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

Date: May 4, 2004

To: Council Member Lisa Goodman, Community Development Committee

Refer: To MCDA Board of Commissioners

Prepared by: Jim White, Senior Project Coordinator, Phone 612-673-5170
Presented by: Jim White, Senior Project Coordinator, Phone 612-673-5170

Approved by: Chuck Lutz, Deputy CPED Director __________

Subject: **Approval of term sheet for Midtown Exchange (formerly Sears) redevelopment project and related actions necessary for the development.**

RECOMMENDATION: (1) Approve term sheet for Ryan Companies' Midtown Exchange project. (2) Authorize execution of redevelopment agreement and related documents consistent with such terms. (3) Authorize tax increment financing plan modification to be prepared concurrently with project analysis. (4) Authorization to modify the Redevelopment and Tax Increment Plans for the Lake Street Center Project. (5) Authorize sub-grant of existing TBRA funds to Ryan Companies for environmental testing and remediation at Midtown Exchange. 6) Waiver of the City Procurement Policy to allow United Properties to continue management of the former Sears properties until transfer of property to the Developer. (7) Refer to MCDA Board of Commissioners for concurrence and approval.

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; 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.

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
_x__ Other financial impact (Explain): The development of this property will reduce the City's property inventory, 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 [Revise if gap/bridge loan authorized as part of this report]

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 at the project will further serve to create a desirable point for residents to migrate to 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 April 13th 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: As of this writing, City staff and the Developer are still working out the correct zoning needed for the project.

Living Wage/Job Linkage: The City's job living wage/business subsidy policies will be incorporated in the redevelopment contract to be negotiated.

This report outlines the terms and conditions negotiated by the parties for the Midtown Exchange project. The negotiated term sheet is included as **Exhibit A** to this report**.** Staff's recommendation is to (1) approve the term sheet for Ryan Companies' Midtown Exchange project, (2) authorize execution of a redevelopment agreement and related documents consistent with such terms, (3) authorize a tax increment financing plan modification to be prepared concurrently with the project financial analysis, (4) authorize the modification of the Redevelopment and Tax Increment Plans for the Lake Street Center Project, (5) authorize the sub-granting of existing TBRA funds to Ryan Companies for environmental testing and remediation at Midtown Exchange, 6) waiver of the City Procurement Policy to allow United Properties to continue management of the former Sears properties until transfer of property to the Developer this summer, and to (7) refer to MCDA Board of Commissioners for concurrence and approval.

The key elements of the term sheet are outlined in this report. Staff intends to return to the City Council as needed over the next few months for land sale approvals, financing commitments, zoning actions and other implementation items. The tentative schedule for such approvals is attached as **Exhibit E**.

If the City Council approves the term sheet, drafting will begin immediately on the project development agreement. The timetable is such that the development agreement must be executed in June, and the City will close with Ryan shortly thereafter. Ryan intends to begin site redevelopment activities in July. Completion is expected in the first quarter of 2006. Allina wants to occupy a portion of its space in late 2005. Refer to **Exhibit E.**

Project Overview: Ryan will be the master developer of the Midtown Exchange. As summarized in the table below, Ryan has several development partners and has secured Allina Health Systems as its anchor office tenant.

Developer	**Use**	**Location**	**Square Footage/Number of Units or Stalls or Rooms**
Ryan	Office/Commercial (including Allina)	1928 Building	433,000 square feet
Ryan	Parking Ramp	East lot	1,441 stalls
Ryan/Wischermann	Hotel	West lot	150 rooms
Sherman Associates	For-Sale and Rental Housing	1928 Building	221 rental 82-102 ownership
Project for Pride in Living	For-Sale Housing	Around perimeter of parking ramp	60 ownership
Hennepin County	Service Center	1928 Building	8,000 square feet
Metro Transit	Transit Center	West lot	13,000 square feet
Neighborhood Development Center	Global Market	1928 Building	80,000 square feet

Total development costs are expected to approximate $181 million. Total City investment will be total about $18.9 million. The ratio of total development costs to City investment is 9.4:1. The overall private dollars to all public funds ratio is 4.1:1. An overall project Sources and Uses statement is contained in **Exhibit C** to the attached term sheet. Estimated employment on the site is 1,780.

