

Graco Park Letter of Interest for Lot 2 Tenants

Proposer Questions and MPRB Response to Questions

July 10, 2021

MPRB Note to Proposers: *While the MPRB is seeking responses to questions posed in the LOI, it is recognized that responders may not be able to fully answer each inquiry. Know that this is the MPRB's first step in a process of defining a relationship with tenants, and it's more about finding a way to enter a dialog to gain more information than ruling a response "in" or "out." From that perspective, responders are encouraged to respond as best as they are able, and then expect MPRB staff to reach out with questions to clarify or amplify initial responses. Ideally, the MPRB sees the LOI process as a low threshold for engaging in negotiation, one that might be especially oriented to entities that have not pursued anything like this in their past while, at the same time, not disqualifying more established or experienced entities. The LOI is a first step in the process. The goal is to select several entities to enter into dialogue for both buildings. The intent of the LOI is to understand who might be an interested entity and meets the criteria.*

Proposer Question 1) Please clarify if the submission can be for both Tenant/Program Host for the MPRB-building and Vendor(s)/lead entity for Building #2? If so, is it okay if Building #2's concept plan or proposed ideas are not as "baked" or in-detail as the Tenant/Program Host proposal? We do not want the concept program/lead entity proposal for Building #2 to affect the potential of the Tenant/Program Host portion of the same letter. If that is the case, we would or may submit two separate letters.

MPRB Response 1) *Yes, we would expect that direction for Building 2 would be less developed than for the MPRB's primary building. Because the paths are so different for each building, submitting an aligned proposal for each building might be a reasonable path. They should be submitted as separate proposals and will be evaluated as separate proposals.*

Proposer Question 2) Are there parameters or limitations to the revenue-generation potential of the Tenant/Program Host in the MPRB-owned building? Can you more clearly outline the MPRB's general desired financial contribution from the non-profit entity for the MPRB-owned building? Or, is it entirely providing programming in lieu of rent?

MPRB Response 2) *Depending on the entity, it could be entirely programming in lieu of rent as activation is the greater goal. Generally MPRB will determine a fair market value for rent and offset that rent with standard programming rates agreed upon by MPRB and tenant.*

Proposer Question 3) Is a new, yet-to-be officially formed entity acceptable so long as the founding or lead members prove their experience, expertise, and capabilities individually and/or as a group for related previous programming experience?

MPRB Response 3) *The MPRB would require that the entity be fully operational by the time an agreement for occupying a space is negotiated. In this case, the suggestion that lead members of the group demonstrate their capacity becomes fundamental to the MPRB's review.*

Proposer Question 4) Please clarify Financial Overview #4. Should this only be answered if submitting the letter for or including Vendor/Building #2?

MPRB Response 4) *Both proposal types require a financial overview.*

Proposer Question 5) Please clarify question regarding “duration of proposal”. Is this referring to how long we would want to negotiate and sort out details with the MPRB or is this asking how long a commitment to be a Tenant/Program Host would be?

MPRB Response 5) *The term that is required under MPRB processes to deliver a completed building ready for tenant occupancy with a completed Board approved agreement.*

Proposer Question 6) Commercial building clarifications: Further clarify “commercial” terminology of Building #2? Also considering conversation on 6/23 Zoom event, can “commercial” be interpreted as any type of commercial use? For example, any type of commercial use described by City of Minneapolis zoning?

MPRB Response 6) *Commercial uses might be any type of use the legally complies with the underlying zoning but the MPRB anticipates Building 2 to be supportive of the park in its use such that park activation is a core element of the building’s program. MPRB will work with the successful tenant responder to navigate entitlement processes as needed.*

Proposer Question 7) Please confirm there is no design in the works or related parameters for that building and that it would be a completely “clean slate” so to speak. Ryan Companies’ 2015 proposal had proposed a building upwards of 50,000 square feet on all of Lot 2. Was that scope appropriate and unrelated to the reason it did not move forward in 2015?

