

Committee Report

Transportation Committee



Committee Meeting Date: January 9, 2023

For the Metropolitan Council: January 25, 2023

Business Item: 2023-13

Authorization to Execute an Amendment to the Snelling Net Ground Lease.

Proposed Action

The Metropolitan Council authorizes the Regional Administrator to negotiate and execute amendments to the existing Net Ground Lease for 400 Snelling Avenue North and existing easements and to negotiate and execute two newly created net ground leases with the City of Saint Paul from a portion of the original Net Ground Lease area along Snelling Avenue.

Summary of Transportation Committee Discussion/Questions

Director of Real Estate, Greg Ewig, and Acting Program Manager of Transit Oriented Development, Michael Krantz, presented this item. CM Fredson commented on the vision for redevelopment of this site and noted that the City of St. Paul supports the action. CM Gonzalez asked if the federal interest in the site would present a barrier to redevelopment. Because the Snelling-Midway Master Plan and the Council's TOD Policy are aligned with the FTA's Joint Development Criteria, the federal interest does not create any barriers to redevelopment.

Motion by Fredson, seconded by Sterner. Motion carried.



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Authorization to Execute an Amendment to the Snelling Net Ground Lease

District(s), Member(s):	District 14 (Fredson)
Policy/Legal Reference:	Transit Oriented Development (TOD) Policy, Real Estate Policy
Staff Prepared/Presented:	Wes Kooistra, General Manager, 612-349-7510 Nick Thompson, Deputy General Manager, 612-349-7507 Greg Ewig, Director, Real Estate, Regional Administration, 651-602-1556 Michael Krantz, Acting Program Manager, TOD, 612-349-7392
Division/Department:	Metro Transit/TOD, Regional Administration/Real Estate

Proposed Action

The Metropolitan Council authorizes the Regional Administrator to negotiate and execute amendments to the existing Net Ground Lease for 400 Snelling Avenue North and existing easements and to negotiate and execute two newly created net ground leases with the City of Saint Paul from a portion of the original Net Ground Lease area along Snelling Avenue as depicted on **Attachment A**.

Background

The City and Minnesota United Soccer Club, LLC, the City's sublessee under the Net Ground Lease (Team) requested a restructure to the existing Net Ground Lease that the Council entered in 2016. In November 2019, the Council authorized the Regional Administrator or delegate(s) to negotiate one or more amendments to the Net Ground Lease for 400 Snelling Avenue North with the City to accommodate its current or future tenant(s) and subtenants, with provisions that advance the Council's TOD Policy and comply with all applicable laws, regulations and rules. See *Business Item 2019-312*. After extensive negotiations, the Council, City and Team recently reached agreement in principle to restructure the existing Net Ground Lease. The key terms in the transaction are as follows:

1. The total overall parcel and tenant (City) remain the same.
2. The restructuring creates two new Net Ground Leases ("Development Parcel Net Ground Leases") within the original lease footprint to the City.
3. The new lease parcels are within the original lease footprint abutting Snelling Avenue on the westerly side of the site together with air rights over the Central Avenue easement. (See depiction on **Attachment A**)
4. The new leases will operate under the same requirements as the existing Net Ground Lease.
5. The new Development Parcel Net Ground Leases will run concurrently with the existing Net Ground Lease term. However, the City will have a right to extend both new Development Parcel Net Ground Leases for an additional term provided that development occurs within 15 years.

A comparison of existing and proposed lease terms is contained in **Attachment A-1**. The City approved the proposed lease restructuring at its April 14, 2022 City Council meeting. The lease restructuring transaction is expressly conditioned on FTA concurrence.

Rationale

The City and Team propose to restructure the existing Net Ground Lease to maximize development flexibility in the stadium block, promote high density development and further augment transit-oriented development on the site. For its part, the City authorized a TIF district and further mechanisms to support development of the block. Under the amendment terms, the Council will continue to exercise continuing control for transit purposes, ensure that future development and uses of the site are consistent with Council policies and TOD goals, and secure a longer-term revenue stream that can be used as transit program income.

Thrive Lens Analysis

This action advances several Thrive outcomes:

- **Stewardship:** Development under a longer-term lease along Snelling Avenue is anticipated to produce new transit ridership and revenue on Council-owned land.
- **Prosperity:** The action is expected to facilitate significant private investment on a site that is located adjacent to the Green Line LRT and the A Line BRT.
- **Equity:** Development is anticipated to increase access to jobs and destinations along transit.
- **Livability:** Dense development should make communities more walkable and bikeable and expands destinations proximate to transit.
- **Sustainability:** The action will facilitate development in a transit-rich area. The design and location of the project will also reduce the need to use automobiles for transportation.