I. Project Components and Financing

A. Office/Commercial: 433,000 S.F of office space within the 1928 Tower building. Ryan is financing this component with equity and private debt.

Development Cost	**$52,963,282**	**Schedule**	**Status**
Sources			
Developer Equity	13,392,024		
Federal Tax Credits	8,629,741		Uncommitted
Long term debt	39,341,517		Uncommitted
Total Sources	**$61,363,282**		

B. Parking: Ryan will build and own the east side parking ramp of approximately 1,441stalls. In addition, there will be 290 surface stalls and 59 on street stalls on the periphery of the project. Ryan anticipates that the City will participate in the financing of the ramp. The financing will likely include Pay-Go TIF, HUD Section 108 funds, EDI Grant funds, a DTED grant of $433,300, and other sources. Approximately half of the ramp's $18,250,911 cost will be publicly financed**.**

Development Cost	**$18,250,911**	**Schedule**	**Status**
Sources			
TIF/108	9,213,917	Pending	
EDI Grant	2,000,000	Pending	
Developer Equity	1,255,182		
Debt	12,142,729		Uncommitted
State Bonds	720,000	Pending	
DEED	433,300	Pending	
Met Transit	500,000	Pending	
Total Sources	**$19,050,911**		

C. Hotel: A 150 room 3-star hotel jointly developed by Wischerman Partners and Ryan. The hotel will be located on a pad outside the 1928 building at the corner of Chicago Ave and the Midtown Greenway, over the vacated 29th Street. Ryan is financing this component with equity and private debt.

Development Cost	**$17,976,499**	**Schedule**	**Status**

Sources			
Developer Equity	6,370,300		
Developer Fee	750,000		
Debt	10,856,199		Uncommitted
Total Sources	**$17,976,499**		

D. Global Market: 80,000 S.F. of retail food and goods organized in a public market. Its draw will be the numerous ethnic businesses that are present in the surrounding neighborhoods and the metropolitan area. It will be both an incubator for emerging small businesses and an expanding market for existing successfully operating ethnic businesses. It will be financed through a combination of debt and public and private grants.

Development Cost	**$14,277,427**	**Schedule**	**Status**
Sources			
Historic Tax Credit	2,147,856	Fall 2004	Uncommitted
New Market Tax Credit	429,571		Uncommitted
Debt	3,000,000		Uncommitted
EDI Grant	1,800,000	Pending	
OCS/USDA Grant	850,000		Uncommitted
State Fund	150,000		Uncommitted
Empowerment Zone	200,000		Uncommitted
Foundations	4,700,000		Uncommitted
REDI Loan	1,000,000		Uncommitted
Total Sources	**$14,277,427**		

E. Housing: There are three housing components included in the scope of the Midtown Exchange project: 1) 60 ownership housing units lining the parking ramp, along 29th Street and 11th Avenue to be developed by Project for Pride in Living (PPL); 2) 82-102 ownership housing units within the 1928 Building to be developed by Sherman Associates; and 3) 221 rental housing units within the 1928 Building to be developed by Sherman Associates.

1. **Ownership Housing Lining Parking Ramp:** Lining the perimeter of the parking ramp along 29th Street and 11th Avenue, PPL will develop 60 for-sale housing units at an estimated cost of $10.9 million. Ryan is conveying the land to PPL at no cost. The development is currently planned to consist of <u>four (4)</u> one-bedroom units (averaging <u>750</u> S.F.) and <u>fifty-six (56)</u> two-bedroom units (averaging <u>1,000</u> S.F.). Sixty parking spaces will be included in the ramp for resident parking. The anticipated average selling price per unit is $172,000. Construction, which will follow the

parking ramp construction schedule, is currently expected to start in March 2005, with a December 31, 2005 completion date.

Approximately 95 percent ($10.3 million) of the project's funding will come from housing sales. PPL is soliciting funding from public and private sources for the balance of the project costs. No City financing is anticipated.

