



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: October 21, 2014

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Referral to: Council Member John Quincy, Chair, Way and Means Committee

Subject: West Broadway Education and Career Center (800 West Broadway and 2019 Aldrich Ave. N.): Approve acquisition of tax forfeit parcel and related title clearance activities; Conduct public hearing to approve sale of parcel under proposed redevelopment contract business terms, alternative Business Subsidy goals, TIF Plan and related plan modifications, and issuance of pay-as-you-go TIF note.

Recommendation:

1. Adopt the attached City Council Resolution approving the 800 West Broadway Tax Increment Financing (TIF) Plan, Modification No. 10 to the West Broadway Redevelopment Plan and Modification No. 124 to the Common Plan;
2. Approve the acquisition of 800 West Broadway from Hennepin County-Tax Forfeited Land and simultaneous disposition to Sherman Associates, Inc.'s single asset entity 800 West Broadway LLC for \$50,000;
3. Approve the proposed redevelopment contract business terms as described in this report;
4. Amend the 2014 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund 01SDA-Development Account (01SDA-8900320) appropriation by \$50,000;
5. Amend the 2014 Revenue budget for the Community Planning & Economic Development Agency fund 01SDA-Development Account (01SDA-8900900 – 348501) by \$50,000;
6. Adopt the attached City Council Resolution authorizing the issuance of a Limited Revenue Pay-As-You-Go TIF Note to 800 West Broadway LLC in a principal amount not to exceed \$500,000;
7. Authorize staff to execute necessary agreements with the United States Department of Health and Human Services to remove a Federal Interest lien on 800 West Broadway as described in this report;
8. Amend the 2014 General Appropriation Resolution by establishing the Community Planning & Economic Development agency Fund 01CWB – 800 West Broadway (01CWB – 8900900) approving an initial appropriation of \$5,000 in the fund;
9. Establish alternative Business Subsidy goals and authorize execution of a Business Subsidy Agreement with 800 West Broadway LLC;
10. Authorize the execution of a Business Subsidy Agreement between the City and 800 West Broadway LLC establishing the aforementioned goal, outlining reporting requirements and identifying the penalty of failure to perform; and
11. Authorize the appropriate City officials to execute a redevelopment contract and all other necessary documents related to the above recommended actions, including the attached Term Sheet with 800 West Broadway LLC or an affiliate entity.

Previous Directives: On August 5, 2014 the City Council authorized staff to proceed with analysis of the 800 West Broadway Redevelopment proposal to determine if TIF assistance is appropriate and justifiable. On July 22, 2014 the City Council approved the acceptance of a \$205,000 Metropolitan Council Tax-Base Revitalization Account (TBRA) grant. On April 25, 2014 the City Council approved an application for a \$205,000 TBRA grant.

Prepared by: Erik Hansen, Principal Project Coordinator, Phone 612-673-5022
 Approved by: Charles T. Lutz, Deputy CPED Director _____
 Catherine A. Polasky, Director Economic Policy & Development _____
 Funding Source and Appropriation Language Reviewed by _____
 Development Finance _____
 Presenter(s) in Committee: Erik Hansen

Financial Impact

- Action requires an appropriation increase to the Operating Budget
 Dept. Name: Community Planning and Economic Development
 Fund Name: 01CWB and 01SDA
 Amount: \$5,000 (01CWB - 8900900) and \$50,000 (01SDA - 8900320)
- Action provides increased revenue for appropriation increase
 Dept Name: Community Planning and Economic Development - 8900900
 Fund Name: 01SDA – Development Account
 Amount: \$50,000
- Tax increment generated by the increased value of this property, as a result of the new development, will not be included in the City’s general tax base. The tax increment will revert to the City’s general tax base when the note is paid in full, which is anticipated to be in eight years. The City will retain 10% of the tax increment generated each year for the payment of TIF administrative costs.
- Action is within the Business Plan
- Proposed Total CPED Land Assembly Costs Net Sale Proceeds: \$0.00
- Proposed Sales Price Write-down from Re-Use Value Appraisal: \$235,000

Community Impact

- Neighborhood Notification – Hawthorne Neighborhood Council reviewed the project on October 9, 2014. West Broadway Coalition reviewed it on September 22, 2014 and supports the project. Staff held general community wide meetings on April 29, 2014 and September 30, 2014. On September 5, 2014, the Hawthorne Neighborhood Council, the Northside Residents Redevelopment Council, and West Broadway Business and Area Coalition were notified of the opportunity to review and comment on the proposed TIF Plan, Modification No. 10 to the West Broadway Redevelopment Plan and Modification No. 124 to the Common Plan.
- City Goals –
 - One Minneapolis: Disparities are eliminated so all Minneapolis residents can participate and prosper.
 - A hub of economic activity and innovation: Businesses – big and small – start, move, stay and grow here.
- Comprehensive Plan – On September 29, 2014, the City Planning Commission found that the proposed TIF Plan and related plan modifications and the sale of 800 West Broadway are consistent with *The Minneapolis Plan for Sustainable Growth*. This project supports many policies in Chapter 4, Economic Development.
- Zoning Code – This project will comply with all requirements of the applicable zoning district.
- Living Wage/Business Subsidy Agreement Yes X No _____
- Job Linkage Yes X No _____
- Other – On September 18, 2014, the Planning Staff completed a land sale review of this parcel and approved the proposed development.

Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
TF-825	800 West Broadway	\$50,000

Purchaser

800 West Broadway LLC
233 Park Avenue South
Minneapolis, MN 55415

Proposed Development

This proposed project is located at the northwest corner of the intersection of West Broadway and Aldrich Avenue North in North Minneapolis. The project site includes two properties, 800 West Broadway and 2019 Aldrich Avenue North. The 800 West Broadway parcel contains a 47,100 square-foot two-story vacant tax forfeit commercial building that Sherman Associates, Inc. (the "Developer") proposes to rehabilitate into a multi-use commercial office and retail building. The 2019 Aldrich Avenue North parcel is a bank-owned property with an existing vacant duplex that the Developer will demolish for parking. With City approval, the Developer expects to complete the project in September 2015.

The project concept results from a request for proposals that the State of Minnesota issued to relocate the current North Minneapolis Workforce Center from Plymouth Avenue to West Broadway. The State of Minnesota selected the Developer's proposal for 800 West Broadway and will occupy about 12,000 square feet of the building's first floor.

The 800 West Broadway parcel, as tax forfeit property, is currently under the control of Hennepin County. Staff recommends that the City purchase the property from Hennepin County for redevelopment purposes and then sell it directly to the Developer. Hennepin County has agreed to sell the property for \$50,000 which covers County holding and transactional costs. The Developer has agreed to pay that price for the property. The Developer currently has a purchase agreement to buy the 2019 Aldrich Avenue North parcel from the owner, Sunrise Bank.

City staff has worked with the Developer, the State of Minnesota and multiple job-skill and educational training providers to tenant the project as an education and job training center serving North Minneapolis. The project tenants will provide programming and target residents of the Near North community to address job-readiness and educational attainment disparities. The Near North community lags far behind the city as a whole in high school equivalency achievement for adults over 25. Only two out of five residents over 25, or less than half the citywide average, go on to receive any education beyond high school.

	Total	%	
Near North Community (25 years and older)	16,405	100%	Mpls Average
Less than high school	4,409	26.90%	12.30%
High school diploma or GED	5,194	31.70%	19.70%
Some college or associate's degree	4,090	24.90%	24.70%
Bachelor's degree	1,869	11.40%	27.60%
Graduate or professional degree	843	5.10%	15.70%

Participants in the center include the State of Minnesota Workforce Center, Minneapolis Public Schools, Northpoint Health and Wellness Center, Minneapolis Community and Technical College, and Minnesota State University, Mankato. These tenants will occupy

about 41,000 square feet of the building with the remaining 6,000 square feet reserved for yet-to-be determined retail tenants.

To address the retail area of the building the Developer will work with the City, community and business groups to identify community-based entrepreneurial opportunities. In commercial projects it is typical for a developer not to identify retail tenants until approximately three to six months before the opening of the building. The Developer will strive to deliver high-quality retail offerings in the project that will continue to diversify service and retail mix in the community. The Developer will strive for retail tenants that are not in fast-food, general merchandise, health and beauty, or personal services categories. Retail area tenants will have primary entrances on West Broadway.

Project Financing Overview

The estimated total development cost of the project is approximately \$6,700,000 (see table below). Equity in the project comes from three sources totaling approximately \$3,091,990 (46% of total development costs). These equity sources include approximately \$1,100,000 from the Developer through approximately \$300,000 in cash and \$800,000 in deferred fees and \$2,000,000 from New Markets Tax Credits. The Developer has a letter of intent from Sunrise Banks to provide the New Markets Tax Credit allocation with Chase Bank providing the equity. Sunrise will also provide the debt financing for the project. The project received a \$205,850 Metropolitan Council Tax Base Revitalization Account (TBRA) grant in the Spring 2014 funding round.

Proposed Sources and Uses for 800 West Broadway Redevelopment

Uses	Total	% of TDC
Land Costs (800 W Bway & 2019 Aldrich)	106,740	1.58%
Architectural & Engineering Costs	250,000	3.70%
Construction Costs	3,062,500	45.39%
Enviro Consultant & Remediation Costs	216,305	3.21%
Tenant Improvements	1,020,000	15.12%
Financing Costs	892,250	13.22%
Other Costs	1,200,000	17.78%
Total Uses	6,747,795	100.00%

Sources	Total	% of TDC
Developer Cash Equity	291,990	4.33%
Deferred Developer Fee Equity	800,000	11.86%
New Market Tax Credit Equity	2,000,000	29.64%
City TIF (expected 8 yrs.)	500,000	7.41%
Met Council TBRA	205,805	3.05%
Loan	2,950,000	43.72%
Total Sources	6,747,795	100.00%

Tax Increment Financing

The project site has multiple barriers to redevelopment, supporting the use of TIF. The Developer requested approximately \$500,000 in pay-as-you-go TIF assistance. Staff completed a blight analysis which determined that the project site qualifies as a redevelopment TIF district.

The proposed development project will eliminate blight, increase opportunities for educational attainment for area residents, and increase business activity and density in the West Broadway commercial district. The proposed development would not occur at this location without public financial assistance due to the extraordinary costs involved in the redevelopment of the building.

The 800 West Broadway TIF Plan, Modification No. 10 to the West Broadway Redevelopment Plan and Modification No. 124 to the Common Plan identify the properties at 800 West Broadway and 2019 Aldrich Avenue North as properties that may be acquired by the City of Minneapolis. Staff does not anticipate the need to purchase 2019 Aldrich Avenue North; the Developer has a purchase agreement to buy the property from the owner, Sunrise Bank.

Staff has determined that up to \$500,000 in tax increment financing assistance is justifiable. Such assistance will be provided to the project through the issuance of a TIF pay-as-you-go revenue note. The note will carry an annual interest rate of 4.0%, and it is currently projected that the note will be paid off utilizing eight years of tax increment collections. The note will reimburse the Developer for qualifying rehabilitation and site costs.

