development project) instead of a suburban location was the creation of the Commons adjacent to the towers. The presence of the Wells Fargo office development also meant that there would be regular weekday use of and revenues from the parking structure being built by the MSFA on the block to the east of the Wells Fargo office towers. Net revenues from this parking structure, as well as the MSFA’s Downtown East Ramp, will be used to pay debt service on bonds for the cost of acquiring and clearing the land for the Commons.

The Downtown East development, including the Commons, is positively impacting the City’s tax base and economic vitality. The Downtown East development already includes 1.2 million square feet of new office space, 26,000 square feet of new retail space and 195 new housing units. The Downtown East development (excluding the Commons portion of the development) has involved \$400 million of new investment. In addition, a new hotel and an additional office building are in the planning stages for the liner parcels along the north side of the new Wells Fargo towers.

In early 2015, the City hired Hargreaves Associates to engage the community on ideas for the space and develop a design for the Commons beyond a basic green space.

To implement the design, the City is working with Ryan Companies on the build out of the Commons and with Green Minneapolis to fund those improvements. Under existing agreements, Ryan Companies is obligated to clear the site and make basic improvements to the site (e.g. seeded grass, power, and irrigation), together with certain previously approved enhancements, prior to conveyance of the improved property to the City. The City is to acquire this improved property by July 1, 2016.

Green Minneapolis is a 501(c)(3) nonprofit conservancy formed by the Downtown Council to facilitate parks and greening downtown. Green Minneapolis is leading the philanthropic fundraising effort to pay for the additional capital improvements and a portion of initial operating costs of the Commons. In August 2015, the fundraising committee announced the first round of cash and in-kind commitments for the Commons totaling \$7 million, including \$2 million from the City for existing design and project management costs (soft costs). The \$5 million in cash contributions will fund \$3.5 million in additional improvements approved by the City Council in September 2015, with the remaining \$1.5 million ear-marked for operating funds.

Additional Funding and Construction

In recognition of the pace of fundraising, construction of certain elements of the Hargreaves design will be deferred. These include the two buildings, the terraces along the Great Lawn, and the wet plaza. Additional features will be constructed when funds become available and the operating model of the Commons has been further developed and justifies the need for additional elements.

With the deferral of the above-mentioned elements, the construction cost estimate for this phase of enhancements is \$10.8 million. This will provide for installation of the hardscape, trees, great and small lawns, program rooms and other plantings identified in the Hargreaves design.

Last week Green Minneapolis and the Commons’ Fundraising Committee announced a second round of cash commitments for the Commons totaling \$3.5 million, including \$2 million from the Minnesota Vikings. (In a separate Request for Council Action the Ways and Means

Committee voted at its meeting on January 11 in support of accepting this Viking donation). The total amount of pledged fundraising to date is \$10.5 million for the following purposes:

- \$2 million from the City for design and project management costs
- \$6.13 million from private donors for capital costs
- \$2.37 million from private donors for operating costs

Green Minneapolis and the Commons’ Fundraising Committee continue to work on additional pledges. It is anticipated that an additional \$6.23 million in pledges are required to net (after setting aside 25% for campaign costs and operations) the additional \$4.67 million necessary to fund the full \$10.8 million capital cost of the first phase of the improvements.

Staff is seeking Council approval to expand the scope of enhancements to the turnkey Commons project to the extent funds are available as defined by signed pledge agreements from the donors and cash is received. The City will NOT contribute funding for the capital cost of these improvements.

The scope of the \$10.8 million budget includes the following items:

- \$3.3 million for subsurface improvements already approved by City Council in Fall 2015
- \$1.5 million for ordering of stone, electrical and plumbing supply for both blocks
- \$2.5 million for landscape, irrigation, hardscape and furnishings on the easterly block
- \$3.5 million for
 - Stone, electrical and plumbing installation on both blocks
 - Concrete, water service, sanitary service and porous paving on both blocks
 - Landscaping, irrigation, hardscape and site furnishings on westerly block

One or more amendments to the existing project agreements with Ryan and First American Title Insurance would be entered into to authorize additional construction costs based on the availability of funds generated from the fundraising efforts of Green Minneapolis and the Commons’ Fundraising Committee. Ryan will donate its fee on the additional enhancements as an in-kind contribution to the City.