Development Cost	**$10,892,800**	**Schedule**	**Status**
Sources			
Tax Credit	10,320,000		
MHFA Grant	230,000	Fall 2004 RFP	Uncommitted
Hennepin Co. Grant	171,400	Spring 2004 RFP	Uncommitted
Private Foundation	171,400	Ongoing	Uncommitted
Total Sources	**$10,892,800**		

2. Ownership Housing in 1928 Building: On floors 9 to 12 of the 1928 Building, Sherman Associates plans to construct 82-102 for-sale housing units at an estimated cost of $21.5 million (including approximately $7.65 million in shell construction costs). Ryan is conveying the subject property to Sherman Associates at no cost. The project will include one and two-bedroom loft-style units averaging approximately 1,175 S.F. in size. One hundred twenty (120) parking spaces will be included in the ramp for resident parking. The anticipated average selling price per unit is $218,000.

Construction is tentatively scheduled to start May 1, 2005, with an expected completion date around March 31, 2006.

The majority of expenses (approximately 85% or $18.4 million) will be covered with housing sale and parking proceeds. City financing may include a TIF bond of approximately $1,465,000. The developer is soliciting funding to cover the balance of the project's costs (approximately $1,750,000) through applications to Hennepin County, the Minnesota Housing Finance Agency (MHFA), and the Metropolitan Council.

Development Cost	**$21,615,000**	**Schedule**	**Status**
Sources			
Housing Sales	17,900,000		
Garage Proceeds	$500,000		
Tax Increment Financing	1,465,000		

MHFA	500,000	Fall 2004 RFP	Uncommitted
Hennepin County TOD	750,000	Spring 2004 RFP	Uncommitted
Metropolitan Council	500,000	Fall 2004 RFP	Uncommitted
Total sources	**$21,615,000**		

3. Rental Housing in 1928 Building: On floors 2 through 8 of the 1928 Building, Sherman Associates plans to build 221 rental housing units at an estimated cost of $40.7million (including approximately $18.3 million in Shell Construction costs). Ryan is conveying the subject property to Sherman Associates at no cost. The project will include six zero-bedroom studios, 128 one-bedroom units (ranging in size from 560 S.F. to 1,100 S.F.) and 73 two-bedroom units (ranging in size from 1,050 S.F. to 1,700 S.F.). Sixty-one units, or approximately 28 percent, (6 studio, 28 one-bedroom and 27 two-bedroom) will be affordable at 50% Area Median Income (AMI). In addition, 116 units, or approximately 52 percent, will be affordable at 60% AMI. The remaining 20 percent, (44 units) will be unrestricted. Rents will range from $650/month to $1,075/month.

Construction is tentatively scheduled to start May 1, 2005, with an expected completion date around March 31, 2006.

Approximately 64% ($26.1 million) of the project's expenses will be financed with housing revenue bonds, 4% low-income housing tax credit equity (automatic with housing revenue bonds), and historic tax credit equity. City financing will include an estimated $3,035,000 in pay-go TIF. The balance of the project costs (approximately $11.6 million) are presently unfunded. The developer is currently soliciting soft/gap funding from several sources, including the Minneapolis Affordable Housing Trust Fund and NRP, Empowerment Zone (EZ), MHFA, Met Council, Family Housing Fund, Federal Home Loan Bank, Hennepin County, and private foundations. Several of these soft/gap funding sources are allocated based on competitive RFP processes, and may not be available until 2005.

Total Development Cost	**$40,723,150**	**Schedule**	**Status**
SOURCES:			
4% LIHTC Equity	8,900,000		
Historic Tax Credit Equity	6,900,000		

Housing Revenue Bonds	10,265,000		
Tax Increment Financing	3,035,000		
CPED AHTF	3,750,000	Spring/Fall 2004	Uncommitted
Minneapolis NRP	500,000	Fall 2004	Uncommitted
MHFA	3,000,000	Fall 2004	Uncommitted
Metropolitan Council	1,000,000	Fall 2004	Uncommitted
Private Foundations	1,925,000	Ongoing	Uncommitted
Family Housing Fund	450,000	Fall 2004	Uncommitted
Federal Home Loan Bank	330,000	Spring 2004	Uncommitted
Hennepin County	668,150	Fall 2004	Uncommitted
TOTAL SOURCES	**$40,723,150**		