Federal Interest Lien Removal

The United States Department of Health and Human Services (DHHS) provided a grant of \$700,000 to a previous developer of 800 West Broadway. DHHS required the previous developer to file a Notice of Federal Interest against 800 West Broadway. The Notice of Federal Interest states that, in accordance with DHHS Grants Policy, 800 West Broadway may not be used for any purpose inconsistent with the approved grant program; mortgaged or otherwise used as collateral without the written permission of DHHS; or sold or transferred to another party without permission of DHHS.

Staff is pursuing the full release of the Federal Interest upon closing with the Developer consistent with the terms of the Redevelopment Contract. If DHHS does not agree to a full release at closing, Staff will attempt to negotiate an agreement by which DHHS agrees to subordinate its interest in the project financing and release the Federal Interest if the property is operated as a workforce center for 10 years. If the City is unable to negotiate either of the foregoing to the Developer's satisfaction, the Developer will have the option not to close on the acquisition of 800 West Broadway property.

Business Subsidy

The write-down of the purchase price on 800 West Broadway and the TIF assistance trigger the provisions of the State Business Subsidy Act. The purposes of the assistance to this project are to remove blight and increase educational and job skill career training programming available to the Near North community of Minneapolis, not direct job creation. Therefore, it is recommended that the rehabilitation of the property and the establishment of the Workforce Center pursuant to a 10-year lease with the State of Minnesota be established as the goals for this project. A Business Subsidy Agreement will be executed between the City and 800 West Broadway LLC establishing this goal, outlining the reporting requirements and identifying the penalty if the developer does not meet these goals. The financial obligation of 800 West Broadway LLC if the goals are not met by Fall of 2017 (Completion Date plus two years), subject to Unavoidable Delays is as follows:

Termination of the TIF note (which does not start payment until completion of the Minimum Improvements and establishment of the Workforce Center pursuant to a 10-year lease with the State of Minnesota) and repayment of the \$235,000 write-down for the 800 West Broadway parcel plus interest at the rate specified in MN Statutes 275.70, subd. (2) from the date of closing.

Project Timeline

The Developer's goal is to complete the acquisition of the project site and begin the redevelopment by the end of 2014. Under this timeline the Developer expects to complete the project by September 2015 in time for the 2015-2016 school year.

LAND DISPOSITION POLICY:

This property is being sold for development and will be improved by rehabilitation as defined by City policy.

OFFERING PROCEDURE:

This is a direct sale. The sales price is the agreed price between the City and Hennepin County to reimburse Hennepin County's holding and transactional expenses. It may not reflect the full re-use value.

The property is being sold in as-is condition and the City is conveying tax title.

Attachments

- Term Sheet
- Resolution Authorizing Issuance of TIF Note
- Resolution Approving 800 West Broadway TIF Plan, Mod. No. 10 to the West Broadway Redevelopment Plan and Mod. No. 124 to the Common Plan
- Resolution Approving Sale of Land - 800 West Broadway
- 800 West Broadway TIF Plan, Mod. No. 10 to the West Broadway Redevelopment Plan and Mod. No. 124 to the Common Plan
- CPED Land Sale Review Form
- Development Finance Committee Recommendation on 800 West Broadway TIF Plan

WEST BROADWAY EDUCATION AND CAREER CENTER PROJECT TERM SHEET

1. **PROPERTY Required for Sherman Associates, Inc. Proposed Development**

Address	Property Identification Number	Zoning	Ownership
800 West Broadway Ave.	16-029-24-14-0090	C3S	Tax-forfeit (City will purchase and sell to developer)
2019 Aldrich Ave N.	16-029-24-14-0089	OR2	Developer will purchase property from private owner

2. **PURCHASER/DEVELOPER**

Sherman Associates, Inc's single asset entity 800 West Broadway LLC
233 Park Avenue South, Suite 201
Minneapolis, Minnesota 55415

3. **PURCHASE PRICE**

Total Purchase Price: Developer agrees to pay \$50,000 for fee simple, which may be tax title to the City for 800 West Broadway Avenue plus appropriate closing costs.

4. **GOOD FAITH DEPOSIT**

Good Faith Deposit: Developer agrees to pay the City \$5,000 (10% of Purchase Price) upon City Council Approval of the Sale of 800 West Broadway property.

5. **CLOSING DATE**

Estimated closing date is on or about January 15, 2015.

6. **CONSTRUCTION START DATE**

On or about January 15, 2015

7. **CONSTRUCTION COMPLETION DATE**

Fall 2015

8. **CLOSING AND CONSTRUCTION DATE CONTINGENCY**

Closing and construction deadline may be extended by discretion of the CPED Director

9. PROPOSED PROJECT DESCRIPTION

This proposed project is located at the northwest corner of West Broadway and Aldrich Avenues in North Minneapolis. The project site includes two properties, 800 West Broadway Ave. and 2019 Aldrich Ave. N. The 800 West Broadway Ave. parcel contains a 47,100 square-foot two-story vacant tax-forfeit commercial building that the Developer will rehabilitate into a multi-use commercial office and retail building. The Developer will purchase 2019 Aldrich Ave. N. parcel, a bank-owned property with an existing vacant duplex, demolish the structure and construct surface parking for tenant parking uses.

The City will use good faith efforts to purchase 800 West Broadway and directly sell it to the Developer for the project for the purposes of the relocation of the current North Minneapolis Workforce Center into 12,000 square feet of the building's first floor. DEED issued a request for proposals in 2013 and selected the Developer's proposal for 800 West Broadway. The sale price of 800 West Broadway covers holding and transactional costs to Hennepin County, the State's agent in management of tax-forfeit land.

