



**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: CPED Staff and Jim White, Senior Project Coordinator, Phone 612-673-5170

Presented by: Lee Sheehy, CPED Director, Phone 612-673-5125

Approved by: Lee Sheehy, 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 preparation of redevelopment agreement and related documents consistent with such terms. (3) Approve the project employment goals set forth in the term sheet. (4) Authorize redevelopment and tax increment financing plan modification to be prepared concurrently with project analysis. (5) Authorize sub-grant of existing TBRA funds to Ryan Companies for environmental testing and remediation at Midtown Exchange. 6) Waive 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.

<p>Financial Impact (Check those that apply)</p> <p><input type="checkbox"/> No financial impact - or - Action is within current department budget. (If checked, go directly to Background/Supporting Information)</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Capital Budget</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Operating Budget</p> <p><input type="checkbox"/> Action provides increased revenue for appropriation increase</p> <p><input type="checkbox"/> Action requires use of contingency or reserves</p>

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

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 Marketplace 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 April 13th in the neighborhood, and a website www.midtowncommunityworks.org has been developed specifically to inform the public about the project's status.

Questions and answers from the meeting are posted on the Midtown Exchange News website, along with new questions received by alliance members. A meeting evaluation form completed by participants showed a high level of satisfaction on most meeting elements and provided direction in how to improve the next meeting.

The next community meeting is scheduled for May 26th. 7 pm at Anderson School. The alliance will be working with neighborhood groups and the Chicago Lake Review Committee to set the agenda and get the word out for this meeting.

Attachment 3 - Chicago Lake Redevelopment District Guidelines, provides the historical perspective on the Community participation process.

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.

Land Use: As outlined in Attachment 2, substantial land use review and approval processes are underway. As is customary, the Term Sheet includes contingencies for the parties related to such final review and approvals. In adopting this Report and Term Sheet, the City does not commit to such approvals. Ryan does, however, reserve the right not to proceed if such approvals are not received or not received on a timely basis.

Living Wage/Job Linkage: The City's job linkage and living wage/business subsidy policies if applicable, will be incorporated in the redevelopment contract.

This report outlines the terms and conditions negotiated to date for the Midtown Exchange project. The term sheet is included as **Attachment 1** to this report. Staff's recommendation is to **(1) approve term sheet for Ryan Companies' Midtown Exchange project, (2) authorize preparation of redevelopment agreement and related documents consistent with such terms, (3) approve the project employment and contracting goals set forth in the term sheet, (4) authorize redevelopment and tax increment financing plan modification to be prepared concurrently with project analysis, (5) authorize sub-grant of existing TBRA funds to Ryan Companies for environmental testing and remediation at Midtown Exchange, (6) waive 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.

The key elements of the term sheet are outlined in this report. If these are approved by the City Council, drafting will begin immediately on the project redevelopment agreement. The timetable is such that the redevelopment agreement must be executed in June, and the City will close with Ryan shortly thereafter.

Staff will need to return to the City Council for land sale approvals, financing commitments, zoning actions and other implementation items prior to execution of the redevelopment contract. Ryan intends to begin site redevelopment activities in July, with completion expected in the first quarter of 2006. Allina wants to occupy a portion of its space in late 2005. A pre-development timetable is attached as **Attachment 2**.

I. Key elements of the Term Sheet

Site: Ryan will develop all of the property offered in the Lake Street Center RFP except the 1964 building which will be removed. In addition, the City lot at 2901-05 11th Ave So. will be leased to Ryan for surface parking.

Assigned Developer: Each component of the project must be developed by Ryan, a Ryan affiliate or a separate developer designated by Ryan and approved by the CPED director (Assigned Developers). Each Assigned Developer must be approved before closing and the start of construction of the respective component. The CPED director's approval will be based upon:

- Satisfaction that the legal agreement between Ryan and the Assigned Developer appropriately obligates to the Assigned Developer to perform Ryan's responsibilities contained in the redevelopment agreement
- Satisfactory Construction Plans
- Qualifications necessary to fulfill Ryan's obligations
- Sufficient financial capacity to warrant release of Ryan

Global Marketplace: If NDC is unable to close on the Global Marketplace Development, Ryan must present an alternative concept acceptable to the CPED director.

Transit Hub: Ryan and Metro Transit are negotiating an agreement to operate a bus transfer facility consisting of two or three shelters, with roadway easements for permanent operation of the hub.

Land sale: Ryan will pay \$2.2 million for the property, as is. Such proceeds will be used to repay the internal borrowing of \$1.8 million.

Contingencies: Both Ryan and the City have closing contingencies which appear in sections 10 and 11 of the term sheet. The contingencies represent standard business practice by both parties and are a typical element of development agreements.

Construction Commencement and Completion: Ryan expects to begin construction by mid-July 2004, and must complete the project by December 31, 2006.

Public Financing: Ryan anticipates the City will provide the following types of public funds to the component parts of the project, subject to City review and approval in accordance to applicable policies and procedures:

Pay-go TIF; TIF supported revenue bonds; HUD 108 loan and EDI grant from the parking ramp; loans for rental housing from the Affordable Housing Trust Fund, NRP and EZ; housing revenue bonds; environmental grants and loans; a standby line of credit up to \$11,550,000 to provide potential bridge financing to the rental and ownership components; a parking ramp loan of up to \$1.1 million to cover a potential funding gap in the parking ramp; and a DEED grant for the parking ramp. CPED staff will return to the City Council for approval of any public financing.

Environmental: Recent testing and analysis by Ryan has suggested that pollution costs may escalate beyond the initial \$2 million estimate. The City's position is that Ryan assumes the risk, but the issue is unresolved.

Collateral and Performance Security: A right of reversion for each component will be contained in the City deed. Appropriate collateral and other requirements will be separately negotiated for any City funding.

Employment and Contracting Goals: Ryan proposes the following goals and CPED recommends: Construction (workforce): 5% Women, 15% skilled minorities, 20% unskilled minorities. SUBP: 12% MBE's, 11% WBE's. Pre-apprenticeships (Step-up): 5% of on-site construction worker-hours, estimated to be 45,000 construction worker-hours.

Project Overview: Ryan will be the master developer of the Midtown Exchange. As summarized in the table below, Ryan has identified several development participants and has secured Allina Health Systems as its anchor office tenant. Site plans are attached as **Exhibit D to the Term Sheet (Attachment 1)**.

Developer	Use	Location	Square Footage/Number of Units or Stalls or Rooms
Ryan	Office/Commercial (including Allina)	1928 Building	434,000 square feet
Ryan	Parking Ramp	East lot	1,234 stalls
Ryan*	Hotel	West lot	150 rooms

Sherman Associates	Rental Housing	1928 Building	203-221 units
Sherman**	For-Sale Housing	1928 Building	82-110 units
Project for Pride in Living	For-Sale Housing	Around perimeter of parking ramp	53-60 ownership
Hennepin County	Service Center	1928 Building	8,000 square feet
Metro Transit	Transit Center	West lot	2-3 shelters road easements
Neighborhood Development Center	Global Market	1928 Building	75,000 square feet

*Ryan expects Wischermann to participate

**Sherman expects the Lander Group to participate

Total development costs for Ryan's Midtown Exchange Project are expected to be \$179 million (plus potential Met Transit investment of \$2 million). The leverage ratios associated with Ryan's project are

- Private to City Investment 4.72 to 1
- Private to Public Investment 3.04 to 1

Prior to the RFP process and the Ryan proposal, the City and Metro Council invested public funds in the Sears site. When those prior historic investments are considered the ratio of private to public funds is 2.46 to 1.

