



## **Request for City Council Committee Action From the Department of Public Works**

**Date:** March 20, 2007

**To:** Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee  
**Refer to:** Honorable Paul Ostrow, Chair Ways and Means Committee

**Subject:** **Request to Amend Purchase Agreement for city-owned property at 2850 20th Avenue South**

### **Recommendations:**

- a) Amend Contract # C-23613 with Midtown Eco Energy, LLC, to extend option up to one calendar year (from March 30, 2007 to March 30, 2008).
- b) Amend Contract # C-23613 with Midtown Eco Energy, LLC, to extend required closing date up to one calendar year (from October 2, 2007 to October 2, 2008), maintaining the requirement that any closing after October 2, 2007 include a holding cost payment of \$125.00 per day.
- c) Amend Contract # C-23613 with Midtown Eco Energy, LLC, to establish a minimum of 130 calendar days between the option and closing dates.
- d) Amend Contract # C-23613 with Midtown Eco Energy, LLC, to require that any closing date after October 1, 2007 would be conditioned on an update of the appraisal to reflect current market value and that sale price be adjusted appropriately.

### **Previous Directives:**

- June 30, 2006: Direct City staff to negotiate and execute a purchase agreement in accordance with the requirements of the Request for Proposals to Midtown Eco Energy, LLC for \$557,500.
- June 16, 2006: Set Public Hearing for June 20, 2006 for Proposed Sale.
- March 31, 2006: Direct City Engineer to issue a Request for Proposals (RFP) for the sale of the South Transfer Station for the purpose of a biomass combined heat and power generation facility.
- December 23, 2005: Direct City staff to return to the T&PW and HEE Committees with RFP, or a recommendation of an alternative to the RFP process for the development of the South Transfer Station into a biomass combined heat and power generation facility before the City Council meeting of March 31, 2006. If an RFP is issued, it shall be issued no later than April 4, 2006, with a response date of no later than May 12, 2006 and shall include the following criteria: Project description, Project management and team, Site purchase price and terms, Predevelopment sources and uses budget, Construction sources and uses budget, Operating pro-forma, Project time line with milestones, and a description of the community benefit and impact.
- July 23, 2004: Direct the proper City officers to continue negotiations for the sale of the City of Minneapolis South Transfer Station located at 2850 20th Av S, with the Green Institute for the purpose of a proposed combined heat and power biomass plant.
- May 14, 2004: Direct the proper City officers to negotiate terms and conditions of an option for the sale of the City-owned property at 2850 20th Avenue South to the Green Institute for the purpose of a proposed combined heat and power biomass plant and to return to the T&PW Committee by its July 13, 2004 meeting with proposed terms and conditions for such an option. By this action, the Council expressed its will as to the preferred disposition of the

South Transfer Station if it is sold, but reserved the decision to sell it pending review of Solid Waste planning.

**Prepared by:** Greg Goeke, Director of Property Services, 673-2706

**Approved by:**

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Steven A. Kotke, City Engineer, Director of Public Works

**Presenter:** Greg Goeke, Director of Property Services, Property Services

Permanent Review Committee (PRC)      Approval \_\_\_\_\_ Not Applicable   X    
Policy review Group (PRG)              Approval \_\_\_\_\_ Not Applicable   X  

**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
- Business Plan:  Action is within the plan.  Action requires a change to plan.
- Other financial impact (Explain): If directed by Council, a future action will appropriate a funding mechanism(s) for purposes of relocating the existing Public Works facility.
  
- Request provided to department's Finance Dept. contact when provided to the Committee Coordinator

**Community Impact:**

Neighborhood Notification: NA  
City Goals: NA  
Comprehensive Plan: NA  
Zoning Code: NA

**Background/Supporting Information**

On March 28, 2006, Council directed staff to issue a Request for Proposals (RFP) to solicit proposals for the sale of the South Transfer Station, 2850 20th Avenue South, for development into a biomass combined heat and power generation facility. The RFP was issued on April 4, 2006. Proposals were due on May 19, 2006.

On June 30, 2006, Council directed staff to negotiate and execute a purchase agreement in accordance with the requirements of the Request for Proposals to Midtown Eco Energy, LLC for \$557,500.

**Purchase Agreement Requirements for Time**

The Purchase Agreement established the date of December 31, 2007 for the buyer, Midtown Eco Energy, LLC, to exercise an option to purchase the property and to close on the property no later than October 2, 2007. The Purchase Agreement allowed for a one time 90-day extension on the option date if the buyer could establish "substantial progress" towards meeting the deliverables necessary to close on the property. The extension was requested by Midtown Eco Energy and granted by Public Works staff. Any other extensions or modifications to the terms of the Purchase Agreement require Council action and approval.

## **Buyer Request for Extension of Time**

On March 7, 2007 staff received a request from Midtown Eco Energy to extend the date to exercise the option one calendar year from March 30, 2007 to March 30, 2008. Additionally, this request would also extend the closing deadline up to one year from October 2, 2007 to October 2, 2008.

On March 13, 2007 staff met with Kim Havey and Michael Krause, Principals of Midtown Eco Energy, LLC to discuss and clarify their request and to provide a cursory review of their progress towards the deliverables necessary to close on the property.

Mr. Krause will be in attendance and provide Council with a brief presentation as to the current status of their proposed combined heat and power biomass energy facility and to answer questions.