

Background/Supporting Information Attached

The City of Minneapolis entered into a \$3,500,000 loan agreement with the Green Institute, a Minnesota nonprofit corporation on February 21, 2002. Proceeds of the loan were used to refinance both short term debt and long term construction financing incurred by the Green Institute for the Phillips Eco-Enterprise Center. Funds for the loan were provided to the City by the Department of Housing and Urban Development (HUD) pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974. The section 108 loan is guaranteed by the City's future allocations of Community Development Block Grant (CDBG) funds.

The City of Minneapolis makes the quarterly loan payments as requested by HUD approximately 7 business days before the 2/1, 5/1, 8/1 and 11/1 payment dates. Green Institute reimburses the City for these loan payments. From inception of the loan to 8/1/05, the Green Institute has, with minor exceptions, made the loan payments on a timely basis. For the 8/1/05 payment of principal and interest, the interest portion of \$30,833.08 was received on 8/10/05 and the principal portion of \$110,000 has not yet been received. Principal is only due on the August 1st payments. The 11/1/05 interest payment of \$34,238.87 was received on the due date.

On September 8th, as a result of the principal delinquency, Finance staff met with the interim Executive Director of the Green Institute and discussed the financial situation facing the organization. The Green Institute brought financial information showing results of operations for the last two years and plans to improve their financial position. The Interim Director's financial plan includes strategies designed to improve cash flow and become current on its loan to the City. The City is charging the customary 6% interest rate on the outstanding receivable until it is collected.

Finance will prepare a follow up to this report if the delinquency is not paid by the end of 2005.