Housing Gap. Sherman Associates has requested that the City commit to providing an interim standby line of credit of up to $11,550,000 to cover potential timing and/or funding gaps in its rental and ownership components at closing. The initial amount will be reduced by any awards from the City's AHTF, EZ, or NRP programs, and from any other soft lenders such as MHFA, FHF, FHLB and Hennepin County. Sherman Associates would be allowed to draw on the line of credit only as a source of last resort, i.e., after all other funds that are committed to these components at closing and/or awarded to these components after closing have been expended. [Funds drawn on the line of credit shall bear interest at the rate of ______%. Sherman shall be obligated to repay the line of credit as follows:_________________.

F. Hennepin County Service Center: Hennepin County has received a $3 million DTED grant to locate a service center in the Midtown Exchange. Hennepin County is preparing plans and specs for the center of approximately 9,000 square feet, located on the ground floor of the project. A portion of the bond proceeds will pay for its share of parking.

G. Metro Transit Hub: Ryan and Metro Transit are near agreement on the placement of a transit hub on the west side of the project. A separate federal Metro Transit grant of $2.6 million will pay for this improvement.

E. Connections to Midtown Greenway:
(STERNS TO PROVIDE COPY)

F. Workforce Goals:

1. **Mid-town Exchange Pre- Apprentice Construction Training Program**: The Minneapolis Building Trades Council, Construction Careers Coalition and Minneapolis Employment Training Program are partnering with Ryan Companies US, Inc. on a new pilot pre-

apprentice program. This program will provide entry-level employment opportunities designed to prepare participants for formal and existing state certified apprentice programs. Ryan Companies US, Inc. and their subcontractors have agreed to a goal of 5% of the onsite construction hours for pre-apprentices. This represents approximately 45,000 hours.

2. **Resident and Neighborhood Employment:** In response to strong neighborhood input that seeks to put local trades and labor workers to work on the Midtown Exchange project, Ryan and The Minneapolis Building Trades Council have agreed that Minneapolis residents from the surrounding neighborhoods (as defined by zip codes 55404, 55407, 55408, and 55409) will be given first priority off the bench.

3. **Employment Goals:** Ryan has agreed to workforce utilization goals that exceed established City goals in each category. The goals that Ryan commits to are:

	Midtown Exchange	City Goals	% Increase
Skilled Minority	15%	8%	87.5%
Unskilled Minority	20%	15%	33%
Female (Combined)	5%	4%	25%

4. **Subcontracting Goals:** Ryan commits to Small Underutilized Business Program goals of 12% for Minority Owned Businesses and 11% for Women Owned Businesses. This goal was set by comparing the project scope of work to the registered SUBP participants who would be potentially available to participate in the project. Given the fact that the Midtown Exchange project is a commercial historic rehab project requiring a greater percentage of specialty and skilled work (rather than residential or commercial new construction) these are aggressive goals.

5. **Clean and Green**: The City and the Minneapolis Employment and Training Program will administer a summer youth employment program. One youth crew will be responsible for cleaning the Greenway Corridor and be directed by the Loring/Nicollet/ Bethlehem Center. The other youth crew will be directed by the Lake Street Council and charged with cleaning and maintaining Lake Street.

6. **Construction Education MPLS. Public School Initiative**: Ryan Companies US will work with the Minneapolis Public Schools through

the construction classes that are held at Roosevelt and North High Schools. Ryan will provide these classes with speakers to talk about job site safety and OSHA standards. Ryan will also provide speakers from the various trades and construction disciplines working on the Midtown Exchange Project including Architecture, Engineering, and Project Management. Ryan agrees to donate to these construction classes building materials, hard hats, work gloves, hand tools, and other materials as available. Ryan will provide students and instructors with corporate office, shop, and on-site tours. Ryan agrees to provide four mentors annually for star students in these classes. Ryan will provide networking opportunities with other construction industry representatives for the high school instructors that teach these courses.