II. Project Components and Financing

A. Office/Commercial: 434,000 S.F of office space within the 1928 building. Ryan is financing this component with equity and private debt.

Development Cost	\$52,963,282	Schedule	Status
Sources			
Developer Equity	8,910,062	July 2004	
Deferred Developer Fee	1,750,000		
Historic Tax Credits	8,629,741	July 2004	Uncommitted
Long term debt	33,673,479	July 2004	Uncommitted
Total Sources	\$52,963,282		

B. Parking: Ryan will build and own the east side parking ramp of approximately 1,234 stalls. In addition, there will be 406-436 surface and on

street stalls in 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 loan funds, EDI grant funds, a City gap loan of up to \$1.1 million, a DTED grant of \$433,300, and other sources. Approximately half of the ramp's \$18,300,000 cost will be publicly financed.

Development Cost	\$19,121,309	Schedule	Status
Sources			
TIF/108	9,213,971	July 2004	
EDI Grant	2,000,000	July 2004	
Developer Equity	1,216,001	July 2004	
Debt	3,938,037	July 2004	Uncommitted
State Bonds	720,000	July 2004	
DEED	433,300	July 2004	
Met Transit	500,000	July 2004	
City Gap Loan	\$1,100,000		
Total Sources	\$19,121,309		

C. Hotel: A 150 room hotel will be developed by a Ryan joint venture, anticipated to include Wischermann. 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 expects the hotel to be a three-star hotel and is financing this component with equity and private debt.

Development Cost	\$17,976,499	Schedule	Status
Sources			
Developer Equity	7,190,600	July 2004	
Debt	10,785,899	July 2004	Uncommitted
Total Sources	\$17,976,499		

D. Global Marketplace: 75,000 S.F. of retail food and goods organized in an internationally themed 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	\$14,777,427	Schedule	Status
Sources			
Historic Tax Credit	2,147,856	Fall 2004	Uncommitted
New Market Tax Credit	429,571	Fall 2004	Uncommitted
Debt	3,064,000	Fall 2004	Uncommitted
EDI Grant	1,800,000	Pending	
OCS/USDA Grant	850,000	2004	Uncommitted
State Fund	150,000	2004	Uncommitted
Empowerment Zone	636,000	2004	Uncommitted
Foundations	4,700,000	2004-2005	Uncommitted
REDI Loan	1,000,000	Fall 2004	Uncommitted
Total Sources	\$14,777,427		

E. Housing: There are three housing components included in the scope of the Midtown Exchange project: 1) 53-60 ownership housing units lining the parking ramp, along 29th Street and 11th Avenue to be developed by Project for Pride in Living (PPL); 2) 82-110 ownership housing units within the 1928 Building to be developed by Sherman Associates and probably the Lander Group; and 3) 203-221 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 53-60 for-sale housing units. The figures in this report are based on 60 units. PPL, Ryan and staff understand that a change in the number of units is possible, along with corresponding cost changes. The estimated construction cost of 60 units is \$10.9 million. The 60 unit program consists of four (4) one-bedroom units (averaging 750 S.F.) and fifty-six (56) two-bedroom units (averaging 1,000 S.F.). Fifty-three to 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			
Housing Sales	10,320,000		
MHFA	230,000	Fall 2004 RFP	Uncommitted
Hennepin County	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, likely with the Lander Group, plan to construct 82-110 for-sale housing units. The figures in this report are based on 82 units. Sherman, Ryan, and staff understand that a change in the number of units is possible, along with corresponding cost changes. The estimated construction cost of 82 units is \$21.5 million (including approximately \$7.65 million in shell construction costs). 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 September 1, 2004, with an expected completion date around March 31, 2006.

The majority of costs (approximately 85% or \$18.4 million) will be covered with housing and parking sale proceeds. City financing may include TIF supported revenue bonds or notes sufficient to provide approximately \$1,465,000 in net financial assistance. 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. To-date, Sherman has met with MHFA, Fannie May, and Hennepin County to discuss the project. Additional meetings are scheduled in May, 2004, with the Metropolitan Council and again with Hennepin County.

Development Cost	\$21,615,000	Schedule	Status
Sources			
Housing Sales	17,900,000		
Garage Proceeds	\$500,000		
Tax Increment Financing	1,465,000	Fall 2004	

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 203-221 rental housing units. The figures in this report are based on 221 units. Sherman, Ryan, and staff understand that a change in the number of units is possible, along with corresponding cost changes. The estimated cost of 221 units is \$40.7million (including approximately \$18.3 million in shell construction costs). The project will include approximately six zero-bedroom studios, 128 one-bedroom units (ranging in size from 560 S.F. to 1,100 S.F.) and 87 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. Rents will range from \$650/month to \$1,075/month.

Construction is tentatively scheduled to start September 1, 2004, 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 would include a pay-go TIF note sufficient to provide approximately \$3,035,000 in net financial assistance, and issuance of up to \$21 million in housing revenue bonds (approximately \$7 million in construction/short term debt and \$14 million in long term debt. The balance of the project costs (approximately \$11.6 million) is 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. In addition, to ongoing meetings with CPED staff, Sherman has met with HUD, Fannie May, MHFA, Hennepin County and the Phillips Partnership. Future meetings are scheduled with the Metropolitan Council, Family Housing Fund and Hennepin County.

Total Development Cost	\$40,723,150	Schedule	Status
SOURCES:			
4% LIHTC Equity	8,900,000	Fall 2004	
Historic Tax Credit Equity	6,900,000	Fall 2004	
Housing Revenue Bonds	10,265,000	Fall 2004	
Tax Increment Financing	3,035,000	Fall 2004	
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 2005	Uncommitted
Hennepin County	668,150	Fall 2004	Uncommitted
TOTAL SOURCES	\$40,723,150		

4. Housing Gap. Due to the accelerated project schedule, the housing components in the 1928 building may require an interim standby line of credit of up to \$11,550,000 to cover potential timing and/or funding gaps at closing of approximately \$13.4 million. 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. CPED staff must negotiate the terms of this financing with Sherman and Lander and their lenders and will return to the City Council prior to closing for specific authorization.

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 8,000 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 will pay for this improvement.

H. Midtown Greenway Connections: The Midtown Greenway Coalition plan includes design principles that seek an activated and animated Midtown Greenway with both developed and softened edges, multiple level connections and uses, excellent pedestrian and bikeways onto and off the trails and transit route. The Greenway Urban Design Goals says: "The Sears site represents an excellent place-making opportunity. The Chicago Avenue Bridge, the Greenway ramp access, a plaza to the north, a future transit stop to the south, and high

walls offer an opportunity for an integrated aesthetic effect for the urban environment.”

In September 2003 the Greenway Coalition adopted principles they hoped would be included in the final design plans for the redevelopment of the Sears site. Ryan has tried to incorporate those principles as much as possible and meetings with the Greenway Coalition continue.

The Midtown Exchange Project connects to the Greenway in significant and multiple ways.

Multiple means of Ingress/Egress.

- A new stair ingress/egress to the Greenway at the Chicago Avenue Bridge.
- Greenway level entrance to the new hotel
- Greenway level entrance at Elliot: A connection with an elevator that goes from Greenway level to street level and aligns to pedestrian walkway to the Abbott Campus and activities within the Midtown Exchange building
- Ryan has been working with Allina/Abbott on an ADA-compliant ramp that connects the Greenway level to the street level on the north side of the Greenway between Chicago and Elliot, for which separate outside funding will be pursued

Animated Edge/”Eyes on the Greenway”

- On the South side of the Greenway in the 1928 building, Allina and other offices overlook the Greenway and Allina will utilize the Greenway level for a conference center and employee cafeteria
- In the 1928 building in the upper levels is housing that provides eyes on the Greenway.
- On the South side of the Greenway east of the building will be townhomes which wrap the parking structure, a portion of which directly face the Greenway
- New on the west side of the 1928 building is a 150 room hotel with a restaurant overlooking the Greenway and a fitness center animating the Greenway at Greenway level

Open Spaces

- The hotel is set 50 feet off the Greenway for a place for an active and programmed transit hub/platform in the future. On the north side a, well landscaped ramp leads up out of the historic trench. The ramp provides some of the breathing space desired for this Greenway node.

