



## Capitol Area Architectural and Planning Board

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 50 Sherburne Avenue  
 Phone: 651.757.1500  
[www.mn.gov/CAAPB](http://www.mn.gov/CAAPB)

**Date:** November 10, 2021  
**To:** The Capitol Area Architectural and Planning Board (CAAPB)  
**From:** Merritt Clapp-Smith, CAAPB Executive Secretary  
**Subject:** **Ford Building Demolition**

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At the September 28, 2021 meeting of the CAAP Board, the Department of Administration provided information on a Demolition Plan being prepared for the Ford building on University Avenue. Administration staff indicated that they would pursue demolition of the building in the near term, which is evidenced in their FY22 funding request item #3 Ford Building Demolition Phase I, for \$1.85 Million.

**Attached is a memo from the Department of Administration articulating its position and intent.**

It is true that the Department of Administration does not need approval from the CAAPB to pursue the funding for demolition. The CAAPB provides comments, which are available for review as the funding request proceeds. Please see November 18, 2021 meeting memo titled, "Proposed Comments from CAAPB to MMB on the Department of Administration's 2022 Capital Budget Requests."

However, if the Department of Administration succeeds in securing funding for demolition of the Ford building, then the CAAPB would review and approve or deny a permit for demolition. At this time, the CAAPB would not have the legal ability to approve a demolition permit, based on points 1 and 2 below:

### **1) December 19, 2019 CAAPB Statement on the Ford Building and Site**

The last time the CAAPB discussed the Ford building was in December 2019, when it reviewed the Department of Administration's planned budget request for FY2022 Capital projects, which included funding to study Ford building demolition.

At the November 2019 CAAPB meeting, Board members discussed the request, but did not come to resolution. A special meeting of the Board was called in December to address the Ford building demolition study item. After much discussion, a resolution was reached. The following is an excerpt from CAAPB's published meeting notes from the December 13, 2019 special meeting:

*"9. Ford Building Demolition - While CAAPB policy does not require but supports re-use of the Ford Building, the CAAPB is open to the budget request for demolition of the Ford Building, given the understanding from the Administration Department, that the actual demolition would not occur until such time as they have an actual use for the site in the form of a planned building, the design of which would involve a CAAPB-led design competition. They also agreed that an analysis of the range of options for the site redevelopment, including full or*

*partial building re-use to complete demolition and redevelopment of a cleared site, could be executed.”*

The full set of meeting notes from the November and December 2019 meetings are available at <https://mn.gov/caapb/about-us/meeting-minutes/>

## **2) 2040 Comprehensive Plan Policy related to the Ford building and site**

There are a few references to the Ford building and Lot C in the *2040 Comprehensive Plan for the Capitol Area*, which the Board adopted on June 3<sup>rd</sup>, 2021. Conformance with these references will be considered in the staff review. They include:

CAAPB Comprehensive Plan Chapter 7, page 165:

*“... The CAAPB position on the Ford Building is that the Board, while open to demolition, supports a full analysis (prior to any demolition) of the potential for reuse of all or part of the building (adaptive reuse) as part of a larger redevelopment of the State-owned property on the block.”*

Chapter 7A of the 2040 Comprehensive Plan, the *Capitol Rice Development Framework*:

***“D-3. Northeast corner block at University and Rice (includes State Lot C and Ford Building) ...development of this block will improve the vitality of the district. The state has a role in community development at the doorstep of the Capitol.***

*D-3.1 Complete redevelopment of State parking lot C including reuse/ redevelopment of Ford building.*

*D-3.2 Develop a state office building to accommodate agencies with a strong tie to the Capitol.*

*D-3.3 Design and Development Steps (State-led, CAAPB with the Administration Department):*

*1. **Ford Building Reuse Study:** Conduct a reuse study to determine scenarios of redevelopment, including site redevelopment guidelines that supply design parameters for future steps. The reuse study should verify the structural stability of the building and explore a full range of alternatives for building disposition (outlining the full range of possible reuses in each scenario) from full building to partial or complete demolition.*

*2. **Site Pre-Design Study:** Informed by the Ford Building Reuse Study, conduct a site pre-design study (required by law) to determine need and program for the particular use.*

*3. **Design Competition:** CAAPB led design competition.*

*D-3.4 Strongly encourage full or partial re-use of the Ford Building, recognizing the existing embodied energy and sustainability of re-using a solid structure, the benefit to the urban fabric of a historic building, and to take full advantage of existing tunnel connection.*

*D-3.5 Establish active ground-level uses facing University and Rice Streets.*

*D-3.6 Follow best practices for structured parking: Refer to Guidelines for Structured Parking.”*

### **D-7. Ford Building Reuse**

*D-7.1 Support re-use of the Ford Building within redevelopment of the property to the west on the northeast corner of University and Rice. Encourage an active, pedestrian-friendly first floor uses engaging University Avenue. ...”*

Given the existing Comprehensive Plan language requiring a review study before demolition, the CAAPB could not approve a permit including demolition, unless it amended the 2040 Comprehensive Plan language to remove the requirement for a full building reuse study at the time of site redevelopment. The process to

amend language in the Comprehensive Plan takes about six months and requires a number of steps, including public engagement.

