

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY

November 16, 2010

The Ramsey County Regional Railroad Authority met with the following members present: Bennett, Carter, Parker, Reinhardt, Rettman, McDonough – 6. Absent: Ortega – 1. Also present were Julie Kleinschmidt, County Manager, and Darwin Lookingbill, Director, Civil Division, County Attorney's Office.

Chair McDonough called the meeting to order at 10:10 a.m.

AGENDA

Commissioner Parker moved approval of the Agenda of the November 16, 2010 Board Meeting, seconded by Commissioner Carter. Roll Call: Ayes – Parker, Reinhardt, Rettman, Bennett, Carter, McDonough – 6. Nays – 0.

MINUTES

Commissioner Parker moved approval of the Minutes of the November 2, 2010 Board Meeting, seconded by Commissioner Reinhardt. Roll Call: Ayes – Parker, Reinhardt, Rettman, Bennett, Carter, McDonough – 6. Nays – 0.

1. Central Corridor Construction Funding Agreement with the Metropolitan Council and Hennepin County Regional Railroad Authority

Commissioner Reinhardt moved approval of the following resolution, seconded by Commissioner Parker. Roll Call: Ayes – Parker, Reinhardt, Rettman, Bennett, Carter, McDonough – 6. Nays – 0. (R10-52)

WHEREAS, The Ramsey County Regional Railroad Authority has worked to advance the Central Corridor and other transit projects that benefit the citizens of Ramsey County; and

WHEREAS, The Metropolitan Council is responsible for delivering the project according to Federal Transit Administration and local project partners' requirements; and

WHEREAS, Early construction has begun for the project and a Full Funding Grant Agreement with the Federal Transit Administration is planned for late 2010; and

WHEREAS, Adjustments to the project, including adding the three stations on University Avenue have resulted in a project budget of \$956.9 million; and

WHEREAS, The Ramsey County Regional Railroad Authority's share of the Central Corridor Light Rail Project is seven percent of the project, not to exceed \$67,000,000, Now, Therefore, Be It

RESOLVED, The Ramsey County Regional Railroad Authority Approves the Cooperative Funding Agreement for Construction for the Central Corridor with the Metropolitan Council and the Hennepin County Regional Railroad Authority; and be it further

RESOLVED, That the Ramsey County Regional Railroad Authority authorizes the Chair to execute the Agreement.

2. Approve funding to continue Central Corridor construction activities through the first quarter of 2011

Commissioner Parker moved approval of the following resolution, seconded by Commissioner Reinhardt. Roll Call: Ayes – Parker, Reinhardt, Rettman, Bennett, Carter, McDonough – 6. Nays – 0. (R10-53)

WHEREAS, The Ramsey County Regional Railroad Authority has worked to advance the Central Corridor and other transit projects that benefit the citizens of Ramsey County; and

WHEREAS, The Metropolitan Council is responsible for delivering the project according to Federal Transit Administration and local project partners' requirements; and

WHEREAS, The project is expected to receive a Full Funding Grant Agreement in the first quarter of 2011; and

WHEREAS, In order to maintain the project schedule, construction begun in 2010 needs to continue; and

WHEREAS, The Federal Transit Administration allows for early construction under a Letter of No Prejudice; Now, Therefore, Be It

RESOLVED, That the Ramsey County Regional Railroad Authority approves continuation of early construction work on the Central Corridor during the first quarter of 2011, upon receipt of an FTA Letter of No Prejudice, up to an RCRRRA share of \$5.8 million from the existing RCRRRA Central Corridor commitment of \$67,000,000.

3. Agency Agreement with Mn/DOT for Federal funding of the Union Depot Multi-Modal Transit Hub Project

Commissioner Rettman moved approval of the following resolution, seconded by Commissioner Carter.

Commissioner Rettman asked for clarification of the "public employee registered engineer". She also asked if the bids would come back to the Ramsey County Regional Railroad Authority (RCRRRA) for approval.

Steve Morris, Transit Project Manager, RCRRRA, said through the contract with Mortenson Construction they hired the engineering firm URS, the engineers who are signing the document for this project. The RCRRRA director will designate an employee to be that contact person. He added that when the bids are open they will be publicly announced, they will be evaluated, and then staff will agree that the low bidder will be awarded the contract. The contract will be with the Construction Manager at Risk, which is Mortenson Construction. Mortenson was given this role through their contract. Today's approval only designates Mn/DOT as the agent of the RCRRRA to pass through federal funding.