Adding light and a better sense of safety and well-being

Demolition of the 1964 building will remove the oppressive character of the large, dark Greenway underpass that has created concerns of personal security among

Greenway users, and allow the trail user a better sense of place and connection with Midtown Exchange activities as they use or pass through the area.

Minimize Parking along Greenway edge

The whole of the Greenway edge is animated with programmed uses. The structured parking on the east side of the site is screened from the Greenway by townhomes and on the west side the surface parking is south of the new hotel.

Minimize shadows cast into trench, especially on the bike path

While the height of the hotel along the Greenway will cast a shadow into the trench during the winter, this is mitigated by a lighter, more open and less oppressive space due to the demolition of the 1964 building. It is also balanced by having a stronger, more actively programmed edge that will be substantially more “peopled” (by restaurant, outdoor dining, and fitness center and overlooking rooms) than if the hotel were not there and surface parking were against that Greenway edge.

Provide visual links from the trench to destinations above

Design elements providing visual cues of activities within the Midtown Exchange node will include:

- Greenway level fitness and conferencing spaces, Greenway level terrace that can accommodate programming (like kiosks from the Global Marketplace).
- Way-finding that incorporates project design elements linking the Greenway user to the building user.

Incorporate Public Art

Ryan will pursue incorporating public art into the Greenway interface in its way-finding program and its landscape design.

Subject to ongoing landuse reviewm it would appear CPED staff believes that the Greenway experience at the Midtown Exchange will be pleasant, welcoming, active and safe.

III. Workforce Partnership Plan Employment/Contracting Goals: The City and Ryan agree that the Midtown Exchange project presents a unique opportunity to partner around a common objective: to share economic opportunities on this project with these citizens who most need them. To that end, Ryan proposes and CPED recommends this 7-point workforce partnership plan that will target at least 135 of the 300 estimated jobs at the site.

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 for pre-apprentices.

2. **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 approximately 25-30 Minneapolis residents from the surrounding neighborhoods (as defined by zip codes 55404, 55407, 55408, and 55409) will be given first priority off the union benches.
3. **Employment Goals:** Ryan has agreed to workforce utilization goals that are higher than any other previous commercial construction project in the City.

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

4. **Contracting 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 rehabilitation project requiring a greater percentage of specialty and skilled work (rather than residential or commercial new construction), these are aggressive goals.

These subcontracting goals exceed those of publicly-funded projects, like the Minneapolis Library project (12% MBE and 10% WBE. Source of Minneapolis Department of Civil Rights—April 1, 2004). They also approximate or exceed those of new builds, like the Minneapolis Convention Center (combined S/M/WBE goal of 25%) and the Guthrie Theater (9% MBE and 12% WBE). They also exceed the Ryan goals for a rehabilitation with a scope of work comparable to this project scope at the Grain Belt Brew House (18% M/WBE combined goal), for which Ryan received special recognition from the Minneapolis Department of Civil Rights.

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.

IV. Authorizing redevelopment and tax increment plan modifications and project analysis: The current Project Analysis Authorization policy envisions a linear process whereby developers present their financial request and staff prepares 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 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.

V. 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.

ATTACHMENT 1 TO COUNCIL REPORT

MIDTOWN EXCHANGE PROJECT TERM SHEET (AMENDED AND RESTATED MAY 14, 2004)

1. PROPOSED PROJECT.

In response to an RFP, Ryan Companies US, Inc. ("Ryan") proposes to redevelop the former Sears retail and warehouse site located at the northeast corner of the Chicago Avenue and Lake Street intersection as a mixed-use project that will include office space, retail space, other commercial uses, rental housing, for-sale housing, a hotel, parking, public and green space areas, a transit hub and linkages to the neighboring Abbott Northwestern Hospital campus and the Midtown Greenway. Ryan has named this project Midtown Exchange. The total development cost for all of the components comprising the project is currently estimated to be approximately \$181,000,000.

2. PARTIES.

The parties to the redevelopment agreement to be entered into pursuant to this Amended and Restated Term Sheet will be Ryan and the City of Minneapolis and, if all or a portion of the development property continues to be held by the Minneapolis Community Development Agency ("MCDA"), the MCDA. (The City of Minneapolis and the MCDA will be collectively referred to herein as the "City.")

3. SITE.

The development property (the "Site") is generally located within an approximately 3-block area bounded by Lake Street, the Midtown Greenway, 11th Avenue and Chicago Avenue. Portions of the Site are located over and north of the Midtown Greenway. The Site is legally described on **Exhibit A** (subject to confirmation by survey) and generally located as shown on **Exhibit B**. The Site currently contains the multi-story Sears retail/warehouse building originally constructed in 1928 (the "1928 Building"), a multi-story warehouse extension originally constructed in 1964 that bridges the Midtown Greenway (the "1964 Building"), a one-story train shed located adjacent to and encroaching upon the Midtown Greenway (the "Train Shed"), and a one-story building located at 1010 East Lake Street (the "1010 Building"). The City intends to convey the area within the Midtown Greenway to the Hennepin County Regional Railroad Authority ("HCRRA"), but will retain ownership in fee or by exclusive easement of that portion of the Train Shed, the basement areas of the 1964 Building and the Elliot Avenue bridge that lie within the Midtown Greenway. Subject to board of commissioners' approval after a public hearing, the City will convey the Site, including the afore-mentioned retained rights within the Midtown Greenway, to Ryan (or any Assigned Developers that have been approved by the City's CPED

director) by redevelopment quit claim deed and bill of sale. However, the City's CPED director and Ryan may agree that the portion of the Train Shed lying easterly of the westerly line of 10th Avenue South will not be included in the Site and will not be a part of the project. If so, Ryan will construct the demising wall separating the Train Shed owned by Ryan from the remainder of the Train Shed. The City will also convey to Ryan the existing Elliot Avenue bridge and any portion of City property located north of the Midtown Greenway which may be necessary for the enclosed walkway connection from the project to the building owned by Allina located north of the Midtown Greenway (the "1979 Building"). In connection therewith, the City and Ryan intend to negotiate with Allina for changes in the City's rights regarding the Elliot Avenue bridge and adjoining property owned by the City north of the Midtown Greenway. The City and Ryan will cooperate in completing a registered land survey to horizontally subdivide the Site from other land owned by the City and create separate tax parcels resulting therefrom prior to closing. One of the existing buildings on the Site, namely the 1928 Building, has historic significance. Ryan will take title to the property subject to that certain Reciprocal Easement and Operating Agreement ("REOA") dated December 30, 2002 between the MCDA and the owner of the 1979 Building and the existing leases with Family Dollar Store and Sportsdome within the 1010 Building, among other encumbrances. The City will attempt to negotiate the termination of the existing Ionex lease within the 1964 Building basement prior to closing.

4. EAST PARCEL.

In addition to conveyance of the Site, the City, subject to board of commissioners' approval after a public hearing, will lease the property described on Exhibit A-1 (the "East Parcel") to Ryan for a term of 30 years at a cost of \$1 per year for surface parking. The lease will include a purchase option that may be exercised on any anniversary of the closing date during the first 5 years of the lease term at fair market value. Ryan must resurface the lot and operate, maintain and repair the lot during the lease term. Ryan will be responsible for pursuing any rezoning or other approvals and making any improvements that are required for continued use of the East Parcel as surface parking.