Funding

No funding needs anticipated. Lease revenues will be unchanged for the immediate term although revenues will likely increase as a result of any lease extensions.

Small Business Inclusion

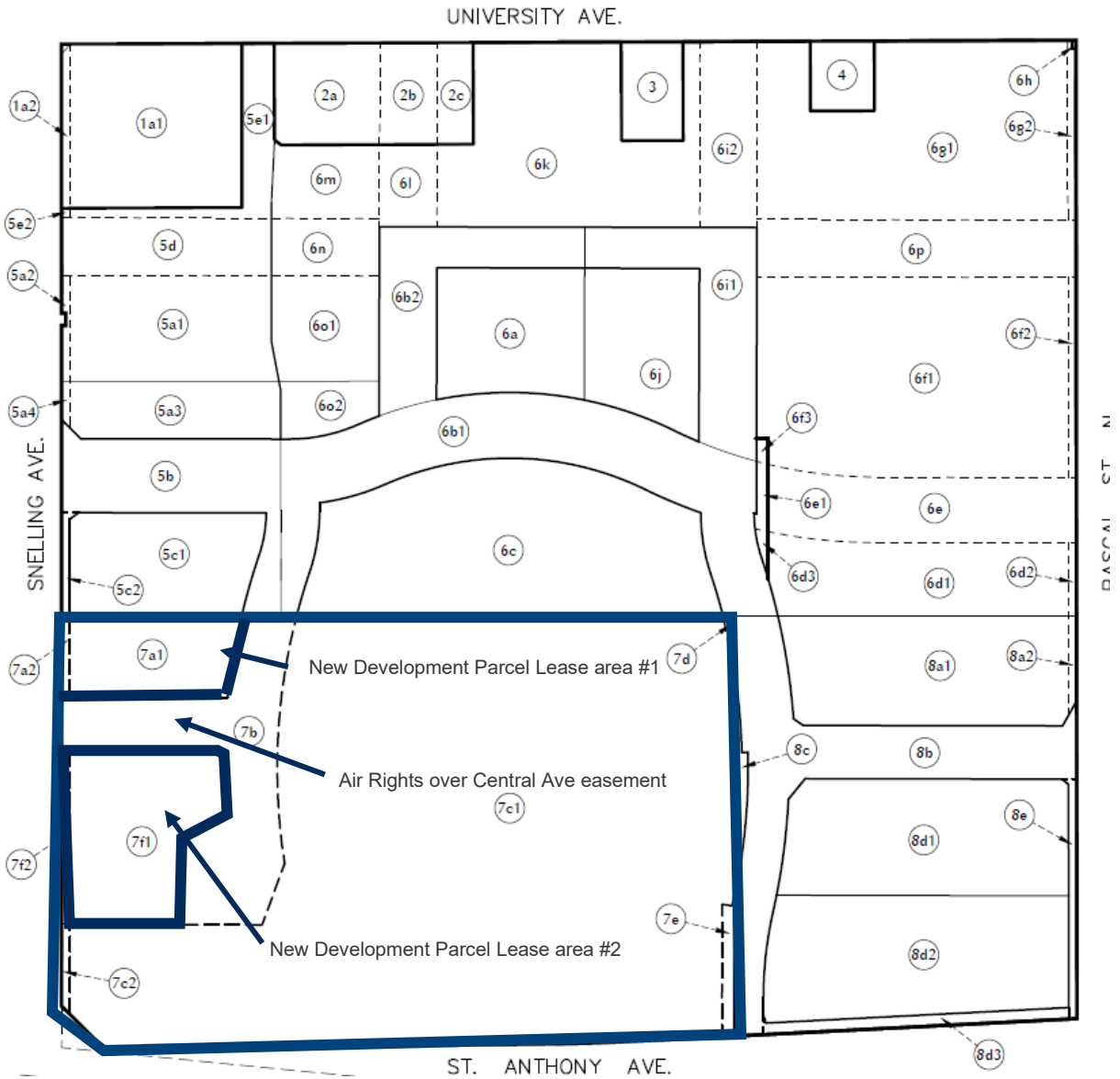
The arrangement is a restructuring of the existing Net Ground Lease with the City and the Team as subtenant.