**I propose that the following comments from CAAPB on the Department of Administration's Ford Building demolition funding request:**

The 2040 Comprehensive Plan for the Minnesota State Capitol Area identifies steps to occur prior to any demolition of the Ford building, specifically:

Chapter 7A of the 2040 Comprehensive Plan, the *Capitol Rice Development Framework*:

*"D-3. Northeast corner block at University and Rice (includes State Lot C and Ford Building) ...development of this block will improve the vitality of the district. The state has a role in community development at the doorstep of the Capitol.*

*D-3.3 Design and Development Steps (State-led, CAAPB with the Administration Department):*

- a. **Ford Building Reuse Study:** Conduct a reuse study to determine scenarios of redevelopment, including site redevelopment guidelines that supply design parameters for future steps. The reuse study should verify the structural stability of the building and explore a full range of alternatives for building disposition (outlining the full range of possible reuses in each scenario) from full building to partial or complete demolition.*

The Department of Administration's Ford building demolition request does not identify any plans to pursue these steps prior to demolition. Under such circumstances, if the CAAPB wished to issue approval for a demolition permit without the steps being taken, then it would need to amend its Comprehensive Plan regarding the pre-demolition steps.

**Final Notes on the Dept of Administration's current project to prepare a Ford Building demolition plan**

CAAPB Staff and Participation in Current Design for Demolition: The Department of Administration is currently preparing a plan for demolition of the Ford Building, with assistance from consultants. CAAPB staff and Advisors are tracking the project and providing some input and suggestions. We appreciate the Department of Administration's openness to our participation. The design process assumes full demolition with a focus on how to retain and reuse elements of the building in future development at the site, and how to approach future interpretation of the building history and value in Saint Paul.

The review and input provided by CAAPB staff and Advisors to the Ford Building Demolition Plan occurring in Fall 2021, does not represent or imply CAAPB approval for building demolition outside the context of consideration of all reuse scenarios within a broader redevelopment project of a larger site, as described in the 2040 Comprehensive Plan for the Capitol Area. However, CAAP Board Executive Secretary and Advisors believe that their involvement in considering how to represent the historic building needs to occur while the study is underway.

November 10, 2021

Capitol Area Architectural and Planning Board  
204 Administration Building  
50 Sherburne Avenue  
Saint Paul, Minnesota 55155

Dear Members of the Capitol Area Architectural and Planning Board:

The following is background information on the Department of Administration's (Admin) 2022 Capital Budget request for funding to demolish the Ford Building as part of the first phase of redevelopment of the larger parcel of land owned by the State.

The Ford Building has been vacant since 2004 due to deterioration, need for major repairs and systems replacement, and prohibitively high lease rates. Maintaining this vacant building is a significant liability to Admin and the State with over \$1M in costs incurred since 2004. Because the building is unusable and no rent is collected, this is an accrued liability for Admin with no funding source to address the ongoing costs now or in the future. Allowing the building to continue to remain vacant while it is further studied only causes Admin to incur more debt and is a disservice to Minnesota taxpayers. Additionally, the vacant building has become a nuisance and a safety issue where state employees have been harassed by loiterers, small fires have been set around the building's exterior, and Admin has had to ensure that pieces of the façade do not fall on the street below.

At the same time, we have interest from state agencies to move onto the Capitol Complex from other leased facilities, and the need to replace the Centennial Office Building is becoming increasingly urgent. When that happens, we will need to relocate employees from several state agencies to alternative office space. The Ford building being demolished and replaced sets into motion a domino effect that could transform the Capitol Complex over the next decade and allows Admin to fully utilize a prime piece of real estate on the Capitol Complex at lease rates that are more affordable than restoring a building that does not maximize the site.

As you are aware, the National Park Service determined the Ford Building is not eligible for listing on the National Register for Historic Places. Please also refer back to the information provided in our communication dated November 12, 2019 for additional reasons it is not fiscally responsible to continue to utilize taxpayer funds to maintain the building. Finally, private use and/or sale of the existing building is not only prohibited under statute, but given the value of the location it is also not prudent.

Considering the documented burden of maintaining this vacant building indefinitely, the desire among state agencies currently located off-campus to move onto the Capitol Complex, and the need to renovate the Centennial Office Building in the very near future, Admin finds that it is essential to pursue demolition and further development on the Ford site as expeditiously as possible.