5. TRANSIT HUB.

Ryan will negotiate with the Metropolitan Council regarding the location of the Transit Hub on the Site and any other design, regulatory, real estate, financing and construction issues related thereto. It is likely that a new traffic signal will be required at the intersection of Chicago Avenue and the boulevard entry to the project, which will be an entry and exit point for Metro Transit buses, as well as for a portion of the users and visitors of the project. Ryan and the Metropolitan Council will equally share the costs of a traffic signal, if required, at the boulevard intersection with Chicago Avenue.

6. EXCLUSIVE RIGHTS.

The City has granted Ryan exclusive rights to negotiate a redevelopment agreement for the Site for a period ending July 16, 2004, pursuant to a Term Sheet approved by the City Council. Ryan has deposited an option or development rights fee equal to \$60,000. The City and Ryan have subsequently refined the terms and conditions set out in the approved Term Sheet as more fully described in this Amended and Restated Term Sheet, and intend to use this Amended and Restated Term Sheet as a basis for negotiating the redevelopment agreement between the parties. If the parties consummate a redevelopment agreement, Ryan may apply the fee toward the good faith deposit. If the parties are unable to consummate a redevelopment agreement, the City will retain \$10,000 per month beginning in January, 2004, to off-set its staff time, and upon cessation of negotiations will refund the balance, if any, to Ryan.

7. PROJECT DEVELOPMENT COMPONENTS.

Ryan must develop the Midtown Exchange project to include the components listed in this Section, except as otherwise provided in Section 8 with respect to the Transit Hub Development Component, the Service Center Development Component and the Global Marketplace Development Component. Each of the components must be developed by either Ryan, an affiliate of Ryan, or a separate developer designated by Ryan (each, an "Assigned Developer"). Ryan must obtain City CPED director approval of each Assigned Developer prior to the earlier of (i) closing upon transfer of the component to the Assigned Developer and (ii) start of construction of the interior spaces for each such component. Conditions to City approval of an Assigned Developer shall include appropriate representations and warranties from such Assigned Developer, a written agreement between such Assigned Developer and Ryan reasonably acceptable to the City's CPED director whereby the Assigned Developer assumes Ryan's obligations under the redevelopment agreement with respect to the component, component construction plans and financing reasonably acceptable to the City's CPED director, and such other reasonable conditions as the City's CPED director deems appropriate, including, without limitation, evidence that the Assigned Developer has the qualifications necessary to fulfill the obligations of Ryan under the redevelopment agreement and that the Assigned Developer has sufficient financial capacity to warrant release of Ryan. Written acceptance of an Assigned Developer by the City's CPED director provides such Assigned Developer with the City's consent to proceed with such Assigned Developer's component of the project. It is anticipated that the Assigned Developers currently identified by Ryan will assist in the negotiation and documentation of the redevelopment agreement for their respective components.

Subject to the requirements in the prior paragraph, Ryan anticipates and the City acknowledges that Ryan will designate the following entities or affiliates thereof for each of their respective components: a limited partnership with Sherman Associates, Inc. as the general partner ("Sherman") with respect to the Rental

Housing Development Component, a limited liability company with Sherman as a member or Sherman and the Lander Group as members (“Sherman/Lander”) with respect to the For-Sale Housing Development Component in the 1928 Building, Project for Pride in Living (“PPL”) with respect to the For-Sale Housing Development Component fronting the parking ramp on East 29th Street and 11th Avenue South (the “Liner Parcel”), a Ryan joint venture (“Hotel Venture”) with respect to the Hotel Development Component, Neighborhood Development Center (“NDC”) with respect to the Global Marketplace Development Component, Hennepin County (“County”) with respect to the Service Center Development Component (provided that Hennepin County elects to proceed with the Service Center Development Component), and Metropolitan Council with respect to the Transit Hub Development Component. Due to market conditions or other factors Ryan may subdivide ownership of the various components, create additional components, or substitute other entities or add additional entities for development of the various components in the project, subject to the reasonable approval of the City’s CPED director. Affiliates of Ryan will be responsible for any components not assigned to other entities.

Ryan will continue to seek potential tenants/users for the project during negotiation of the redevelopment agreement. Ryan shall not lease to a tenant/user whose primary business involves sexually explicit entertainment, sexually explicit books and magazines, or sexually explicit movies or videos.

The following summarizes certain characteristics of the development components for the project. The estimated development cost for each component includes base building shell, interior improvements, tenant improvement allowances, contingencies and fees, and land allocation costs. The date for start of construction of a component in the 1928 Building will be start of construction of the interior spaces in each such component, it being understood that demolition of the 1964 Building, environmental remediation, and renovation of the exterior shell and of the 1928 Building will commence on or after the anticipated July 1, 2004 closing date.

The Office/Commercial Development Component:

- Anticipated Component Developer: Ryan Affiliate
- Project Site Location: Greenway Level (entire floor) 1st floor thru 9th floors (north tower)
- Square Footage: 434,000 S.F.
- Tenants/Users: Office and commercial uses, which may include retail, laboratories, medical spaces, education facilities, fitness center, as well as common areas and building operations
- Estimated Employment: 1,550
- Estimated Component Development Cost: \$53,000,000

- Parking Space Needs: 1,423 (peak level)
- Estimated Construction Worker-Hours: 306,000
- Projected Construction Start Date: 7/15/04
- Projected Construction Completion Date: 12/31/05

The Global Marketplace Development Component:

- Anticipated Component Developer: NDC
- Project Site Location: First floor (middle and south towers) and Greenway Level (middle tower)
- Square Footage: 75,000 S.F.
- Tenants/Users: Global Marketplace featuring internationally themed fresh and prepared foods, groceries, and other products and goods from multiple vendors
- Estimated Employment: 200
- Estimated Component Development Cost: \$14,800,000
- Parking Space Needs: 180 (peak level)
- Estimated Construction Worker-Hours: 36,300
- Projected Construction Start Date: 4/01/05
- Projected Construction Completion Date: 06/01/06

The Rental and For-Sale Housing Development Components in the 1928 Building:

- Anticipated Component Developer: Sherman (Rental) and Sherman/Lander (Ownership)
- Project Site Location: 2nd thru 12th floors (middle and south towers)
- Square Footage: 437,000 S.F.
- Total Number of Units: 203-221 Rental, 82-110 Ownership
- Number of Affordable Units: Will comply with CPED Affordable Housing Policy (i.e., at least 57 to 67 rental units will be affordable at 50% MMI)
- Estimated Component Development Cost: \$62,300,000
- Parking Space Needs: 242 (peak level-day)
356 (peak level-evening)
- Estimated Construction Worker-Hours: 257,700
- Projected Construction Start Date: 9/1/04

- Projected Construction Completion Date: 03/31/06

The Service Center Development Component:

- Anticipated Component Developer: Hennepin County
- Project Site Location: Greenway Level
- Square Footage: 8,000
- Tenants/Users: Hennepin County
- Estimated Employment: 25
- Estimated Component Development Cost: \$1,600,000
- Parking Space Needs: 50
- Estimated Construction Worker-Hours: 9,300
- Projected Construction Start Date: To be determined
- Projected Construction Completion Date: To be determined

The For-Sale Housing Development Component (Liner Parcel):