Additional educational and job-skill career training providers will tenant the Project. Together DEED and these educational and job-skill career training providers will form the West Broadway Education and Career Center occupying approximately 40,000 square feet of the project ("Education and Career Center Area"). The tenants will provide programming and target residents of the Near North community to address job-readiness and educational attainment disparities. Tenants include a combination of the Minneapolis Public Schools, Northpoint Health and Wellness Center, Minneapolis Community and Technical College, and/or Minnesota State University, Mankato.

The Developer will set aside approximately 6,000 square feet for yet-to-be determined retail tenants ("Retail Area").

10. MINIMUM IMPROVEMENTS

Renovation of existing 47,100 square-foot building into a commercial, office, and retail complex, demolition of existing vacant duplex, and construction of surface parking and related improvements on the Property in accordance with the approved construction plans.

11. CONDITIONS TO PROPOSED PROJECT

Education and Career Center Development:

The Project delivers public benefits of the removal of blighting influences, providing new office, commercial and retail space, and a strengthened tax-base derived from the rehabilitation of the real estate. Additional public benefits are derived from the programming offered from the tenants in the Project. These benefits, in the form of educational and job-skill career training opportunities, are the supporting conditions for City Tax Increment Financing support for the project. To meet these public benefits the Developer anticipates leasing the Education and Career Center Area of the project to tenants that will deliver on-site educational and job-skill career programming. The Developer will secure leases from educational and job-skill career training providers listed in the Proposed Project Description to the satisfaction of the City prior to closing. Condition to lease to educational and job-skill career training providers will last for a period of 10 years.

Retail Area Development:

The Developer will work with the City, community and business groups to identify community-based entrepreneurial opportunities for the Retail Area of the project. The Developer will strive to deliver retail offerings in the Retail Area of the project that continues to diversify service and retail offerings in the community. The Developer will strive for retail tenants that are not fast-food, dollar stores, hair and nail salons, and beauty supply stores. Retail Area tenants will have primary entrances on West Broadway Avenue. Developer will have sole authority to approve commercial tenants and sign leases

Notice of Federal Interest Requirements:

The United States Department of Health and Human Services (“DHHS”) previously provided a grant of \$700,000 to Great Neighborhoods! Development Corporation (“GNDC”) pursuant to the Community Economic Development (CED) program, in connection with a building trades incubator project that later changed into a YWCA fitness facility project that was to include retail space and the attendant creation of jobs (the “Original Project”). In connection with the Original Project, DHHS required GNDC to file a Notice of Federal Interest against 800 West Broadway. The Notice of Federal Interest, dated and filed on June 17, 2010, states that, in accordance with HHS Grants Policy Directive 3.04, the Property may not be (1) used for any purpose inconsistent with the approved Program of Utilization; (2) mortgaged or otherwise used as collateral without the written permission of the Secretary, DHHS; or (3) sold or transferred to another party without permission of the Secretary, DHHS (or authorized DHHS employee) (the “Federal Interest”).

The City will pursue the full release of the Federal Interest upon closing with the Developer consistent with the terms of the Redevelopment Contract. If DHHS does not agree to a full release at closing, the City will attempt to negotiate an agreement by which DHHS agrees to subordinate its interest in the project financing and release the Federal Interest if the property is operated as a work-force center for 10 years. If the City is unable to negotiate either of the foregoing to the Developer’s satisfaction, the Developer will have the option not to close on the acquisition of 800 West Broadway property.

Subcontracting and Labor Requirements:

Additional public benefits come from community participation in the contracting and labor participation from community residents, especially traditionally disadvantaged groups. The Developer will strive to exceed set subcontracting and labor participation goals. The Developer will work with community and business groups to develop an outreach strategy to maximize subcontracting and labor participation opportunities in the Project. The Developer will target participation from residents in the Near North and Camden communities of Minneapolis. SUBP, prevailing wage and Workforce utilization goals apply. No Section 3 requirement.

Developer Site Plan obligations:

Prior to the City’s action to sell the property, the Developer shall provide an updated site plan, and operating and capital proforma depicting the Site Plan.

City Site Plan obligations:

Prior to City action to sell the property to the Developer, City shall continue to help coordinate the final review of the Site Plan. Prior to and in anticipation of closing, City will continue to assist the Developer with rezoning and entitlement applications.

12. PUBLIC ASSISTANCE REQUEST

The City has secured, with Developer assistance, a Tax-Base Revitalization Account grant from Metropolitan Council in the amount of \$205,800 for abatement of contaminants at the Project site.

Hennepin County, through Resident and Real Estate Services, has discounted the purchase price of 800 West Broadway to equal only holding and transactional costs for blight removal and public purposes proposed in the Proposed Project Description and Conditions to the Proposed Project.

13. TAX INCREMENT FINANCING ASSISTANCE

The City will provide Pay-As-You-Go Tax Increment Financing not to exceed a principal value of up to \$500,000 to the project. If the Developer sells its interest in the project during the life of the TIF note, the City will be entitled to recapture a percentage of any net proceeds (calculated after any required third-party debt or equity returns) equal to the percentage of the total development costs allocable to the TIF note principal amount.

14. BUSINESS SUBSIDY

Tax Increment Financing and possible write down of the fair market value of the real estate (“Subsidy”) triggers the provision of the Business Subsidy Act. The purpose for the Subsidy was to remove blighting influence and increase educational and job skill career training programming to the Near North Community of Minneapolis, not for job creation. A Business Subsidy Agreement will be executed between the City and Developer establishing this goal, outlining the Developer’s reporting requirements and identifying the penalty if the Developer does not meet this goal.

15. SITE CONTROL

Developer will deliver evidence of site control for 2019 Aldrich Avenue N. by closing. Closing is conditioned upon successful acquisition of this property and successful rezoning and entitlements approvals. Developer’s purchase of 2019 Aldrich to occur simultaneous to the 800 West Broadway real estate sale transaction.

