Resolution 2011-059

Resolution to Approve the Lease Agreements, Operating Agreements, Tenant Association Agreements and Programmatic Agreements for the Phillips Community Center with PUC (Waite House/Pillsbury United Communities), Ventura Village Neighborhood Association, Running Wolf Fitness Center and Somali American Community

Whereas, The Minneapolis Park and Recreation Board owns the Phillips Community Center;

Whereas, The Minneapolis Park and Recreation Board desires to have the Phillips Community Center occupied and providing programs and services to serve the community;

Whereas, A Request for Proposals was issued by the Minneapolis Park and Recreation Board to seek service provided in the Phillips Community Center;

Whereas, A proposal was received from a coalition of organizations in the Phillips community to serve the diverse needs in the community;

Whereas, the Board adopted eight parameters required for a lease agreement

1.) Tenants are incorporated or a viable legal entity
2.) Tenants must be able to demonstrate the financial viability to make improvements, pay operating costs and pay rent
3.) Tenants are responsible for the improvements within their space
4.) The Minneapolis Park and Recreation Board be responsible for common space improvements
5.) Duration of the leases be based on the amount of tenant improvements made – the higher the investment, the longer the lease term
6.) All tenants pay for their share of utilities for their space; a proportional share of common space, utilities, custodial and maintenance; and a proportional share of a sinking fund for future building repairs and renovation to the HVAC, roof, windows, building shell, bathrooms, parking lot and common spaces
7.) All tenants enter into a three to five year programmatic agreement on services to the provided.
8.) Use of the common facilities, possibly the gymnasium and cafeteria kitchen, be included in the terms of the programmatic agreements; and

Whereas, the Parameters have been met through the agreements included for Board approval;

RESOLVED, That the Board approve the twenty year lease agreement, operating agreement, tenant association agreement and programmatic agreement with PUC (Waite House/Pillsbury United Communities);

RESOLVED, That the Board approve the five year lease agreement, operating agreement, tenant association agreement and programmatic agreement with Ventura Village Neighborhood Association with sub-tenant APOD-A Partnership Of Diabetics;

RESOLVED, That the Board approve the five year lease agreement, operating agreement, tenant association agreement and programmatic agreement with Running Wolf Fitness Center, a Partnership of the Native American Community Clinic and the Indian Health Board of Minneapolis;

RESOLVED, That the Board approve the five year lease agreement, operating agreement, tenant association agreement and programmatic agreement with the Somali American Community; and

RESOLVED, That the President and Secretary of the Board are authorized to take all necessary administrative actions to implement this resolution.

Adopted by the Park & Recreation Board
In formal meeting assembled on April 6, 2011

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John Erwin, President

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Karen Robinson, Secretary

Approved:

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R.T. Rybak, Mayor

TO: Full Board

FROM: Don Siggelkow, Assistant Superintendent for Development Services

DATE: April 6, 2011

SUBJECT: Resolution to Approve the Lease Agreements, Operating Agreements, Tenant Association Agreements and Programmatic Agreements for the Phillips Community Center with the Waite House, Ventura Village, Running Wolf Fitness Center and Guri Nabad Center

Background

The Minneapolis School District transferred ownership of Phillips Junior High School to the Minneapolis Community Development Agency in 1986. The Development Agency subsequently demolished the school portion of the building and transferred the gym, cafeteria and pool portion of the facility to the Minneapolis Park and Recreation Board (MPRB) later in 1986 to reuse and operate the gym and pool as a community center. The Phillips Community Center building is 48,000 square feet and includes the gymnasium, cafeteria and a swimming pool. A master lease agreement, which expired in 2008, was given to The Boys and Girls Club to sub lease, manage and operate the building, including the pool and gym, for twenty years.

After the lease expired and the Boys and Girls Club moved out, MPRB Planning staff began looking at redevelopment of the building as a new model for a Park Board Community Center or CSA Hub. In January 2008, a concept that included closing the pool was presented to the Park Board as part of their annual retreat and received substantial support. However, as the economic climate changed and opposition to closing the pool became a community issue, staff was directed to seek other proposals for the reuse of the building.

The MPRB programmed the facility in 2008 and 2009, using the gymnasium and programming a teen center adjacent to the gym. In 2009, the boiler failed and the building was closed for repairs in November 2009. In assessing the condition of the building prior to repairing the boiler, a decision was made by the Park Board to allocate $1,540,000 in neighborhood capital improvement funds to replace the HVAC system, install a new roof and upgrade the electrical services to the building. The Board approved the contract for this work February 2010. The boiler, electrical service and the roof were replaced in 2010. The latest funding report shows a balance in the project fund of about $500,000 available for renovating the interior common space.