7. **Employment Opportunities with Midtown Exchange Tenants:** Ryan will provide name and phone information of every tenant who signs a lease in the Midtown Exchange project to the City and METP. METP will work with the Midtown Workforce Oversight Committee to pursue discussions with these tenants about employment opportunities.

G. Living Wage/Business Subsidy Policies: Living Wage/business subsidy policies will incorporated into the redevelopment contract that will be finalized after City Council and Mayor approval of the terms for Midtown Exchange. Ryan has already agreed in the Midtown Exchange Project Employment Plan to provide the City with an appropriate name and phone number of each tenant that signs a lease. Any future Living Wage/Business Subsidy agreements will be executed prior to signing the redevelopment contract.

G. **Community Engagement Process:** In 1995, two neighborhood actions helped steer the present action. First, south side neighborhoods developed a plan for Lake Street from Interstate 35-W to Hiawatha Avenue. Second, the Minnesota Alliance for Progressive Action, the Minneapolis Center for Neighborhoods and the Chicago-Lake Project Review Committee convened a roundtable discussion to talk about the Sears site using a new development model known as "community wealth creation." The City of Minneapolis Planning Department organized and planned this two-day "charrette." At the charrette a cross-section of the community and city explored options for a vision that maximizes benefits to the surrounding community. This input was considered and acknowledged in the City's subsequent comprehensive planning document, the Minneapolis Plan.

In 1982, the Chicago-Lake Project Review Committee was formed to work with the Minneapolis Community Development Agency (MCDA) on site redevelopment. With approval from the City, the Committee established the Chicago-Lake Redevelopment District in 1983 to formulate guidelines and preserve and improve the Chicago-Lake Commercial District.

Two subsequent documents, the Lake Street Center Redevelopment Plan and the Lake Street Center Tax Increment Finance (TIF) Plan, update and refine the proposed mixed use redevelopment project.

In 1995, the City of Minneapolis and the Chicago-Lake Project Review Committee adopted fourteen Chicago-Lake Redevelopment District Guidelines. The RFP process for developer selection closely followed these guidelines mirroring the community's goals.
They are attached as **Exhibit D.**

II. Summary of Contingencies

Developer Contingencies:

- Survey issues, including related easements
- City approval of all land use requirements, including PUD's amendments to overlay districts, variances, and conditional use permits.
- Vacation of streets and alleys and utility easements within the site and required by Ryan for development of the project'
- Environmental and geotechnical site conditions including the status of any grant funding.
- Approvals of EAW, TDM Plan, and other governmental reviews required.
- City approval of construction plans for the project
- Approval of curb cuts, signalization, transit hub plans and linkage to the Midtown Greenway.
- Approval by Allina of lease agreements for space in the project and arrangements for enclosed pedestrian access from the 1928 building and Hotel to the Abbott Northwestern Hospital on acceptable terms to Ryan.
- Completion of all documentation among the Assigned Developers for the components of the project, including all documents required by Ryan to proceed with the project.
- Ryan approval of all public and private financing for the project.
- Completion of all arrangements for the removal of the 1964 building.

F. City Contingencies

- Ryan to be in compliance with its obligations under the redevelopment agreement and no circumstances exist that constitute an event of default or with the passage of time would constitute a default.

- The City has approved the design development plans for the minimum improvements.
- Financing for each component is committed and all disbursement conditions of loans are satisfied.
- The City has received and approved a registered land survey and/or a condominium plat, depicting the site and showing the vertical and horizontal division or subdivision thereof, and the necessary reciprocal easement and operating agreements or common interest community documents.
- Ryan has entered into agreements reasonably acceptable to the City providing for assignment of the component development rights to, and an assumption of obligations of Ryan under the redevelopment agreement, by the Assigned Developers.
- Ryan has obtained all land use approvals and permits from the City and other regulatory agencies.
- The City will impose its Affordable Housing, Developer Fee/Recapture Policy and other conditions on components with City financing.   The City must have received binding commitments for any non-City funds it is expected to loan or grant to the project.
- City approval of arrangements with Metropolitan Council – Metro Transit to acquire, finance, and construct the Transit Hub component.
- Proof of Worker's compensation, builder's risk and commercial general liability insurance, naming the City as additional insured.
- Copies of requisite organizational documents, resolutions and opinions from Ryan and each Assigned Developer.

