

Originator  
Port Authority

Item  
**Mall of America Master Redevelopment Contract**

Date  
6/29/2015

## Description

### Background

The City and Port Authority (hereafter for simplicity the “City”) have executed multiple redevelopment contracts with various Mall of America (MOA) entities starting in the mid-1980s for the original phase of MOA. The 1988 Restated Contract (Contract) was the “master” document that outlined the rights and responsibilities of the parties for the construction of the mall. It has since been amended a number of times, most recently to accommodate the construction of Radisson Blu and Phase 1C. These recent modifications update the Contract with economic development safeguards such as the Needs Analysis and Recapture Agreements, but are generally considered one-off deals – or modifications of the original Contract specific to each sub-phase of the project. The one-off amendments do not specifically incorporate the 2013 legislation revenue stream (Fiscal Disparities TIF or FD-TIF), nor do they raise the public investment ratio from the original 1988 formula limits. The preceding two items are key provisions sought by Triple 5, the owners of the MOA.

### Discussion

Staff has been working with Triple 5 staff to outline the terms for a new master Contract that would set the stage for future phases of MOA. The Contract would not address a specific development phase, but would be an outline for future phases – setting the ground rules for the negotiations of the terms and documents necessary for each subsequent phase.

The purpose of the meeting with the City Council and Port Authority Board is to review history (see attachment), discuss contract terms and get feedback, which will be used as Staff negotiates terms for a new Contract. Staff recommends the following principles and objectives while considering specific Contract negotiations items.

#### City and Port Overarching Principles

1. Prudently invest public funds to help transform South Loop ahead of market timelines
  - a. Transition the built character from suburban to urban by promoting high-density, mixed-use, with heterogeneous building forms
  - b. Increase the City’s total tax base, keeping taxes stable by spreading City service costs over a variety of property types
  - c. Create a new neighborhood providing additional living and recreation options for residents and employment options for the region
  - d. Expand the South Loop’s function as an international destination
  - e. Increase sustainability by using infrastructure more efficiently and sharing resources
  - f. Invest in placemaking to establish the South Loop as a distinctive destination and foster the creative sector
  - g. Prepare for changes to development form and function due to technology (e.g., driverless cars)

#### MOA Master Contract Objectives

1. City Public Investment:
  - a. Shall not get ahead of Private Investment
  - b. Shall be based on a Formula or Ratio
  - c. Shall be used only to the extent that public resources are available based on conservative financial projections/modeling
  - d. Shall be only for defined Public Improvements
  - e. Will be protected by needs analysis and recapture of above-market profits
2. Ensure long-term viability of MOA <sup>1</sup>
3. Protect the City’s discretion on the use of Public Funds

<sup>1</sup> MOA is approximately 10.8% of City’s tax capacity and largest employment cluster

4. MOA shall recognize its financial partnership with the City by promptly and openly communicating to the City all important financial and operational changes
5. MOA should continue to reinvest and maintain the MOA and related Public Improvements

The key contract items and questions that will be presented for discussion at the meeting are:

- Public Investment Ratio – Should the City modify/raise the existing cumulative public investment ratio maximum for future phases?
  - Discussion: The existing 1988 Contract ratio ranges from 2 to 10%, which may be insufficient to leverage the development density sought in the South Loop Plan and approved MOA Final Development Plan. The ratio calculation could also be simplified to be consistent with other developments in the City by dividing the public investment by the private investment, versus the method used in the existing Contract which divides the public over the total of the public and private costs.
- Public Investment Fund – Should the City contractually obligate FD-TIF (from 2013 legislation) in the Contract, adding limitations beyond those that exist in law currently?
  - Discussion: This is an important issue that has ramifications on how FD-TIF can be spent.
- Needs Analysis and Recapture Agreements – Should the new Contract include these safeguards on public investment?
  - Discussion: Needs analysis and recapture are important tools to protect public investment. Many governmental entities use these tools. The City has used these tools on recent HRA and Port Authority development deals.
- ARBL Consent – Should MOA have consent rights before the City could enact the circa 2008/2010 sales and use taxes (Alternate Revenue sources By Legislation)?
  - Discussion: Based on the most recent projections from MOA, revenue derived from TIF and FD-TIF is sufficient to fund public investment for future MOA phases, and therefore ARBL revenue is not needed.
- Minimum Assessment Agreements – Should the City require agreements setting a minimum tax value for each subsequent phase?
  - Discussion: Minimum Assessment Agreements are implemented to secure revenue streams for redevelopment projects when public borrowing is a component of the financing. In the case of recent MOA projects, the City has been able to use existing cash balances to fund public investment. In the future this may or may not be the case, depending timing and the ultimate size of the development. The City could require these agreements only if public improvements associated with a project were financed with borrowing.
- Future Phases beyond the Met Center and Met Stadium Sites – Should the new Contract specifically include reference to project sites and funding entitlements for phases that may be located outside the original MOA sites (e.g., the Adjoining Lands to the East of MOA or other adjacent sites)?
  - Discussion: The MOA plans to develop the Adjoining Lands (East of MOA) and could be involved in other nearby sites. While TIF and FD-TIF funds can legally be used on those sites, a plan for those projects has not been submitted. Public assistance for other sites could be considered on a case-by-case basis when a proposal and a development plan are received.
- MOA Signatory to Agreements – Should the City require a Triple 5 entity with substantial assets to sign development agreements, or allow redevelopment-focused LLCs to execute agreements?
  - Discussion: MOAC Mall LLC is the entity that owns the MOA Phase 1 building and the majority of the revenue from the project. Separating business entities into various LLCs is a tool many companies use to reduce liability. From the City's perspective, having a contract with a valuable entity is preferred to having a contract with a smaller LLC.

Staff will present additional detail on the items above for discussion during the meeting.

### Next Steps

Staff will use feedback from the boards to develop a proposed term sheet with Triple 5, to be brought to the boards for consideration at a future joint meeting. No formal action is required at this time.

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Requested Action

No action required at this time.

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Attachments:

Key Dates in MOA History