



**Request for Operating Committee Action
From the Department of Planning & Economic Development**

Date: June 8, 2004

To: Commissioner Lisa Goodman, Operating Committee
MCDA Board of Commissioners

Prepared by: Jim White, Phone 612-673-5170

Presenter in Committee: Jim White, Senior Project Coordinator

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Land Sale - Public Hearing
Lake Street Center (Midtown Exchange)

RECOMMENDATION: Approve the sale and lease of the above-listed properties to Ryan Companies US, Inc. on the terms outlined in this report.

Previous Directives:

On December 3, 1997, the MCDA Board of Commissioners ("Board") authorized a \$2,000,000 Leveraged Investment Account loan and a \$200,000 NRP Loan to STA Associates, Inc.; on July 17, 1998, the Board approved \$500,000 in MILES funding for retrofit items; on October 24, 1997, and April 24 and October 30, 1998, the Board authorized grant applications to and receipt of \$4,600,000 from Metropolitan Council Tax Base Revitalization Account; in Fall 1998 the Board authorized Federal Empowerment Zone designation to include the project area and receipt of \$3,000,000 from HUD for the Zone; on March 25, 1999, the Board approved Empowerment Zone funding for retrofit items, pollution abatement and a childcare facility; on April 9, 1999, the Board appropriated \$650,000 in FUND CBG and waived 3% City admin fee; A \$433,300 grant from DEED was awarded the project in June 1999, for the parking ramp. Also in June 1999 the Board authorized application to HUD for an \$8,500,000 Economic Development Initiative grant and loan for parking ramp construction contingent on application for a \$6,500,000 Section 108 loan; on July 19, 1999, the Board directed staff to proceed with ramp construction financing and development plans and require STA to meet certain conditions before ramp construction could begin; on March 12, 2001, the 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; on August 10, 2001, the Board confirmed the settlement terms in lieu of foreclosure for a lender to lender workout with Marquette Bank regarding the Great Lake Center project; on June 10, 2002, the 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; on August 26, 2002, the Board approved the sale of 2815 10th Ave S to Project for Pride in Living for \$5,000; on September 13, 2002, the City Council adopted resolutions approving the Lake Street Center Redevelopment and Tax Increment Finance Plans; on September 13, 2002, the Board approved the sale of the northern portion of the Lake Street Center property to Allina Health System for \$5.2 million; on October 28, 2002 the Board approved the purchase of equipment from MDI for use at the Lake Street Center buildings; on December 30, 2002, the Board authorized the preparation of a Request for Redevelopment Proposals for the Lake Street Center; on April 8, 2003, the Board authorized the Deputy Executive Director to send out the Request for Proposals (RFP) for the Lake Street Center Project; on July 29, 2003, the Board approved a process for rating and recommending a developer for the Lake Street Center Project; on October 24, 2003, the Board ranked two development teams for the project; on November 10, 2003, the 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; on December 29, 2003, the City Council authorized the transfer of most MCDA programs and assets (excluding real estate) to the City; on January 6, 2004, the City Council granted Ryan Companies 6 months exclusive development rights for the former Sears site; and on February 3, 2004, the 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. On May 14, 2004, the 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, and (6) waived City Procurement Policy to allow United Properties to continue management of the former Sears properties until transfer of property to the Developer.

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): The development of this property will reduce

the City's property inventory and maintenance costs, increase its tax base, increase job opportunities for City residents, retain and enhance a historically significant building, enable emerging businesses to grow, improve public transit, and create new and site-sensitive connections to the Midtown Greenway. ___Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact: The redevelopment of one of the largest buildings in Minneapolis, the former Sears site, will have a significant impact for the betterment of south central Minneapolis. Its opening will create a large office market where none currently exists. The project will bring the first hotel to Lake Street and create new job opportunities for area residents. Approximately 360 housing units in the project will create a 24-hour presence which will improve the street vitality and safety. The Global Market will provide new opportunities for emerging businesses to expand, drawing shoppers to the neighborhood from the larger metropolitan area. Lastly, connections to the Midtown Greenway will further serve to create a desirable point for residents to migrate for shopping and recreation.

