



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

Date: September 20, 2005

To: Council Member Scott Benson - Chair, Intergovernmental Relations Committee

Prepared by: Chuck Lutz - Phone 612-673-5196

Presenter in Committee: Chuck Lutz - Phone 612-673- 5196

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Approve (Certify) Law of 2005 Minnesota 2005, Chapter_____ - For the Sears/ Lake Street Center (Midtown Exchange) Project TIF District extending the District through 2031

RECOMMENDATION:

1. The City Council approve the attached resolution that accepts /certifies a law passed by the 2005 Minnesota State Legislature extending the term of the TIF District for the Sears/ Lake Street Center (now called Midtown Exchange) through the end of 2031.
2. The City Council authorize staff to seek approvals from the Minneapolis Public Schools and Hennepin County of the 2005 Law of the State of Minnesota extending the term of the TIF District for the Sears/ Lake Street Center Project (now called Midtown Exchange) – Drafts of approving resolutions for the School District and Hennepin County attached.
3. The City Council directs the City Clerk to prepare and file with the Secretary of State the required certification of approval.

Previous Directives:

- October 24 1997—MCDA Board of Commissioners (“Board”) authorized grant applications to and receipt of \$4,600,000 from Metropolitan Council Tax Base Revitalization Account
- December 3 1997—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—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 \$2,000,000 Economic Development Initiative grant 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 10th 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
 2. 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
 3. 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
 4. Approved the termination of the Lonex Corporation lease
 5. Authorized the parking ramp lease and sublease outlined in the report
 6. Authorized assignment and assumption of the MCDA interest in Redevelopment Contract and related agreements by the City

7. 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):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

The site of the former Sears store, Midtown Exchange crowns over \$600 million in campus expansions in the Phillips neighborhood (Abbott Northwestern Heart Hospital, Wells Fargo Mortgage, Children's Hospital, Phillips Eye, and American Swedish Institute). Its opening will create an Allina headquarters, the first hotel on Lake Street and bring about 2500 jobs to the site. Approximately 360 housing units in the project will create a 24-hour presence which will improve the street vitality and safety. The Midtown Global Market will provide new opportunities for emerging businesses to expand, drawing shoppers to the neighborhood from the larger metropolitan area.

Ward: 8

Neighborhood Notification:

On May 26th 2004 a broadly noticed and cable cast community meeting was held in the neighborhood, and a website, www.midtowncommunityworks.org has been developed specifically to inform the public about the Midtown Greenway/Lake Street Corridor in South Minneapolis. Additionally, another website (www.midtownexchange.com) has been developed as an interactive public forum on key issues in the redevelopment of the former Sears site in south Minneapolis. This site is hosted by the [City of Minneapolis Department of Planning and Economic Development](#), the [Green Institute](#), the [Midtown Community Works Partnership](#), the [Minneapolis Neighborhood Revitalization Program](#), and [Ryan Companies, Inc.](#) The RFP was designed by the Chicago-Lake Review Citizens Committee and the developer was selected after interviews with neighborhood associations, the Phillips Partnership, and the Midtown Community Works Partnership. Council Member Lilligren has led community meetings on workforce terms negotiated into the development agreement for Midtown Exchange.

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.
- Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

Comprehensive Plan:

1.1 Minneapolis will promote opportunities and activities that allow neighbors and residents to get to know each other better.

1.2 Minneapolis will encourage both private and public development that provides gathering spaces in city neighborhoods.

1.4 Minneapolis will encourage activities that rely on coordinated programming and facilities use with community partners in the volunteer, nonprofit and private sectors.

1.8 Minneapolis will take steps to eliminate discrimination against protected classes and promote a wider understanding of the value of diversity in our community.

1.9 Minneapolis will work to enhance the appeal of city living by improving residents' actual and perceived sense of safety and security.

2.5 Minneapolis will focus resources and efforts on building a skilled and employable work force in livable wage occupations.

2.6. Minneapolis will focus resources and efforts on connecting residents to living wage jobs.

2.8 Minneapolis will develop the existing economic base by emphasizing business retention and expansion.

2.9. Minneapolis will strengthen long-term confidence in the economy by building innovative public to private sector partnerships.

3.1 Minneapolis will designate and develop selected Growth Centers which will be well served by transit and alternative transportation, have superior amenities, accommodate a range of housing needs and offer attractive employment opportunities.

3.4 Minneapolis will create a Growth Center plan for the South Phillips area, similar to the Downtown 2010 plan which would guide decisions and investment in the area, recognizing the contributions from existing plans and planning processes.

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.

5.4 Minneapolis will promote and expand opportunities for adult learning that recognize our diverse communities of interest.

Zoning Code: On May 17th, 2004 the Planning Commission approved necessary land use applications and conditional use permits required for this development.

Living Wage/Job Linkage:

Neither NDC nor the borrower entity qualifies as a “recipient” under the Business Subsidy Act and therefore will not be required to enter into a business subsidy agreement. NDC has agreed to work with Goodwill/Easter Seals for hiring for five years, request job linkage agreements from each of its tenants as a component of their leasing, and will collect job linkage reports and forward to the City annually.

