



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

Date: January 6, 2004

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

Approved by: Chuck Lutz, Deputy CPED Director _____

**Subject: Granting Exclusive Development Rights for Lake Street Center
(Former Sears Property)**

RECOMMENDATION: Authorize granting Exclusive Development Rights to Ryan Companies for Lake Street Center for 6 months, subject to payment of a \$60,000 exclusive rights fee.

Previous Directives:

On December 3, 1997, the MCDA Board ("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; 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; 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 Districts. 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 of Commissioners 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; and on December 29, 2003, the City Council authorized the transfer of most MCDA programs and assets (excluding real estate) to the City.

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

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 to the Board. A copy of the report was sent to each of these organizations, as well as the Phillips Partnership and Midtown Community Works.

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.

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: N/A

Living Wage/Job Linkage: The City's job living wage/business subsidy policies will be incorporated in the redevelopment contract to be negotiated. The developer will be asked to extend job opportunities to the unemployed or underemployed from the neighborhoods.

Background/Supporting Information

In April 2003, the City Council authorized staff to issue a Request for Proposals (RFP) for Lake Street Center (formerly Sears) on Chicago and Lake. Prior to Council approval, the RFP was the subject of an extensive community review process. It was advertised on the websites of the Urban Land Institute and MCDA, and mailed to a broad list of developers, both local and national, and interested parties. The RFP resulted in proposals from four development teams: Fine Associates (Fine), Ryan

Companies US (Ryan), Inc., Comote Development Team (Comote), and Sabri Properties (Sabri). A staff review committee thoroughly analyzed the proposals and recommended earlier in October 2003 that the Ryan proposal be ranked first, and the Fine proposal be ranked second. The MCDA Board of Commissioners approved this recommendation on October 24, 2003.

As part of its approval, the Board established a 60-day period for staff to negotiate with Ryan the key benchmarks and timelines of the project, and if successful, to recommend a 6-month exclusive rights period to finalize a redevelopment agreement for the Lake Street Center project. The benchmarks and timelines, which are incorporated into a proposed term sheet (**Exhibit A**), were to include agreement on purchase price; a balanced development budget; letters of interest from private financing groups, letters of interest from tenants, and agreement on the issues surrounding the number and mix of housing units.

Summary of Ryan Proposal

The Ryan proposal contains the following key elements:

- Corporate Offices/Commercial/Lab 300,000 square feet
- Global Marketplace Retail 85,000 square feet
- Rental Housing 285 units (109 artist lofts and 176 senior units)
- For-Sale Housing 52 units (+ possible 33 units on additional land)
- Hotel 150 rooms
- Parking Ramp 1,364 stalls (+ 431 surface spaces)
- Transit Hub Undefined size

Ryan is working to secure Allina as an anchor office tenant in the project. Allina would occupy approximately 250,000 square feet in the 1928 building. It is expected that Allina will make its siting decision in February 2004. Allina has indicated that its decision will be influenced by issues such as City Council support for the I-35W interchange at Lake Street, and resolution of the remaining financial gaps in the Ryan proposal for Midtown Exchange.

Summary of Key Term Sheet Issues and Status

Weekly negotiations with the Ryan team began immediately following the MCDA Board action. In addition, given the timeline, the teams also established various issue tracks that resulted in focused meetings on those topics.

Summarized below are the key terms and their status, including areas where the City and Ryan are in agreement, as well as areas that need further negotiation.

Project Development Components. The City and Ryan are in agreement. The components of the Midtown Exchange project are the same as those submitted by Ryan in its June 10, 2003 proposal: a hotel, rental and ownership housing, a parking ramp,

the Global Marketplace, a transit hub, office and lab space, and new connections to the Midtown Greenway. Ryan has designated developers for all major components. Subject to City approval, Ryan plans to assign development rights to such components at closing.

Purchase price. The City and Ryan are in agreement in principle. Ryan has offered to pay the City \$2.2 million for the site. Staff believes this is a reasonable "as-is" price, reflecting adjustments from the \$9.6 million appraised value attributable to the environmental condition and inefficiencies of the 1928 building, demolition of the 1964 building, easement obligations to Allina related to the 1979 building and lease encumbrances. If Ryan re-sells any portion of the site to a third party, the proceeds from such a sale will be applied to the project.

Exclusive Rights Fee. The City and Ryan are in agreement in principle. Ryan will pay a fee of \$60,000 for exclusive development rights for the Lake Street Center. If Ryan withdraws during the 6-month exclusive rights period, the City will retain \$10,000 per month to offset staff time. If a deal is reached, then Ryan may apply the fee toward the good faith deposit.

Construction Goals. The City and Ryan agree in principle on all goals except for one as noted below. Ryan has proposed construction trade goals for the project of:

- 12% skilled minority
- 20% unskilled minority
- 5% female

The Minneapolis Civil Rights Department and CPED support these goals except the skilled minority percentage, which staff believes should be set at 15%. More negotiations are necessary on this point, as the project scope of work develops.

It should be noted that Ryan's workforce proposal exceeds the City's workforce goals.

Ryan commits to hiring 25-30 trade workers from Minneapolis, with priority given to those from immediate neighborhoods defined within zip codes 55404, 55407, 55408 and 55409. A community oversight committee will be appointed in consultation with Council members Lilligren, Schiff, and Zimmermann. The City's conflict-of-interest policies shall apply to members of the oversight committee.

Ryan also proposes SUBP goals of 8% MBE and 11% WBE.

Civil Rights will propose apprenticeship language for the redevelopment agreement, to be reviewed by the oversight committee. Ryan's Diversity Program Proposal is attached as **Exhibit B**.

Transit Hub. City and Ryan are in agreement in principle. A Metro Transit Hub will be located on the west side of the project at approximately the mid-block entrance of the west parking lot, off Chicago Avenue. The hub will be owned and operated by Metro

Transit, which has \$2.6 million available for the project. Metro Transit may have to acquire additional land to accommodate the design currently under discussion. Public Works will have to sign off on design plans before they are finalized.

Parking Ramp. The City and Ryan are in agreement in principle on location and size. The east side parking ramp will have approximately 1,360 stalls. Ryan anticipates that the City may participate in the financing of the parking ramp. The financing may include Pay-Go TIF, HUD Section 108 funds, Metro Transit funds or other sources.

Rental Housing. The City and Ryan are in agreement in principle. Ryan proposes to have Dominion Development develop 285 rental units (artist lofts and senior apartments) within the 1928 building. Low market rents in the area limit the debt capacity of the project, resulting in a financing gap ranging from \$2 million to \$13 million. Financing options currently identified include:

	Senior Rental	Senior Financing	Artist Rental	Artist Financing	Required 9% LIHTC Allocation	Estimated Gap
Option 1	176-units	Housing Revenue Bonds	109-units	Housing Revenue Bonds	0	\$13 million
Option 2	100-units	9% LIHTC	185-units	Housing Revenue Bonds	1,350,000	\$5 million
Option 3	176-units	9% LIHTC	109-units	Housing Revenue Bonds	2,300,000	\$2 million

Options for gap closure include:

1. 9% low-income housing tax credit review with MHFA.
2. HUD Section 202 Supportive Housing for the Elderly Program.
3. Affordable housing programs, including Minneapolis AHTF, MHFA, Family Housing Fund, Metropolitan Council, Greater Minnesota Housing Fund, Federal Home Loan Bank, and Hennepin County.
4. Revise rental unit mix and rents.
5. Revise phasing, size and scope of the project.
6. Local foundation support and funding.