We understand that the Comprehensive Plan recently adopted by the CAAPB contemplated a reuse study for the Ford Building. Based on the previously cited reasons and the need to move quickly, Admin will work with the CAAPB to seek a provision in law accompanying a demolition appropriation that allows the demolition of the Ford Building to proceed without an amendment to the Comprehensive Plan.

We look forward to partnering with the CAAPB during the Facilities Strategic Planning process to help establish a broader vision for redevelopment of state-owned property on this block. The redevelopment of this site is a critical component in addressing the needed reinvestment in facilities on the Capitol Complex for the effective and efficient delivery of State government services to the people of Minnesota and to meet the needs of tomorrow's workforce.

Sincerely,

A handwritten signature in black ink that reads "ARobertsDavis". The signature is written in a cursive, flowing style.

Alice Roberts-Davis  
Commissioner

**Ford Building****\$3,626,000**

To complete abatement of hazardous materials and demolition of the Ford Building and associated infrastructure located on the Capitol Complex as the first phase of overall site redevelopment. This appropriation may also be used to construct and equip improvements to maintain access to the Capitol Complex tunnel system as well as to provide security, irrigation, and landscaping for the site.

Notwithstanding Minnesota Statutes 15B or the Comprehensive Plan for the Minnesota State Capitol Area, a re-use study of the Ford Building shall not be required prior to a building permit being issued for the work authorized in this appropriation or to proceed with such work.



November 12, 2019

Capitol Area Architectural and Planning Board  
204 Administration Building  
50 Sherburne Avenue  
Saint Paul, MN 55155

Dear Members of the Capitol Area Architecture Planning Board,

We are writing this joint letter to respond to the Capitol Area Architectural Planning Board (CAAPB) Ford Building Reuse Feasibility Study dated June 2019 and identify issues and concerns with some of the conclusions in the report. We recommend that the Board does not endorse the Study. Instead, proposals for any future use of the Ford Building site need to address these concerns.

### **The Department of Administration**

The Commissioner of Administration (Admin) is responsible for operation and maintenance of buildings on the Capitol Complex and oversight of construction work on state owned facilities. The following comments should be considered in the context of the Commissioner of Administration's statutory role and responsibility to efficiently and effectively meet state agencies, boards and councils' space needs in state owned and leased facilities. It is important to note that most of Admin's concerns are derived from important considerations that went wholly unaddressed in this study.

### **Limited Scope**

There are a number of fundamental questions that were not addressed in the Reuse Feasibility Study for the Ford Building, including:

- Given the limited development capacity available on state owned land on the Capitol Complex, is the re-use of the Ford Building the highest and best use for the site?
- What are the comparative life-cycle costs between re-use, re-use with expansion, and demolition with new construction?
- What state agencies, boards or councils could potentially be located in the Ford Building?
- How effectively and efficiently would the Ford Building meet the long-term space needs for those agencies?

These questions, among others, are critical to making an informed, objective decision regarding the future of the Ford Building site. This study is only considering a single option of reuse. It does not consider all options for the Ford site and should not be considered impartial or objective. The study is also flawed in that it recommends a mixed-use development that isn't feasible with state bond financed property.

## **Building Condition**

There is a reason that the Ford Building was vacated 15 years ago. It is not functional, has aged/failing building systems, does not provide the space the state needs, and cannot be cost-effectively renovated.

Admin agrees with the study that the building is in fair to poor condition, but is structurally sound. However, using the current building would not provide the greatest amount of square footage or offer the greatest employee density on the site. The current layout of the building is not efficient or functional. The building has a small floor plate with many columns and approximately 57,170 sq. feet (enough room for around 200 people). Maximizing the site would allow a building of up to 250,000 sq. feet for approximately 900 people and a contained parking ramp for 450 vehicles. This would be ample space to relocate an entire agency to the Capitol Complex.

Many of the reasons that the study lists as evidence to reuse the building are actually specific to the site and not solely the Ford Building. These include proximity to the Capitol Complex, light rail, and tunnel system.

## **Renovation Costs**

The size of the development also affects the cost. Admin's real estate and construction experts estimate that it will cost more per square foot to renovate the existing building than to maximize the development on the site with new construction. Nearly everything needs to be replaced including all building systems (mechanical, electrical, plumbing, security, IT), elevators, life-safety systems, and the roof. The exterior will require a re-skin and the building needs to be brought into compliance with ADA standards. Building a large facility that better fits the site may initially cost more, but meeting space needs efficiently and effectively for state agencies will have significant cost advantages in the long run.

Admin agrees with the study that a "lack of political consensus on the use of the Ford Building and the commitment to allocate enough funds" has hindered Admin's ability to redevelop the Ford site previously. We sincerely hope that will change. Admin also agrees that the "potential financial implications of the development cost need[s] to be realized in rents costs". This is an additional reason why redevelopment of the site may be preferred over reuse. The high renovation costs for a small building will ultimately result in exorbitant rent costs for any future tenant. These high lease rates would make a renovated building unappealing and may preclude an agency from looking to relocate to the Capitol Complex.

