

Minneapolis Community Development Agency

Request for City Council Action

Date: November 25, 2002

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

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

Approved by: Chuck Lutz, MCDA Interim Executive Director _____

Subject: Appropriation of \$742,000 from Fund EDP, for use in settlement with STA Associates, Inc., and STA Development Corporation for the Lake Street Center Project.

Previous Directives: December 3, 1997, authorized a \$2,000,000 Leveraged Investment Account loan and a \$200,000 NRP Loan to STA Associates, Inc.; July 17, 1998, approved \$500,000 in MILES funding for retrofit items; October 24, 1997, and April 24 and October 30, 1998, authorized grant applications to and receipt of \$4,600,000 from Metropolitan Council Tax Base Revitalization Account; Fall 1998 authorized Federal Empowerment Zone designation for the project area and receipt of \$3,000,000 from HUD; March 25, 1999, approved Empowerment Zone funding for retrofit items, pollution abatement and a childcare facility; April 9, 1999, appropriated \$650,000 in FUND CBG and waived 3% City admin fee; June 1999 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; July 19, 1999, 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 of Commissioners confirmed the settlement terms in lieu of foreclosure for a lender to lender workout with Marquette Bank regarding the Great Lake Center project.

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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 of Commissioners 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 Districts. On September 13, 2002, the Board of Commissioners approved the sale of the northern portion of the Lake Street Center property to Allina Health System for \$5.2 million. On October 28, the Board of Commissioners approved the purchase of equipment for use at the site by the tenants.

Ward: 8

Neighborhood Group Notification: Powderhorn Park Neighborhood Association, Phillips West, Midtown Phillips, Central Neighborhood Improvement Association, Central Neighborhood Partnership, and the Chicago Lake Project Review Committee have been notified of this report.

Consistency with *Building a City That Works*: N/A

Comprehensive Plan Compliance: N/A

Zoning Code Compliance: Nothing in this report deals with zoning issues.

Impact on MCDA Budget: (Check those that apply)

No financial impact

Action requires an appropriation increase to the MCDA Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain): These expenditures are recovered in rental income from the property.

Living Wage / Business Subsidy:N/A

Job Linkage: N/A

Affirmative Action Compliance: N/A

Recommendation:

That the City Council amend the 2002 MCDA Appropriation Resolution to increase the appropriation in Fund EDP (Defaulted Properties) by \$742,000 from available fund balance.

As part of the MCDA's purchase of the former Sears property at 900 East Lake Street, the MCDA received fee-simple title from the developers, STA Associates, to additional portions of the property in exchange for the agreement to close on the properties and pay \$742,000 on or before December 17, 2002. The Agency will simultaneously close with Abbott Northwestern Hospital on the north parcels and use the \$5.2 million in proceeds to pay-down the Marquette Mortgage on the Sears property.

The source of payment for the STA note is a combination of prepaid parking revenue from Abbott Northwestern Hospital, and rental income received to date from tenants on the premises.

The Marquette mortgage needs no further Council and Board action, but the STA agreement needs appropriation authority to conclude the transaction within the time frame previously agreed to.

This report was prepared by Jim White. For more information, call 612-673-5170.