- Anticipated Component Developer: PPL
- Project Site Location: Perimeter of parking ramp, along 29th Street and 11th Avenue.
- Square Footage: 93,000 S.F.
- Total Number of Units: 53-60
- Number of Affordable Units: Will comply with CPED Affordable Housing Policy
- Estimated Component Development Cost: \$10,900,000
- Parking Space Needs: 53-60 in Parking Ramp (peak level)
- Estimated Construction Worker-Hours: 82,900
- Projected Construction Start Date: 03/01/05
- Projected Construction Completion Date: 12/31/05

The Hotel Development Component:

- Anticipated Component Developer: Hotel Venture
- Project Site Location: outlot west of the 1928 Building, west end of Train Shed
- Square Footage: 80,000 S.F.
- Number of Rooms: 150

- Estimated Employment: 80
- Estimated Component Development Cost: \$18,000,000
- Parking Space Needs: 150 (peak level)
- Estimated Construction Worker-Hours: 90,600
- Projected Construction Start Date: 04/01/05
- Projected Construction Completion Date: 12/31/05

The Parking Development Component:

- Anticipated Component Developer: Ryan Affiliate
- Project Site Locations: Surface parking lots on West side of 1928 Building; parking ramp, surface and on-street parking on East side
- Total Number of Parking Spaces: 1640-1670
- Number of Parking Spaces Per Location: 1,234 in parking ramp; balance in surface parking spaces
- Estimated Employment: 5
- Estimated Component Development Cost: \$18,000,000
- Estimated Construction Worker-Hours: 103,100
- Projected Construction Start Date: 03/01/05
- Projected Construction Completion Date: 12/31/05

The Transit Hub Development Component:

- Anticipated Component Developer: Metropolitan Council
- Project Site Location: Facilities flanking each side of entry boulevard on Chicago Avenue.
- Land Area: Land easements only, including along entry boulevard and Elliot Avenue from main building entry south to Lake Street
- Description of Transit Improvements: Two-three transfer shelters
- Estimated Component Development Cost: \$2,100,000
- Estimated Construction Worker-Hours: 6,400
- Projected Construction Start Date: 03/01/05
- Projected Construction Completion Date: 12/31/05

An estimated sources and uses of funds for the project is attached hereto as **Exhibit C**.

8. MINIMUM IMPROVEMENTS.

The minimum improvements will consist of the Office/Commercial Development Component, the Hotel Development Component, the Rental Housing Development Component, the For-Sale Housing Development Component in the 1928 Building, the Parking Development Component, connections to the Midtown Greenway, the Global Marketplace Development Component, and the For-Sale Housing Development Component on the Liner Parcel (collectively, the "Minimum Improvements"). The Service Center Development Component will be a Minimum Improvement if Hennepin County elects to proceed with such component; if not, the space will be included in the Office/Commercial Development Component. The Transit Hub Development Component will be a Minimum Improvement if Ryan reaches agreement with the Metropolitan Council on acquisition and construction of such component. If NDC is unable to close on the Global Marketplace Development Component by December 31, 2004, Ryan must meet with City representatives within 45 days to determine an alternative concept for the space that is acceptable to the City's CPED director. Construction of the Minimum Improvements may be phased. Ryan anticipates development of other potential improvements, but such additional improvements will not be required under the redevelopment agreement. The 1964 Building will be demolished as more fully described in this Amended and Restated Term Sheet. No work will be required for the 1010 Building and such building may be left in place, remodeled, or demolished, whether or not to be replaced by new improvements. A site plan and a vertical stacking plan for the 1928 Building are attached hereto as **Exhibit D**.

9. PURCHASE PRICE AND GOOD FAITH DEPOSIT

The purchase price for the Site, to be paid in full at closing, shall be \$2.2 million. This price assumes that Ryan accepts the Site "As Is", with no deductions for items such as environmental or geotechnical conditions, demolition of the 1964 Building or REOA obligations with respect to the 1979 Building. Ryan must deposit an amount equal to 10% of the purchase price upon execution of the redevelopment agreement. The City will refund the deposit in full upon any termination of the agreement for failure of a developer contingency. If the agreement is not terminated, an agreed-upon percentage of the deposit shall be refunded upon issuance of each certificate of completion for components of the Minimum Improvements.

10. DEVELOPER CONTINGENCIES

Ryan's obligations under the redevelopment agreement to purchase and redevelop the Site shall be subject to satisfaction or waiver of the following project contingencies by no later than the Closing Date:

- (a) Ryan approval of title and survey, including easements relating to the Train Shed and Elliot Avenue bridge.
- (b) City approval of all zoning changes required by Ryan for the project, including PUDs, special conditional use permits, amendments to overlay districts, variances, and site plan approvals.
- (c) Vacation of all streets, alleys and utility easements within the Site required by Ryan for development of the project.
- (d) Approvals by the City and other necessary governmental agencies of the Environmental Assessment Worksheet, Transportation Demand Management Plan, any Environmental Impact Statement or Alternative Urban Areawide Review and other governmental environmental reviews required for the project, curb cuts, signalization, and plans for the Transit Hub Development Component and linkage to the Midtown Greenway, all as may be acceptable to Ryan.
- (e) Changes in the physical condition of the 1928 Building and Train Shed from their condition on January 1, 2004, which are not acceptable to Ryan.
- (f) No damage or destruction has occurred to the buildings and no taking by a power of eminent domain has occurred or is threatened as to all or any portion of the Site or the buildings or improvements located thereon.
- (g) Approval by Allina/Abbott Northwestern of lease agreements for space in the Office/Commercial Development Component, arrangements for enclosed pedestrian access from the 1928 Building and Hotel to the Abbott-Northwestern Hospital, and other agreements related to the project, all on terms acceptable to Ryan.
- (h) Completion of all documentation among the Assigned Developers for development of the project, including any common interest community documents, easements and operating agreements, development and construction agreements, and other documents required by Ryan to proceed with the project.
- (i) Ryan approval of all public and private financing required for the project, including the arrangements for City participation in financing construction of the Parking Development Component and the final grant funding for environmental cleanup costs.
- (j) Completion of all arrangements for removal of the 1964 Building, including agreements for termination of easements and

construction of such improvements as are necessary in connection therewith on terms acceptable to Ryan.

The contingencies set forth above are intended for the benefit of Ryan, and may be insisted upon or waived by Ryan in its sole discretion.

11. CITY CONTINGENCIES.

City's obligation under the redevelopment agreement to close on the conveyance of the Site shall be subject to satisfaction or waiver of the following contingencies by no later than the Closing Date:

- (a) Ryan is 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 an event of default.
- (b) City's CPED director has approved the schematic plans and scope documents for each component of the Minimum Improvements, including the Transit Hub Development Component and the connections to the Midtown Greenway. If Ryan elects to do the Global Marketplace Development Component, the For-Sale Housing Development Component on the Liner Parcel and/or the Service Center Development Component as a second phase as set forth in Section 13, the City will waive this contingency with respect to those components until the commencement of such second phase.
- (c) Financing for each component is committed and, consistent with Section 13, all conditions to the initial disbursement of any loans have been satisfied other than those conditions that may be satisfied only upon consummation of the conveyance, customary construction disbursing conditions and other conditions reasonably acceptable to City's CPED director. If Ryan elects to do the Global Marketplace Development Component, the For-Sale Housing Development Component on the Liner Parcel and/or the Service Center Development Component as a second phase as set forth in Section 13, the City will waive this contingency with respect to those components until the commencement of such second phase.
- (d) City's CPED director has received and approved (i) a registered land survey, certified by a duly licensed or registered land surveyor, and/or a condominium plat, depicting the Site and showing the vertical and horizontal division or subdivision thereof into the component parcels so as to permit the separate financing and construction of the components, and (ii) necessary reciprocal easement and operating agreements and/or declaration, bylaws and other common interest community documents.

