



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

**Date:** January 18, 2005

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

**Prepared by:** CPED Staff

**Presenter in  
Committee:** Chuck Lutz

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_

**Subject:** Midtown Exchange Project -- Revisions/Corrections to Project Financing

**RECOMMENDATION:**

1. Approve the following actions to substitute sources for \$1,093,295 of previously approved funding for the Midtown Exchange Project:
  - a. Approve a \$636,500 grant from FY04 CDBG/CEDF funds.
  - b. Amend the 2004 General Appropriation Resolution by increasing the CPED Fund EDP0 – Defaulted Properties (EDP0-890-8490) appropriation by \$180,000.
  - c. Amend the 2004 General Appropriation Resolution by increasing the CPED Fund FNA0 – Neighborhood Development Account (FNA0-890-8490) by \$276,795.
  
2. Approve the following technical appropriation adjustments:
  - a. Amend the 2004 General Appropriation Resolution by decreasing the CPED Fund FGO0 – Other Federal Grants (FGO0-890-8490) by \$2,000,000.
  - b. Amend the 2004 General Appropriation Resolution by increasing the CPED Fund CLS0 – Lake Street Center Tax Increment District (CLS0-890-8490) by \$2,000,000.
  - c. Amend the 2005 General Appropriation Resolution by increasing the CPED Fund EDP0 – Defaulted Properties (EDP0-890-8490) by \$825,000.
  - d. Increase the 2005 Revenue Budget for the CPED Fund EDP0 – Defaulted Properties (EDP0-890-8490) by \$825,000.

**Previous Directives:**

- October 24 1997—Board authorized grant applications to and receipt of \$4,600,000 from Metropolitan Council Tax Base Revitalization Account
- December 3 1997—MCDA Board of Commissioners (“Board”) authorized a \$2,000,000 Leveraged Investment Account loan and a \$200,000 NRP Loan to STA Associates, Inc.
- April 24 1998—Board authorized grant applications to and receipt of \$4,600,000 from Metropolitan Council Tax Base Revitalization Account
- July 17 1998—Board approved \$500,000 in MILES funding for retrofit items
- Fall of 1998—Board authorized Federal Empowerment Zone designation to include the project area and receipt of \$3,000,000 from HUD for the Zone
- October 30 1998—Board authorized grant applications to and receipt of \$4,600,000 from Metropolitan Council Tax Base Revitalization Account
- March 25 1999—Board approved Empowerment Zone funding for retrofit items, pollution abatement and a childcare facility
- April 9 1999—The Board appropriated \$650,000 in FUND CBG and waived 3% City admin fee
- June 1999--\$433,300 grant from the Minnesota Department of Employment and Economic Development (DEED) was awarded to the project for the parking ramp
- June 1999—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
- July 19 1999—Board directed staff to proceed with ramp construction financing and development plans and require STA to meet certain conditions before ramp construction could begin
- March 12 2001—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
- August 10 2001—Board confirmed the settlement terms in lieu of foreclosure for a lender to lender workout with Marquette Bank regarding the Great Lake Center project
- June 10 2002—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
- August 26 2002—Board approved sale of 2815 10<sup>th</sup> Ave S to Project for Pride in Living for \$5,000
- September 13 2002—City Council adopted resolutions approving the Lake Street Center Redevelopment and Tax Increment Finance Plans
- September 13 2002—Board approved the sale of the northern portion of the Lake Street Center property to Allina Health System for \$5.2 million
- October 28 2002— Board approved the purchase of equipment from MDI for use at the Lake Street Center buildings
- December 30 2002—Board authorized the preparation of a Request for Redevelopment Proposals for the Lake Street Center