Background/Supporting Information

A tax increment district was originally established for the project area in 1999. Under the original TIF Plan for Lake Street Center (Sears) District, the term of the

TIF was for 19 years. However, this plan and the project were never implemented due to the developer's inability to secure private financing and tenants for the project.

In 2004, City of Minneapolis awarded development rights for the area to a new developer Ryan Companies US, Inc. Ryan Companies proposed and the City Council approved a new mixed-use development for the area as well as a new development schedule. Tax increment financing was determined to be a critical and essential element in the overall public financing plan for the mixed-use development called the Midtown Exchange Project. Without such financing, the project would not be financially feasible. The proposed new mixed-use development includes both affordable and market rate rental/ ownership housing, a transit center, a bike center, a hotel, office space (new headquarters for Allina Health System), a large structured parking facility, and a global marketplace. The proposed development, commencing in 2004, resulted in the need to seek State approval of an amendment to the original TIF plan for the project. All City TIF financing approved for the Midtown Exchange project assumed a full 30-year project term in order to make the project financially feasible.

REFERRED TO (NAME OF) COMMITTEE:
DATE:

**RESOLUTION
of the
CITY OF
MINNEAPOLIS**

By Council Member Scott Benson

**APPROVING (CERTIFYING) LAWS OF MINNESOTA 2005, CHAPTER _____
SPECIAL LEGISLATION FOR THE SEARS/ LAKE STREET TAX INCREMENT
FINANCING (TIF) DISTRICT**

WHEREAS, The 2005 Minnesota State Legislature has passed a law relating to the Sears/ Lake Street Tax Increment Financing District as further described below:

“Section 21. Laws 1998, chapter 389, article 11, section 19, subdivision 3, is amended to read:

Subd. 3 [Duration of District.] Notwithstanding the provisions of Minnesota Statutes, section 469.176 subdivision 1b, no tax increment may be paid to the authority or the city after 30 years from approval of the tax increment plan.”

WHEREAS, Said law, by its terms, requires and affirmative vote of a majority of the members of the City Council before it may become effective;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

That above described law be approved and the City Clerk be directed to prepare and file with the Secretary of State the required certification of approval.

D R A F T

**APPROVING (CERTIFYING) LAWS OF MINNESOTA 2005, CHAPTER _____
SPECIAL LEGISLATION FOR THE SEARS/ LAKE STREET TAX INCREMENT
FINANCING (TIF) DISTRICT**

WHEREAS, The Board of the Minneapolis Public School (District--) is the governing body of the Minneapolis School District; and

WHEREAS, The 2005 Minnesota State Legislature has passed a law relating to the Sears/ Lake Street Tax Increment Financing District as further described below:

“Section 21. Laws 1998, chapter 389, article 11, section 19, subdivision 3, is amended to read:

Subd. 3 [Duration of District.] Notwithstanding the provisions of Minnesota Statutes, section 469.176 subdivision 1b, no tax increment may be paid to the authority or the city after 30 years from approval of the tax increment plan.”

WHEREAS, The law extending the duration of the tax increment district through 2031 is essential to make the Midtown Exchange project now proposed for the Sears/ Lake Street Development site financially feasible; and

WHEREAS, The Midtown Exchange project when completed will include over 300 affordable and market rate housing units (both ownership and rental), a 1440+ space parking garage, a transit center, the headquarters of the Allina Health System, the Global Marketplace, and a 130 room hotel which will serve to stabilize the area and stimulate further growth in the area's tax base; and

WHEREAS, Said law, by its terms, requires an affirmative vote of a majority of the members of the Minneapolis Public School District Board before it may become effective;

NOW THEREFORE, BE IT RESOLVED BY THE MINNEAPOLIS SCHOOL BOARD:

The Board of the Minneapolis School District (District--) hereby approves the 2005 Law of the State of Minnesota described above that extends the term Sears/ Lake Street Tax Increment Financing District through the year 2031.

**APPROVING (CERTIFYING) LAWS OF MINNESOTA 2005, CHAPTER _____
SPECIAL LEGISLATION FOR THE SEARS/ LAKE STREET TAX INCREMENT
FINANCING (TIF) DISTRICT**

WHEREAS, The Board of Commissioners of Hennepin County is the governing body of the County; and

WHEREAS, The 2005 Minnesota State Legislature has passed a law relating to the Sears/ Lake Street Tax Increment Financing District as further described below:

“Section 21. Laws 1998, chapter 389, article 11, section 19, subdivision 3, is amended to read:

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WHEREAS, Said law, by its terms, requires and affirmative vote of a majority of the members of the Hennepin County Board of Commissioners before it may become effective;

NOW THEREFORE, BE IT RESOLVED BY THE HENNEPIN COUNTY BOARD OF COMMISSIONERS:

The Hennepin County Board of Commissioners hereby approves the 2005 Law of the State of Minnesota described above that extends the term Sears/ Lake Street Tax Increment Financing District through the year 2031.