16. REDEVELOPMENT AGREEMENT The Redevelopment Agreement shall include the following general terms with which the Developer shall be responsible for compliance:

- A. The obligation of the City to acquire the 800 West Broadway Property and convey it to the Developer will be subject to the Developer having obtained and provided to the City

evidence reasonably acceptable to the City of sufficient financing commitments and/or equity for completion of the Minimum Improvements.

B. Developer Obligations:

- i. Construct minimum improvements;
- ii. Supply to the City a Payment and Performance bond unless waived by the CPED Director;
- iii. Adhere to established Small and Under Utilized Business Program, Apprenticeship Program, Affirmative Action, Job Linkage, and Prevailing wage requirements;
- iv. Adhere to established general liability, hazard, builder's risk and worker's compensation insurance requirements;
- v. Indemnify and hold the City harmless;
- vi. Adhere to Standard warranties and representations;
- vii. Allow DHHS to be named a third party beneficiary to the agreement; and
- viii. Allow standard City reversionary rights and certificate of completion requirements.

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By _____

Authorizing the issuance of a tax increment limited revenue note in substantially the form recited herein in a principal amount not exceeding \$500,000 in connection with the 800 West Broadway Project.

Whereas, the City of Minneapolis (the "City"), acting pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, has certain powers, including without limitation the powers set forth in Minnesota Statutes, Sections 469.001 through 469.047, as amended (the "HRA Act") and Minnesota Statutes, Sections 469.174 through 469.1799, as amended (the "Tax Increment Act"); and

Whereas, in furtherance of the objectives of the HRA Act, the City has undertaken programs for the clearance and reconstruction or rehabilitation of blighted, deteriorated, deteriorating, vacant, unused, underused or inappropriately used, areas of the City, and the development of housing for persons of low and moderate incomes, and in this connection the City is carrying out a redevelopment project known as the West Broadway Redevelopment Project (the "Project") as modified through October 31, 2014 (the "Redevelopment Plan"); and

Whereas, in furtherance of the Redevelopment Plan, the City also has approved the 800 West Broadway Tax Increment Financing Plan dated September 5, 2014 and adopted October 31, 2014 (the "TIF Plan"); and

Whereas, pursuant to the Tax Increment Act, and specifically Minnesota Statutes, Section 469.178, subd. 4, the City is authorized to issue tax increment limited revenue note(s) to finance the public redevelopment costs of the Project; and

Whereas, the City intends to enter into a redevelopment contract (the "Contract") with 800 West Broadway, LLC, a Minnesota limited liability company (the "Developer"), pursuant to which the City will provide tax increment financing assistance and the Developer will rehabilitate a 47,100 square foot commercial building into a multi-use commercial office and retail building;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

1. That it is desirable that the City issue a tax increment limited revenue note (the "Note") in substantially the following form:

[Form of Note]

**UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN
CITY OF MINNEAPOLIS**

**TAX INCREMENT LIMITED REVENUE NOTE
(800 West Broadway Project)**

The City of Minneapolis (the "City"), hereby acknowledges itself to be obligated and, for value received, promises to pay to the order of 800 West Broadway, LLC, a Minnesota limited liability company (or its permitted successors or assigns under the Contract, the "Developer"), solely from the source, to the extent, and in the manner hereinafter provided, the principal amount of this Note, being Five Hundred Thousand and No/100 Dollars (\$500,000.00) or such lesser amount as may equal the certified Public Costs, with interest at the Note Rate, in the installments specified in this Note, on the Payment Dates.

Capitalized terms not defined elsewhere in this Note shall have the meanings below:

"Available Tax Increment" means the Tax Increment received by the City during the period preceding each Payment Date, less (i) the amount of Tax Increment, if any, which the City must pay to the school district, the county and the state pursuant to *Minnesota Statutes*, Sections 469.177, Subds. 9, 10, and 11; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time; and (ii) actual administrative costs of the City in an amount not to exceed 10% of the Tax Increment.

"Certificate of Completion" means a certificate issued by the City to the Developer pursuant to Section _____ of the Contract upon substantial completion of the Minimum Improvements.

"Contract" means that certain Redevelopment Contract by and between the City and the Developer dated *[insert date]*, 2014.

"District" means the 800 West Broadway Tax Increment Finance District within the Redevelopment Project.

"Maturity Date" means the earlier of (i) February 1 of the year following the final year of Tax Increment collection from the District; and (ii) the date when the principal and interest amount of this Note has been paid in full.

"Minimum Improvements" means rehabilitation of a 47,100 square foot commercial building into a multi-use commercial office and retail building and related improvements as described in the Contract.

"Note Rate" means 4.0% per annum.

"Payment Date" means August 1 of the year of first increment collection from the District and each February 1 and August 1 thereafter until the Maturity Date; provided, however, that in no event shall any payments commence before the City's issuance of the Public Costs Certification and the Certificate of Completion.

"Property" means the real property legally described in the attached **Exhibit A**, upon which the Minimum Improvements will be constructed.

"Public Costs" means actual Public Costs as defined in the Contract, not in excess of \$500,000 related to the Minimum Improvements and which are approved by the City pursuant to the Contract.

"Public Costs Certification" means a certificate in substantially the form attached to the Contract, by which the City certifies the Public Costs pursuant to the terms of the Contract.

"Redevelopment Project" means the West Broadway Redevelopment Project, which includes the Property, as modified pursuant to Modification No. 10 to the West Broadway Redevelopment Plan.

"Tax Increment" means that portion of the property taxes generated by the Property and Minimum Improvements that is actually remitted to the City as tax increment under the Tax Increment Act.

"Tax Increment Act" means *Minnesota Statutes*, Section 469.174-469.1799, as amended, or any successor statutes applicable to the District.

