

upper~harbor

Upper Harbor Terminal Redevelopment

Upper Harbor Terminal Park Community Advisory Committee Questions

Questions raised at December 17, 2020 meeting by CAC members. City/developers provided responses.

January 11, 2021

1. What is the value of the \$12.5 million in bonding that First Avenue is getting to support the venue? If First Avenue had to go out and borrow that amount of funds, or get it from investors, what would the total amount of the loan or investment be at current lending rates?

The \$12.5 Million of state bonding funds are to support the design and construction of a year-round community performing arts center on the site. First Avenue will be responsible for raising all other funding to construct and maintain the facility (additional construction costs are estimated to be at least another \$12.5 Million). The matching funds are expected to be a combination of private equity and private debt. To access the state grant, First Avenue will need to have fully executed construction agreements and be able to demonstrate that sufficient funds are in place to complete the project prior to the City of Minneapolis executing a grant agreement with the State of Minnesota. None of the state bond funds can be used to fund First Avenue operations or staffing.

We do not have the ability to estimate how much interest they would be saving by obtaining a grant instead of loan funds, but our understanding is that the project would not happen or be able to cash-flow if those grant funds were not available.

2. Can the community see how much First Avenue anticipates making off of the venue so that we can verify how substantial of a benefit the \$3 ticket fee is in comparison? With \$12.5 million of public funds going to the venue it is appropriate for community members to see the full financial projections.

First Avenue will charge a \$3.00 per ticket fee to create a fund that will, as determined by the Community Entity: (1) invest in innovative wealth creation and job creation strategies for historically marginalized communities in the Upper Harbor Development, (2) fund anti-displacement and wealth generation activities that are designed to benefit historically marginalized communities in the Northside, with a specific focus on improving outcomes for communities who were subject to redlining policies, (3) provide free community programming, and/or (4) support sustainability initiatives on the site or in the Northside.

The ticket fee was chosen as a mechanism because it can provide a recurring benefit to the community that can be utilized for community priorities. Allowing the ticket fee proceeds to go to the community entity will allow the community to set priorities and support innovation that benefits the North Minneapolis community. The ticket fee will be based on the number of tickets sold per year, which will be reported annually to the City of Minneapolis, McKinley Community neighborhood association and the future Community Entity. The ticket fee will only be charged on First Avenue shows. The amount of the fee was set by First Avenue as the maximum amount that can be charged without making the overall ticket price higher than what customers are likely to pay. In comparison, the Palace Theatre in St Paul pays a \$2.15 per ticket fee to support community programs but was delivered a fully completed facility. Amphitheaters in Nashville and Delaware have a \$2 per ticket fee, and in those scenarios, operator investment was minimal (around \$1 Million). At the UHT, First Avenue will be funding a build out of at least \$12.5M to match the state bond funds, purchasing land, committing to a robust CBA as well as paying the per ticket fee into a community fund. Based on First Avenue's research, the \$3.00 ticket fee is the highest paid anywhere in the country.

Projections show that based on approximately 20 shows at a capacity of approximately 8000+ tickets per show and 20 shows at 5000+ capacity, the ticket fee can generate between \$750,000 - \$1,000,000 to be distributed annually through the ticket fee fund.

Due to the highly competitive nature of the music industry business, First Avenue is not able to share a full proforma. The main sources of revenue are as follows:

- promotions (which used to be split 50/50 between the band and the promoter, and now it is split 90/10 between band/promoter and the promoter takes most of the risk),
- food and beverage, which is generally the main source of profit and which First Avenue has offered to North Side food vendors,
- ticket fees,
- merchandise/ancillary fees and sponsorships.

3. Are there community benefits that are required of First Avenue in return for their getting \$12.5 million in State Bonds? What will the State of Mn require and what the City of Mpls will require?

There are a number of community benefits that will be formalized in the Redevelopment Agreement, the Construction Agreement and the Use Agreement between First Avenue and the City, as well as other community benefits that will be included in a Community Benefits Agreement between First Avenue, McKinley Community and a future Community Entity. A complete list of those benefits can be found on pages 63 and 64 of the Coordinated Plan. All of those benefits are City or Community requirements. The State views the creation of the facility as a benefit to the community and the state.

4. Are the public 2020 State Bond dollars serving as a bailout package for First Avenue? Is this still a feasible plan if First Avenue is in need of the financial assistance set up to save the business?

No state bond dollars can be used to support First Avenue's operations. The most recent stimulus package included \$500 Billion for the live music industry that will support the operations of venues like First Avenue across the country. Information on that package has been detailed in [Rolling Stone](#), [New York Times](#), and the [Washington Post](#).

5. When can community members discuss the size of the venue? When Can community members make decisions on the venue, including size, after understanding the following impacts?
 - a. A comparison between the amount of benefit, including the 2020 State Bond dollars and project revenue, for First Avenue, and the anticipated community benefits?
 - b. The results of the environmental review including an assessment of noise, parking, and traffic impacts to the community? This study should include a review of the existing noise and total noise impacts to both existing and new residential units – particularly the affordable units.
 - c. A comparison of a 10,000 seat venue and a smaller venue – impacts, financial data, projected benefits, etc?