Tim Mayasich, Director, RCRRRA, confirmed that he would appoint a staff person from the RCRRRA as the contact person and that it is not a new hire.

Roll Call: Ayes – Parker, Reinhardt, Rettman, Bennett, Carter, McDonough – 6. Nays – 0. (R10-54)

WHEREAS, The Ramsey County Regional Railroad Authority is developing the Union Depot as a multi-modal transit hub; and

WHEREAS, Federal funding has been appropriated to support the project through the Minnesota Department of Transportation; and

WHEREAS, An Agency Agreement is required between the Minnesota Department of Transportation and the Ramsey County Regional Railroad Authority for the administration of the Federal funds; Now, Therefore, Be It

RESOLVED, That the Ramsey County Regional Railroad Authority approves the Agency Agreement with the Minnesota Department of Transportation for Federal funding of the Union Depot project; and be it further

RESOLVED, That the Ramsey County Regional Railroad Authority authorizes the Chair to execute the Agreement.

4. Economic Analysis and Development Potential Study for Union Depot - Presentation

Tim Mayasich introduced the members of the team involved with the Economic Analysis and Development Potential Study for the Union Depot. He introduced Josh Olson, Planning Specialist, who is the RCRRA staff person overseeing this study, along with Eric Rothman, the President of HR&A Advisors, and Danny Fuchs, Senior Analyst with HR&A Advisors. Mr. Rothman and Mr. Fuchs would provide an update of the study to this point.

[The Economic Analysis and Development Potential Study presentation is on file with the RCRRA]

Eric Rothman introduced himself to the Board. He explained that HR&A Advisors is a real estate advisory and economic development consulting firm that specializes in public-private partnerships and does a lot of work around transit-oriented development. He detailed some of their previous experience for projects like the Union Depot, emphasizing that the Union Depot project is truly unique. He gave the examples of Moynihan Station in New York City, Hoboken Terminal in New Jersey, The High Line in New York City, and the Anacostia Waterfront Initiative in Washington DC. He said the main objective of the Economic Analysis and Development Potential Study is to ensure that Union Depot will continue to function effectively as a transit facility. With that, the proceeding objectives of the Study are to ensure the Union Depot becomes a vibrant and inviting place; provide a revenue stream to support and sustain operations; maximize economic benefits of redevelopment downtown and across all transit corridors; and engender Lowertown's growth as a distinctive community.

Mr. Rothman said the first step is to determine ways to activate and develop the Union Depot. The Depot has incredible opportunities with the approximately 185,000 square feet of usable space that is owned by Ramsey County. About half of this space has been identified as necessary for transit infrastructure and services, however there is significant space inside the building and outside on the front plaza that will allow the RCRRA to do more and augment the transit service uses. The methodology used to understand Union Depot's potential focused on a market assessment that included reviewing local demographics, analyzing four sectors of the real estate market, benchmarking of transit hubs and retail/entertainment districts. They also held a round table discussion with real estate professionals and developers. In addition, they reviewed and analyzed approximately ten previous studies in St. Paul and met with approximately twenty different stakeholders from the community, business and government organizations. Mr. Rothman briefly discussed the summary of the findings by reviewing the demographic overview and trends and the rate of growth in the Lowertown area around the Depot compared to the rest of the Twin Cities in the last decade. He presented an overview of real estate trends in residential, office, hotel and retail markets. The residential market has been the fastest growing sector in the last decade. In order to fuel the potential 5,000-7,000 new units by 2040, there is a need for additional local amenities. The office market has a number of challenges, most critically is the strategy to attract major office tenants. Hotels will require a combination of more business and entertainment needs. Mr. Rothman highlighted the retail sector, which is a growing scene in need of critical mass. They believe combining retail with programming will help fuel that momentum. Meetings with community groups, reinforced a common theme that Lowertown is about fresh food, fresh art and fresh culture, and adding more to this mix will help establish "a brand" for the restaurants and retail businesses. They evaluated approximately a dozen multi-modal transit stations around the country, to assess the kind of retail and civic space those facilities provide for their transit customers, in order to establish a benchmark for the Union Depot. The benchmarking established a rough basis that approximately 1,000 annual passengers can support one square foot of retail. Additionally, it was established that approximately 310 riders generates need for one square foot of civic space.

Commissioner Parker asked what is meant by civic space.