On each Payment Date, the City shall pay the Developer an installment equal to the lesser of (i) the Available Tax Increment or (ii) the amount necessary to pay the accrued unpaid interest and the unpaid principal amount of this Note in full. If the Developer is in default under the Contract, and, after notice by the City to the Developer as provided in the Contract, such default has not been cured within the time period provided in the Contract, then the City may suspend payment on this Note until a) the default is cured or b) prior to the issuance of the Certificate of Completion, the Contract and the City's obligations under this Note are terminated. If the City suspends payments due under this TIF Note, the City shall make the suspended payments to the Developer within ten (10) business days after the Developer's cure of the Event of Default. The City is not obligated to pay interest on the amount of the suspended payments between the date the payment is suspended and the last date on which the City is obligated to make the suspended payment to the Developer. To the extent that on any Payment Date there is insufficient Available Tax Increment to make a scheduled payment, such failure to make a scheduled payment shall not constitute a default under

this Note. If the Developer or other Minimum Improvements' owner fails to pay all or a portion of the property taxes due and owing on the Minimum Improvements, then upon such failure to pay, no interest as required by the Note shall accrue on an amount equal to the amount of the Available Tax Increment that would have been paid to the City had such property tax amounts been paid.

Interest shall accrue on the initial principal amount of this Note from the date of issue of the Public Costs Certification. Each payment under this Note, whether a scheduled payment or any other payment, shall be applied first to current interest, then to accrued unpaid interest and then to the unpaid principal amount of this Note.

On the Maturity Date, this Note shall be deemed paid in full and the City shall have no further obligation under this Note even if the aggregate of the Available Tax Increment that has actually been paid to the Developer on the Payment Dates is less than the full principal and interest amount of this Note. The obligation of the City to make any scheduled payment shall terminate if and to the extent that the full principal and interest amount of this Note has been paid in full. This Note may be prepaid in full or in part at any time without penalty.

Notwithstanding any contrary provisions of this Note, if the Minimum Improvements have not been completed and a lease for a minimum of ten (10) years signed with the State of Minnesota to operate a Workforce Center in the Property by _____, 2017 or such later time as is needed due to Unavoidable Delays, as permitted in the Contract and after written notice to Developer and opportunity to cure as provided in the Contract, the City may terminate this Note.

Each payment on this Note is payable in any coin or currency of the United States of America which on the date of such payment is legal tender for public and private debts and shall be made by wire transfer, check or draft made payable to the Developer and mailed to the Developer at [*insert address*] or such other address as the Developer shall provide in writing to the City's notice address as set forth in the Contract.

The Note is a special and limited obligation and not a general obligation of the City, which has been issued by the City pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including *Minnesota Statutes*, Section 469.178, subdivision 4, to aid in financing a "project", as therein defined, of the City consisting generally of defraying certain public redevelopment costs incurred by the Developer within and for the benefit of the Project.

THE NOTE IS NOT A DEBT OF THE STATE OF MINNESOTA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF MINNEAPOLIS, MINNESOTA, EXCEPT THAT THE CITY SHALL BE OBLIGATED TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT AS SET FORTH HEREIN, AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE LIABLE ON THE NOTE, EXCEPT FOR THE CITY'S OBLIGATION TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT AS SET FORTH HEREIN, NOR SHALL THE NOTE BE PAYABLE OUT OF ANY

FUNDS OR PROPERTIES OTHER THAN AVAILABLE TAX INCREMENT AS SET FORTH HEREIN.

This Note shall not be transferred to any person, unless the City has been provided with an opinion of counsel acceptable to the City that such transfer is exempt from registration and official statement delivery requirements of federal and applicable state securities law and an investment letter reasonably acceptable to the City.

This Note shall not be payable from or constitute a charge upon any funds of the City, and the City shall not be subject to any liability hereon or be deemed to have obligated itself to pay hereon from any funds except the Available Tax Increment, and then only to the extent and in the manner herein specified.

The Developer shall never have or be deemed to have the right to compel any exercise of any taxing power of the City or of any other public body, and neither the City nor any person executing or registering this Note shall be liable personally hereon by reason of the issuance of registration thereof or otherwise.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and the laws of the State of Minnesota to be done, to have happened, and to be performed precedent to and in the issuance of this Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; that this Note is issued pursuant to the Tax Increment Act; and that this Note together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation thereon.

IN WITNESS WHEREOF, the City of Minneapolis, by action of its City Council, has caused this Note to be executed by the manual signature of its Finance Officer, and has caused this Note to be dated _____, 2014.

CITY OF MINNEAPOLIS

By _____
Kevin Carpenter
Its Finance Officer

Approved as to form:

Assistant City Attorney

EXHIBIT A TO NOTE

[Legal Description of the Property to be Inserted at Closing]

2. Be It Further Resolved that the form of the Note is hereby approved and shall be executed by the Finance Officer in substantially the form on file, with such changes therein not inconsistent with law as the Finance Officer may approve, which approval shall be conclusively evidenced by the execution thereof.

3. Be It Further Resolved that all actions of the members, employees and staff of the City heretofore taken in furtherance of the issuance of the Note are hereby approved, ratified and confirmed.

4. Be It Further Resolved that issuance of said Note to the Developer is hereby approved, and the Note is hereby directed to be delivered to the Developer, upon the terms and conditions set forth in the Redevelopment Contract.

5. Be It Further Resolved that the Finance Officer is hereby authorized and directed to execute such other documents, agreements and certificates as may be required in connection with the Note.