Ward: 8

Neighborhood Notification: The Chicago Lake Project Review Committee, with representatives from Powderhorn Park Neighborhood Association, Phillips West, East, and Midtown, the Central Neighborhood Improvement Association, Urban Ventures, the Chicago Lake Business Association, and the Greater Lake Street Council, was notified of this report in advance of its presentation. A copy of this report was sent to each of these organizations, as well as the Phillips Partnership and Midtown Community Works. Additionally, a broadly-noticed and cable-cast community meeting was held on May 26th in the neighborhood, and a website, www.midtowncommunityworks.org, has been developed specifically to inform the public about the project's status.

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

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

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

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.

4.9 Minneapolis will grow by increasing its supply of housing.

4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens.

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

Living Wage/Job Linkage: The project is exempt from the City's living wage/business subsidy act policies because the developer is paying greater than 70% of the current year's assessed value for acquisition and site preparation costs. The redevelopment contract for the project will require the developer and certain subdevelopers and tenants to participate in the job linkage program.

Background/Supporting Information

Sale:	<u>PARCEL</u>	<u>ADDRESS</u>	<u>PIN</u>
	Tower & 64 building	2843 Elliot Ave	35-029-2434-0120
	East parking lot	2901 10 th Ave	35-029-2434-0035
	West parking lot	826 E Lake St	35-029-2434-0039
	Family Dollar	1010 E. Lake St	35-029-2434-0036

Lease:	<u>PARCEL</u>	<u>ADDRESS</u>	<u>PIN</u>
	Small east parking lot	2901 11 th Ave S	35-029-24-34-0034
	Small east parking lot	2905-11 th Ave S	35-029-24-34-0102

Purchaser: Ryan Companies US, Inc., a Minnesota corporation (or Assigned Developers)
50 South 10th Street, Suite 300
Minneapolis MN 55403

In April 2003, the City Council authorized staff to issue a Request for Proposals (RFP) for Lake Street Center (formerly Sears) on Chicago and Lake. The RFP was advertised

on the websites of the Urban Land Institute and MCDA, and mailed to a broad list of developers, both local and national, and interested parties. The City ultimately selected Ryan Companies US, Inc. to develop the site.

The key elements of the term sheet were presented to the City Council and approved on May 14, 2004. Ryan offered a price of \$2,200,000 for the real and personal property, which includes a generator and other miscellaneous items of equipment. Additionally, an adjacent surface parking lot currently owned by MCDA will be leased to Ryan for 30 years, at \$1 per year, for parking for the project. Ryan will have the option of purchasing this lot at fair market value at anytime in the first 5 years of the lease. As part of the CPED transition, the MCDA will transfer its fee interest in the parking lot parcel to the City and assign the lease and the redevelopment agreement to the City at or shortly after closing.

Ryan intends to begin site redevelopment activities in July, with completion expected in the first quarter of 2006. A companion City Council report contains greater details about the proposed redevelopment project.

RESOLUTION

of the

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By _____

Authorizing Sale and Lease of Land
Midtown Exchange Project
Disposition Parcel No's CL 1-5

WHEREAS, the Minneapolis Community Development Agency, hereinafter known as the Agency, has received an offer to purchase, lease and develop Disposition Parcels CL 1-5, located in the Phillips neighborhood and legally described as follows, from Ryan Companies US, Inc., hereinafter known as the Redeveloper:

LEGAL DESCRIPTION

(See Exhibit A Attached Hereto)

WHEREAS, the Redeveloper has offered to pay the sum of \$2,200,000 to purchase Disposition Parcels CL 1-4 (2843 Elliot Av. S.; 2901-10th Av. S.; 826 E. Lake St.; and 1010 E. Lake St.); and has offered to pay \$1 per year for 30 years to lease Disposition Parcel CL 5 (2901-11th Av S.), subject to a purchase option during the first 5 years of the lease term at fair market value, and the Redeveloper's proposals are in accordance with the applicable Redevelopment Plan and/or Program; and

WHEREAS, the Redeveloper has submitted to the Agency a statement of financial responsibility and qualifications; and

WHEREAS, the Agency has had the re-use values reviewed by an appraisal expert, stating that the re-use value opinions are consistent with the accepted methods in aiding the Agency in determining re-use values for the Parcels; and

WHEREAS, pursuant to due notice thereof published in *Finance and Commerce* on May 28, 2004, a public hearing on the proposed sale and lease was duly held on June 8, 2004, following the regularly scheduled Community Development Committee meeting of the City Council, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota.