Mr. Rothman replied that civic space is passenger circulation space or common area and other space that is not programmed for retail, such as the great hall, waiting room and concourse.

Mr. Rothman continued the presentation and said they compared the retail demand and civic space demand from transit riders over time. It was determined that the challenge for Union Depot is that the riders themselves will not fill up the space in the building but there is ample opportunity for what the County can do to leverage this asset. HR&A Advisors completed three case studies including Dallas' Union Station, Minneapolis' Midtown Global Market and San Francisco's Ferry Building. Dallas's Union Station was a project driven by private development that led to minimal public benefit in the station itself. Midtown Global Market in Minneapolis is a concept driven by the local community as a business incubator. It began with optimistic forecast that led to unexpected requests for public funds. While this project is a work in progress, the success thus far has been from its programming and strong leadership.

Chair McDonough asked where the leadership for this project came from.

Danny Fuchs said the Neighborhood Development Center was in charge of running the Midtown Global Market and they brought in John Wheeler, General Manager of the Mall of America, to help to revamp the merchandising strategy. In this case, they had a business incubator that also wanted to be a successful retail marketplace and they needed to bring in an experienced retail leader who knew how to fill tenant spaces that maximized success.

Mr. Rothman added that the Midtown Global Market organized their space so that, while half of their tenant space is currently occupied by vendors, through programming they fill the remaining space. This is a strategy HR&A Advisors believe could be very effective for the Union Depot given the amount of space within the building and the timeline for ridership which will increase over the decades.

Mr. Rothman went onto discuss the San Francisco Ferry Building, which is a transit hub that through strategic public investments and thoughtful programming transformed for many years into success. Transit is an important aspect of the Ferry Building but it is not the dominant part of it because they managed to add programming to help its success. The lessons learned for the Union Depot are that historic rehabilitation can be promoted for value; a mix of local uses can enhance the site and the city; programming drives civic vibrancy and retail demand; getting Phase 1 right creates value for future phases; and interim use and market flexibility are critical.

Mr. Rothman stated the goals for the recommended development framework were to create a vibrant station, maintain a sustainable revenue stream, and foster economic development and growth that is distinct to Ramsey County. The recommendations will complement transit and induce future demand, tap into diversifying demographics, complement local business, attract regional demand, leverage the historic building and make it uniquely local. The development recommendation for Union Depot is to have a diverse local retail market including frequent and flexible programming for public and private events, while maintaining its fundamental purpose of being a public building and transit center.

Commissioner Rettman asked if a connection between the activities that take place at the Xcel and River Centers in the upper part of downtown St. Paul and the activities that could take place at the Depot and Lowertown was included in the programming strategy for the Union Depot.

Mr. Rothman said it was one of the strategies, as well as connecting with downtown workers and Lowertown to make Union Depot more of a regional destination.

Mr. Fuchs added that programming could include working in collaboration with other downtown facilities, such as holding a Wild Game pep rally event at the Union Depot before taking a shuttle up the Xcel Center for the game.

Mr. Rothman continued with the conceptual building program. The recommendation is that the Front Plaza allows for flexible programming and temporary space; the Great Hall would serve as a flexible event venue surrounded on the perimeter by permanent tenant spaces that would be complimentary to marketplace development. The Great Hall would be a living room space for Lowertown. The Concourse and Waiting Room would provide a mix of transit amenities, public programming and vibrant public marketplace that would be surrounded by the new transit infrastructure and transit services.

Commissioner Carter asked how the concepts of event venue and “living room” would work together.

Mr. Fuchs said it is flexible. He used the example of the Guthrie Theater in Minneapolis, which serves as a theater for its visitors as well as a “living room” in that people also spend time there when a show is not in session. One of the specifics that would need to be worked out for the Union Depot the interaction between private events and the Depot continuing to serving as a transit facility.

Mr. Rothman added most of the time the space would be used as a “living room” or an indoor civic space where people can congregate, while other times it would be used for private events to help generate the revenue that are needed to support the operations of Union Depot.

Commissioner Parker commented on the “living room” concept and asked if anything can be done architecturally with the space in the Great Hall to reduce the echo and make it seem cozier.

Mr. Rothman said they did not explore this exactly. He said the space is large but has potential function like a park or plaza.

Mr. Fuchs said there are mechanisms to make it feel homier while also keeping it flexible.