G. Closing

H. Construction Commencement/Completion

I. Public Financing

Ryan anticipates that the City will make the following types of public funds including: TIF, HUD 108 Loan/EDI Grant, Affordable Housing Trust Fund (HOME and CDBG Funds), Housing Revenue Bonds, Housing Gap Loan, and Environmental Grants, available for various components of the project. The amount and uses of these funds is shown in exhibit The City has not yet committed these funds to Ryan, but will review and underwrite financing applications.

J. Environmental Conditions

The City has remaining Metropolitan Council TBRA environmental remediation grant funds of approximately $365,000. Ryan estimates there is $2.6 million in remaining environmental costs associated the building. The City will take the responsibility of obtaining outside grants needed to complete this work. Ryan and the City will enter into a funding agreement to permit Ryan to access the balance of TBRA grant funds available to the project.

II. Authorizing tax increment plan modification; project analysis: The current Project Analysis Authorization policy envisions a linear process whereby developers present their financial request and staff prepare an analysis and recommendations to the Council. After that, site plan approvals are sought. Because of the short timeline to begin construction for the Allina office component, staff is requesting a concurrent process. The final results will be the same, but the concept development approval process will run while the financial analysis is underway The PAA policy is attached for review, as **Exhibit E**.

III. Authorization to modify the Redevelopment and Tax Increment Plans for the Lake Street Center: The preparation of modifications of the Redevelopment and Tax Increment Plans are requested to more closely align the project's public documents with the current Midtown Exchange Project.

IV. Authorization to sub-grant existing TBRA funds to Ryan Companies, Inc., for environmental testing and remediation of ACM at Midtown Exchange: Action is requested to replace the previous developer with Ryan, as a sub-recipient of the remaining TBRA grant funds allocated to the project. These funds can only be used for remediation of asbestos containing material (ACM).

VI. Waiver of the City Procurement policy to allow United Properties to manage the Midtown Exchange property until its sale to the developer this summer. United Properties was selected to manage the site after its purchase by MCDA in 2002. United is the largest property management firm in the area. A competitive process was used in their selection annually, for two years. Since a sale of this property is imminent, it is requested that United remain in place at this time. The United fee is $3,700 per month plus expenses. This is comparable to the fee charged by other firms, and is covered by project rents. United also employs the manager used by Sears and STA Development, Jim Crowley. He represents an important link in property management, and is indispensable, in staff's opinion, to the operation of this complex property.

Exhibit A
Amended and Restated Term Sheet

Exhibit B
Location of the project

Exhibit C to Term Sheet
(Ryan's Sources and Uses table)

Exhibit D

Chicago-Lake Redevelopment District Guidelines

1) The project area, 2) project goals and objectives, 3) the relationship to the Minneapolis Plan, 4) land uses and standards for redevelopment, 5) project traffic concerns, 6) environmental liability, 7) project activities, 8) real property re-use constraints, 9) postproject operational duties, 10) development equal employment opportunities, 11) new job development with regard to the City's low income and minority Resolution, 12) business and resident relocation and displacement, 13) citizen participation, and 14) the project financing plan, funding sources, and development agreement.

Guideline One: Project Area

The first guideline provided the boundary of the Redevelopment District, which includes the Sears redevelopment area.

Guideline Two: Project Goals and Objectives

The Chicago-Lake Redevelopment District established a goal: to incorporate over time a complete, convenient, attractive, and profitable commercial center. Eight objectives guide goal achievement:

- Living wage employment where developers that utilize minority and sub-contractors during redevelopment
- Local private leadership
- Improved appearance and overall image of the Chicago-Lake area
- A vibrant mix of old and new commercial structures
- A balanced mix of goods and services
- Housing development and rehabilitation in conjunction with commercial development
- Improved vehicular and pedestrian circulation and parking to minimize transitions
- Multi-use development with retail, recreation, family entertainment and open space

Guideline Three: Relationship to City's Comprehensive Plan

The Minneapolis Plan identified the Chicago-Lake Commercial District as a community level shopping center to be preserved and improved. Sears redevelopment must conform to the goals, objectives, and land uses provided in the Minneapolis Plan.