CPED staff, Ryan and Dominion Development are exploring all of these options. Dominion is currently working with Artspace to become a co-general partner in the artist housing development. Artspace has identified its principal concerns as: 1) the housing being available exclusively for artists; 2) the housing remaining affordable for artists over the long term; and 3) the design being appropriate for artists' needs.

Ownership Housing. The City and Ryan are in agreement in principle. Ryan's proposal includes 52 for-sale housing units developed by PPL lining the parking ramp. Ryan would like the City to contract directly with PPL to develop an additional 33 for-sale housing units on land owned by MCDA and located east of the ramp site. The additional land is currently used for surface parking. Ryan has asked the City to include this additional land in the TIF district.

Closing/Project Timeline. Ryan proposes to close on the property on or before December 31, 2004 and substantially complete the project in approximately two years, subject to unavoidable delays. Closing and construction may have to be phased. The timetable may need to accelerate if Allina becomes a tenant, because Allina wants to occupy its new headquarters by the first quarter of 2005.

A table of the development timelines is attached as **Exhibit C**.

Assignment and Assumption. Ryan intends to enter into agreements reasonably acceptable to the City providing for assignment of the component development rights to and an assumption of obligations of Ryan under the redevelopment agreement by, the Assigned Developers. Ryan would be released upon such assignment and assumption.

Labor Peace. The City and Ryan are in agreement in principle. The entity Ryan has partnered with to develop the hotel supports the City's labor peace policy, codified at section 422.190(b), Minneapolis Code of Ordinances. The redevelopment agreement will contain provisions requiring a "card check" or other non-confrontational procedures for resolving union organizing campaigns for the hotel component.

Environmental Cleanup. The City and Ryan continue to evaluate these issues. The parties are trying to refine the remaining environmental cleanup costs. The City wants Ryan to assume responsibility for environmental and geo-technical costs, and the City will cooperate with grant applications for pollution abatement. The City has \$365,000 in remaining unspent pollution abatement funding that will be provided immediately to the project for additional environmental investigation. Ryan is concerned that the cleanup costs may be a significantly higher number and has asked the City to apply for grants to cover such costs.

1964 building. Ryan proposes to demolish the 1964 building. There are utility connections within the building which serve both the 1928 building and Allina's 1979 building, and there are reciprocal easements which the City and Allina have entered into. One possibility is that the north basement remains intact after the demolition of the main structure. In addition, there is a new generator in the north basement of building, and its ultimate ownership and use has yet to be decided.

Developer Contingencies. Ryan has proposed two sets of contingencies. The first set includes such items as marketable title, zoning approvals, environmental/geo-technical/building conditions, design issues, and City Council support of an I-35W interchange at Lake Street. This set of contingencies must be completed by October 2004. The second set of contingencies includes financing and development approvals

for every component, approval of historic tax credits, City participation in the parking ramp financing, completion of Chicago and Lake Street upgrades, and satisfactory arrangements for demolition of the 1964 building and sufficient grants to cover environmental cleanup costs. This set must be completed by closing, which is currently set for December 2004.

City Contingencies. The City's obligation to close would be subject to normal contingencies such as financial and construction plan approvals, evidence of compliance with City policies, including but not limited to workforce related issues, affordable housing, and developer fee/recapture policies, and other requirements needed to develop the project, which including zoning, site plan, PUD, street vacation, utility relocation, variances, permits and other approvals from regulatory agencies.

Budget /Sources and Uses

Ryan has given CPED a preliminary project budget, attached as **Exhibit D**. It identifies the major components and estimated sources and uses identified to date. The private-to-public ratio of funds is 6.1:1.

Letters of Interest from Tenants and Financiers

CPED has reviewed Ryan's letters of interest from interested tenants as well as financiers supporting Ryan's capacity to finance and tenant the project successfully, if a contract can be concluded with the City.

Remaining Outstanding Issues

The remaining issues to be worked out between the parties are summarized at the end of the term sheet. The list includes major items and minor ones. Progress and agreement on these remaining issues will require additional time.

Recommendation

The Director recommends that Exclusive Development Rights be given to Ryan Companies for Lake Street Center for 6 months, subject to payment of a \$60,000 exclusive rights fee.

EXHIBIT A TO COUNCIL REPORT

12-30-03 Draft—For Discussion Purposes Only

MIDTOWN EXCHANGE PROJECT TERM SHEET

1. PROPOSED PROJECT

In response to an RFP, Ryan Companies US, Inc. (“Ryan”) proposes to redevelop the former Sears retail site located at the northeast corner of the Chicago Avenue and Lake Street intersection as a mixed-use project that will include commercial office space, retail space, industrial space, rental housing, for-sale housing, a hotel, parking, public and green space areas, a transit hub and linkages to the neighborhood, Abbott Northwestern Hospital campus and the Midtown Greenway. Ryan has named this project the Midtown Exchange project. The total development cost for all of the components comprising the project is currently estimated to be approximately \$142,000,000.

2. PARTIES

The parties to the redevelopment agreement to be entered into pursuant to this term sheet will be Ryan and the City of Minneapolis and, if the development property continues to be held by the Minneapolis Community Development Agency (“MCDA”), the MCDA. (The City of Minneapolis and the MCDA will be collectively referred to herein as the “City.”)

3. SITE

The development property (the “Site”) is an approximately 3-block area bounded by Lake Street, the Midtown Greenway, 11th Avenue and Chicago Avenue. The Site is legally described on Exhibit A (subject to confirmation by survey) and generally located as shown on Exhibit B. The City at its cost will acquire ownership in fee or by exclusive easement of that small portion of the train shed that lies within the Midtown Greenway and include such area within the Site. The City and Ryan will cooperate in any subdivision of the Site from other land owned by the City and creation of separate tax parcels resulting therefrom. One of the existing buildings on the Site, namely the 1928 building, has historic significance. Ryan will take title to the property subject to the existing Family Dollar Store lease for the building at 1010 East Lake Street.

4. ADDITIONAL LAND

In addition to the Site, the project may include the property described on Exhibit A-1 or alternative property in the vicinity of the Site reasonably acceptable to the City, Ryan and Project for Pride in Living (“PPL”) (the “Additional Land”), proposed to be developed by an affiliate of PPL under separate contract with the City. If the PPL development proceeds, it is anticipated the Additional Land will be included in any tax increment districts or other mechanisms that provide public financing for the project.

5. EXCLUSIVE RIGHTS

Based upon the terms outlined in this term sheet, City grants Ryan exclusive rights to negotiate a redevelopment agreement for the Site for a period of up to 6 months from the date of City Council approval of this term sheet. The City will require that Ryan deposit an option or

development rights fee equal to \$60,000. If the parties consummate a redevelopment agreement, Ryan may apply the fee toward the good faith deposit. If the parties are unable to consummate a redevelopment agreement, the City will retain \$10,000 per month beginning in January to off-set its staff time and refund the balance, if any, to Ryan.