MPRB Response 7) *This project has a new scope and new parameters based on settlement with Graco and the fact that Lot 1 is no longer owned by MPRB or being developed in the same way proposed in 2017. A design for Building 2 have not been defined but will rely on the general terms noted in presentations and the LOI, where connection to the community and river and potential park activation are key parameters.*

The Board of Commissioners rejected the proposal from Ryan Companies in part because the building proposed for the Lot 2 portion of what was then referred to as Parcel D included two levels of parking above ground and office uses above the parking. Commissioners did not believe a solution where the park frontage was, in essence, a two-story parking structure was proper activation for the park. Commissioners further believed that the proposed office use may not fully activate the park.

As staff considers an activating use for Lot 2, it is cognizant of Graco’s intention of extending its campus to Lot 1. While no design has been advanced for Lot 1, it’s likely to include office uses. Therefore, a use and potential activation for Lot 2 becomes even more important.

Proposer Question 8) Would MPRB be willing to provide average guest counts, average revenues, average check figures, and seating capacities from existing Minneapolis Parks food & beverage vendors (Sea Salt, Sandcastle, Bread & Pickle, etc.) to better estimate my annual income requested in the financial overview?

MPRB Response 8)

For information on regional park visitor counts to estimate potential customer base in each site, visit: <https://metro council.org/Parks/Publications-And-Resources/PARK-USE-REPORTS/Annual-Use-Estimates/PlayFeatures-Regional-Park-System-Visits-in-2018.aspx>

Estimates on concession revenue based on capacity and operations (pre 2020):

Sea Salt: \$3 million gross revenue (large capacity seating and operations)

Bread and Pickle: \$1.2 million gross revenue (medium capacity seating and operations)

Sand Castle: \$800,000 gross revenue (smaller capacity seating and operations)

Each of the vendors is unique to the context in which they operate and food/beverage that they offer. Revenue is tied to facility type, destination feature, shade and seating capacity, geographic area, parking, and concession type.

Proposer Question 9) Can MPRB provide additional clarity or context around this question: "What commitments would be limiting in terms of entering into an agreement with the Park Board relative to the proposal?" I'm unclear on the request.

MPRB Response 9) *The MPRB is attempting to understand if there are conditions that would be imposed on it by a proposal it is considering. For example, if the proposal relied on having extensive parking proximate to the use, it's not likely the MPRB could deliver—it would be a requirement that is limiting in terms of an agreement. Proposers should consider and note any potential challenges related to issues such as timing, insurance, or capacity needs.*

Proposer Question 10) What are MPRB expectations for responses to this question: "An indication of the ability of the lead entity to financially support the proposal for park use." Is a financial plan sufficient, or is this a request to see proof of secured funding?

MPRB Response 10) *A financial plan is sufficient, there is no need for secured funding at this stage. That will come in subsequent steps with the development of the project if selected as a potential tenant. It's more a question of the proposer's capacity to demonstrate that funding can be reasonably achieved. A financial plan will offer insights but we anticipate a process of negotiation to arrive at a solution.*

Proposer Question 11) If MPRB is interested in this concept, when will there be a chance to discuss the opportunity—instead of email—with key stakeholders?

MPRB Response 11) *Interactions with stakeholders is an expectation of the process. As the design of the park and Lot 2 advance, discussions with the community and proposer will ensure those directions are aligned to the greatest degree possible. Coordinating a review of a Letters of Interest, after an initial review and filtering by MPRB staff, will be part of the process. There will be an interview for potential tenants with MPRB staff and design team to further the process after the initial screening.*

Proposer Question 12) Does the MPRB have any financial expectations for vendors? If so, would you be willing to share?

MPRB Response 12) *Building 2 will be a part of the MPRB's Enterprise Operation. Therefore, the building and its functions or use will not be tax supported. That means, in terms of financial expectations, that the building and use will be self-supporting (it will receive no tax dollars).*