- April 8 2003—Board authorized the Deputy Executive Director to send out the Request for Proposals (RFP) for the Lake Street Center Project
- July 29 2003—Board approved a process for rating and recommending a developer for the Lake Street Center Project
- October 24 2003—Board ranked two development teams for the project
- November 10 2003—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
- December 29 2003—City Council authorized the transfer of most MCDA programs and assets (excluding real estate) to the City
- January 6 2004—City Council granted Ryan Companies 6 months exclusive development rights for the former Sears site
- February 3 2004—City 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
- May 14 2004—City 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 sub-grant of existing TBRA funds to Ryan Companies for environmental testing and remediation at Midtown Exchange
  6. waived City Procurement Policy to allow United Properties to continue management of the former Sears properties until transfer of property to the Developer
- June 18 2004—City Council
  1. Authorized 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 Approved 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
  2. Authorized appropriate City officials to execute loan, grant, sub-recipient and related documents for the financing: a) Approved 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; Authorized 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; b) Approved the terms of the parking ramp and/or environmental loan(s); Amended 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) Accepted the anticipated Met Council (TBRA) and Hennepin County (ERF) environmental grants and authorized the Hennepin County (ERF) and DEED loans; f) Amended 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 Increased 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) Accepted the anticipated HUD 108 loan and EDI grant; Amended 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 increased 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) Authorized execution of a sub-recipient agreement with Ryan for the \$433,334 parking ramp grant from DEED; and f) Amended 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 affect the transfer of land sale proceeds to Fund CLC (CPED Leveraged Opportunity Fund), and increased 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

3. Approved the termination of the Ionex Corporation lease
4. Authorized the parking ramp lease and sublease outlined in the report
5. Authorized assignment and assumption of the MCDA interest in Redevelopment Contract and related agreements by the City
6. Preliminary approval to issue up to \$21 million in tax-exempt multifamily housing revenue bonds for the rental-housing component.

**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 363 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**

## **Background/Supporting Information**

### **Recommendation 1 – Authorize approval of identified replacement funding sources for Midtown Exchange project (2004 Action)**

In implementing the Midtown Exchange project, CPED staff has determined that certain previously approved and expended funding sources (Federal EZ funds and Metro Council pollution remediation funds) totaling \$1,093,295 were not eligible, as anticipated, for acquisition and related costs incurred at the Midtown Exchange project.

The EZ funds not eligible for these purposes will be used for other EZ-eligible uses. In addition, the pollution remediation funds are being used to fund eligible cleanup costs at Midtown Exchange.

Staff has identified sources of replacement funding for the incurred costs not eligible for funding from the other sources. Recommended replacement sources/amounts are described as follows:

1. **CEDF Funds** - A request for a \$636,500 grant from 2004 CEDF funds to partially replace the ineligible sources for the Midtown Exchange project was presented to CPED's CEDF Review Committee on December 21, 2004. The CEDF Review Committee recommended the request be approved at the requested amount and a copy of said action is attached to this report.
2. **Land Sales Funds** - At the recent closing of the Midtown Exchange project on December 21, 2004, the east parcel parking lot was sold to the project developer to the City for \$180,000. Staff requests that the proceeds from the sale of the parcel also be dedicated to partially replacing the ineligible sources.
3. **Neighborhood Development Account Funds** - Finally, staff requests that \$276,795 from the Neighborhood Development Account be dedicated to replace the remaining ineligible source funds.

### **Recommendation 2 – Authorize revision to previous appropriation for HUD EDI loan of \$2,000,000 to Midtown Exchange from FGO to CLS. (2004 Action) -**

This request is a technical correction to a previous Council action and is revenue neutral

### **Recommendation 3 - Authorize appropriation increase in amount of \$825,000 for payment from Ryan Companies US, Inc to be used for capitalized interest in repayment of Section 108 loan. (2005 Action)**

This request is also a technical correction to a previous Council action and is revenue neutral.

Staff is pleased to report that the Midtown Exchange Project has closed and implementation is now underway. The remaining pollution at the site is being removed, construction of the parking

ramp has commenced, and renovations of the building shell on the site are proceeding. The overall budget for the project is now in excess of \$189 million. It is anticipated that the major project components will be completed according to the following schedule.

<b>Project Component</b>	<b>Anticipated Completion Date</b>
Parking ramp	End of 2005
For-sale housing	April 2006
Rental housing	April 2006
Transit terminal	End of 2005
Office (Allina headquarters)	End of 2005
Hennepin County Service Center	TBD
Hotel	Late 2005- 2006
Global Marketplace	End of 2006

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