NOW, THEREFORE, BE IT RESOLVED, that the re-use values for uses in accordance with the Midtown Exchange Project, which is phase 2 of the Lake Street Center Redevelopment Plan, as amended, is hereby estimated to be the sum of \$2,200,000 for Parcels CL 1-4, and

BE IT FURTHER RESOLVED, that the acceptance of the offers and proposals are hereby determined to be in accordance with the Agency's approved disposition program and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the parcels in accordance with the Redevelopment Plan and/or Program; and

BE IT FURTHER RESOLVED, that the proposals be and the same are hereby accepted, subject to the execution of a contract for the sale and lease of land. Furthermore, that the Executive Director or other appropriate official of the Agency be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Executive Director or other appropriate official of the Agency; and

BE IT ALSO FURTHER RESOLVED, that the Chairman and Secretary, or any other two Commissioners of the Agency, are hereby authorized to execute and deliver any deeds, leases and other documents necessary to convey the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the Agency for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed by the Chairman and Secretary, or any other two Commissioners of the Agency.

RECORD OF COMMISSIONER VOTE													
Commissioner	Aye	Nay	NV	Abs	Ovrd	Sust	Commissioner	Aye	Nay	NV	Abs	Ovrd	Sust
Benson							Ostrow						
Colvin Roy							Samuels						
Johnson							Schiff						
Johnson Lee							Zerby						
Lane							Zimmermann						
Lilligren							Goodman, chair						
Niziolek													
Vote: NV - Not Voting			Abs - Absent			Ovrd - Vote to Override			Sust - Vote to Sustain				

ADOPTED _____

APPROVED _____

NOT APPROVED _____

VETOED _____

Chairperson

Mayor

EXHIBIT A

**DESCRIPTION OF PROPERTY
(Disposition Parcels CL 1-4)**

Certificate Number 1098354 (MCDA)

Parcel 1:

Lots 7 and 21, Block 2, Allan & Anderson's Second Addition to Minneapolis, Hennepin County, Minnesota;

That part of the East half of the vacated alley, dedicated in Block 2, said addition, which lies between the Westerly extensions of the North line and of the South line of said Lot 7; and

That part of the West half of the vacated alley, dedicated in Block 2, said addition, which lies between the Easterly extensions of the North line and of the South line of said Lot 21.

Parcel 2:

Lots 1, 2, 25, and 28;

That part of the vacated alley, which lies East of the centerline thereof and between the Westerly extensions of the North line of said Lot 1 and the South line at said Lot 2;

That part of the vacated alley, which lies West of the centerline thereof and between the Easterly extensions of the North and the South lines of said Lot 25;

That part of the vacated alley which lies West of the centerline thereof and between the Easterly extensions of the North and the South lines of said Lot 28;

That part of the vacated Elliot Avenue South, dedicated in the plat as 9th Avenue South, which lies East of the centerline thereof and between the Westerly extensions of the North and South lines of Lot 25;

That part of vacated 29th Street East lying between the extensions across it of the east line of said Lot 1 and the West line of said Lot 28;

That part of the East ½ of vacated Elliot Avenue South, dedicated in the plat of Allan & Anderson's Second Addition to Minneapolis as 9th Avenue South lying South of the North line of said plat (being the North line of the South ½ of the Southeast Quarter of the Southwest Quarter, Section 35, Township 29, Range 24) and North of the Westerly extension of the South line of said Lot 28;

All in Block 3, Allan & Anderson's 2nd Addition to Minneapolis.

Parcel 3:

Lots 16 and 17;

That part of the adjoining alley vacated, lying between the extensions across it of the North lines of said Lots 16 and 17 and the South line of Block 3;

That part of the East ½ of vacated Elliot Avenue South dedicated in the plat of Avery's Chicago Avenue Addition to Minneapolis as 9th Avenue South lying between the Westerly extensions of the North and South lines of said Lot 17;

All in Block 3, Avery's Chicago Avenue Addition to Minneapolis.

Parcel 4:

That part of the North Half of the Southeast Quarter of the Southwest Quarter of Section 35, Township 29, Range 24; lying South of the South line of Block 3, Avery's Chicago Avenue Addition to Minneapolis, and between the extensions South of the East and West lines of said Block 3.

