



Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: August 7, 2007

To: Lisa Goodman, Chair, Community Development Committee

Subject: Redevelopment Contract By and Among Minneapolis Community Development Agency ("MCDA"), St. Croix Partners, L.L.C., Hubbard Broadcasting, Inc. and Space Center Enterprises, Inc.

Recommendation: That the City, as assignee of MCDA, formally terminate and release the above-referenced redevelopment contract and related agreements.

Previous Directives: On July 26, 1996 the City Council directed MCDA staff to analyze the feasibility of a Redevelopment Tax Increment District incorporating an expansion of the Hubbard Broadcasting campus. On September 13, 1996 the MCDA Commissioners and City Council authorized an agreement with the University of Minnesota regarding the Hubbard Broadcasting proposal. On November 8, 1996 the MCDA Commissioners and City Council authorized applications for contamination cleanup grants for this project. On November 22, 1996 the MCDA Commissioners and City Council approved a tax increment plan for the project and authorized agreements with St. Croix Partners, Space Center Enterprises and the University of Minnesota.

Prepared by: Jim Forsyth, Sr. Project Coordinator
Approved by: Charles T. Lutz, Deputy Director _____
Presenters in Committee: Jim Forsyth, Sr. Project Coordinator

Financial Impact

- No financial impact
- Action requires an appropriation increase to the Capital Budget _____ or Operating Budget _____
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

Community Impact

Neighborhood Notification: The Prospect Park East River Road Improvement Association and South East Economic Development (SEED) Committee have been

notified of the proposed sale of the property by Hubbard Broadcasting to the University of Minnesota.

City Goals: NA

Sustainability Targets: NA

Comprehensive Plan: NA

Zoning Code: NA

Supporting Information

In 1997 the MCDA entered into a redevelopment contract with Hubbard Broadcasting Inc. and an affiliate (collectively, "HBI"). Under the contract, the MCDA helped HBI assemble a site for expansion of its satellite broadcasting business by providing financial assistance to the owners of two adjacent properties to remediate and sell the properties to HBI. In exchange, HBI agreed to use "best efforts" to construct improvements having a minimum market value of \$2 million by January 1, 2000, and thereby create 50-100 new employment opportunities. As security for HBI's financial obligations, HBI entered into an assessment agreement establishing a minimum market value of \$2 million for the property and a declaration of restrictive covenants. Pursuant to Resolution 2003R-625, the City assumed the HBI redevelopment contract in connection with the reorganization of the City's development function.

Shortly after signing the redevelopment contract, HBI sold its satellite business. Following the sale HBI worked to find an alternative development for the site that was consistent with the redevelopment contract requirements. In 2006 HBI entertained a proposal from a student housing developer because HBI had been unable to identify a development that was consistent with the contract. However, the student housing proposal was not pursued when it became evident that the necessary rezoning could probably not be obtained.

HBI now proposes to sell the subject property to the University of Minnesota. The University has asked that the redevelopment contract be terminated. At this late date, enforcement of the redevelopment requirements that are of apparent concern to the University (construction and employment) would be very difficult. However, the redevelopment contract did lead to remediation of a state superfund site, and HBI honored the assessment agreement by making tax payments as though there had been \$2 million of improvements on the site. Therefore, HBI has fully satisfied its financial obligations to the MCDA, and both the assessment agreement and the declaration of restrictive covenants have terminated.

The University intends to use the property for surface parking in the near term, with the expectation that it may ultimately become the site of a bioscience development. In exchange for termination of the redevelopment contract the University will commit to the following conditions: 1) The University will fence and landscape the site consistent with City requirements for surface parking lots; 2) The University will submit its plans for any future development of the site for regulatory review and approval under the City's zoning code.