



News Release

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Minneapolis City Goals: A Safe Place to Call Home ▫ Jobs & Economic Vitality ▫ Eco-Focused ▫ Livable Communities, Healthy Lives ▫ Many People, One Minneapolis ▫ A City That Works

City of Minneapolis authorizes staff to pursue recovery of loans made to Great Neighborhoods! Development Corporation

July 26, 2011 (MINNEAPOLIS) – The Minneapolis City Council and Mayor R.T. Rybak have authorized the City’s Finance Officer to pursue recovery of City loans associated with investments to Great Neighborhoods! Development Corporation (GNDC), a nonprofit developer that declared bankruptcy in 2010. The authorization, approved last week, allows the Finance Officer to recover secured loans in projects along Franklin Ave. and unsecured loans in projects on Franklin and West Broadway avenues.

The City Council and Mayor also authorized the Finance Officer to consent to the Reorganization Plan, part of bankruptcy proceedings which are nearing completion. Bankruptcy protections from foreclosure have ended. These actions are necessary to recover any City investments into GNDC projects.

City action authorizes the Finance Officer to:

1. Participate in the foreclosure redemption process of the Franklin Circles Shopping Center, located at 1301-1311 E. Franklin Ave. The action authorizes the recovery of City debt, up to \$615,000, secured by the Franklin Circles Shopping Center, approving the short-term use of reserve funds in the amount of up to \$2.5 million to buy out more senior lenders through the

redemption process. Repayment to the reserve fund will be made through the redemption actions or through the sale of the Franklin Circles Shopping Center.

2. Recover a portion of the City's unsecured debt, up to \$1.2 million, associated with development activities along Franklin and West Broadway avenues by consenting to GNDC's plan for reorganization with the U.S. Bankruptcy Court. Unsecured debt includes forgivable loans and recoverable grants made through the Neighborhood Revitalization Program, the Empowerment Zone and the City's Great Streets programs.

GNDC Properties at Risk

In addition to the Franklin Circles Shopping Center:

- GNDC owned the land under the Franklin Bakery property at 1020 E. Franklin Ave., subject to a land lease. There was an outstanding City loan to GNDC for \$274,000 secured by that land and guaranteed by the Franklin Bakery, LLC. In May, the City Council approved the assignment of this loan from GNDC to Franklin Bakery, LLC. The Franklin Bakery will repay this debt.
- The Ancient Traders Market property at 1113 E. Franklin Ave. is subject to a separate foreclosure process. There is one City loan secured by this property, issued through the Neighborhood Revitalization Program in 1998. According to the loan terms, it will be forgiven in 2013 if the property continues to be used for neighborhood-serving small businesses. This loan is considered unsecured in the bankruptcy proceedings and is subject to the bankruptcy reorganization plan.
- A number of properties in the 700 and 800 blocks of West Broadway Ave. assembled for redevelopment by subsidiaries of GNDC are subject to several individual foreclosures and/or forfeiture actions unrelated to the bankruptcy proceedings or this Council action.

The Finance Officer will continue due diligence to assess risk to the City including reviewing a new appraisal of the Franklin Circles Shopping Center. The foreclosure redemption process will take place in October.

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