- (e) Ryan has entered into agreements reasonably acceptable to City's CPED director providing for assignment of the component development rights to, and an assumption of obligations of Ryan under the redevelopment agreement by, the Assigned Developers.
- (f) Ryan has obtained all zoning, site plan, PUD, street vacation, utility relocation, variances, permits and any other approvals from City and other regulatory agencies necessary to develop the Site in accordance with the construction plans.
- (g) Proof of worker's compensation, builder's risk and commercial general liability insurance, naming City as additional insured, as its interest may appear, and such other insurance as may be reasonable and customary.
- (h) Copies of requisite organizational documents, resolutions and opinions from Ryan and each Assigned Developer.
- (i) City has received evidence that approved affirmative action plans are in effect and that SUBP, prevailing wage, apprenticeship and similar construction requirements will be met.
- (j) City has received evidence that the Job Linkage, Living Wage/BSA, if applicable, Labor Peace and similar City requirements will be met.

The conditions set forth above are intended for the benefit of City, and may be insisted upon or waived by City's CPED director in his sole discretion.

12. CLOSING.

The City will convey the Site to Ryan within 10 days after satisfaction of the City conditions to closing. Closing shall occur by July 1, 2004, or such other date as is mutually agreed upon by the parties; provided, however, that in no event shall the closing occur later than September 1, 2004. Ryan has proposed that at or after Closing the Assigned Developers shall be assigned and shall assume all of the respective rights, duties and obligations with respect to their respective components of the project. Ryan shall remain responsible for each of the components unless and until such time, either at or after Closing, as an Assigned Developer has a written assignment and assumption agreement with the City concerning such component. Upon such assignment and assumption, Ryan shall have no further obligation or responsibility for the component, subject to any completion of construction obligations that may be imposed as part of the final redevelopment and/or financing agreements. In order to facilitate the transfer of title to certain components of the project to the Assigned Developers, Ryan intends to complete a registered land survey vertically subdividing the Site prior to Closing. If completed, the City at Closing will enter into the plats and the necessary common interest community documents and easement and operating agreements delineating the various components of the project and deed its

interest directly to the Assigned Developers that have been approved by the City's CPED director as provided in Section 7. Ryan will also have the right to cure any defaults by an Assigned Developer, coupled with a security interest in such component as will enable Ryan or an affiliate of Ryan to acquire the interest of the Assigned Developer in such component upon any such default.

13. CONSTRUCTION COMMENCEMENT/COMPLETION.

Ryan or the Assigned Developers must commence construction by the Start Dates provided in Section 7; provided, however, that Ryan may delay the Start Date for the Global Marketplace Development Component, the For-Sale Housing Development Component on the Liner Parcel and/or the Service Center Development Component until December 31, 2005 in the event that Ryan decides to do any or all of such components as a second phase. Subject to unavoidable delays, Ryan or the Assigned Developers must substantially complete construction of each component by the Completion Dates provided in Section 7 and of the entire project by December 31, 2006. The City will retain reversionary rights on each separate component, but such reversionary rights will be subject to the right of Ryan and the lenders on that component to cure a default by the Assigned Developer and take over such component. Reversion of any component will not affect the right, title and interest of the owners and tenants of the other components and their lenders.

14. PUBLIC FINANCING.

Ryan anticipates that the City will make the following types of public funds available with respect to various components of the project. The City has not yet committed these funds, but will review and underwrite financing applications from Ryan and/or Assigned Developers in accordance with applicable policies and procedures. As noted above, Ryan's obligation to close and construct the project is contingent upon its approval of project financing.

(a) TIF. The entire project is expected to generate net tax increment of approximately \$1,600,000 per year upon project completion. The City may use this revenue stream to finance eligible project costs. Subject to normal underwriting criteria, the parties currently anticipate issuance of pay-as-you-go TIF notes or TIF revenue bonds as follows:

- (i) Office/Commercial Development Component—Ryan has requested a pay-as-you-go TIF note sufficient to provide net financial assistance in an amount currently estimated to be \$8,800,000 to this project component. This note will be solely supported by available tax increment generated from the Allina portion of the component (including any associated parking).
- (ii) Rental Housing Development Component—Sherman has requested a pay-as-you-go TIF note sufficient to provide net

financial assistance in an amount currently estimated to be \$3,035,000 (based upon 221 units) to this project component. The note will be solely supported by available tax increment generated from this component.

- (iii) For-Sale Housing Development Component in the 1928 Building—Sherman/Lander has requested TIF-supported revenue bonds or notes sufficient to provide net financial assistance in an amount currently estimated to be \$1,465,000 (based upon 82 units) to this project component. The bonds or notes will be solely supported by available tax increment generated from this component.
- (iv) Parking Development Component—Ryan has requested a pay-as-you-go TIF note sufficient to provide net financial assistance in an amount currently estimated to be \$2,963,000 to this project component. The note will be solely supported by available tax increment generated from every project component not already identified above, including the 1010 Building parcel(s) but not including the Swenson, Johnson and Boosalis parcels (which are in the TIF district but not part of the project or Site). This note will be subordinate to a pledge of the same tax increment to repayment of the HUD Section 108 loan.

Prior to closing, CPED staff will ask the City Council to approve a modification of the TIF and redevelopment plans, accept special legislation, if any, clarifying the duration of the TIF district, cap the administrative fee at 5%, approve recapture terms, and authorize the issuance of the pay-as-you-go TIF notes or TIF revenue bonds. The principal amounts, interest rates, maturity dates and other terms of the notes and bonds will be established at that time.

- (b) **HUD 108 Loan/EDI Grant.** The City has requested HUD approval of a Section 108 loan to the City in the amount of \$6,500,000 and an EDI grant to the City in the amount of \$2,000,000. The Section 108 loan would have a maximum term of 20 years and a variable interest rate as determined by HUD (currently equal to the 3-month LIBOR interest rate plus 0.2%). If received, the City will loan or grant the HUD funds to Ryan to partially finance the privately-owned parking ramp. As noted above, the City intends to repay the Section 108 loan with tax increment generated by certain project components. In addition, the City will require Ryan to guaranty any debt service shortfalls on the Section 108 loan. Upon HUD approval, CPED staff will ask the City Council to authorize the Section 108 loan, EDI grant and subrecipient agreements with HUD and Ryan.
- (c) **AHTF, NRP, EZ.** The City is considering loans of up to \$4,250,000 from the City's Affordable Housing Trust Fund, NRP and EZ for the Rental Housing Development Component. CPED staff will return to the City

Council in May 2004 with the AHTF funding recommendations and request authorization to make one or more loans. Sherman will be required to apply for additional AHTF, NRP and EZ funds equal to the difference between the May AHTF award and \$4,250,000 in future rounds.