Attachment A Proposed Development Parcels



Council Ground Lease Boundaries



Metropolitan Council

Attachment A-1

Summary of Proposed Amended Lease Terms

	Current	Proposed
Tenant	City of St. Paul	City of St. Paul
Lease Area	9.79 acres	9.79 acres split as: 0.45 acre North Snelling Parcel 1.07 acre South Snelling Parcel 8.79 acre Stadium Parcel
Term		
Initial	4/1/2016-12/31/2068 (52 years, 8 mo., 30 days)	Stadium Parcel: 4/1/2016-12/31/2068 Two (2) new Net Ground leases Snelling Parcels: TBD – 12/31/2068
Renewal	n/a	Stadium Parcel: n/a Two (2) new Net Ground leases Snelling Parcels: 1/1/2069 – 12/31/2117 (49 years)
Renewal Notice	n/a	Between 1/1/2058-12/31/2063
Rent	\$556,620/year	\$556,620 split as follows: New Parcel #1 (5%): \$25,585 New Parcel #2 (11%): \$60,836 Stadium parcel (84%): \$470,199
Renewal Rent	n/a	Calculated average land value (appraised) x 5 yr. rolling average of 30 year treasury rate + 2%
Development Term	n/a	Tenant must develop within 15 years from lease start dates of new ground leases or lose the option to renew
Environmental	Council responsible	Sublessee responsible for cost of any additional remediation required for development
Liability	Tenant responsible	Tenant responsible; sublessee (Team) agrees to defend and indemnify





Business Item 2023-13

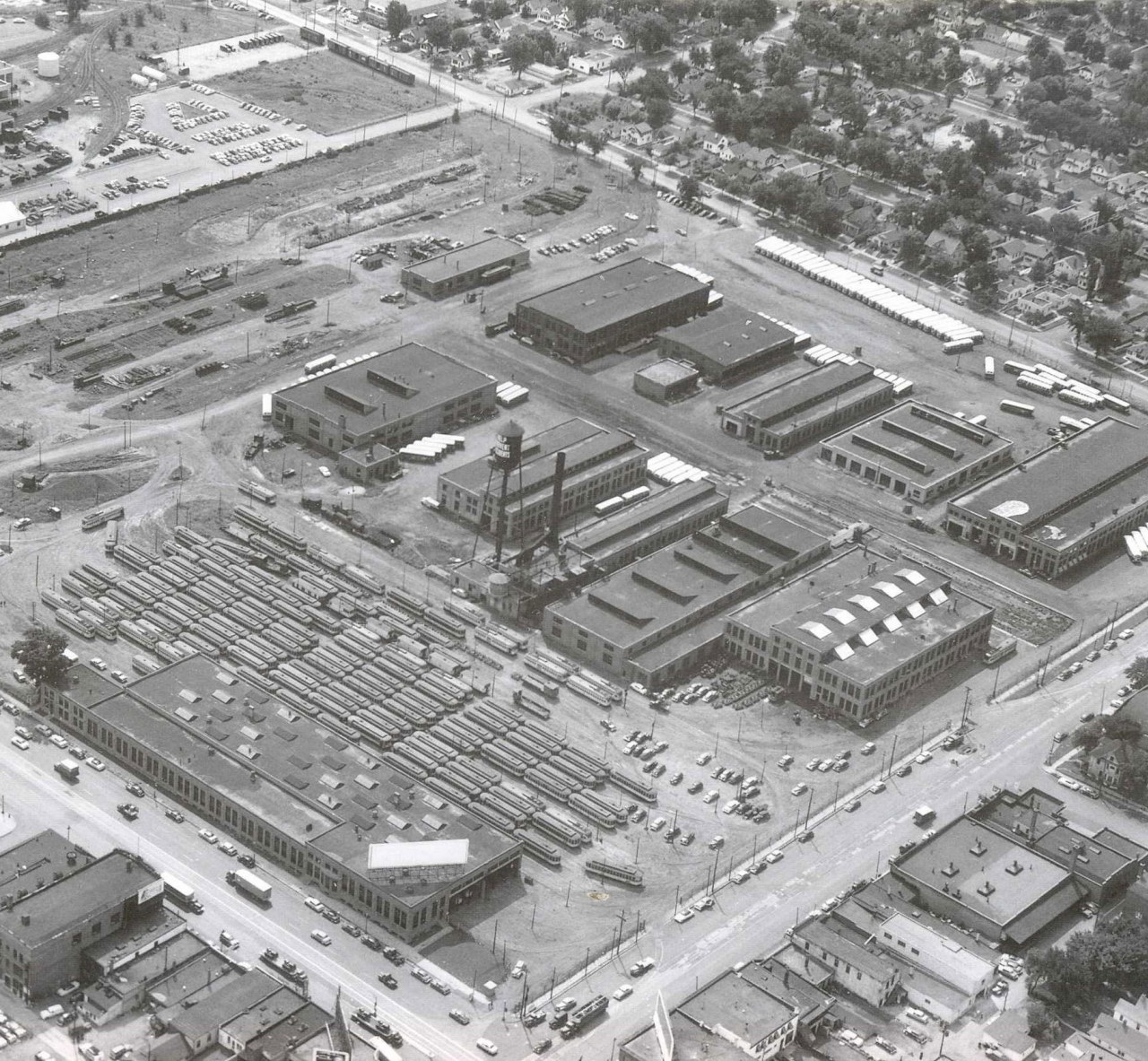
Authorization to Amend Snelling Net Ground Lease