In addition to the improvements associated with the implementation of the Hargreaves design, the existing project agreements require Ryan to make certain improvements to the public right-of-way around the Commons to improve the streetscape using existing project resources. The City will also make improvements to the public right-of-way surrounding the Commons consistent with the City Council-adopted Downtown East Pedestrian Augmentation Plan. The City improvements are outside the scope of this City Council action.

Commons Operations

The Commons is planned to be open in the summer of 2016. Green Minneapolis has estimated that first year operating costs will be approximately \$1.5 million -- \$250,000 in start-up costs and \$1.25 million in operating costs based upon the \$10.8 million design. The estimate for Commons operating costs in 2017 is \$1.9 million based upon an analysis of Commons’ requirements in light of comparable parks as noted below:

City	Park	Acres	Budget
Cincinnati	Fountain Square	1.8	\$2.0 million
Detroit	Campus Martius	2.3	\$1.5 million
San Francisco	Yerba Buena	10.0	\$2.5 million

In September 2015, the City Council directed staff to return with a list of the potential funding mechanisms for the operations and maintenance of the Commons based on the costs and revenues for comparable urban parks across the country (see above), including an analysis of

the revenue-generating design features. Comparable parks around the country rely on combinations of the following funding mechanisms:

- Direct funding from the local government
- Ongoing philanthropic fundraising
- Earned income from operations such as food concessions and event use (see below)
- Program sponsorships
- Value capture mechanisms from property and/or sales activity generated in the vicinity
- Special assessments and/or special service district tools

With the \$10.8 million scope for the Commons described above, the main revenue-generating features would include spaces in which to hold events and charge rent within the constraints of the existing Urban Park Use Agreement. A consultant for the City estimates that these spaces could potentially generate \$26,500-\$100,000 a year. Deferring the construction of the café pavilion building on the westerly block defers potential operating revenue from a food concessionaire. However, deferring the building also provides the opportunity to gain experience operating the Commons and to partner with a concessionaire that could inform the final design of the building.

Staff continues to work with Green Minneapolis on a potential operating model for the Commons including the identification of funding sources. Approval of an operating model, an operator, and an operating budget will be the subject of future City Council action.

Events and Use of the Commons

The City Council action in September also directed staff to provide an updated analysis of the number of days that the Minnesota Sports Facilities Authority (MSFA) and the Minnesota Vikings have use of the Commons. The City has started and will continue to engage in discussions with the MSFA over use and scheduling of the Commons. The completion of the lease by the MSFA for the Medical Examiner's parking lot, which staff has been told will now be incorporated into the Stadium's plaza design scheme, will ease demands placed on the Commons for putting and taking down tents and other temporary structures. It is staff's understanding that many of the vendor tents for the football season will be located on the Medical Examiner's block to avoid the requirements in the Use Agreement that tents and other temporary structures be removed promptly after each event. While demand may be less, at this point the number of days that MSFA and the Vikings have the right to book events in the Commons has not changed. The Vikings have the right to book events in both blocks of the Commons for their home games plus ten additional days a year. MSFA has the right to book events in only the easterly block of the Commons for up to forty days per year.

Finally, the City Council action in September directed staff to explore the desirability and feasibility of reopening the Urban Park Use Agreement with the MSFA. Staff finds it desirable to reopen that agreement to enable greater opportunity for the Commons to generate operating revenue from events, rentals, and sponsorships and is working with Green Minneapolis to address the Use Agreement with MSFA and the Vikings.

Financial Review:

Additional appropriation required.

Amending the 2016 General Appropriation Resolution to recognize \$2.0 million in donated revenue and appropriate \$2.0 million in expenditures related to the Commons.

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**