- (d) **Housing Gap.** Due to the accelerated project schedule, the housing components in the 1928 Building may require an interim standby line of credit of up to \$11,550,000 to cover potential timing and/or funding gaps at closing of approximately \$13,400,000. Sherman and Sherman/Lander are expected to close by September 1, 2004. The initial amount will be reduced by any awards from the City's AHTF, EZ, or NRP programs, as described in item (c) above, and from any other soft lenders such as MHFA, FHF, FHLB and Hennepin County that are committed prior to closing. Further, Sherman and Sherman/Lander would be allowed to draw on the line of credit only as the last funds disbursed for each component, 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. CPED staff must negotiate the terms of this financing with Sherman, Sherman/Lander and their lenders and will return to the City Council prior to closing for specific authorization.
- (e) **Housing Revenue Bonds.** Sherman intends to apply to the City for an allocation of housing revenue bonds, which includes an automatic 4% low-income-housing tax credit allocation, of approximately \$21,000,000. Upon receipt and evaluation of the application, CPED staff will return to the City Council with recommendations regarding preliminary and final approval of the bonds prior to closing.
- (f) **Parking Ramp Loan.** Ryan has asked the City for a loan of up to \$1,100,000, sourced from the Leveraged Opportunity Fund, to cover any demonstrated funding gap in the parking ramp. This would be a non-amortizing loan bearing interest at a rate equal to the City's cost of funds with a term of 30 years and payable solely from tax increment generated by the Swenson, Johnson and Boosalis parcels, if any, and a portion of net income from the Parking Development Component (which portion is to be negotiated between Ryan and the City). CPED staff will return to the City Council prior to closing with a request for authorization to make the described loan.
- (g) **Environmental Grants.** The City Council recently approved applications to the Metropolitan Council and Hennepin County for environmental grants of \$250,000 and \$750,000, respectively, for the project. The Metropolitan Council is expected to make its funding decisions on June 9 and Hennepin County is expected to make its funding decisions on June 29. Prior to closing, CPED staff will ask the City Council to accept the awards or anticipated awards and authorize the requisite grant and subrecipient agreements with the funders and Ryan. The City has also requested state

bonding bill funds for environmental remediation of the project and may apply to DEED and Hennepin County for low-interest loans to Ryan of up to \$700,000 if necessary. CPED staff will return to the City Council for appropriate authorizations to pursue either funding source or any other funding sources. See also “Environmental Conditions” below.

(h) DEED Grant. A grant of \$433,334 from DEED for the parking ramp.

15. ENVIRONMENTAL CONDITIONS.

The City has a Metropolitan Council TBRA grant with a remaining balance of approximately \$365,000. The City has agreed to make \$126,355 available from such grant to cover certain environmental testing costs. Upon City Council approval of this Amended and Restated Term Sheet, the City will make the rest of the TBRA grant available to Ryan for further environmental testing and clean up of the Site. The environmental costs were initially estimated to be between \$1,800,000 and \$2,600,000, but recent testing suggests that there may be additional costs. The City will apply for the additional grants and loans described in Section 14(g) above to cover environmental costs in excess of the \$365,000 TBRA Grant. Ryan (or the Assigned Developers) will be responsible for the environmental costs for which outside grants and loans are not available.

16. HEALTH CAREERS INSTITUTE.

If the state awards bonding bill money to the City for the Health Careers Institute, Ryan and the City will negotiate, in good faith, the acquisition and financing arrangements necessary to facilitate the move of the Health Careers Institute to the project.

17. PROJECT COLLATERAL AND PERFORMANCE SECURITY.

A right of reversion for each component will be contained in the City deed, subordinated to project financing consistent with Minnesota Statutes, section 469.028. The appropriate collateral and other requirements for any City funding will be separately negotiated and documented as part of such financing transactions.

18. EMPLOYMENT AND CONTRACTING GOALS.

The parties have agreed upon the following goals for the project:

- Construction Trades (Workforce): Women - 5%; skilled minorities – 15%; unskilled minorities – 20%
- SUBP: MBEs – 12%; WBEs – 11%

- Pre-apprenticeships (Step-up): 5% of on-site construction worker-hours (estimated to be 45,000 construction worker-hours)

19. COMPLIANCE WITH CITY DEVELOPMENT REQUIREMENTS.

The redevelopment agreement will contain standard City provisions, including but not limited to the following:

- Construction plans and specifications approval by City's CPED director
- CPED director approval of any material construction plan changes
- Insurance certificates
- Indemnity and hold harmless to City
- Payment and performance bonds, provided Ryan (and any Assigned Developers) may request waiver for certain non-federally funded components, which City's CPED director may grant or deny based upon the criteria set forth in section 422.180, Minneapolis Code of Ordinances; provided further the City will at Ryan's (or an Assigned Developer's) request attempt to obtain waiver by HUD of bonding requirements if and to the extent bonding requirements are applicable to project components by reason of HUD funding, based upon adequate protection of HUD's interests through assurances other than bonding (e.g., corporate guaranty of completion).
- Pre-bidding conference for Ryan, contractors, and City
- City construction contracting requirements, including affirmative action, prevailing wage, apprenticeship, small and underutilized business enterprise program as such employment goals are outlined in Section 18 herein.
- City employment programs
 - * Job Linkage Program
 - * Living Wage/Business Subsidy Act Program, if applicable
- Developer of Hotel Development Component must agree to comply with the Labor Peace Policy
- Developers of the Rental Housing Development Component and both For-Sale Development Components must comply with applicable provisions of CPED's Affordable Housing Policy and

policies concerning developer fee limitations and profit sharing/recapture

- Remedies for Ryan (or Assigned Developer) defaults, including without limitation, any legal or equitable remedies which may appear necessary or desirable to collect payments or enforce performance or observance of the redevelopment and related agreements; provided, however, that upon assignment and assumption, each separately owned and financed component will not be subject to cross default provisions with other separately owned and financed components
- Competitive bidding to the extent required by federal, state or local laws, regulations or policies for project components assisted with federal or City funds. The City acknowledges that Ryan was selected through a competitive RFP process and will work in good faith with Ryan to develop a plan for procuring other contractors and subcontractors that comports with applicable procurement policies and procedures.

20. REMOVAL OF THE 1964 BUILDING.

Ryan intends to remove all of the 1964 Building from the Site, except the basement area located north of the Midtown Greenway (the "1964 Basement"). Ryan must coordinate its removal plans with the owner of the 1979 Building as provided in the REOA. The 1964 Basement will be preserved to provide support for the 1979 Building. Ryan will install the roof and roofing for the 1964 Basement, a façade for the party wall above the remaining portion of the 1964 and 1979 Buildings which will be architecturally consistent with the 1979 Building, and drainage control for the storm water drainage from the roof area over the 1964 Basement. Ryan will remove the columns supporting the 1964 Building in the Midtown Greenway, but, provided HCRRA consents and subject to applicable regulatory requirements, will not be required to remove such columns more than 2 feet below grade. Ryan will provide any equipment required to replace the existing service provided by boilers in the 1928 Building. Ryan will also make such connections to the steam/hot water piping and electric distribution system currently within the 1964 Building as will be necessary to remove the 1964 Building. Ryan's purchase of the Site will include all rights and interests in the existing generator and related equipment in the 1964 Building. Ryan may remove the existing generator and related equipment from the 1964 Building and install it in or about the 1928 Building. Ryan intends to convey the 1964 Basement and that part of the Site located north of the Midtown Greenway to the owner of the 1979 Building, subject to such easements and rights as may be appropriate for construction and maintenance of the bridge and enclosed walkway. Ryan does not expect to receive any sale proceeds from this transaction. Ryan and the owner of the 1979 Building will allocate responsibility for the costs of operating, maintaining, repairing and replacing the 1964

Basement, including such roof, roofing, facade, boilers and utilities. Ryan must also coordinate demolition of the 1964 Building with HCRRA's trail project and the City's bridge project in the immediate vicinity.

21. VACATION OF STREETS AND ALLEYS.

Ryan has applied for the vacation of certain alleys located within the Site, including the portion of the north-south alley in Block 4 of Allen and Anderson's Second Addition north of the north line of Lot 18 and the east-west alley or right-of-way easement lying north of Lot 20 in Block 4. If it is necessary to relocate the east-west alley and north-south alleys which lie to the east of the north-south public alley adjacent to Lot 18 to service or provide access to the buildings located southwesterly of the Site facing Chicago Avenue and East Lake Street, Ryan must create such rights before conveying any land to the Metropolitan Council or as necessary for other project development. The City will cooperate with Ryan in its vacation applications and will assist Ryan in obtaining vacation of any utility easements affecting the Site. The City's cooperation offered herein is not to be construed as granting any approvals of such vacation requests. The value of the land included in such streets, alleys and utility easements are included in the purchase price set out above.

