



Request for City Council Committee Action from the Department of Finance

Date: November 30, 2009

To: Ways and Means Committee

Referral to: None

Subject: Edison Youth Hockey Association outstanding debt

Recommendation: Approve the write off of outstanding charges in the amount of \$186,818.37 owed by the Edison Youth Hockey Association.

Previous Directives:

March 10, 2006 – Council authorized proper City officers to negotiate a final purchase agreement selling the Edison Youth Hockey Arena to the Park Board

July 22, 2005 – W&M Update

May 9, 2005 – W&M Update

September 30, 2004 – Letter sent to Edison Youth Hockey Association

January 3, 2002 -- W&M Update

November 9, 2001-- W&M Update

96R-150 – Authorized execution and delivery of Ground Lease, Lease, Sublease, Disbursing Agreement and related documents, and performance of related actions for the Edison Indoor Ice Arena Project.

Department Information

Prepared by: Ramon Morales, Manager Treasury Operations

Approved by: *Steven Bosacka*

Presenters in Committee: Consent Item

Reviews

- Permanent Review Committee (PRC): Approval ___ Date _____
- Civil Rights Approval Approval ___ Date _____
- Policy Review Group (PRG): Approval ___ Date _____

Financial Impact *(delete all lines not applicable to your request)*

- No financial impact
- Action is within the Business Plan

- Request provided to the Finance Department
- Other financial impact

Supporting Information

In the mid 1990's, the City of Minneapolis agreed to a request from the Edison Youth Hockey Association (EYHA) for financial assistance to build an indoor ice arena. To secure funds, the City entered into a \$1,050,000 tax-exempt lease with Norwest Investors Services, Inc - NISI (now Wells Fargo Investors Services). Simultaneously, the City sub leased the arena to the Edison Youth Hockey Association and received quarterly payments of \$22,998.00 to payoff the \$1,050,000 debt. In addition, the City provided the land valued at \$170,000, applied for and received a Mighty Ducks grant of \$250,000 from the Minnesota Amateur Sports Commission and provided \$150,000 in Community Development Block Grant funds. The EYHA provided \$800,000 in project funding for the \$2.25 million dollar arena.

In June 2001, the EYHA began experiencing financial difficulties and was unable to make regular quarterly lease payments. To prevent a default with NISI, the City made several lease payments on behalf of the EYHA from October 2001 through April 2005. During this time, the City collaborated with the EYHA on several strategies to improve their financial status. One strategy was to inquire if the Minneapolis Park and Recreation Board had interest in operating or buying the facility. In June 2006 the property was sold to the Park Board.

Proceeds from the sale paid the full amount owed to Wells Fargo. However, the EYHA still owed the City \$186,818.37 for lease payments the City made on their behalf. In an effort to collect, the City submitted the debt to a professional collection agency in November 2007. In September 2008, the collection agency determined the debt to be uncollectible. In October 2008, the Treasury Division requested legal assistance to determine the next course of action. In November 2008, the City Attorney's office concluded that under the terms of the Arena Sale Agreement the City had no recourse against the EYHA because the former Wells Fargo Bank-City Lease and the City-EYHA sub-lease were both terminated at the time the City sold and conveyed the Ice Arena to the Park & Recreation Board.