Guideline Four: Land Uses and Standards for Development

Nine criteria guide land uses and provide standards for Sears project development:

- Establish and maintain a clear boundary between commercial and residential areas utilizing effective buffers, screens, and or transitions.
- Emphasize service to local and community residents, employees, hospital visitors, patients, and staff.
- Recognize, in new construction design, aesthetic features, in store mix, use of space, and adaptation of existing buildings, that Chicago-Lake is urban, not suburban.
- Incorporate successful shopping center concepts over time such as easy movement among stores, common support facilities, enforced maintenance, uniform hours, common security, and cooperative advertising and management yet without traditional form of mall surrounded by shops surrounded by parking.
- Arrange stores and shopper movement patterns around a focal point not diffused.
- Make movement into district and among stores as easy as possible.
- Create and preserve an environment suitable for both infant and mature business.
- Design professional offices into the district with special consideration for second and third floor above shops.
- Encourage multi-use development including housing, recreation, family entertainment, and green space.
- Develop design standards for the area, rehabilitation, and new construction.

<u>Guideline Five:</u> Traffic

Proposals for new development and street-streetscape improvements will be evaluated for traffic effects or impacts on: residential, streets and their ability to enhance vehicular and pedestrian traffic flow, and to respond to vehicular access and parking needs of both residents and business. Four points guide redevelopment:

- Assuming the continuation of extreme traffic densities on both Lake and Chicago, redevelopment activities should limit traffic conflicts, especially by limiting alley and driveway curb cuts and turning movements.
- Attempts should be made to separate commercial and residential traffic.
- Redevelopment activities should promote the use of transportation modes other than the auto, i.e. pedestrians, bicycles, motorcycles, buses, car pools, and light rail.
- Provide adequate and convenient public parking to serve the commercial needs of the area. Parking requirements and associated costs should be minimized by:

    - Lot and space consolidation

- Parking near destinations
- Clear lot advertising
- Adequate bicycle and motorcycle parking
- Careful demand analysis with conservative standards
- Clear signs and direct paths between remote (second level) stalls and destinations.

Guideline Six: Environmental Controls

The developer has the responsibility to prepare any documents required by federal or state law regarding environmental impact assessment of project activities.

Economic Advantages of central energy systems should be considered.

Guideline Seven: Project Activities

CPED manages project activities. Jim White of CPED manages the Sears project. Developers must consider retaining existing solidly built substantial structures. Project activities and guidelines in the district include the following:

- Property acquisition to provide locations for the expansion of existing businesses and for the development of new commercial space and new residential units.
- Commercial and residential rehabilitation, using loan programs. The opportunity for private, as opposed to public, development should be encouraged.
- Relocation of businesses and residents back into the district.
- Demolition of some structures.
- Construction of additional parking to allow increased commercial usage of other land.
- Construction of streetscape improvements along Lake and Chicago.
- Redevelopment priority should be given to the intersection of Chicago-Lake.
- Priority method for relocation should be that timing of new development should provide relocation opportunities for residents and businesses within the development project to the greatest extent possible.
- The use of public funds to leverage private funds is encouraged.

Property can be acquired for private redevelopment only after a developer for that property has been designated and a redevelopment contract has been executed.

Guideline Eight: Reuse of Real Property

Properties acquired under the redevelopment plan will be re-used in accordance with the Land Use Plan and the City's Comprehensive Plan.

Guideline Nine: Operation of Project after Completion of Improvements

Maintenance and security of new and improved properties will be the responsibility of individual property owners. Similarly, the maintenance of streetscape improvements will be the responsibility of abutting property owners.