Greg Ewig | Director, Real Estate

Michael Krantz | Acting Program Manager, TOD

metrotransit.org/websiteurl





Generational opportunity



Current View – Looking Southeast (toward I-94)
(Google Street View)



1. Maximize the development impact of transit investments by integrating transportation, jobs and housing.



2. Support regional economic competitiveness by leveraging private investment.



3. Advance equity by improving multimodal access to opportunity for all.



4. Support a 21st century transportation system through increased ridership and revenues.



TOD Policy



Snelling-Midway Master Plan

Origins of Bus Barn Site at Snelling Avenue

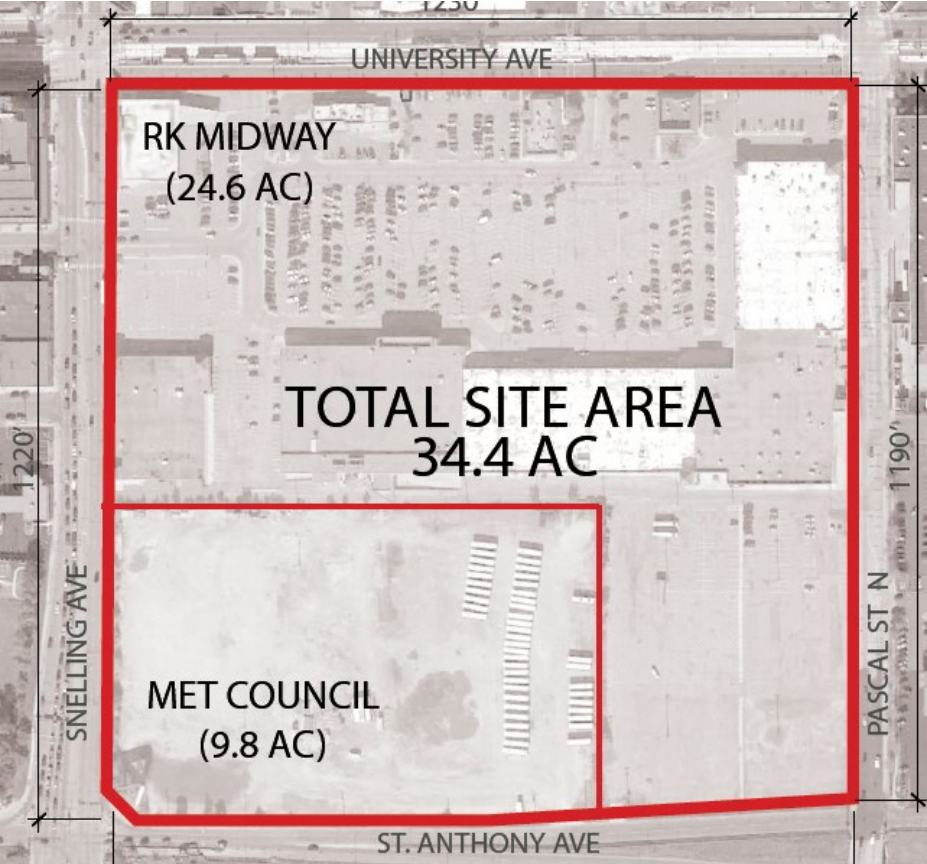
- **Original Parcel Acquisition.** Grant used to acquire approximately 9.8 acre parcel from Twin City Lines, Inc. via condemnation in August 1975. Federal Funds used in the acquisition:
 - August 1970 – Original grant received from Urban Mass Transportation Administration (UMTA)
 - May 1976 - Supplemental federal funding
- **Facility Decommissioned in 2001.** Operated as a bus maintenance / barn facility until 2001 when facility was demolished
- **Federal Interest Remained.** In 2016, FTA confirmed federal interest remained on the land when joint development/soccer stadium was being considered

