



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: June 8, 2004

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways & Means/Budget Committee

Refer To: MCDA Board of Commissioners for action on recommendation items 1, 4, 6 and 7 below

Prepared by: Jim White, Senior Project Coordinator, Phone 612-673-5170 and CPED staff

Presented by: Lee Sheehy, CPED Director, Phone 612-673-5125

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Midtown Exchange Project—Public Hearing on Plan Modifications; Approval of TIF, Financing and Related Actions; Authority for Execution of Documents

RECOMMENDATION:

- 1. Authorize appropriate City and MCDA officials to execute a Redevelopment Contract and related documents with Ryan Companies US, Inc. and Assigned Developers based upon the Amended and Restated Term Sheet approved by the City Council on May 14, 2004, as amended by this report;**
- 2. Approve the attached resolution adopting Modification No. 1 to the Lake Street Center Redevelopment Plan and Modification No. 1 to the Lake Street Center Tax Increment Financing Plan;**
- 3. Authorize appropriate City officials to execute loan, grant, subrecipient and related documents for the financing outlined in this report:**
 - a. Approve the attached resolutions authorizing the issuance of 3 pay-as-you-go tax increment financing notes for the office/commercial, rental housing, and parking ramp components of the project and tax increment revenue bonds or notes for the 1928 building rental or ownership housing components of the project; Authorize the City Finance Officer to make the necessary revenue and appropriation increases to the 2004 General Appropriation Resolution to facilitate the issuance and**

- expenditure of tax increment revenue bonds or notes as described in this report;
- b. Approve the terms of the parking ramp and/or environmental loan(s) outlined in this report; Amend the 2004 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund CLC-CPED Leveraged Opportunity Fund (CLC0-890-8933) appropriation by \$1,100,000;
 - c. Accept the anticipated Met Council (TBRA) and Hennepin County (ERF) environmental grants and authorize the Hennepin County (ERF) and DEED loans outlined in this report; Amend the 2004 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund SMN-CPED State Grants & Loans (SMN0-890-8933) appropriation by \$2,100,000 and increase the 2004 Revenue Budget for the Community Planning & Economic Development Agency in Fund SMN-CPED State Grants & Loans (SMN0-890-8490) by \$2,100,000;
 - d. Accept the anticipated HUD 108 loan and EDI grant outlined in the report; Amend the 2004 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund FGO-CPED Federal Grants & Other (FGO0-890-8933) appropriation by \$8,500,000 the amounts awarded and increase the 2004 Revenue Budget for the Community Planning & Economic Development Agency in Fund FGO-CPED Federal Grants & Other (FGO0-890-8490) by \$8,500,000;
 - e. Authorize execution of a subrecipient agreement with Ryan for the \$433,334 parking ramp grant from DEED; and
 - f. Amend the 2004 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund EDP-CPED Defaulted Properties (EDP0-890-8490) appropriation by \$2,200,000 to effect the transfer of land sale proceeds to Fund CLC (CPED Leveraged Opportunity Fund), and increase the 2004 Revenue Budget for the Community Planning & Economic Development Agency in Fund CLC-CPED Leveraged Opportunity Fund (CLC0-890-8490) by \$2,200,000.
4. Approve the termination of the Ionex Corporation lease;
 5. Authorize the parking ramp lease and sublease outlined in the report;
 6. Authorize assignment and assumption of the MCDA interest in Redevelopment Contract and related agreements by the City.

Previous Directives:

On December 3, 1997, the MCDA Board of Commissioners ("Board") authorized a \$2,000,000 Leveraged Investment Account loan and a \$200,000 NRP Loan to STA Associates, Inc.; on July 17, 1998, the Board approved \$500,000 in MILES funding for retrofit items; on October 24, 1997, and April 24 and October 30, 1998, the Board authorized grant applications to and receipt of \$4,600,000 from Metropolitan Council