6. PROJECT DEVELOPMENT COMPONENTS

Ryan anticipates developing the Midtown Exchange project to include the components listed in this Section. Each of the components must be developed by either Ryan, an affiliate of Ryan, or a separate developer designated by Ryan and approved by the City prior to start of construction of such component (each, an “Assigned Developer”). Conditions to City approval shall include appropriate representations and warranties from each Assigned Developer, a written agreement between each Assigned Developer and Ryan reasonably acceptable to the City, component construction plans and financing reasonably acceptable to the City and such other reasonable conditions as the City deems appropriate. Acceptance of an Assigned Developer by the City provides each Assigned Developer with the City’s consent to proceed with such Assigned Developer’s component of the Project. It is anticipated that each Assigned Developer shall assist in the negotiation and documentation of the redevelopment agreement for its respective component.

Ryan anticipates and the City acknowledges that Ryan will designate the following entities or affiliates thereof for each of their respective components: Dominion Development and Acquisition, LLC (“Dominium”) with respect to the Rental Housing Development Component, Project for Pride in Living (“PPL”) with respect to the For-Sale Housing Development Component, Wischermann/Ryan joint venture (“Wischermann”) with respect to the Hotel Development Component and Neighborhood Development Center (“NDC”) with respect to the Global Market Development Component. Due to market conditions or other factors Ryan may substitute other entities or add additional entities for development of the various components in the project, subject to the reasonable approval of the City. Affiliates of Ryan will be responsible for any components not assigned to other entities.

Ryan will continue to seek other potential uses and users for the project during negotiation of the redevelopment agreement. The City will have the right to approve such other uses and users, but such approval will not be unreasonably withheld or delayed. The City will cooperate with Ryan to facilitate such other uses and users, and acknowledges that the information set out in this Section regarding the various components may need to be modified to accommodate such other uses and users.

The Corporate Office/Commercial/Lab (“COCIL”) Development Component:

- Anticipated Component Developer: Ryan Affiliate
- Project Site Location: Basement, 1st floor, 5th thru 9th floors
- Square Footage: 300,000 S.F.
- Tenants/Users: Office, MNCRI, Building Operations, Hennepin County ReUse Center
- Estimated Employment: 995
- Estimated Component Development Cost: \$31,000,000

- Parking Space Requirements: 1,100
- Estimated Construction Worker-Hours: 252,000
- Projected Construction Start Date: 12/01/04
- Projected Construction Completion Date: 2/28/06

The Global Marketplace Development Component

- Anticipated Component Developer: NDC
- Project Site Location: First floor and basement
- Square Footage: 85,000 S.F.
- Tenants/Users: Global Marketplace
- Estimated Employment: 400
- Estimated Component Development Cost: \$16,000,000
- Parking Space Requirements: 180
- Estimated Construction Worker-Hours: 70,200
- Projected Construction Start Date: 12/01/05

Projected Construction Completion Date: 06/01/06

The Rental Housing Development Component(s):

- Anticipated Component Developer: 2 Affiliates of Dominion
- Project Site Location: 2nd thru 12th floors
- Square Footage: 470,000 S.F.
- Total Number of Units: 285 Rental (176 Senior, 109 Artist Lofts)
- Number of Affordable Units: Will comply with CPED Affordable Housing Policy
- Estimated Component Development Cost: \$48,000,000
- Parking Space Requirements: 161
- Estimated Construction Worker-Hours: 312,400
- Projected Construction Start Date: 07/01/05
- Projected Construction Completion Date: 09/30/06

**The For-Sale Housing Development Component
(Including For-Sale Housing on the Additional Land):**

- Anticipated Component Developer: PPL
- Project Site Location: Perimeter of parking ramp, along 29th Street and both sides of 11th Avenue
- Square Footage: 93,000 S.F.
- Total Number of Units: 85 (52 on Site and 33 on Additional Land)
- Number of Affordable Units: Will comply with CPED Affordable Housing Policy

- Estimated Component Development Cost: \$9,000,000
- Parking Space Requirements: 49 on Midtown Exchange site
- Estimated Construction Worker-Hours: 105,300
- Projected Construction Start Date: 03/01/05
- Projected Construction Completion Date: 12/31/05

The Hotel Development Component:

- Anticipated Component Developer: Ryan/Wischermann
- Project Site Location: 1st thru 4th floors (or outlot if these floors are used for corporate offices)
- Square Footage: 120,000 S.F.
- Number of Rooms: 150
- Estimated Employment: 80
- Estimated Component Development Cost: \$21,000,000
- Parking Space Requirements: 120
- Estimated Construction Worker-Hours: 154,400
- Projected Construction Start Date: 03/01/05
- Projected Construction Completion Date: 12/31/05

The Parking Development Component:

- Anticipated Component Developer: Ryan Affiliate, if private ramp
- Project Site Locations: Surface parking lot on West side; parking ramp, surface and on-street parking on East side
- Total Number of Parking Spaces: 1,795
- Number of Parking Spaces Per Location: 1,364 in parking ramp; 289 surface parking spaces in West side; 142 on-street and surface parking spaces on the East side
- Estimated Employment: 5
- Estimated Component Development Cost: \$15,000,000
- Estimated Construction Worker-Hours: 112,300
- Projected Construction Start Date: 03/01/05
- Projected Construction Completion Date: 12/31/05

The Transit Hub Development Component:

- Anticipated Component Developer: Ryan Affiliate or Metropolitan Council
- Project Site Location: West side of building
- Square Footage: not yet defined

- Description of Transit Improvements: Meet Metro Transit objectives for relief of congestion at Chicago and Lake intersection – not yet defined; preliminary design requires acquisition of additional parcel(s) of land
- Estimated Component Development Cost: \$2,700,000
- Estimated Construction Worker-Hours: 7,800
- Projected Construction Start Date: 03/01/05
- Projected Construction Completion Date: 03/01/06

An estimated sources and uses of funds for the project is attached hereto as Exhibit C.

7. MINIMUM IMPROVEMENTS

The minimum improvements will include the COCIL Development Component in the 1928 building, the Hotel Development Component, the Rental Housing Development Component(s), the Parking Development Component, skyways and connections to the Midtown Greenway and other public spaces, the Global Marketplace Development Component, the Transit Hub Development Component, and that part of the For-Sale Housing Development Component on the Site (collectively, the “Minimum Improvements”). Construction of the Minimum Improvements may be phased. On or before the Closing Date (defined below), Ryan must receive financing and development approvals reasonably acceptable to the City for all of the Minimum Improvements except the Global Marketplace Development Component and the For-Sale Housing Development Component on the Site. The Transit Hub Development Component, the Parking Development Component, and/or the corporate offices and HC Service Center in the COCIL Development Component may be acquired and constructed by public entities as agreed between City and Ryan. Ryan anticipates development of additional COCIL Development Component outside the 1928 building and other potential improvements, but such additional improvements will not be required under the redevelopment agreement. Development of the For-Sale Housing Development Component on the Additional Land, if any, may be under separate contract, outside of the terms of the redevelopment agreement.

8. PURCHASE PRICE AND GOOD FAITH DEPOSIT

The purchase price for the Site, to be paid in full at closing, shall be \$2.2 million. This price assumes that Ryan accepts the Site “As Is”, with no deductions for items such as environmental or geotechnical conditions, demolition of the 1964 building or REOA obligations with respect to the 1979 building. The price will be appropriately reduced if the City retains any portion of the Site for a transit hub, parking ramp, corporate offices, or other use. Ryan must deposit an amount equal to 10% of the purchase price upon execution of the redevelopment agreement. The City will refund the deposit in full upon any termination of the agreement for failure of a developer contingency. If the agreement is not terminated, an agreed-upon percentage of the deposit shall be refunded upon issuance of each certificate of completion for components of the Minimum Improvements.

