



Request for City Council Committee Action From the Finance Department

Date: April 25, 2005
To: Ways and Means Committee
Referral to: None

Subject Edison Youth Hockey Association Status

Recommendation

No action. This report informs the City Council about the status of the City's financial obligations relating to the hockey rink that is leased to the Edison Youth Hockey Association.

Previous Directives

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.

Prepared or Submitted by: Michael Abeln
Director, Capital & Debt Management
673-3496

Approved by: Patrick Born, City Finance Officer _____

John Moir, City Coordinator _____

Presenters in Committee: Michael Abeln, Director, Capital & Debt Management

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 (use any categories that apply)

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other
- Not applicable

Background/Supporting Information Attached

In the mid 1990's, the Edison Youth Hockey Association (EYHA) requested financial assistance from the City of Minneapolis to purchase an MCDA owned parcel of land at 1234 Central Ave NE to build an indoor ice arena. The City agreed to participate in the financing and construction of an indoor ice arena by taking the following actions.

1. The MCDA donated the land valued at \$170,000.
2. The City applied for and received a \$250,000 grant from the Minnesota Amateur Sports Commission through the "Mighty Ducks" grant program.
3. The City provided \$150,000 of Community Development Block Grant funds as the local match for the Mighty Ducks grant.
4. 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 subleased the arena to EYHA whereby EYHA would make lease payments equal to the City's lease obligations to NISI.

The balance of the financing for the arena, \$800,000, was contributed by EYHA to complete the financing for this \$2,250,000 project (excluding the land value).

From completion of the facility in late 1997 until June of 2001, EYHA made lease payments to NISI on behalf of the City under the sublease. In June 2001 the City met with the President and a Board member of EYHA and was notified that EYHA would not be able to make the full quarterly lease payment of \$22,997.01 due July 2, 2001 from current funds of EYHA. As a result of that meeting, it was decided to allow the release of EYHA escrowed funds held in the amount of \$14,925.80 on deposit with the City. EYHA made the balance of the \$22,997.71 payment from current funds. As of July 2001 EYHA expected to be able to make the next three quarterly payments.

Since this first occurrence of financial problems making the quarterly lease payment, the City has made the following scheduled payments to Wells Fargo Investor Services on behalf of EYHA:

- October 2, 2001 - \$22,997.71
- July 2, 2004 - \$22,997.71
- January 2, 2005 - \$22,997.71
- April 2, 2005 - \$22,997.71

Edison repaid the City \$5,000 on 12/31/2001 to offset a portion of the October 2001 payment. On September 30, 2004, the City sent a letter to the president of EYHA confirming the financial situation at that point in time and advising them in writing of their default under Section 9.01 (a) of the sublease agreement with the City. As of the date of

this report, EYHA has an outstanding balance of \$87,610.83 owed to the City with accrued interest charges.

As noted above EYHA is in default under its sublease to the City. The Finance department has concluded that EYHA may be unable to make sublease payments either timely or in the full amount. The city must make lease payments when EYHA fails to make sublease payments.

The Finance department will develop alternative courses of action to retire the outstanding debt, which is approximately \$750,000. A report to the City Council will be made not later than July 1, 2005.