Tax Base Revitalization Account; in Fall 1998 the Board authorized Federal Empowerment Zone designation to include the project area and receipt of \$3,000,000 from HUD for the Zone; on March 25, 1999, the Board approved Empowerment Zone funding for retrofit items, pollution abatement and a childcare facility; on April 9, 1999, the Board appropriated \$650,000 in FUND CBG and waived 3% City admin fee; A \$433,300 grant from DEED was awarded the project in June 1999, for the parking ramp. Also in June 1999 the Board authorized application to HUD for an \$8,500,000 Economic Development Initiative grant and loan for parking ramp construction contingent on application for a \$6,500,000 Section 108 loan; on July 19, 1999, the Board directed staff to proceed with ramp construction financing and development plans and require STA to meet certain conditions before ramp construction could begin; on March 12, 2001, the City Council confirmed a settlement in lieu of foreclosure between MCDA and STA Associates, Inc., and STA Development Corporation regarding the Great Lake Center, and authorized the necessary steps to implement the settlement, including the direction to refer the appropriation requests to City Council to secure the funds needed for the settlement; on August 10, 2001, the Board confirmed the settlement terms in lieu of foreclosure for a lender to lender workout with Marquette Bank regarding the Great Lake Center project; on June 10, 2002, the City Council approved a resolution to set up funds to receive and spend rental income from the project on property management and professional services for the project; on August 26, 2002, the Board approved the sale of 2815 10th Ave S to Project for Pride in Living for \$5,000; on September 13, 2002, the City Council adopted resolutions approving the Lake Street Center Redevelopment and Tax Increment Finance Plans; on September 13, 2002, the Board approved the sale of the northern portion of the Lake Street Center property to Allina Health System for \$5.2 million; on October 28, 2002 the Board approved the purchase of equipment from MDI for use at the Lake Street Center buildings; on December 30, 2002, the Board authorized the preparation of a Request for Redevelopment Proposals for the Lake Street Center; on April 8, 2003, the Board authorized the Deputy Executive Director to send out the Request for Proposals (RFP) for the Lake Street Center Project; on July 29, 2003, the Board approved a process for rating and recommending a developer for the Lake Street Center Project; on October 24, 2003, the Board ranked two development teams for the project; on November 10, 2003, the Board authorized the appropriate MCDA officials to execute and deliver all necessary documentation required to repay the remaining Marquette and NRP loans for Lake Street Center prior to December 31, 2003; on December 29, 2003, the City Council authorized the transfer of most MCDA programs and assets (excluding real estate) to the City; on January 6, 2004, the City Council granted Ryan Companies 6 months exclusive development rights for the former Sears site; and on February 3, 2004, the Council concurred with housing as a land use at Midtown Exchange and up to \$13 million in appropriate funding, subject to final agreement on a housing mix and financing plan. On May 14, 2004, the Council (1) approved the term sheet for Ryan Companies' Midtown Exchange project, (2) authorized preparation of a redevelopment agreement and related documents consistent with such terms, (3) approved the project employment and contracting goals set forth in the term sheet, (4) authorized the tax increment financing plan modification to be prepared concurrently with project analysis, (5) authorized subgrant of existing TBRA funds to Ryan Companies for environmental testing and remediation at Midtown Exchange, and (6) waived City Procurement Policy to allow

United Properties to continue management of the former Sears properties until transfer of property to the Developer.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): The development of this property will reduce the City's property inventory, increase its tax base, increase job opportunities for City residents, retain and enhance a historically significant building, enable emerging businesses to grow, improve public transit, and create new and site-sensitive connections to the Midtown Greenway.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact: The redevelopment of one of the largest buildings in Minneapolis, the former Sears site, will have a significant impact for the betterment of south central Minneapolis. Its opening will create a large office market where none currently exists. The project will bring the first hotel to Lake Street and create new job opportunities for area residents. Approximately 360 housing units in the project will create a 24-hour presence which will improve the street vitality and safety. The Global Market will provide new opportunities for emerging businesses to expand, drawing shoppers to the neighborhood from the larger metropolitan area. Lastly, connections to the Midtown Greenway will further serve to create a desirable point for residents to migrate for shopping and recreation.

Ward: 8

Neighborhood Notification: The Chicago Lake Project Review Committee, with representatives from Powderhorn Park Neighborhood Association, Phillips West, East, and Midtown, the Central Neighborhood Improvement Association, Urban Ventures, the Chicago Lake Business Association, and the Greater Lake Street Council, was notified of this report in advance of its presentation. A copy of this report was sent to each of these organizations, as well as the Phillips Partnership and Midtown Community Works. Additionally, a broadly-noticed and cable-cast community meeting was held on May 26th in the neighborhood, and a website, www.midtowncommunityworks.org, has been developed specifically to inform the public about the project's status.

City Goals:

- Build communities where all people feel safe and trust the City's public safety professionals and systems.
- Maintain the physical infrastructure to ensure a healthy, vital and safe City.
- Deliver consistently high quality City services at a good value to our taxpayers.
- Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets.