9. DEVELOPER CONTINGENCIES

- (a) Ryan’s obligations under the redevelopment agreement to purchase and redevelop the Site shall be subject to satisfaction or waiver of reasonable project contingencies by no

later than nine months after the date of City Council approval of this term sheet (the “First Contingency Date”); which may include but are not limited to the following:

- i) Ryan approval of title and survey.
 - ii) City approval of all zoning changes required by Ryan for the project, including special conditional use permits and site plan approvals.
 - iii) Vacation of all streets, alleys and utility easements within the Site required by Ryan for development of the project.
 - iv) Ryan approval of the environmental and geotechnical condition of the Site, including the environmental condition of the buildings and other improvements located thereon, and the status of any grant funding for environmental cleanup costs.
 - v) Approvals by the necessary governmental agencies and Ryan of the Environmental Assessment Worksheet, Transportation Demand Management Plan, any Environmental Impact Statement or Alternative Urban Areawide Review, and other governmental environmental reviews required for the project.
 - vi) Ryan approval of the physical condition of the 1928 building.
 - vii) City approval of the preliminary plans for the project, with no material changes or requirements which are not acceptable to Ryan.
 - viii) Approval by the necessary governmental agencies of the concept plan for the transit hub and linkage to the Midtown Greenway, with no material changes or requirements which are not acceptable to Ryan.
 - ix) Ryan approval of the design impacts of the upgrade of Chicago Avenue and East Lake Street on the project.
 - x) Ryan approval of its preliminary arrangements with the other Assigned Developers for development of various components.
 - xi) Ryan approval of the preliminary arrangements for removal of the 1964 building.
 - xii) Resolution by City Council in support of an interchange at I-35W and Lake/28th Street and other progress toward development of such interchange as may be acceptable to Ryan.
- (b) Ryan’s obligations under the redevelopment agreement to purchase and redevelop the Site shall also be subject to satisfaction and waiver of reasonable closing contingencies by no later than the Closing Date; which may include but are not limited to the following:

- i) Ryan approval of any material changes in the conditions approved or waived by Ryan on the First Contingency Date.
 - ii) Issuance by the Minnesota Pollution Control Agency of a “No-Association” determination for any environmental conditions on the Site, including any buildings or other improvements, naming Ryan and each of the Assigned Developers and their respective lenders and otherwise in form acceptable to Ryan.
 - iii) No damage or destruction has occurred to the buildings and no taking by a power of eminent domain has occurred or is threatened as to all or any portion of the Site or the buildings or improvements located thereon.
 - iv) City approval of the construction plans for the project, with no material changes or requirements that are not acceptable to Ryan.
 - v) Approval by the necessary governmental agencies of the final plans for the transit hub and linkage to the Midtown Greenway, with no material changes or requirements that are not acceptable to Ryan.
 - vi) Completion of all documentation among the Assigned Developers for development of the project, including, any common interest community documents, easements and operating agreements, development and construction agreements, and other documents required by Ryan to proceed with the project.
 - vii) Ryan approval of all public and private financing required for the project, including the arrangements for City participation in financing construction of the Parking Development Component and the final grant funding for environmental cleanup costs.
 - viii) Approval by the appropriate agencies of the historic tax credits required by Ryan for the project.
 - ix) Completion of the upgrades to Chicago Avenue and East Lake Street or arrangements acceptable to Ryan that such upgrades will not unduly interfere with construction and use of the project.
 - x) Completion of all arrangements for removal of the 1964 building, including agreements for relocation of utilities within the 1964 building, and rights for use of the boilers within the 1928 building and generator within the 1964 building.
- (c) The contingencies set forth above are intended for the benefit of Ryan, and may be insisted upon or waived by Ryan in its sole discretion.

10. CITY CONTINGENCIES

City’s obligation under the redevelopment agreement to close on the conveyance of the Site shall be subject to satisfaction or waiver of reasonable closing contingencies, which may include but are not limited to the following:

- (a) Ryan is in compliance with its obligations under the redevelopment agreement and no circumstances exist that constitute an event of default or with the passage of time would constitute an event of default.
- (b) City has approved the construction plans for each component of the first phase of the Minimum Improvements.
- (c) Financing for each component is committed and all conditions to the initial disbursement of any loans have been satisfied other than those conditions that may be satisfied only upon consummation of the conveyance, customary construction disbursing conditions and other conditions reasonably acceptable to City.
- (d) City has received and approved (i) a registered land survey, certified by a duly licensed or registered land surveyor, and/or a condominium plat, depicting the Site and showing the vertical and horizontal division or subdivision thereof into the component parcels so as to permit the separate financing and construction of the components, and (ii) necessary reciprocal easement and operating agreements and/or declaration, bylaws and other common interest community documents).
- (e) Ryan has entered into agreements reasonably acceptable to City providing for assignment of the component development rights to, and an assumption of obligations of Ryan under the redevelopment agreement by, the Assigned Developers.
- (f) Wischerman has provided City with a copy of a hotel license or franchise agreement with Sheraton for the Hotel Development Component, reasonably acceptable to City.
- (g) Ryan has obtained all zoning, site plan, PUD, street vacation, utility relocation, variances, permits and any other approvals from City and other regulatory agencies necessary to develop the Site in accordance with the construction plans.
- (h) City has received evidence that approved affirmative action plans are in effect and that SUBP, prevailing wage, apprenticeship and similar construction requirements will be met.
- (i) City has received evidence that the Job Linkage, Living Wage/BSA, Labor Peace and similar City requirements will be met.
- (j) If any City ownership or construction (e.g., Parking Development Component), publicly bid construction contracts, payment and performance bonds, financing and other conditions may be imposed.
- (k) If any City financing of components, Affordable Housing Policy, Developer Fee/Recapture Policy and other conditions may be imposed. City must have received binding commitments for any non-City funds it is expected to loan or grant to the project.
- (l) City approval of arrangements with the Metropolitan Council-Metro Transit to acquire, finance and construct Transit Hub Component.
- (m) Proof of worker's compensation, builder's risk and commercial general liability insurance, naming City as mortgagee or additional insured, as appropriate, such other insurance as may be reasonable and customary, and required payment and performance bonds.
- (n) Copies of requisite organizational documents, resolutions and opinions from Ryan and each Assigned Developer.

The conditions set forth above are intended for the benefit of City, and may be insisted upon or waived by City in its sole discretion.

11. CLOSING

The City will convey the Site to Ryan or the Assigned Developers within 30 days after satisfaction of the City conditions to closing. Closing shall occur no later than December 31, 2004, plus such number of days as Closing is delayed solely by reason of any delays by the City in performance of its closing obligations under the redevelopment agreement or any fire or other casualty. It is anticipated that at Closing each Assigned Developer shall be assigned and shall assume all of the respective rights, duties and obligations with respect to its respective component of the project and upon such assignment and assumption, Ryan shall have no further obligation or responsibility therefor. Ryan shall remain responsible for each of the components unless and until such time as an Assigned Developer has a written assignment and assumption agreement with the City concerning such component. In order to facilitate the transfer of title to the project to the Assigned Developers, the City at Closing will enter into the necessary common interest community documents and easement and operating agreements delineating the various components of the project and deed its interest directly to the Assigned Developers. Ryan will also have the right (but not an obligation) to cure any defaults by an Assigned Developer, coupled with a security interest in such component as will enable Ryan or an affiliate of Ryan to acquire the interest of the Assigned Developer in such component upon any such default.