22. REZONING.

Ryan will apply for the rezoning of the Site as may be necessary to develop and use the various components of the project. The City's CPED director will authorize Ryan to submit such applications and, through CPED staff, will cooperate with Ryan in its rezoning applications. The City's cooperation offered herein is not to be construed as granting any approvals of such rezoning requests. The purchase price for the Site will not be affected by the rezoning.

23. EAW/EIS/AUAR/TDM.

City and Ryan will cooperate on preparation of an Environmental Assessment Worksheet (EAW) and Transportation Demand Management (TDM) plan for the project. Based upon initial feedback from the City's planning division, Ryan does not anticipate that any Environmental Impact Statement (EIS) or Alternative Urban Areawide Review (AUAR) will be required.

24. APPROVAL PROCESS.

The City will cooperate with Ryan to facilitate all traffic management plans, necessary PUDs, conditional use permits, variances, amendments to overlay districts, site plan reviews and other zoning and governmental approvals. Ryan and the City will identify all City approvals required for the project, develop a schedule to address processing requirements for the various public approvals, and work together in assuring review of applications in a timely manner.

25. STREET AND SIDEWALK IMPROVEMENTS.

Ryan and the City acknowledge that the anticipated upgrades of Chicago Avenue and East Lake Street will affect the construction and use of the project. Ryan and the City, through the City Engineer, will attempt to coordinate the design and construction of the Chicago Avenue upgrade and will work together with Hennepin County on the design and construction of the East Lake Street upgrade to facilitate the construction and intended use of the Midtown Exchange project.

26. STREET AND LANE CLOSURES.

During the course of constructing and redeveloping the project, Ryan may close the parking lane on East Lake Street in front of the 1928 Building to facilitate construction in accordance with the City's policies for such lane closures, including payment of any fees. If Hennepin County intends to do reconstruction work on Lake Street during periods when construction of the project will be carried out, the City will try to assist Ryan in coordinating Lake Street reconstruction activity with the County to support availability of Lake Street for project construction.

27. HISTORIC DESIGNATION.

One of the existing buildings on the Site, namely the 1928 Building, has historic significance. Ryan anticipates that such building will be eligible for federal historic tax credits and such tax credits will be a key element in assuring the financial viability of the project. The City, through CPED staff, will cooperate with Ryan in obtaining all necessary governmental approvals as may be required for obtaining such tax credits. Further, Ryan with City assistance will negotiate a section 106 agreement with the State Historic Preservation Office, HUD and any other necessary parties to facilitate federal funding of the project, including the Transit Hub Development Component.

28. WELLS.

City will keep the existing wells on the Site in place through Closing and at its cost maintain the proper licenses and permits therefor. The City will provide a list of the licenses and permits to Ryan at Closing. Ryan will seal any wells not required for the project and assume responsibility for maintaining the others.

29. LEGAL EFFECT.

Except for the exclusive rights to negotiate a redevelopment agreement upon payment of the fee set out in Section 6 and the recognition by the City and Ryan of their intent to provide access to the Site and building and cooperate on various matters, this term sheet shall not be a binding legal agreement between the City and Ryan but merely serves as a basis for further negotiation of the

redevelopment agreement and other documents required for acquisition and development of the Site.

EXHIBIT A TO TERM SHEET

DESCRIPTION OF SITE

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.

EXHIBIT A-1 TO TERM SHEET
DESCRIPTION OF EAST PARCEL

Certificate Number 1098394.5(MCDA)

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.

EXHIBIT B TO TERM SHEET
LOCATION OF THE PROJECT

EXHIBIT C TO TERM SHEET
SOURCES AND USES OF FUNDS

**EXHIBIT D TO TERM SHEET
SITE AND VERTICAL PLANS**

Attachment 2 Predevelopment Timeline

Land Use Application Track

Date	Who Meets	What
5/17/2004	Public Hearing on PUD	Make recommendation on all planning and zoning issues
6/10/2004	City Council Zoning & Planning Committee	review planning commission recommendation
6/18/2004	Full City Council	Approve planning and zoning issues

TIF and Redevelopment Plan Modifications

Date	Who Meets	What
5/6/2004	Planning Commission-Committee of the whole@4:30	Review modifications
5/18/2004	City Council Community Development Committee	Set public hearing date
5/24/2004	City Council Ways and Means Committee	Review modifications
6/3/2004	City Council Development Finance Committee	Review modifications
6/7/2004	Planning Commission Meeting @4:30 pm	Review modifications
6/8/2004	City Council Public Hearing in Community Development Committee	Public Hearing on modifications
6/14/2004	City Council Ways and Means/Budget Committee	Approve Plan modifications
6/18/2004	Full City Council	Approve Plan modifications

Term Sheet, Redevelopment Agreement and Land Sale Approval Process

Date	Who Meets	What
5/4/2004	City Council Community Development Committee	Review Term Sheet Report
5/10/2004	City Council Ways and Means Committee	Review Term Sheet Report
5/14/2004	City Council	Approve Term Sheet
6/3/2004	City Council Development Finance Committee	Review Redevelopment Agreement

LATEST
17-Jun

6/8/2004	City Council Public Hearing on LAND SALE in Community Development Committee	Review Redevelopment Agreement	22-Jun
6/14/2004	City Council Ways and Means/Budget Committee	Review Redevelopment Agreement	28-Jun
6/18/2004	Full City Council	Approve Redevelopment Agreement	2-Jul

Contamination Cleanup Funding Approval

Date	Who Meets	What
5/3/2004	Staff	Submit applications to Met Council and Hennepin County
6/7/2004	Met. Council CD COmmittee	Review TBRA request
6/9/2004	Met. Council	Approve funding request
6/15/2004	Hennepin county staff	Staff report to Board
6/22/2004	County CD Committee	Review and recommend request
6/29/2004	Hennepin County Board	Approve funding request

Housing Grants & Loans Approval Process

Date	Who Meets	What
<u>Affordable Housing Trust Fund:</u>		
5/6/2004	CPED Staff	Development Finance Committee and City Council reports due
5/13/2004	Development Finance Committee	Review AHTF project funding decisions
5/18/2004	City Council Community Development Committee	Review AHTF project funding decisions
5/28/2004	City Council	Approve AHTF project funding

Housing Grants & Loans Approval Process

<u>Housing Revenue Bonds:</u>		
Date	Who Meets	What
5/3/2004	CPED Staff	Publish Public Hearing Notice on Preliminary Approval
5/6/2004	CPED Staff	City Council report due
5/18/2004	City Council Community Development Committee	Public Hearing on Preliminary Approval Resolution

5/28/2004	City Council	Approve Preliminary Housing Revenue Bond Resolution
TBD	Sherman Associates/CPED Staff	Draft Final Closing Documents
TBD	CPED Staff	City Council report due
TBD	City Council Community Development Committee	Review Final Housing Revenue Bond Resolution
TBD	City Council	Approve Final Housing Revenue Bond Resolution
TBD	CPED Staff	Final Resolution & Closing Documents to Finance Officer
TBD	Sherman Associates/CPED Staff	Housing Revenue Bond Closing
TBD	CPED Staff	Final Resolution & Closing Documents to Finance Officer
TBD	Sherman Associates/CPED Staff	Housing Revenue Bond Closing

** Note: Housing Revenue Bond Schedule dependent on when Sherman Associates submits application.

Attachment 3 Chicago-Lake Redevelopment District Guidelines

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 former 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.

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) post project 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.

Guideline Five: 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.