- Preserve and enhance our natural and historic environment and promote a clean, sustainable Minneapolis.
- Promote public, community and private partnerships to address disparities and to support strong, healthy families and communities.
- Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

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Comprehensive Plan

2.9. Minneapolis will strengthen long-term confidence in the economy by building innovative public to private sector partnerships.

2.6. Minneapolis will focus resources and efforts on connecting residents to living wage jobs.

4.1. Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods.

4.4. Minneapolis will continue to provide a wide range of goods and services for city residents, to promote employment opportunities, to encourage the use and adaptive reuse of existing commercial buildings, and to maintain and improve compatibility with surrounding areas.

4.9 Minneapolis will grow by increasing its supply of housing.

4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens.

Zoning Code: On May 17th, the Planning Commission approved necessary land use applications and conditional use permits required for this development. A summary of these actions is attached at the end of this report.

Living Wage/Job Linkage: The project is exempt from the City's living wage/business subsidy act policies because Ryan is paying greater than 70% of the current year's assessed value for acquisition and site preparation costs. The redevelopment contract for the project will require that certain tenants of Ryan and other Assigned Developers of commercial space participate in the job linkage program.

The approval of the term sheet for the Midtown Exchange Project by the City Council on May 14, 2004 authorized the preparation of a redevelopment contract and related documents necessary to begin the project. Staff is requesting the City Council take other actions as listed below, which will allow for a timely closing with Ryan and commencement of construction activity.

1. Authorize execution of the Redevelopment Contract.

The term sheet for the project formed the framework for the redevelopment contract and its exhibits. At this writing, the majority of legal and financial components for the project are in place, and the contract and all its exhibits are in the final stages of preparation. Authorization to execute the contract and related agreements at this time is requested so as to keep the project's time line intact. Some issues are

treated substantially differently in the redevelopment contract than in the term sheet. These issues are:

a. Parking Ramp: Elimination or reduction of City Parking Ramp Loan; City to lease a portion of Parking Ramp from Ryan and sublease to or for the benefit of Allina Health Systems

b. Environmental: To the extent that some or all of the funds are not needed for Parking Ramp Loan and Ryan has demonstrated an environmental gap, City may provide Environmental Loan of up to \$1.1 million

c. Final Phase: Ryan to commit to final phase of redevelopment commencing in 2011 or beyond

a. Parking Ramp

Ryan has always proposed to make Allina's lease equivalent to the competitive offers they had from St. Paul and Roseville, both of which would have involved Allina ownership. As a 501(c)3, some of Allina's operations would not have been subject to property taxes under the St. Paul or Roseville ownership scenarios. In the Midtown Exchange deal, Allina achieves financial parity via their lease with Ryan which affords them a rebate on property taxes. Ryan was able to offer this benefit by virtue of pay go TIF note assistance for capital costs of the project and a \$1.1 million parking ramp loan. Ryan now proposes to lease to the City a portion of the ramp equivalent to the spaces used by Allina, which will make that portion of the ramp tax exempt. We expect Ryan and Allina to address this issue as part of their final letter of intent/lease negotiations. The savings provided by this City lease could reduce or eliminate the parking ramp funding gap, and thus reduce the need for all or a part of the \$1.1 million parking ramp loan that was proposed in the term sheet, thereby making dollars available to address the apparent increased costs for environmental remediation.

b. Environmental

The term sheet report highlighted that the potential cost for environmental remediation was not known and that there was a likely financing gap to provide funds for remediation. As of the date of this report, consultants and city staff estimate environmental remediation costs at about \$3.5 million. The City has the approximately \$250,000 unused balance of an existing Met Council TBRA grant to pay these expenses and has applied for additional grants and loans in the amount of \$2.1 million. To the extent that \$1.1 million in funds are not needed for the parking ramp loan in subsection (a) above, Ryan has additionally requested the City to use the balance to provide a loan to cover part of any unfunded costs of environmental remediation. Like the parking ramp loan, this environmental loan would be sourced from the Leverage Opportunity Fund. If the City is awarded state bonding funds through the Health Careers Institute request, we would seek to substitute bond funds for this additional City loan. The bids on environmental remediation are expected on June 15th at which time the ACTUAL environmental remediation funding needs will

be more certain. A report will be provided to the City Council prior to final action on June 18. Staff has included below an updated sources and uses table pertaining to remediation.