12. CONSTRUCTION COMMENCEMENT/COMPLETION

Ryan or the Assigned Developers must commence construction by the Start Dates provided in Section 6 (subject to unavoidable delays as to the Global Marketplace Development Component, the For-Sale Housing Development Component on the Site, and the COCIL Development Component outside the 1928 building) and, subject to unavoidable delays, must substantially complete construction by the Completion Date provided in Section 6. The City will retain reversionary rights on each separate component, but such reversionary rights will be subject to the right of Ryan and the lenders to cure a default by the Assigned Developer and take over such component. Reversion of any component will not affect the right, title and interest of the owners of the other components.

13. PUBLIC FINANCING

Ryan anticipates that the City will make the following types of public funds available with respect to various components of the project. The City has not yet committed these funds, but will review and underwrite financing applications from Ryan and /or Assigned Developers in accordance with applicable policies and procedures.

- DTED Redevelopment Grant
- HUD 108 Loan
- HUD EDI
- TIF (Pay as you go or bonds)
- EZ Grant
- CDBG
- 9% LIHTC
- Housing Revenue Bonds (w/ 4% LIHTC)
- Metropolitan Council TBRA Grant

See attached Exhibit C for further details.

14. **ENVIRONMENTAL CONDITIONS.** The City has a Metropolitan Council TBRA grant with a remaining balance of approximately \$365,000 that it will immediately make available to Ryan for environmental testing of the Site. The environmental costs are expected to exceed that amount. Ryan will ask the City to apply for additional grants to cover environmental costs in excess of that amount.

15. **PARKING RAMP FINANCING**

Ryan anticipates that the City may participate in the financing of the Parking Development Component.

16. **PROJECT COLLATERAL AND PERFORMANCE SECURITY** Right of reverter contained in City deed, subordinated to project financing.

17. **EMPLOYMENT GOALS**

- Construction Trades: Women - 5%; skilled minorities – Ryan position:12% and City position:15%; unskilled minorities – 20%
- SUBP: MBEs – 8%; WBEs – 11%

18. **COMPLIANCE WITH CITY DEVELOPMENT REQUIREMENTS**

The redevelopment agreement will contain standard City provisions, including but not limited to the following:

- Construction plans and specifications approval by City
- Insurance certificates
- Indemnity and hold harmless to City
- Payment and performance bonds, provided Ryan may request waiver for certain components which City in its sole discretion may grant or deny
- Pre-bidding conference for Ryan, contractors, and City
- City construction contracting requirements, including affirmative action, prevailing wage, apprenticeship, small and underutilized business enterprise program
- City employment programs
 - * Job Linkage Program
 - * Living Wage/Business Subsidy Act Program
- Developer of Hotel Development Component must agree to comply with the Labor Peace Policy
- Developers of Rental Housing Development Component(s) and For-Sale Development Component must comply with CPED policy concerning developer fee limitations and profit sharing

19. TIF RECAPTURE

Any TIF assistance provided by the City to Ryan or an Assigned Developer may be subject to recapture in accordance with CPED policies.

20. REMOVAL OF THE 1964 BUILDING

Part of the 1964 building is located above the Midtown Greenway and property owned by the City lying north of the Greenway. Ryan will have the right to remove the 1964 building, but the basement area of the 1964 building located north of the Greenway will be preserved to provide support for the 1979 building. Ryan will install the roof and roofing for the basement areas of the 1964 building lying north of the Greenway and a façade for the party wall above the remaining portion of the 1964 and 1979 buildings which will be architecturally consistent with the 1979 building. Ryan will negotiate with the owner of the 1979 building about a right to continue using the existing boilers in the 1928 building which provide steam heat for the 1979 building, and will reconnect the steam/hot water piping and electric distribution system currently within the 1964 building which serves the 1979 building. The owner of the 1979 building will be responsible for all costs of operating, maintaining, repairing and replacing such roof, roofing, façade, boilers and utilities. If it is determined the City owns the existing generator within the basement areas of the 1964 building, the City may grant Ryan a right to use such generator to provide emergency power for the project. The City may also grant an easement giving Ryan the right to install one or more other generators in the same room to provide additional emergency power for the project. Ryan would be responsible for the cost of operating, maintaining, repairing and replacing all such generators.

21. VACATION OF STREETS AND ALLEYS

Ryan will apply for the vacation of any unvacated portions of Tenth Avenue South between East 29th Street and East Lake Street, and any alleys located within the Site. The City will authorize Ryan to submit such applications and, through CPED staff, will cooperate with Ryan in its vacation applications. The City's cooperation offered herein is not to be construed as granting any approvals of such vacation requests. The value of the land included in such streets and alleys are included in the purchase price set out above.

22. REZONING

Ryan will apply for the rezoning of the Site as may be necessary to develop and use the various components of the Project. The City will authorize Ryan to submit such applications and, through CPED staff, will cooperate with Ryan in its rezoning applications. The City's cooperation offered herein is not to be construed as granting any approvals of such rezoning requests. The purchase price for the Site will not be affected by the rezoning.

23. EAW/EIS/AUAR/TDM

City and Ryan will cooperate on preparation of an Environmental Assessment Worksheet (EAW) and Transportation Demand Management (TDM) plan for the project. Based upon initial feedback from the City's planning division, Ryan does not anticipate that any Environmental Impact Statement (EIS) or Alternative Urban Areawide Review (AUAR) will be required.

24. APPROVAL PROCESS

The City will cooperate with Ryan to facilitate all traffic management plans, necessary conditional use permits, variances, site plan reviews and other zoning and governmental approvals. Ryan and the City will identify all City approvals required for the Project, develop a schedule to address processing requirements for the various public approvals, and work together in assuring review of applications in a timely manner.

25. STREET AND SIDEWALK IMPROVEMENTS

Ryan and the City acknowledge that the anticipated upgrades of Chicago Avenue and East Lake Street will affect the construction and use of the project. Ryan and the City, through CPED staff, will work together and coordinate

with Hennepin County the design and construction of the Chicago Avenue and East Lake Street upgrades to facilitate the construction and intended use of the Midtown Exchange project.

26. STREET AND LANE CLOSURES

During the course of constructing and redeveloping the project, Ryan may close the parking lane on East Lake Street in front of the 1928 building to facilitate construction in accordance with the City's policies for such lane closures, including payment of any fees.

27. HISTORIC DESIGNATION

One of the existing buildings on the Site, namely the 1928 building, has historic significance. Ryan anticipates that such building will be eligible for federal historic tax credits and such tax credits will be a key element in assuring the financial viability of the project. The City, through CPED staff, will cooperate with Ryan in obtaining all necessary governmental approvals as may be required for obtaining such tax credits. Further, City and Ryan will negotiate a section 106 agreement with the State Historic Preservation Office and HUD if necessary to facilitate federal funding of the project.

28. WELLS

City will keep the existing wells on the Site in place through Closing and at its cost maintain the proper licenses and permits therefor. The City will provide a list of the licenses and permits to Ryan at Closing. Ryan will seal any wells not required for the project and assume responsibility for maintaining the others.