Mr. Rothman discussed some of the keys for implementing the vision. The first step is to make the Depot more marketable. This includes finding ways to reinforce connections to the riverfront, maximizing the investments and maintaining flexibility in public spaces, determining vendor demand and targeting future tenants, as well as identifying additional funding streams. In order to optimize building management, they recommended a stewardship structure that has the RCRRA as the site owner; its transit partners would serve as the managers of the transit infrastructure while the RCRRA would serve as the interfacing for holding the relationship with the transit service provider. They recommend that most or half of the space in the building be subject to a Public-Private Partnership and a Master Lease structure that enables marketplace development, management and programming, and uses the best of the private sector to determine the appropriate tenant mix and create the revenue stream. A public-private partnership can reduce the RCRRA’s management responsibilities, maximize opportunities for entrepreneurship, leverage expertise in development and marketing, and realize public aspirations with minimal public cost.

Chair McDonough commented that these particular recommendations are probably the most important elements in the study because it will determine how we make decisions on the management of this structure and set the stage for its development.

Commissioner Parker commented that she truly supports this study and model because they are not in the business of running retail and successful public venues. She asked if they had details on how they get there and what it would look like.

Mr. Fuchs said there are a number of steps to help make the project more marketable, which is the key, as well as simply defining the parameters of the space to use.

Mr. Rothman said this is a summary presentation, but they have a report that contains more detailed findings that will be made available shortly. This is the basic framework from the culmination of their analysis. They see it as an opportunity that can help maximize the public benefits that have already been anticipated from the major investments that are being made, and have identified steps to cultivate private interest in the Union Depot through a solicitation process that can bring it in.

Chair McDonough asked that each Commissioner receive a copy of the full detailed report when it is available.

Mr. Rothman said one of their recommendations is that the County should engage the private sector soon with a goal to have a mater lessee on board before the Depot opens. He emphasized their

recommendation of having a marketplace that is flexible. He said the economic benefits from the transit infrastructure could be augmented by a programming concept that fosters small business development and job creation. Public realm enhancements in addition to greater ridership in transit could potentially increase real estate values, local spending, and keep that money local.

Mr. Rothman outlined a plan of action that first defines the parameters for a master lease, commences significant outreach to potential partners, pursue efforts to make the project more marketable, and develop a solicitation process to select a development partner. He said ideally this would be a three to four month work plan that would allow a year and a half to select a developer and give them time work on the plan so that some of the development could be ready on Union Depot's opening day at the end of 2012.

Commissioner Parker asked if the Union Depot itself has the capacity for a critical mass or if they need to think about the Union Depot together with Lowertown as a combination venue to reach that level.

Mr. Rothman said they think the combination is the goal. For example, if you were to program the Head House with bars and restaurants, you could probably fit three to five venues in there. There is opportunity within the Head House in particular to be very complimentary to the happenings of Lowertown. Thinking about the whole is more important than trying to create that critical mass within the Head House.

Mr. Fuchs said it is part of the marketplace concept in thinking of Lowertown as the Lowertown market district, and leveraging the Lowertown brand of fresh food, fresh art and fresh culture.

Commissioner Parker commented that it is important for us to establish a physical connection between the Union Depot and the river, as well as Union Depot and Lowertown.

Mr. Fuchs said a connection to the river could be at the end of the waiting room. Having people walk through the waiting room enhances the vitality of the amazing space and could bring economic benefits.

Commissioner Carter commented on the connection of the Union Depot to Lowertown and the riverfront as an opportunity to be the premier window to the entire region. She said she looks forward to reading the full report and seeing the steps we take.

Chair McDonough thanked HR&A Advisors for the update. He said the most important are the next steps. The timeframe is actually fairly small for making critical decisions early. We need to get a good sense quickly on how we plan to move forward on the master lease and expose the opportunity to local, regional and national developers who have interest in this type of project. We need to be prepared as soon as possible because 2012 will come quickly. He added that it is important for our local partners to either have an opportunity to hear this presentation or receive a summary of the report, if not receive the full report.

Mr. Mayasich agreed that time is of the essence. They are grateful for the excellent work done by HR&A Advisors and that they had the right team for this study. The final report would be ready within two weeks and will be distributed to the Commissioners. He said presenting to local partners can be accommodated.

CORRIDOR UPDATES

No updates were given at this time.

ADJOURNMENT

There being no further business, Chair McDonough declared the meeting adjourned at 11:40 a.m.