<u>Sources:</u>	<u>Timing:</u>
\$250,000 existing Met Council Grant	Approved
\$750,000 Met Council Grant	Approval July 23, 2004
\$250,000 Hennepin County Grant	Approval June 29, 2004
\$350,000 Hennepin County Loan	Upon EPA funding to Hennepin. Co.
\$750,000 DEED Loan	Approval July 2004
\$0-\$1.1 million City Loan (see Section 3b of this report for loan terms)	
\$2,350,000-\$3,450,000	Total Sources

<u>Uses:</u>	<u>Timing</u>
\$3,500,000 Environmental Remediation	Remediation to occur 7/04-1/05
Other Potential Sources:	
Bonding Bill	Not likely
New grant round at Hennepin County	November '04
New grant round at Met Council	November '04
New grant round at DEED	November '04

c. Final Phase

Consistent with the special legislation adopted in 1998 for this project, Ryan is proposing to construct a final phase of redevelopment which completes the rehabilitation of the Sears site in 2011 or later. This final phase will be based on market conditions at the time and will enable the TIF district to benefit from the full 30-year term authorized by the special legislation.

2. Adopt the Resolution for Modification No. 1 to the Redevelopment Plan and Modification No. 1 the Tax Increment Finance Plan for Lake Street Center.

The resolution and TIF modifications are attached to this report. The changes closely align the project's public documents with the current Midtown Exchange project. The exception is the inclusion of two adjacent parcels within the project boundaries as possible acquisitions at a future date. They are the Swenson furniture store parcel and the Johnson property that houses a restaurant (see Modification #1 to the Lake Street Center Redevelopment Plan, which is attached to this report). While there are no specific plans to purchase these properties at this time by the developer or the City, they may be part of a future phase of development and would create increment to retire the City's loan discussed in Section 3.b. of this report.

3. Financing Authorizations

Subject to the terms and conditions outlined in the redevelopment contract agreement, the City will make the following public funds available with respect to various components of the project. Through this report, the City Council is asked to approve the financing terms, appropriate the necessary funds and authorize execution of financing documents. Ryan's obligation to close and construct the project is contingent upon its approval of project financing.

a. Tax Increment Financing ("TIF").

Up to \$23.0M in tax increment financing assistance will be provided to the project through a HUD Section 108 loan, the issuance of three (3) pay-as-you-go TIF notes, and the issuance of tax increment revenue notes or bonds. The purpose and basic terms of each of these financial instruments are briefly described below and more fully explained in the resolutions attached to this report.

(i) Allina Office Component

A pay-as-you-go TIF note in an amount not to exceed \$7.0M will be issued for this component of the project. The note will be issued to help pay for a portion of the building rehabilitation and related costs of this component. The note will have an annual interest rate of 6.5%, and will be payable solely from tax increment generated by up to 250,000 sq. ft of office space and associated structured parking that will be leased to Allina Health Systems.

(ii) Parking Ramp Component

It is currently anticipated that the City will receive a \$6.5M HUD Section 108 loan for the project. These funds will be loaned by the City to Ryan to help pay for a portion of the cost of constructing the parking ramp for the project. This loan will have a maximum term of 20 years and a variable interest rate (reset monthly by HUD). It is currently projected that tax increment generated by the entire project, exclusive of those components described in (i), (iii) and (iv) will pay all principal and interest due on the loan over its term. In addition, Ryan Companies will provide a debt service guaranty to the City for repayment of the HUD Section 108 loan.

A pay-as-you-go TIF note in an amount not to exceed \$3.0M will also be issued for the parking ramp component, and will be used to help pay for a portion of the cost of constructing the parking ramp. The note will have an annual interest rate of 6.5%, and will be payable solely from tax increment generated by the entire project, exclusive of those components described in (i), (iii) and (iv), which is not annually used for payment of the HUD Section 108 loan described above. This note will therefore be predominantly paid from tax increment generated in years 21 through 28 of the TIF district.

(iii) Rental Housing Component - 1928 Building

A pay-as-you-go TIF note in an amount not to exceed \$3.5M will be issued for the rental housing component. The note is being issued to help pay for a portion

of the building rehabilitation and related costs of the rental housing. The note will have an annual interest rate of 6.5%, will be payable solely from tax increment generated by the rental housing component, and will be used to help leverage the issuance of additional housing revenue bonds.