Lease Background

- 2016 - Original net ground lease starts
- 2019 –First Game played April 13
- 2019 - Business item 2019-312 authorized the Regional Administrator to amend the net ground lease with the City of St. Paul
- 2020 – COVID temporarily pauses negotiations
- Late 2020 – Negotiations resume
- 2022 – Proposed split of net ground lease into three separate parcels

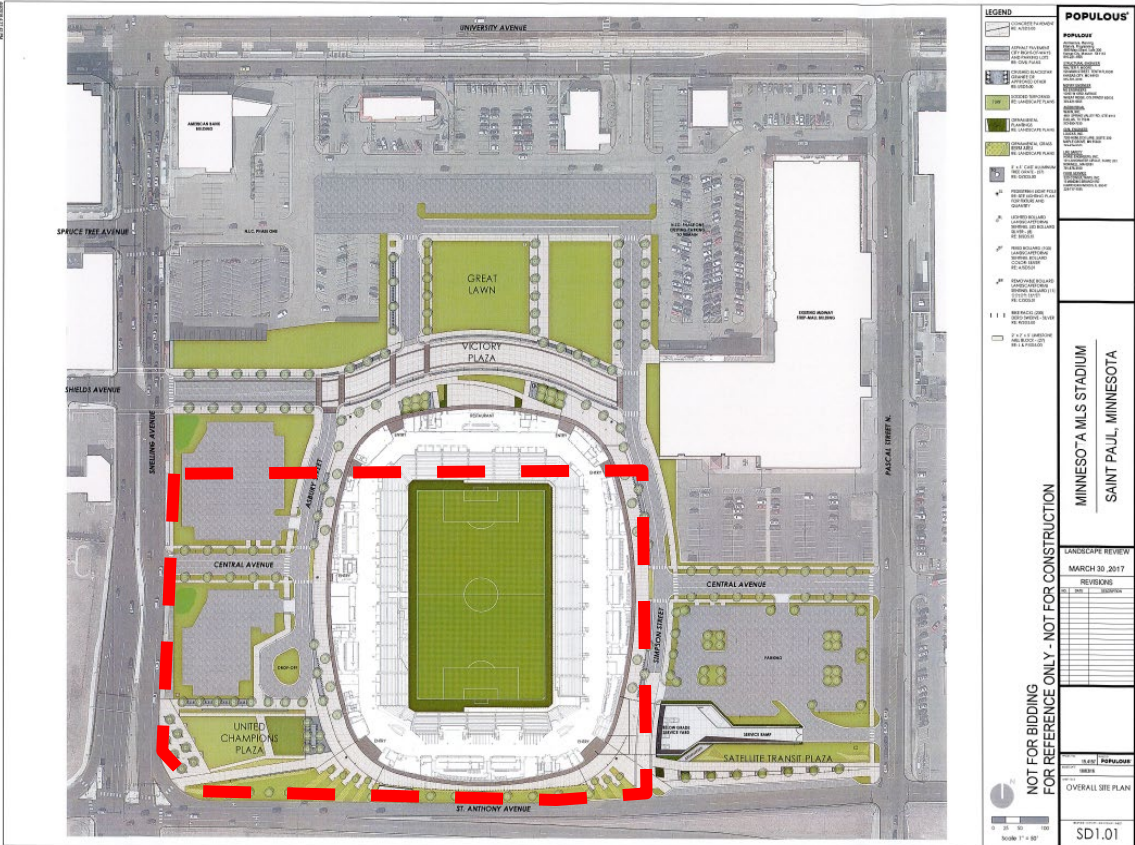
Overview of Site

Original site



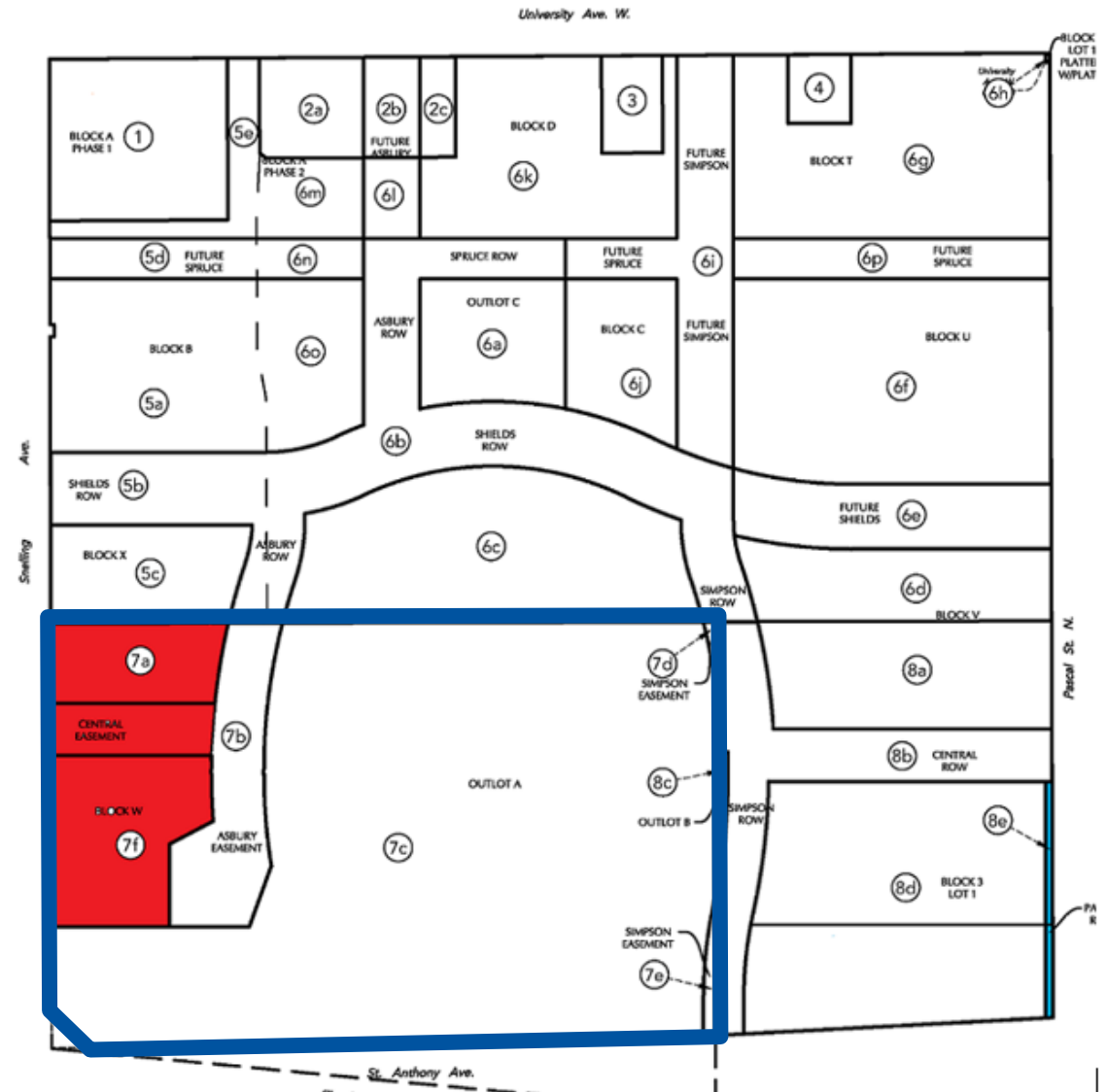
Final site plan

(red dashed line shows approximate Council parcel location)



Detailed area

- Trifurcate Net Ground Lease
 - Stadium Parcel
 - Development Parcel 7f
 - Development Parcel 7a
- Snelling frontage
- Air rights over Central Ave



Key Lease Terms

- **What stays the same**

- Total rent during initial term
- Tenant (City of St. Paul)
- Total lease footprint
- Expiration date (December 31, 2068)
- Other major lease terms

- **What changes**

- Option to extend Development Parcel term (December 31, 2117)
 - Rent reset if option is exercised
 - Extension option expires if site isn't developed in 15 years
- Council's environmental liability is limited

FTA Joint Development



I. Creates economic benefit



II. Enhances public transportation



III. Fair share of revenue



IV. Fair share of costs

FTA Joint Development

- Maintain Continuing Control for Transit Purposes
 - Design review & approval for all structures & alterations. Review limited to TOD goals, and transit safety & operational needs.
 - Changes of use require prior Metropolitan Council approval.
 - Subleases require prior Metropolitan Council approval.

Next Steps

- Authorization by Metropolitan Council
- Submit amended application for Joint Development and updated lease terms to FTA
- Upon approval of FTA, Regional Administrator and City to sign updated lease and easement documents

Thank You!