A request for proposals (RFP) was issued to explore opportunities to reuse the facility in the community center format. The RFP stated that the following criteria would be used to evaluate the proposals:

1.) Community partners that will add programming and services that are compatible and complimentary to the Minneapolis Park and Recreation Board.

2.) Utilizing all the space available in the building for community use.

3.) A tenant or tenants that have a the vision and financial resources to renovate the interior and exterior of the building and provide rental income to offset the building utilities, operating costs and provide for long term building maintenance and operation of the center.

4.) A service provider with a strong interest in the community and a solid reputation for service.

It became clear after evaluating the proposals that the MPRB should be a partner in the facility and that there is substantial interest from community organizations to reuse the facility and make it a community center for the Phillips area.

Staff contacted each of the groups that submitted proposals and requested that they develop a revised proposal with the MPRB occupying space in the building and being a key (managing) partner in the facility.

Two revised proposals were received. One proposal was a day care center for 5,000 square feet in the facility (SOOS Early Childhood Learning Center) and the other proposal was for full use of the building with the exception of the space for the MPRB (The Phillips Coalition). After interviewing the groups that submitted proposals, the MPRB staff began discussions with the Phillips Coalition.

The proposal submitted by the Phillips Coalition is comprehensive and includes a wide range of services to be provided to the community in addition to services provided by the MPRB. The Pillsbury Waite House, a tenant in another MPRB building, is included in the Phillips Coalition and would provide many complimentary youth services that would be a very good fit with the MPRB programming at this site. In addition, the compliment of other community service providers created a very synergistic level of recreation and social service programming that does not exist in any of our other community centers.

The strength of the Phillips Coalition, a diverse group of service providers, also creates challenging issues of how to make the building safe, well managed and sustainable over the long term. The Coalition proposes to mix youth, recreation, and wellness programming and adult oriented social services. There will be demands on the gymnasium and the cafeteria kitchen from the various groups that will also need to be managed. In essence, it requires the MPRB staff to be both program managers and facility managers.

The first step taken to determine the new direction for the Phillips Community Center was to have the Board review and approve the parameters. A successful partnership requires that the groups be both programmatic and financial partners in the venture. It is extremely important that the programmatic agreements clearly outline responsibilities and accountabilities for each of the organizations involved in the partnership. In addition, periodic review and evaluation of this partnership and related responsibilities is necessary to ensure that the coalition is successful.

The MPRB has engaged in many partnerships in the past. The partnerships that have been successful are those that contribute resources to maintain and operate the facility and programs. The partnership at Phillips Community Center is oriented toward making sure all the partner organizations have clear expectations about their financial role and the role of the MPRB in managing and operating the facility.

Staff met with the community groups with an interest in Phillips Community Center weekly in January, February and March to forge the agreements. The relationship defined by the agreements provide a "co-op" type of arrangement where all tenants participate in assuring that the costs for operating and maintaining Phillips Community Center are fairly distributed and that no group is subsidized. The parameters that the Board approved provided the framework for the agreements.

1.) Tenants are incorporated or a viable legal entity
2.) Tenants must be able to demonstrate the financial viability to make improvements, pay operating costs and pay rent
3.) Tenants are responsible for the improvements within their space
4.) The Minneapolis Park and Recreation Board be responsible for common space improvements
5.) Duration of the leases be based on the amount of tenant improvements made – the higher the investment, the longer the lease term
6.) All tenants pay for their share of utilities for their space; a proportional share of common space, utilities, custodial and maintenance; and a proportional share of a sinking fund for future building repairs and renovation to the HVAC, roof, windows, building shell, bathrooms, parking lot and common spaces
7.) All tenants enter into a three to five year programmatic agreement on services to the provided.
8.) Use of the common facilities, possibly the gymnasium and cafeteria kitchen, be included in the terms of the programmatic agreements.

The rental rate that is required to provide for all the utility costs, common space costs and repair and replacement needs for the Phillips Community Center is $9.09 per square foot. This rate will be reviewed and adjusted annually.

The relocation of the Waite House to the Phillips Community Center will result in the Minneapolis Park and Recreation Board owning a vacant building where Waite House had been operating. A process for putting that facility back into use for the community will be outlined at a study session in June. The process will assure that the community is involved in the process for reuse and that the Minneapolis Park and Recreation Board does not have financial risk associated with the relocation of Waite House to the Phillips Community Center.

Rice Michels has completed a legal review of all the documents.

Recommendation

Staff recommends that the Board approve the lease agreement, operating agreement, tenant association agreement, sinking fund agreement and programmatic agreement with Waite House.

Attachments
Lease Agreement
Operating Agreement
Programmatic Agreement

Previous Board Actions
Board Approval of the Parameters for Lease and Programmatic Agreements for the Phillips Community Center (January 19, 2011)

Prepared by Don Siggelkow, Assistant Superintendent of Development Services
Approved by: Jayne Miller, Superintendent