(iv) Rental or For Sale Housing Component - 1928 Building

It is currently anticipated that the City will issue tax increment revenue notes (taxable) or bonds (tax-exempt) in an amount not to exceed \$3.0M for the rental and/or for-sale component of the project. The notes or bonds will be issued to help pay for a portion of the building rehabilitation and related costs, will have annual interest rate(s) determined at the time they are sold or placed, and will be payable solely from tax increment generated by the for-sale component of the project and any associated structured parking that is ultimately owned by for-sale residents of the 1928 Building.

b. Parking ramp and/or environmental loan.

As noted above, Ryan has asked the City for one or more loans of up to \$1,100,000, sourced from the Leveraged Opportunity Fund, to cover any demonstrated funding gap in the parking ramp and, to the extent not needed there, for environmental remediation. This loan or loans would be non-amortizing and bear interest at a rate equal to 4% per annum, which approximates the City's cost of funds, with a term of 30 years and payable solely from tax increment generated by the Swenson, Johnson and Boosalis parcels, if any, and a portion of net profits/proceeds from the Parking Ramp. Eighty percent of the net profits of operating the Parking Ramp will be applied to the repayment of this loan with interest. Any outstanding balance of the loan must be repaid in full upon sale of the Parking Ramp.

c. Environmental grants and loans for the project.

The Council approved environmental grant applications to the Metropolitan Council and Hennepin County for \$750,000 and \$250,000, respectively, for the project. The Metropolitan Council is expected to make its funding decision on July 23 and Hennepin County on June 29. CPED staff request the City Council to accept the awards in the approved amounts, and authorize the needed grant and sub recipient agreements with the funders and Ryan, and authorize City Finance officials to take the steps needed to receive and disburse the funds. The City has also requested state bonding bill funds for environmental remediation. CPED staff will return to the City Council for appropriate authorizations to pursue any other appropriate funding source if and when it is justified.

d. Parking ramp grants and loans.

The Lake Street Center project, now Midtown Exchange, was the recipient in 1999 of a HUD 108 loan for \$6.5 million, and a HUD EDI grant of \$2 million, for use in the parking ramp, which are a key component of its financing. This spring, the City submitted amended applications to reflect project changes and is awaiting HUD approval of the amendments. Upon award, the City will enter into loan and grant

agreements with HUD and pass the funding through to Ryan. As discussed in section 3(a) of this report, the security for the loan will first be the pledge of TIF funds from certain components of the project, backed up by a Ryan guarantee. Lastly, the City's CDBG entitlements are looked to in the event the first two sources prove insufficient. The latter is a requirement on all HUD 108 loans.

e. DEED Grant.

The City has received a grant of \$433,334 from DEED for the parking ramp, which the City will pass through to Ryan pursuant to a separate subrecipient agreement.

f. Proceeds of sale.

The \$2,200,000 land sale proceeds will be transferred to Fund CLC (CPED Leveraged Opportunity Fund).

Note that the City Council recently approved an AHTF loan in the amount of \$1.8 million and granted preliminary approval to housing revenue bonds for the rental housing component of the project. CPED staff intends to return to the City Council prior to closing on the rental housing component for final approval of the housing revenue bonds and authorization to provide a housing gap loan or line of credit as further described in the term sheet.

4. Approve termination of Ionex Corporation lease.

Ionex Corporation leased space within the 1964 building while under the ownership of STA Associates. Ionex was purchased last year by Birch Telecom, which has requested lease termination because, at this time, its business plans do not include the Twin Cities market. Birch and CPED have negotiated a termination agreement for a one-time payment to CPED of \$75,000. In that the property is being sold for the Midtown Exchange project, the timing is good for the termination of the lease. Funds such as these that are received from lease activity at the project are deposited into a special account and are used to offset property management and operating costs, including taxes and insurance.

5. Authorize Parking Ramp Lease.

The City Council is requested to authorize a 28 year lease for approximately 600 spaces in the Midtown exchange parking ramp for \$1/yr. The City will re-lease these spaces to Allina for \$1 /year. Ryan will be responsible for all capital improvements, maintenance and operations of the ramp. This lease is intended to afford Allina the benefits they would have had from competitive ownership proposals.

6. Authorize assignment/assumption of MCDA interest in redevelopment contract to City.

Because of the reorganization of the City's development function, CPED staff recommends transfer of the MCDA's interest in the redevelopment contract and related agreements to the City upon closing. Assignment and assumption language

will be incorporated into the redevelopment contract and/or a separate agreement to accomplish the transfer.