The size of the venue and the comparison of the expected ticket fees was assessed by the CPC in February, with a recommendation provided to pursue a bigger facility to maximize community economic impact. The final design of the project will take into account the results of the environmental review and recommended mitigation measures, which will be reviewed through the standard land use approval process. The Redevelopment Agreement, Construction Agreement and Use Agreement will all be approved by the City Council. These agreements will be executed after the completion of the AUAR.

6. Can the community get a MINIMUM amount dedicated to a community fund, such as \$3 per ticket or \$1 million annually – whichever is greater?

The fee must be linked to venue operations which are the source of revenue.

7. If one of the benefits of the venue is public use of the site when not being used for the 30 – 50 ticketed events, what types of public uses will the venue support? How would such public uses work – would there be costs associated with some of the possible community events? Can the team provide some example scenarios?

The venue will be open and accessible to the public when there is not a ticketed event. There will be no cost to using the lawn/seating area for recreation. Programmed community events will only pay actual costs to use the facility such as staff time, set up and clean up, equipment use, and will be run by a community entity, to ensure they are designed first and foremost for current Northside residents.

Possible events could be local or touring musicians, art festivals, winter light exhibits, farmers markets, makers markets, educational programming, community theater, etc.

8. What is the exact status of public transit to the site, who makes the final call on transit, and what leverage does the City and MPRB have to make transit happen?

The City is working with Metro Transit to review current and future transit needs, understanding that the nearby community relies on transit service for access to essential jobs, goods, and services that are

not conveniently located in the neighborhood. The upcoming development and construction of the D-Line provides opportunities to review changing service needs within the broader Northside community.

9. Can a transit hub solve some of the parking issues for the venue? What would a scenario of bussing people from downtown parking look like?

First Avenue anticipates that a scenario of shuttling people from Downtown to the site for events would be similar to the State Fair shuttles, where customers park in ABC ramps and board busses that go directly to a dedicated drop off area at the site every 10 or 15 minutes.

10. What are the 300 livable wage jobs proposed? How long will the jobs last and what is considered a livable wage?

The 300 livable wage jobs are estimated based on creating 1.5 FTE (Full Time Employee) job per 1,000 SF of the processing and production space in parcels 4 and 5, split between office and production (light manufacturing) jobs. Tenants will commit to paying employees the City of Minneapolis Adopted Living Wage. This job estimate is not based on temporary construction phase jobs. This job estimate also does not include jobs associated with commercial spaces, public spaces, property management and maintenance, etc.

11. What will be the total mix of affordable, mixed income, and market rate house for the entire project?

The overall site will be subject to the amended and restated Unified Housing Policy of the City of Minneapolis (effective 8/1/20). Both phases of development would be considered a Large Development Project under the policy and may meet the affordability requirement on a blended basis, provided the City is provided adequate assurances that the affordable units will be delivered. Only buildings or phases that include affordable housing for at least 20% of the units (rental) or 10% of the units (for-sale) or receive a pass-through funding waiver will be considered eligible for City financial assistance.

In addition to meeting the requirements of the Unified Housing Policy, the Draft Coordinated Plan reflects a strategy developed with the Upper Harbor Terminal Collaborative Planning Committee (UHT CPC) to create a mixed-income community, with the overall project providing approximately 1/3 of units affordable at 30-50% of Area Median Income (AMI), 1/3 of units affordable at 50-70% AMI, and 1/3 of units affordable at market rates.

12. Will this project follow the DNR height rules since this area is in the critical area of the MRCCA rules?

The Draft Coordinated Plan shows buildings that will need an exception from the DNR riverfront height rules.

13. If the community benefits do not show up, who can community members hold accountable?

Most of the commitments outlined in the Coordinated Plan will be memorialized through a series of agreements between the City of Minneapolis, the developers, and the eventual parcel owners to ensure accountability. These future documents include Redevelopment Agreements for each phase 1 parcel,

Exclusive Rights Agreements on future phases, Ground Leases and the Operating Agreement for the Community Performing Arts Center and will be approved by the City Council.

The development team has also voluntarily agreed to negotiate and enter into a Community Benefits Agreement with the McKinley Community by the time the City Council approves this Coordinated Plan that will include the commitments that cannot be included in City Agreements, including the establishment of the CPAC Ticket Fee Fund and the process for selecting and contracting with one or more Community Entities. As part of the Community Benefits Agreement, the development team will commit to maintaining a public dashboard of key benefit metrics through a website and annual reports to the McKinley Community.

14. There are many examples where government has asked BIPOC community members to trust that real estate development will benefit them. History has shown that the government and developers do not deliver. What specific and reliable mechanisms are set up in this project that are different than previous efforts?

There are many new strategies that are recommended for the Upper Harbor Terminal that have been specifically designed to ensure that the project benefits the community, which include:

- City will retain public ownership of the land by providing financeable ground leases for developments
- A recommendation that the City Council direct annual ground lease payments to support wealth creation and anti-displacement and anti-gentrification issues in North Minneapolis
- Creation of a legal structure for ongoing community involvement in the management and programming of the Community Performing Arts Center
- Commitment from the development team to enter into a Community Benefits Agreement with the McKinley Community and a future Community Entity
- Opportunity for advisory role or ownership role in the ground floor commercial space in the Phase I housing projects.

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