29. EARLY ACCESS

Subject to the rights of the Frank Theater under an existing right of entry agreement, Ryan and the City will enter into a right of entry agreement on reasonably acceptable terms providing Ryan and the prospective developers the right of access to the Site and the buildings located thereon from and after the City Council approval of this term sheet for the purpose of non-destructive testing and inspection by Ryan, the prospective developers, and their respective subcontractors and consultants, any prospective tenants and lenders, and similar parties. Such parties may perform destructive testing with the reasonable consent of the City.

30. LEGAL EFFECT

Except for the exclusive rights to negotiate a redevelopment agreement upon payment of the fee set out in Section 5 and the recognition by the City and Ryan of their intent to provide access to the Site and building and cooperate on various matters, this term sheet shall not be a binding legal agreement between the City and Ryan but merely serves as a basis for further negotiation of the redevelopment agreement and other documents required for acquisition and development of the Site.

List of Identified Outstanding Issues/Concerns:

City may convey part of Site directly to Metropolitan Council for a transit hub

City may retain part of Site for the parking ramp and/or for corporate offices

City and Hennepin County must resolve title issues/exchange Greenway parcels

Determine state bonding requirements for HC Service Center/public ownership issue

Consider possible acceleration of the schedule to accommodate corporate offices

Decide whether to seek special legislation to clarify duration of TIF district

Confirm boundaries of TIF district, status of certain parcels and allocation of TIF

Decide on public or private ownership of parking ramp

Determine amount, structure and eligible uses of HUD 108 financing

Determine parking ramp size and, if public, construction standards and possible special legislation

Establish other collateral/security requirements of City

Investigate effect of SUBP ordinance sunset on June 25, 2004

Negotiate apprenticeship program

Identify and resolve any NPS, SHPO or HPC issues, e.g., atriums, signage, skyways, ramp, transit facility, related to historic review and approval of plans for the 1928 building

Determine whether the existing utilities serving the Site are adequate for the proposed project

Determine responsibility for SAC/WAC charges

Investigate ways to use Hennepin County and/or Met Council funds to close funding gap, if any, on private parking ramp construction

Develop strategies to address construction and/or operating gaps, if any, on corporate offices

Address rental housing gap by February 1

Investigate environmental conditions, determine clean up costs and secure funding sources

Address potential funding gap on hotel

Assess availability of grant funding for Global Marketplace

Update status of New Market Tax Credits, e.g., amount and delivery vehicle, because no published final regulations

Review Artspace role in artists lofts

Consider additional state bonding request for Health Careers Institute move

EXHIBIT A TO TERM SHEET

DESCRIPTION OF SITE

Certificate Number 1098354 (MCDA)

Parcel 2:

Lots 1, 2, 25, and 28;

That part of the vacated alley, which lies East of the centerline thereof and between the Westerly extensions of the North line of said Lot 1 and the South line at said Lot 2.

That part of the vacated alley, which lies West of the centerline thereof and between the Easterly extensions of the North and the South lines of said Lot 25.

That part of the vacated alley which lies West of the centerline thereof and between the Easterly extensions of the North and the South lines of said Lot 28.

That part of the vacated Elliot Avenue South, dedicated in the plat as 9th Avenue South, which lies East of the centerline thereof and between the Westerly extensions of the North and South lines of Lot 25.

That part of vacated 29th Street East lying between the extensions across it of the east line of said Lot 1 and the West line of said Lot 28. That part of the East ½ of vacated Elliot Avenue South, dedicated in the plat of Allan & Andersons Second Addition to Minneapolis as 9th Avenue South lying South of the North line of said plat (being the North line of the South ½ of the Southeast Quarter of the Southwest Quarter, Section 35, Township 29, Range 24) and North of the Westerly extension of the South line of said Lot 28;

All in Block 3, Allan & Andersons 2nd Addition to Minneapolis.

Certificate Number 1098354.5 (MCDA)

Parcel 3:

Lots 3 through 24 inclusive; and Lots 26 and 27; all in Block 3, Allan & Anderson's Second Addition to Minneapolis.

That part of the East Half of vacated Elliot Avenue South, dedicated in said plat as 9th Avenue South, lying between the westerly extensions of the South line of said Lot 17 and of the North line of said Lot 24.

That part of the East Half of vacated Elliot Avenue South, dedicated in said plat as 9th Avenue South, lying between the westerly extensions of the South line of said Lot 26 and of the North line of said Lot 27.

That part of the vacated alley in said Block 3 abutting said Lots 11 through 18 inclusive, which lies South of the most southerly line of said Lot 11 and its westerly extension.

That part of the East Half of the vacated alley in said Block 3 lying between the westerly extensions of the most southerly line of said Lot 11 and the North line of said Lot 3.

That part of the West Half of the vacated alley in said Block 3 lying South of the easterly extension of the North line of said Lot 24 and North of the westerly extension of the most southerly line of said Lot 11.

That part of the West Half of vacated alley in said Block 3 lying between the easterly extensions of the south line of said Lot 26 and of the North line of said Lot 27.

Parcel 4:

Lots 1 through 13 inclusive; and Lots 19 through 28 inclusive, all in Block 4, Allan & Anderson's Second Addition to Minneapolis.

That part of the West Half of vacated Elliot Avenue South, dedicated in the plat as 9th Avenue South, lying South of the North line of said plat, and North of the Easterly extension of the South line of said Lot 12.

That part of vacated East 29th Street, dedicated in said plat, lying between the Northerly extensions of the East line and of the West line of said Block 4.

That part of vacated alley in said Block 4 lying between the easterly extensions of the North line of said Lot 28 and the Easterly extension of a line parallel with and 9 feet southerly, as measured at right angles, from the South line of said Lot 22.

That part of the North Half of vacated alley in said Block 4, lying between the southerly extensions of the East line and of the most westerly line of said Lot 11.

That part of the South Half of vacated alley in said Block 4 lying between the northerly extensions of the West line of said Lot 13 and the East line of said Lot 12.

Certificate Number 1098354 (MCDA)

Parcel 1:

Lots 7 and 21, Block 2, Allan & Andersons Second Addition to Minneapolis
and:

That part of the east half of the vacated alley, dedicated in Block 2, said addition, which lies between the westerly extensions of the north line and of the south line of said Lot 7; and

That part of the west half of the vacated alley, dedicated in Block 2, said addition, which lies between the easterly extensions of the north line and of the south line of said Lot 21.

Order and Decree of Registration Number 20387 (MCDA)

Parcel 2:

Lots 1 through 6 inclusive, Lots 8 through 20 inclusive; and Lots 22 through 28 inclusive; all in Block 2, Allan & Anderson's Second Addition to Minneapolis.

All of the vacated alleys dedicated in Block 2, Allan & Anderson's Second Addition to Minneapolis, except that part of the east half of said vacated alley which lies between the westerly extensions of the North and South lines of Lot 7 said block and addition, and except that part of the west half of said vacated alley which lies between the easterly extensions of the North and South lines of Lot 21 said block and addition.

EXHIBIT A-1 TO TERM SHEET
DESCRIPTION OF ADDITIONAL LAND

Order and Decree of Registration Number 20387 (MCDA)

Parcel 1:

Lots 23 through 27 inclusive, Block 1, Allan & Anderson's Second Addition to Minneapolis.