Certificate Number 1098354.5 (MCDA)

Parcel 2:

Lots 1 through 6 inclusive, Lots 8 through 20 inclusive; and Lots 22 through 28 inclusive; all in Block 2, Allan & Anderson's Second Addition to Minneapolis.

All of the vacated alleys dedicated in Block 2, Allan & Anderson's Second Addition to Minneapolis, except that part of the East half of said vacated alley which lies between the Westerly extensions of the North and South lines of Lot 7 said block and addition, and except that part of the West half of said vacated alley which lies between the Easterly extensions of the North and South lines of Lot 21, said block and addition.

Parcel 3:

Lots 3 through 24 inclusive; and Lots 26 and 27; all in Block 3, Allan & Anderson's Second Addition to Minneapolis.

That part of the East Half of vacated Elliot Avenue South, dedicated in said plat as 9th Avenue South, lying between the westerly extensions of the South line of said Lot 17 and of the North line of said Lot 24.

That part of the East Half of vacated Elliot Avenue South, dedicated in said plat as 9th Avenue South, lying between the westerly extensions of the South line of said Lot 26 and of the North line of said Lot 27.

That part of the vacated alley in said Block 3 abutting said Lots 11 through 18 inclusive, which lies South of the most southerly line of said Lot 11 and its westerly extension.

That part of the East Half of the vacated alley in said Block 3 lying between the westerly extensions of the most southerly line of said Lot 11 and the North line of said Lot 3.

That part of the West Half of the vacated alley in said Block 3 lying South of the easterly extension of the North line of said Lot 24 and North of the westerly extension of the most southerly line of said Lot 11.

That part of the West Half of vacated alley in said Block 3 lying between the easterly extensions of the south line of said Lot 26 and of the North line of said Lot 27.

Parcel 4:

Lots 1 through 13 inclusive; and Lots 19 through 28 inclusive, all in Block 4, Allan & Anderson's Second Addition to Minneapolis.

That part of the West Half of vacated Elliot Avenue South, dedicated in the plat as 9th Avenue South, lying South of the North line of said plat, and North of the Easterly extension of the South line of said Lot 12.

That part of vacated East 29th Street, dedicated in said plat, lying between the Northerly extensions of the East line and of the West line of said Block 4.

That part of vacated alley in said Block 4 lying between the easterly extensions of the North line of said Lot 28 and the Easterly extension of a line parallel with and 9 feet southerly, as measured at right angles, from the South line of said Lot 22.

That part of the North Half of vacated alley in said Block 4, lying between the southerly extensions of the East line and of the most westerly line of said Lot 11.

That part of the South Half of vacated alley in said Block 4 lying between the northerly extensions of the West line of said Lot 13 and the East line of said Lot 12.

Parcel 5:

That part of the following described tract:

Lots 15 and 18, Block 3, Avery's Chicago Avenue Addition to Minneapolis, and

That part of the East Half of vacated Elliot Avenue South, dedicated in said plat as 9th Avenue South, lying between the Westerly extensions of the North and South lines of said Lot 18, and

That part of the East Half of the vacated alley in said Block 3 lying between the Westerly extensions of North and South lines of said Lot 15, and

That part of the West Half of the vacated alley in said Block 3 lying between the Easterly extensions of North and South lines of Lot 18,

Which lies Southerly of the following described Line A:

Commencing at the Northeast corner of said Block 3, thence South 0 degrees 10 minutes 14 seconds East, along the East line of said Block 3 a distance of 476.95 feet to the point of beginning of the line to be described; thence South 89 degrees 22 minutes 29 seconds West, a distance of 294.99 feet to the West line of the East Half of vacated Elliot Avenue and there terminating.

Other Land:

Non-exclusive appurtenant easements set forth in Reciprocal Easement Agreement dated December 30, 2002, filed February 14, 2003, as Document Number 3684414, Office of Registrar of Titles, Hennepin County, Minnesota, between Allina Health System and Minneapolis Community Development Agency.

DESCRIPTION OF EAST PARCEL

(Disposition Parcel CL 5)

Certificate Number 1098394.5(MCDA)

Property to be Leased

Parcel 1:

Lots 23 through 27 inclusive, Block 1, Allan & Anderson's Second Addition to Minneapolis.

Other Land: Lot 28, Block 1, Allan & Anderson's Second Addition to Minneapolis.

