

**Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED**

**Date:** July 25, 2008  
**To:** Honorable Lisa Goodman, Chair, Community Development Committee  
**Referral to:** Honorable Paul Ostrow, Chair, Ways & Means/Budget Development Committee  
**Subject:** Amendment to the Purchase and Sale Agreement between the City and Alatus Management LLC, regarding the purchase option for the Downtown East Ramp.

**Recommendation:** Amend the purchase agreement with respect to the Downtown East Ramp to: 1) allow for the possibility of two one-year extensions of the option to purchase rights between Alatus Management LLC and the Vikings/MVZ Ventures LLC or an approved affiliate thereof (“Vikings”) and the Metropolitan Sports Facilities Commission (“MSFC”), and 2) require that Alatus make an \$84,000 payment to the City for each additional option year provided to the Vikings or the MSFC, representing estimated forgone property taxes as a result of the delay in development on the ramp site.

**Previous Directives:**

- May 2, 2008, Update on Disposition and Distribution of Proceeds from Sale of Parking Ramps, including repayment to the Downtown East Project Fund.
- October 9, 2007, Council Action extending MSFC’s option agreement timeline for the Downtown East Ramp from December 31, 2009, to March 1, 2010.
- July 20, 2007 Council Action authorizing the execution of purchase agreements and related documents for the sale of municipal parking ramps to Alatus Management LLC.
- April 14, 2006 Council Action – Approved sale criteria and authorized RFP process for sale of municipal ramps.
- June 18, 2004, Resolution 2004R-282, Parking Fund Workout Plan.
- June 20, 2003, Council Action approving amended Finance Plan for Downtown East LRT, including interfund loan to be repaid from sale of air-rights of Downtown East.
- May 29, 2001, Council Action approving the Finance Plan for Downtown East Light Rail Transit (LRT) Station Block Transit-Oriented Development Public Infrastructure Project (Parking Ramp).

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Approved by: Charles T. Lutz, Deputy Director CPED _____ Catherine A. Polasky, Director, Economic Development _____
Presenter in Committee: Emily Stern, Senior Project Coordinator

**Reviews**  
Permanent Review Committee (PRC): N/A

Policy Review Group (PRG):

N/A

**Financial Impact**

Other financial impact. The City will receive a cash payment of \$84,000 if/when the Vikings or the MSFC obtain each additional year of option rights (anticipated to be spring of 2009 and spring of 2010). If the Vikings or MSFC obtain two additional years of options rights, the total cash payment to the City will be \$168,000.

**Community Impact**

Neighborhood Notification: Prior to the City's sale of the Downtown East Ramp to Alatus, City staff discussed the basic terms of the development commitment associated with the ramp site with both Elliot Park Neighborhood, Inc. (EPNI) and the Downtown Minneapolis Neighborhood Association.

City Goals: Connected communities, Enriched environment, Premier destination.

Comprehensive Plan: On June 25, 2007, the City Planning Commission approved of the sale of the sale of eight municipal parking ramps, including the Downtown East Ramp, as being consistent with the Comprehensive Plan.

Sustainability Targets: Alatus has made commitment to obtain LEED certification from the U.S. Green Building Council for their proposed development on the Downtown East Ramp site. This requirement

Zoning Code: Any future development project on this site will be required to comply with applicable zoning and obtain any necessary regulatory and planning approvals.

Living Wage/Business Subsidy Agreement Yes\_\_\_\_\_ No X

Job Linkage Yes\_\_\_\_\_ No X

**Supporting Information**

On October 29, 2007, the City sold the Downtown East Ramp to Alatus Management LLC ("Alatus") as part of a package sale of five municipal parking ramps to Alatus. As a condition of sale, the City required that Alatus construct a development project on top of this underground ramp, having a minimum total development cost of \$13M (and obtain LEED certification), according to a timeframe that is described in the purchase agreement.

As contemplated by the Purchase Agreement with Alatus, Alatus executed purchase option agreements with the Vikings and the MSFC for the Downtown East Ramp. Alatus' option agreement with the Vikings runs through December 31, 2009, and the MSFC option extends through March 1, 2010. In the event that MVZ or MSFC exercises the ramp purchase option with Alatus before these respective expiration dates, the City's purchase agreement requires that the acquiring party assume all of Alatus obligations with respect to the Downtown East Ramp and the development commitment, subject to the specified development timeframe that begins at sale closing (i.e. maximum 3 years to project completion). The Vikings/MSFC can perform, however, on an immediately adjacent parcel. If these options expire or terminate on or before the respective dates noted above, then Alatus is obligated to complete the development project within the same 3-year time window (based on the expiration or termination date).

Recently, Alatus notified City staff that they are pursuing two one-year extensions on the current option agreement periods with the Vikings and MSFC (respectively), and have requested that the City amend the original purchase agreement to reflect this revised schedule. The proposed new option period for the Vikings/MVZ would extend through December 31, 2011, and through March 1, 2012 for the MSFC.

City staff believes there is a strong public interest served in spurring a transit-oriented, sustainably designed development project adjacent to the Metrodome LRT station, which could potentially evolve into a linchpin development project in conjunction with a future stadium area development plan. Consequently, City staff generally supports making accommodations to Alatus with respect to the time period for the Vikings and MSFC purchase options. However, City staff also believes that the City should be fairly compensated for the development delay that will result from granting these extensions. For this reason, staff is proposing that Alatus pay the City the estimated amount of property tax revenue that the City will be forgoing during the extension period due to the forestalled development—translating to an estimated \$84,000 per year based on the specified minimum development value.

Alatus has agreed to make the annual \$84,000 payments to the City if/when the Vikings or the MSFC obtain each additional year of option rights (anticipated to be spring of 2009 and spring of 2010). If the Vikings/MSFC choose to let their option rights expire at the end of 2009 or terminate rather than extend them for one or both of the extension periods, then such annual payments will not be required, and Alatus' development obligation will be triggered at that point.