Other Land: Lot 28, Block 1, Allan & Anderson's Second Addition to Minneapolis

EXHIBIT B TO TERM SHEET

LOCATION OF THE PROJECT

EXHIBIT C TO TERM SHEET

SOURCES AND USES OF FUNDS

Exhibit B

Summary of Diversity Programs Midtown Exchange Project

CITY OF MINNEAPOLIS EMPLOYMENT GOALS:

Ryan proposes to increase the workforce utilization goals to 12% skilled minority, 20% unskilled minority and 5% combined female.

	<u>City Goals</u> <u>Percentage Increase</u>	<u>Proposed Ryan Goals</u>
Skilled Minorities 50%	8%	12%
Unskilled Minorities 33.3%	15%	20%
Female (Combined) 25%	4%	5%

NEIGHBORHOOD RESIDENT EMPLOYMENT INITIATIVE:

Ryan commits to the employment of 25-30 neighborhood residents as trade workers on the project. A neighborhood resident is defined by the 55404, 55407, 55408 and 55409 zip codes in South Minneapolis.

CITY OF MINNEAPOLIS' SMALL UNDERUTILIZED BUSINESS PROGRAM:

Ryan proposes Small Underutilized Business Goals of 8% Minority Business and 11% Women Business.

MIDTOWN EXCHANGE OVERSIGHT COMMITTEE:

Ryan will convene a community advisory committee. Appointments to the committee will be made in consultation with Minneapolis City Council members Lilligren, Schiff and Zimmerman, to include: the Minneapolis Civil Rights Office, neighborhood organizations and business organizations, construction preparation programs, employment referral and recruitment resources for minorities and women, the building trades, and contractor organizations.

RYAN COMPANIES US, INC. LIASION:

Claudia Osterman, as a Ryan representative, will be the point of contact for employment goals and programs and minority and women business participation.

Ryan Companies US, Inc. - Workforce Utilization Minorities and Women in the Construction Trades

Midtown Exchange Project

Ryan Companies US, Inc. (Ryan) approach to workforce utilization: Ryan supports strong recruitment of minorities and women in all areas of employment and specifically within the construction trades. Ryan promotes and provides support to community-based employment programs that provide their clients with programming in the assessment of skills and abilities, previous work experience, pre-apprenticeship or pre-employment training and provides support systems to enhance client retention in the workplace.

- Ryan provides financial support to a number of community-based organizations that assist minorities and women into the construction trades such as: WomenVenture, Goodwill Easter Seals and the LEAP Program through the Minneapolis and St. Paul Urban League.
- Ryan is an active member in an “English as a Second Language” program that is currently under development with the Association of General Contractors (AGC). The curriculum is being finalized and details regarding delivery are the next stage of implementation.
- Along with Ryan’s mentoring program for apprentices, we participate in other programs and activities including: frequent job-site tours, the annual GIRL-POWER PROGRAM at Century College, and “teacher-in-the-trades” program which enables a school teacher to work in the trades during the summer to better understand the requirements of the job-site in order to share this knowledge in the classroom.

Neighborhood Resident Employment Initiative:

Minority and female employment in the construction trades is one of the first steps to inclusion of communities of color and women at the Midtown Exchange Project and key to the success of the project. To ensure that neighborhood residents are supported in their interest in construction trade work opportunities on the project, Ryan will partner with Phillips Job Bank/Goodwill Easter and the Minnesota Workforce Center at Chicago and Lake.

Phillips/Goodwill Easter Seals has been a member of the Phillips neighborhood for countless years, providing employment training and retention services in many different industries including a Construction Skills Training Program. Ryan, Phillips/Goodwill Easter Seals and the Construction Career Coalition will host Construction Career Information Sessions. This will be an orientation to a career in the construction trades. Attendees will be recruited through all community-based organizations. Attendees will be provided with information about pre-apprenticeship programs and pre-employment programs such as Goodwill/Easter Seals Construction Skills Program, Minneapolis Urban League, MnBuild, Summit Academy OIC, and WomenVenture. A site-specific employment application will be used to obtain applicant information for review and assessment for referral to a pre-apprenticeship or pre-employment training program and/or referral to the appropriate contractor on the project.

The Construction Careers Coalition (CCC) with the support of the Minneapolis Building Trades and their trade association members (representing 350 employers within the construction industry) and the Minnesota Department of Labor, Office of Apprenticeship will participate to provide information regarding scope of work and entrance requirements into State Certified Apprenticeship Programs.

Ryan commits to the employment of 25-30 Minneapolis residents as trade workers on the project, with first priority to neighborhood residents as defined by the zip codes 55404, 55407, 55408 and 55409.

The City of Minneapolis has established workforce utilization goals of 8% skilled minority, 15% unskilled minority and 4% combined female.

Ryan proposes to increase the workforce utilization goals to 12% skilled minority, 20% unskilled minority and 5% combined female.

the hathor group

	<u>City Goals</u> <u>Increase</u>	<u>Proposed Ryan Goals</u>	<u>Percentage</u>
Skilled Minorities	8%	12%	50%
Unskilled Minorities	15%	20%	33.3%
Female (Combined)	4%	5%	25%

To support the "Resident Employment Program" and the proposed employment goals Ryan has met with the leadership of the Minneapolis Building Trades. The Minneapolis Building Trades will support both the employment program and the recruitment of minorities and women within their membership and within the neighborhood to fill work opportunities on the Midtown Exchange Project. Ryan will continue discussions with leadership of the individual labor unions represented by the Minneapolis Building Trades to ensure that every reasonable effort is made to provide Midtown Exchange Project contractors with a labor force to meet or exceed the stated goals.

Ryan will convene a Midtown Exchange Implementation Committee. Ryan in consultation with Minneapolis City Council members Lilligren and Schiff will appoint committee members to include: the Minneapolis Civil Rights Office, neighborhood organizations and businesses organizations, construction preparation programs, employment referral and recruitment resources for minorities and women, the building trades, and contractor organizations

This committee may include but is not limited to:

- | | |
|---|--|
| The Green Institute | MnBuild |
| Phillips Job Bank/Goodwill Easter Seals | National Association of Minority Contractors-Midwest (NAMC-UM) |
| The Construction Careers Coalition (CCC) | Association of Women Contractors (AWC) |
| Minneapolis Training and Employment Program | Minnesota American Indian Chamber of Commerce (MAICC) |
| Hennepin African American Men Project | Hispanic Chamber of Commerce of Minnesota (HCCM) |
| American Indian OIC | Metro-1 African American Chamber of Commerce |
| Summit Academy OIC | Dunwoody Institute |
| Centro Cultural Chicano (CLUES) | |
| Urban League of Minneapolis and St. Paul | |
| WomenVenture | |
| Women in the Trades | |

This committee will also include representatives from the new immigrant community of the surrounding Phillips neighborhood including Hispanic, Latino, Somali and Asian. The Green Institute and the Phillips Job Bank/Goodwill Easter Seals staff will coordinate these efforts in partnership with the Ryan team.

Meeting on a monthly basis, the purpose of this committee is to provide support and expertise to the Ryan team and all subcontractors on the project. This committee could be set-up in working sub-groups to address specific topics of interest (i.e., Workforce Development, Contractor Development, Neighborhood Interests)

The committee will review the progress of both the employment goals and the minority and women business goals on the project and will address issues or concerns of the business community surrounding the Midtown Exchange Project site. The committee representatives will be the key people in monitoring the ongoing progress of "community success" for the Midtown Exchange Project and will have the responsibility of making any corrective recommendations.