Other issues:

Recapture Provision.

The details of the recapture provision are still under negotiation. Ryan has proposed a recapture provision whereby the City would be entitled to 27% of the net proceeds of any sale or refinancing of the office/commercial portions of the project. (Ryan also proposes that percentage would be reduced to the extent Allina reduces its space allocation or Ryan does not receive the expected payments from the office/commercial TIF note due to lease expiration or termination or otherwise.)

Under Ryan's proposal, the recapture provision would diminish over a 12 year period at 1/12th each year. CPED staff requests the authority to negotiate an appropriate recapture provision between the City and Ryan that will be part of the redevelopment contract.

Connection to the Midtown Greenway.

Ryan has worked extensively with Midtown Greenway advocates in strengthening their project's connection to the Greenway. The improvements include a shifting of the hotel to the south, a reduction in hotel height, a greenway level connection on the south side of the trench that includes both a mid-level and street-level terrace. The connection is also significantly landscaped to provide a green planted sloping wall as experienced from the greenway floor. The enhanced design will allow for future improvements once transit is added to the Greenway and may include a larger greenway level plaza. These changes will be addressed in the final site plan approval process.

Mexican Consulate.

Ryan has agreed to work with the City on its plans to locate the Mexican Consulate on a portion of the site. Should the Mexican government choose to locate a Consulate at Midtown Exchange, Ryan would be able to accommodate them at market rates.

Global Marketplace.

The City will stay involved with the planning and implementation of the Global Market. As stated in the term sheet, the redevelopment contract will provide that the City maintain the right to approve any potential successor to NDC.

Corrections and Modifications Authority.

The CPED Director seeks authority to approve minor modifications, e.g., unit counts, square footages, to component descriptions not inconsistent with planning and Council approvals.

Attachments:

Plan Modifications Resolution

Modifications to TIF and Redevelopment Project for Lake Street Center

TIF Note Resolutions

TIF Bonds Resolution

Birch Telecom settlement agreement letter

Adopting Modification No 1 to the Lake Street Center Redevelopment Plan and Modification No. 1 to the Lake Street Center Tax Increment Financing Plan, and Authorizing the Designation of Property That May Be Acquired.

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 districts in accordance with Minnesota Statutes, Sections 469.001 through 469.134, and 469.174 through 469.1791, as amended, Laws of Minnesota 1971, Chapter 677 and other laws enumerated therein (collectively, the "Project Laws"). Laws of Minnesota 1998, Chapter 389, Article 11, Section 19, as provided for in Minnesota Laws, Sections 469.1782, Subdivision 2, and 645.021, Subdivision 2, authorizes special provisions for the Minneapolis Lake Street Center Redevelopment Tax Increment Finance District.
- 1.2 That by Resolution 2002R-300 duly adopted on September 13, 2002, and subsequent resolutions, the City Council (the "Council") approved the Lake Street Center Redevelopment Plan and the Lake Street Center Tax Increment Finance ("TIF") Plan.
- 1.3 It has been proposed that the City modify the Lake Street Center Redevelopment Plan and the Lake Street Center TIF Plan (the "Modifications") to designate property that may be acquired, and to amend the tax increment budget to include projections for an additional phase of development known as the Midtown Exchange Project.

- 1.4 The City has prepared, and this Council has examined the proposed Modifications that describe more precisely the property that may be acquired and the amended budget.
- 1.5 The City has performed all actions required by law to be performed prior to the adoption of the Modifications, including, but not limited to, a review of the proposed Modifications by the affected neighborhood groups and the Planning Commission, transmittal of the proposed Modifications to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing after published and mailed notice as required by law.

Section 2. Findings for the Adoption of the Modifications

- 2.1 The Council hereby finds, determines and reaffirms the findings made in Resolution 2002R-300 on September 13, 2002.
- 2.2 The Council further finds, determines and declares that the Modifications conform to the general plan for the development or redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Modifications were issued, 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 objectives and actions authorized by the Modifications are all pursuant to and in accordance with the Project Laws.
- 2.4 The Council further finds, determines and declares that it is necessary and in the best interest of the City at this time to approve the Modifications.

Section 3. Approval of the Modifications

- 3.1 Based upon the findings set forth in Section 2 hereof, the Modifications 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 Modifications

- 4.1 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 Modifications, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further modifications, resolutions, documents