6. Be It Further Resolved that no provision, covenant or agreement contained in the aforementioned documents, the Note or in any other document related to the Note, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the tax increment revenues which are to be applied to the payment of the Note, as provided therein and in the Redevelopment Contract. The Note shall not constitute a charge, lien or encumbrance, legal or equitable upon any property or funds of the City except that revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Note shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Note or the interest thereon, or to enforce payment hereon against any property of the City. The Note shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

7. Be It Further Resolved that the Note, when executed and delivered, shall contain a recital that it is issued pursuant to the Tax Increment Act, and such recital shall be conclusive evidence of the validity of the Note and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Note and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the Note and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

8. Be It Further Resolved that this resolution shall be in full force and effect from and after its date of publication.

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Goodman and Quincy

Approving the 800 West Broadway Tax Increment Financing Plan, Modification No 10 to the West Broadway Redevelopment Plan and Modification No 124 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan.

Resolved by the City Council of the City of Minneapolis:

Section 1. Recitals

1.1. Pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, the City of Minneapolis (the "City"), acting by and through its department of Community Planning and Economic Development, has been granted the authority to propose and implement city development districts, housing and redevelopment projects and tax increment financing ("TIF") districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.134, and 469.174 through 469.179, as amended, and other laws enumerated therein (collectively, the "Project Laws").

1.2. By a resolution duly adopted August 31, 1973, the City approved the West Broadway Redevelopment Plan and thereby established the West Broadway Redevelopment Project (the "Project Area"). Subsequent modifications to the West Broadway Redevelopment Plan have described more precisely the Project Area, the activities to be undertaken and the property that may be acquired, all pursuant to the Project Laws.

1.3. By Resolution No 89R-530 duly adopted December 15, 1989 and approved December 21, 1989, the City approved the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan (the "Common Plans") and established the Common Development and Redevelopment Project (the "Common Project"). Subsequent modifications to the Common Plans have described more precisely the Common Project, the activities to be undertaken and the property that may be acquired, all pursuant to the Project Laws.

1.4. It has been proposed and the City has caused to be prepared, and this Council has investigated the facts with respect to, the 800 West Broadway TIF Plan (the "TIF Plan"), Modification No 10 to the West Broadway Redevelopment Plan ("Modification No 10") and Modification No 124 to the Common Plans (collectively, the "Plans"). The TIF Plan creates a new redevelopment TIF district (the "TIF District") within the West Broadway Redevelopment Project, designates property to be included in the TIF District, states the City's objectives, describes proposed development activity including properties that may be acquired by the City, and identifies a budget for expenditures. Modification No 10 and Modification No 124 to the Common Plans identify two parcels as property that may be acquired by the City. These actions are all pursuant to and in accordance with the Project Laws.

1.5. The City has performed all actions required by law to be performed prior to the adoption of the Plans, including, but not limited to, a review of the Plans by the affected neighborhood group and the City Planning Commission, transmittal of the Plans to the Hennepin County Board of Commissioners and the Board of Education of Special School District No 1 for their review and comment, and the holding of a public hearing upon published notice as required by law.

Section 2. Findings and Election

2.1. The Council hereby finds, determines and declares that the objectives and actions authorized by the Plans are all pursuant to and in accordance with the Project Laws.

2.2. The Council further finds, determines and declares that the Plans conform to the general plan for the development or redevelopment of the city as a whole. Written comments of the City Planning Commission with respect to the Plans were issued on October 14, 2014, are incorporated herein by reference, and are on file in the office of the City Clerk.

2.3. The Council further finds, determines and declares that the Plans will afford maximum opportunity, consistent with the sound needs of the city as a whole, for the redevelopment of the Project Area and TIF District by private enterprise.

2.4. The Council further finds, determines and declares that the land in the TIF District would not be made available for redevelopment without the financial aid and public assistance to be sought.

2.5. The Council further finds, determines and declares that the TIF District is a redevelopment district pursuant to Minnesota Statutes, Section 469.174, Subdivision 10.

2.6. The Council further finds, determines and declares that the proposed development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.

2.7. The Council further finds, determines and declares that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increment for the maximum duration of the district permitted by the TIF Plan.

2.8. The Council further finds, determines and declares that the reasons and facts supporting the findings in this resolution are described in the Plans.

- 2.9. The Council elects the method of computation provided in Minnesota Statutes, Section 469.177, Subdivision 3, Paragraph (a). The Council acknowledges that, by making this election, the entire fiscal disparity contribution required of the City for development occurring within this district will be taken from outside the TIF District.

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- 2.10. The Council hereby finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the Plans.

Section 3. Approval of the Plans

3.1. Based upon the findings set forth in Section 2 hereof, the Plans presented to the Council on this date are hereby approved and shall be placed on file in the office of the City Clerk.

Section 4. Implementation of the Plans

4.1. After passage and publication of this Resolution, the officers and staff of the City and the City's consultants and counsel are authorized and directed to proceed with the implementation of the Plans, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further modifications, plans, resolutions, documents and contracts necessary for this purpose.

4.2. As provided under Minnesota Statutes, Section 469.178, Subdivision 7, this Council hereby authorizes the advance of revenues from other available development revenues of the City in the principal amount needed to offset any negative fund balances incurred with respect to this TIF District as a result of expenditures incurred prior to or in excess of the collection of tax increment revenue. The interest rate paid on such advances shall be equal to the rate of interest those revenues would have generated in their fund. In no event will the rate of interest charged on the advance exceed the statutory maximum set forth at Minnesota Statutes, Section 469.178, Subdivision 7. The term of this advance shall end upon the termination of the TIF District, although as revenues are available in the fund for the TIF District, the advance shall be offset by such amounts.