## **Conflicts with State Statute and Policy**

The study recommends selling the property if the state does not wish to reuse the Ford Building. However, this would conflict with state law, M.S. 16A.695 Subd. 3., which states that state bond financed property can only be sold if it is deemed that the property is no longer usable or needed by the agency. Although the building is no longer functional, the underlying property can be used to construct a highly functional building. The state originally acquired the building and adjacent properties to meet immediate and long-term space needs on the Capitol Complex, including providing a site for future development by the state. Given the Capitol Complex is the seat of state government, it is our responsibility to consider not only immediate space needs of state government, but long-term future development needs on the Capitol Complex. It would be irresponsible to sell a property that can meet the long-term space needs of state government. We know that there is significant need and interest



from state agencies, councils and boards in returning to the Capitol Complex. If a reasonably priced, functional space was available on the Capitol Complex, we would most certainly fill it with state employees.

### **Sustainability Considerations**

The study elevates the environmental value of reusing a building. Certainly, this is of interest to Admin. Please note that as part of demolition, the vast majority of building materials will be recycled. In addition, new construction will meet or exceed Buildings, Benchmarks, and Beyond (B3) guidelines and Sustainable Building 2030 requirements for energy efficiency and use of renewable energy systems.

### **Minnesota Management and Budget**

Minnesota Management and Budget (MMB) is responsible for the State's general obligation bond program and for ensuring ongoing compliance of the properties financed with general obligation bonds. MMB was asked by the consultant who prepared the Reuse Feasibility Study to provide information about statutes governing the leasing of state bond financed property. Even though MMB provided this information before publication of the report, the rules and restrictions were not adequately incorporated into the report itself.

As a publicly owned, previously state bond financed building, there are ongoing restrictions as to use of the property. Constitutionally, the property must remain in public ownership and be used for public purposes in support of a governmental program. Any use by non-governmental entities is subject to both federal tax and state law restrictions.

The report discusses existing interest by private developers regarding future use of the building. The "Capitol Rice Development Framework" identified the option for occupancy of the first floor space by private lease. The report concludes that the "ideal development" in the Ford Building location would be a mixed-use development including retail space, office space and services.

While the report correctly identifies that existing statutes limit the ability to lease all or portions of the building for mixed use development, simply amending statute to accommodate these uses would have negative consequences. Existing state statutes regarding bond financed property limit allowable leases to those carrying out a governmental program and further limit the term of any lease to a time period equal to or less than 50 percent of the building's useful life. These restrictions ensure that the constitutional purpose of any previous bond funding continues to be met.

MMB is required to approve leases involving state bond financed property and ensures that any lease does not impact existing State bonds. Unfortunately, the report mischaracterizes the ability of the State to lease portions of the Ford Building without jeopardizing the tax-exempt status of the State's bonds previously used in the building. Since the State is a large issuer of tax-exempt bonds, MMB cannot take advantage of Internal Revenue Code provisions regarding leases for "unrelated purposes" for up to 5 percent of the building square footage. The State is held to a much more stringent limitation -- \$15 million per bond issue -- and in order to protect the tax-exempt status of the State's bonds, MMB does not allow any private use within state bond financed property.

It is not possible to amend state statutes to accommodate mix-use developments without negatively impacting MMB's ability to protect the State's outstanding bonds. Current law allows for the execution

of leases that further a governmental program and protect the state's bonds. The alternative means for removing the Ford Building from state bonding restrictions would be for the State to sell the building under existing statutes, which the Department of Administration discussed above.

### **Conclusion**

We agree that we need a path forward to make the Ford property usable. Without a solution, the property will continue to be vacant, experience growing deferred maintenance, and accrue debt that will be paid with taxpayer dollars.

Many of the reasons that the study found that support restoration (proximity to the light rail station, access to the Capitol tunnel system, public access on University Avenue, and lot size) are not unique to the building, but are intrinsic values of the site and still exist independent of the building that is currently located there.

The Reuse Feasibility Study acknowledges that "There are Legislative statutes that limit [the] ability to take advantage of historic tax credits, limits [the] ability to lease to outside tenants, and limits [the] ability to partner with developers." and "In order to capitalize on [private development] opportunities and reuse the Ford building, modifications may be necessary to the statute funding restrictions that have stymied prior attempts for development and reuse." Unfortunately, for the reasons mentioned above, these legislative changes are not possible. Therefore, we should prioritize finding ways to responsibly develop the Ford Building property as quickly as possible.

Sincerely,



Commissioner Alice Roberts-Davis  
Department of Administration



Commissioner Myron Frans  
Minnesota Management and Budget