Guideline Ten: Affirmative Action/ Women and Minority Business Enterprise Plans

It is the policy of the City of Minneapolis to provide equal employment opportunities without regard to race, color, national origin, religion, sex, age, disability, affectionate preference, or status with regard to public assistance to all areas of employment, including recruitment, employment, job assignment, training, promotion, transfers, rates of pay, and all other forms of compensation and benefits.

Developers and construction contractors who participate in redevelopment activities will be required to practice Affirmative action and fulfill the CPED Affirmative Action checklist goals, to develop and implement women and minority interest in business enterprise plans.

Business ownership and management by, and employment of, neighborhood and community residents should be encouraged.

Guideline Eleven: Job Development

Development proposals will be evaluated according to the extent to which new employment opportunities are provided. Developers and business owners who participate in redevelopment activities are required to comply with the provisions of City Council Resolution 80R- 186 and develop a plan to provide unsubsidized employment
and training for low-income Minneapolis residents. In evaluating proposals of competing organizations, preferences will be given to organizations having a demonstrated record of hiring minority and low-income persons. Developers and business owners will be encouraged to cooperate with existing social service agencies and neighborhood groups to develop employment opportunities and identify potential employees among the City's minority and low-income residents.

A priority for the employment of neighborhood residents is encouraged.

Guideline Twelve: Relocation

When specific properties are identified for acquisition, estimates of the extent to which relocation of existing businesses and residents, relative to cost and desirability, will be necessary. CPED will provide relocation services and assistance for families, individuals, and businesses displaced by public action, in accordance with the project relocation plan and with local, state and federal laws and regulations.

The displacement of residents should be avoided whenever possible. Where displacement is necessary, relocation benefits should be given. Displaced persons should also be assisted in relocating in the neighborhood, if residents are so willing. They should give preference for new and rehabilitated housing units. Wherever possible, housing structures should be relocated to suitable vacant sites.

Guideline Thirteen: Citizen Participation

The Chicago-Lake Project Review Committee has been designated by CPED as the project area group for this proposed redevelopment project. This Committee was formed in January 1982 and has met regularly with CPED staff to formulate these Guidelines. The Committees membership consists of representatives of the business community and surrounding neighborhoods.

Guideline Fourteen: Project financing

A. Financing Plan

A financing plan was developed as a part of the Chicago-Lake Redevelopment Plan. The July 26, 2002 Lake Street Tax Increment Financing Plan found within the Developer's Packet includes:

- Statement of project objectives
- Identification of properties to be acquired (definite and conditional acquisition)
- Estimate of project costs
- Description of amount and type of bonded or other indebtedness to be incurred
- Estimate of captured assessed value
- Analysis of the project's tax increment financing on other taxing jurisdictions
- Duration of the project
- Identification of private financing sources for developer costs.

B. Funding Sources

All potential sources of funding for project activities will be explored and pursued where appropriate. These probably will include, but are not limited to: CDBG funds, NRP funds, assessment bonds, revenue bonds, and tax increment general obligation bonds. The objective in using any public funds will be to leverage the maximum amount of private investment in the project area, with the minimum possible negative impact on the City's financial resources.

Public financing will be at minimum required levels for minimum periods of time. Methods by which CPED could recapture public costs from the private sector at some point during the life of the development will be explored and implemented where feasible.

Financial assistance may be available to businesses, property owners, and developers through the Small Business Administration's business loans and loans to local development corporations (SBA Section 503), CPED’s commercial rehabilitation loan program, the sale of industrial revenue bonds by the City, and any other appropriate programs. Streetscape improvements will be financed through special assessments against benefiting property owners.

C. Development Agreement

The developer and the City must enter into a written assessment agreement, as provided by Minnesota Statutes 273.76 Subdivision 8, such that the value of the project at completion must produce an anticipated tax increment for the annual sinking fund requirement. Any excess tax increments generated shall be used for additional bond repayment. In the event of a disaster leading to the destruction of portions of the project, the developer must agree to rebuild the equivalent value. These agreements shall terminate when bonds are retired.

For as long as the City is financially involved, all transfers of interest in the project are to be recorded, with the kind and amount of consideration plainly stated.