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By _____

Authorizing sale of land West Broadway Redevelopment Plan Disposition Parcel No TF-825.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel TF-825 in the Hawthorne neighborhood, from 800 West Broadway LLC, hereinafter known as the Redeveloper, the Parcel(s) TF-825, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

TF-825: 800 West Broadway

Lots 4, 5, 6, and 7, Block 9, Highland Park Addition to Minneapolis.

Whereas, the Redeveloper has offered to pay the sum of \$50,000, for Parcel TF-825; the offer includes a development plan and commitment to improve by rehabilitating the existing structure. This offer is in accordance with the Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with accepted methods of aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in Finance and Commerce on Friday, October 10, 2014, a public hearing on the proposed sale was duly held on October 21, 2014, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

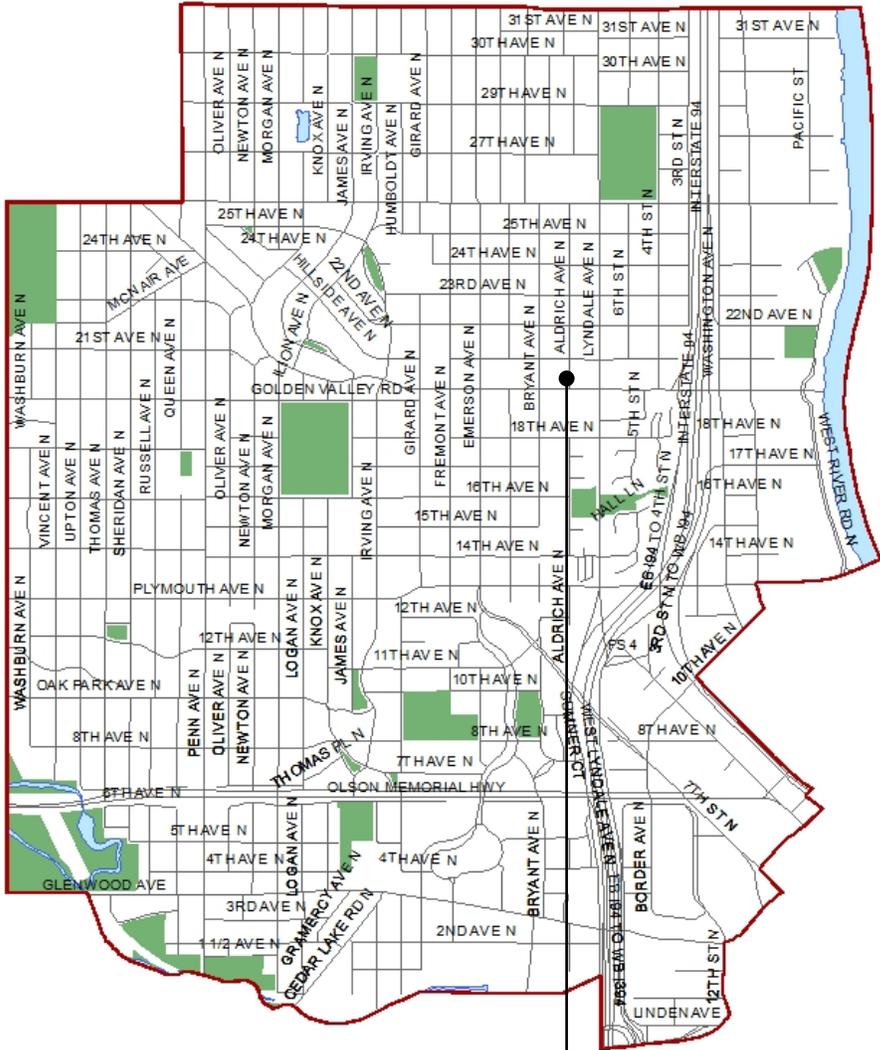
That the re-use value, for uses in accordance with the West Broadway Redevelopment Plan plan, as amended, is hereby estimated to be the sum of \$285,000, for Parcel TF-825.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the Parcel in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed and delivered by the Finance Officer or other appropriate official of the City.

Ward 5



Address: 800 West Broadway



TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:

Date: October 21, 2014
 Subject: Land Sale – Public Hearing
 West Broadway Education and Career Center
 Address: 800 West Broadway
 Purchaser: 800 West Broadway LLC

	A	B	C	D	E	F	G
Address	Purchase Price	Acquisition/ Demolition/ Other Costs	Total CPED Cost to Assemble (A+B)	Re-Use Value Opinion	Sale Price	CPED Cost Write-Off or Sale Proceeds (if > 0) (E-C)	Re-Use Value Write Down (E-D)
800 West Broadway	\$50,000	\$0	\$50,000	\$285,000	\$50,000	\$0	(\$235,000)
Total	\$50,000	\$0	\$50,000	\$285,000	\$50,000	\$0	(\$235,000)

Write-Down

Reason: The sale price reflects the holding and transactional expenses to Hennepin County during the tax-forfeit process. The City commissioned a fair-market-value appraisal in 2013 with an update in late September 2014 that set the value of \$285,000. The appraisal states that the fair market value set in the appraisal assumes an undefined public subsidy. Staff negotiated the sale price of \$50,000 with Hennepin County to cover a portion of the public subsidy needed in the project.

Developer History with CPED:

Sherman Associates, Inc. has formed a single-asset entity, 800 West Broadway LLC, for this project. Sherman Associates, Inc. has a long history with CPED and development in Minneapolis spanning more than 30 years. Sherman Associates, Inc. has completed multiple commercial and residential development projects on City-owned land, with City financial support, or both.

Developer Information:

- Single Individual(s)
- Married Individual(s)
- Limited Liability Partnership of the State of Minnesota
- Limited Liability Company of the State of Minnesota
- Corporation of the State of Minnesota
- Nonprofit Corporation of the State of Minnesota
- Other