Communication is the key to "community success" of the Midtown Exchange Project. The Green Institute as a Ryan team partner will be the point of contact for neighborhood facilitation. Claudia Osterman, as a Ryan representative, will be the point of contact for employment goals and programs and minority and women business participation.

Ryan Companies US, Inc.

Small Underutilized Business Program

Midtown Exchange Project

Ryan Companies US, Inc. (Ryan) understands that inclusiveness is essential in the contracting process and has actively worked within the construction industry and communities to increase opportunities for minority and women owned firms.

As stated in the Ryan RFP documents, Ryan has consistently strived to meet and exceed minority and women business participation program goals. Ryan has actively participated in membership and events with the Hispanic Chamber of Commerce of Minnesota (HCCM), Association of Women Contractors (AWC), National Association of Minority Contractors - Upper Midwest (NAMC-UM), and the quarterly Construction Exchange and was instrumental in assisting the University of Minnesota host a Construction Exposition that allowed minority and women business owners to be exposed to larger contractors.

To provide continual access to contract opportunities on Midtown Exchange Project, Ryan will review all areas of the design and construction of the project scope to include minority and women businesses in all business disciplines and functions.

Using the JIT Services Corporation, (Central Cert), the State of Minnesota's Targeted Group Business (TGB) and the Uniform Certification Committee (UCP) directory listings, Ryan is consistently searching for certified firms that would be interested in bidding on projects.

Ryan will encourage and support large subcontracting firms to third tier, joint venture or partner with a certified business. This will provide contract opportunities to minority and women owned firms in all areas of the design and construction process. All major subcontractors will be required to notify certified firms within their scope of work of potential bid opportunities on the Midtown Exchange Project. Ryan has already begun meeting with minority business owners interested in contract opportunities on the project. Ryan will help facilitate contract relationships with majority owned firms also expressing an interest in bidding on the project.

- Ryan will host subcontractor information and partnering meetings to review and discuss divisions of work as bid packages are announced. These meetings can include a review of the procurement process, project schedule and scope of contract opportunities.
- In an effort to assist minority and women owned businesses bid work on the Midtown Exchange Project, we invite sub-contractors and suppliers to use our plan room, located in our Minneapolis office.
- Ryan will also provide bid documents and drawings on the Midtown Exchange Project to the NAMC-UM plan room and to other interested community or trade associations as a service to their members.
- To Include:
 - Association of Women Contractors (AWC)
 - Minnesota American Indian Chamber of Commerce (MAICC)
 - Hispanic Chamber of Commerce of Minnesota (HCCM)
 - Metropolitan Economic Development Association (MEDA)
- Ryan will provide plans and specifications for review by minority and women owned firms at the project or designated neighborhood site. (I.E. Phillips Job Bank Office or Minnesota Workforce Center Office)

- Ryan has already begun the development of a "Midtown Exchange" website to provide access of information regarding project information, including contract and on-site work opportunities on the project. This website will be presented in a bi-lingual format.
- Display advertisements will be placed in community publications, based on publications dates to provide bid opportunity notice to minority and women owned businesses.

<u>Organization</u>	<u>Phone</u>	<u>Fax</u>	<u>Website</u>	<u>Audience</u>	<u>Circulation</u>
African Journal	763-561-8721	763-561-8726		African American	10,000
Asian American Press	651-224-6540	651-224-7032	www.aapress.com	Asian	15,000
Asian Pages	952-884-3265	952-888-9373	www.asianpages.com	Asian	25,000
Hmong Times	651-224-9395	651-224-9049	www.hmongtimes.com	Hmong	N/A
La Prensa De Minnesota	612-312-1760	612-312-1769	www.laprensa-mn.com	Hispanic/Latino	14,200
Latino Midwest News	763-535-3373	763-537-5200	www.latinomidwestnews.com	Hispanic/Latino	50,000
La Voz Latina	651-457-1177	651-457-1077	www.stpaulpublishing.com	Hispanic/Latino	8,500
Minneapolis Spokesman-Recorder	612-827-4021	612-827-0577	www.spokesman-recorder.com	African American	26,000
Minnesota Insight News	612-588-1313	612-588-2031	www.insightnews.com	African American	35,000
Minnesota Women Press	651-646-3968	651-646-2186	www.womenspress.com	Women	40,000
One Nation News	612-861-9006	612-869-8569	www.onenationnews.com	African American	20,000
The Circle	612-879-1760	612-879-1712	www.thecirclegenews.org	Native American	20,000
Native American Press/Ojibwe News	651-224-6656	N/A	www.press-on.net	Native American	N/A

- Project Managers and/or Claudia Osterman, of the hathor group, as a Ryan representative will attend community organization meetings to provide on-going bid package information on the Midtown Exchange Project and to continue to establish relationships with minority and women business owners.
- Bid notices will be forwarded to all potential interested businesses. Ryan will establish a "construction division matrix" of potential subcontractors and suppliers of minority and women owned firms. When a bid opportunity based on division is available the minority or women owned business would receive direct notification of that opportunity.
- As minority and women owned firms are certified by a jurisdiction program they will receive a business information document to complete and return to Ryan to then be added to the "construction division matrix". The matrix will be updated on a monthly basis.
- Ryan will provide certification information and if necessary, introductions to appropriate labor representation so that a neighborhood business owner can make a business decision about M/WBE certification and union membership.

City of Minneapolis' Small Underutilized Business Program: Ryan proposes Small Underutilized Business Goals of 8% Minority Business and 11% Women Business.

Business Development Center: Through various funding grants and sources the following organizations will be available to work with a minority and women business owner to provide business and technical project assistance to contractors and suppliers in all business functions including but not limited to, accounting, insurance and bonding, payment applications, EEO reporting, and, of course safety.

- Neighborhood Development Center (NDC), (Ryan partner on the Midtown Exchange Project)
- Metropolitan Economic Development Association (MEDA)
- Women Venture
- NAMC-UM

Project Schedule

	2004				2005				2006			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Contract Negotiation		End										
Commercial Industrial/Labs				Start	Construction				Opening			
Global Market Place					Start	Construction					Opening	
Rental Housing						Start	Construction				Opening	
For Sale Housing					Start	Construction	Opening					
Hotel					Start	Construction	Opening					
Parking Ramp					Start	Construction	Opening					
Transit Hub					Start	Construction			Opening			
Allina				Start		Construction	Opening					

December 18, 2003

MEMO TO: Chuck Lutz, Deputy Executive Director

FROM: Jack Kryst, Chair, Development Finance Committee

SUBJECT: Development Finance Committee Action Regarding Granting Exclusive Development Rights for Lake Street Center

On December 18, 2003, the Development Finance Committee considered a report on the granting of exclusive rights to develop Lake Street Center.

The Development Finance Committee endorsed granting exclusive development rights for six months with the following comments:

1. The Committee encourages staff to explore a mix of housing alternatives, including ownership housing, in order to reduce concern about funding gaps.
2. The Committee encourages staff to carefully examine the proposed project ownership structure early in the process so that the ultimate legal ownership structure does not add unnecessary risk to the project's completion or success.

cc: Lee Sheehy
Jim White