

|                              |  |
|------------------------------|--|
| Originator<br>Port Authority | Item<br><b>Mall of America Master Contract</b> |
| Agenda Section               | Date<br>9/1/2015                               |

Description

## Background

The City and Port Authority (hereafter for simplicity the “City”) have executed multiple redevelopment contracts with several Mall of America (MOA) entities starting in the mid-1980s with the original phase of MOA. (The original contracting entity, Mall of America Companies, has morphed into various LLCs such as MOAC Mall, MOAC Land, North Pad Development, and others.) The 1988 Restated Contract was the ‘master’ document that outlined the rights and responsibilities of the parties for construction of the mall. It has since been amended a number of times, most recently to address the construction of Radisson Blu, with Amendment V and it was replaced by the 2012 Master Redevelopment Contract in advance of Phase 1C (collectively “Master Contract”). In addition to revisions to the Master Contract, there are project-specific Redevelopment Agreements and other ancillary agreements between the parties to address the manner in which each sub-phase is constructed and funded. The recent modifications update the Master Contract with economic development safeguards such as the Needs Analysis and Recapture Agreements.

Neither Amendment V nor the 2012 Master Redevelopment Contract specifically incorporate the 2013 legislation revenue stream (Fiscal Disparities TIF or “FD-TIF”), and only temporarily raise the public investment ratio from the original 1988 formula limits for the specific project. The public investment ratio for each sub-phase have generally been one-off deals, or modifications of the original Master Contract funding ratio specific to each sub-phase of the project. After the sub-phase is completed, the funding level reverts to the original formula, which currently is within the range of 2 – 10% of the total project costs, much lower than that being requested by MOA currently. For reference, Radisson Blu and Phase 1C were financed with not to exceed ratios of 13% and 14% respectively.

Incorporating provisions specific to FD-TIF so as to give their project some level of exclusivity of use over this funding source and increasing the public investment ratio are two key provisions sought by Triple 5, the owners of the MOA.

## Principles and Objectives

On June 29, 2015, Staff reviewed principles and objectives from the South Loop District Plan and those discussed in prior years related to the MOA Contract. They have been revised based on the comments received from the boards and are provided for further review here.

### City and Port Overarching Goals for Public Investment in South Loop

1. Prudently invest public funds to help transform South Loop to meet the City’s vision ahead of market timelines
2. Transition the South Loop’s built character from suburban to urban by promoting high-density, mixed-use development, with heterogeneous building forms
3. Increase and broaden the City’s total tax base, keeping taxes stable by spreading City service costs over a variety of property types
4. Create a new neighborhood providing additional living and recreational options for residents
5. Promote a positive development environment so that private industry can add jobs and employment options to the City

6. Increase exposure and awareness of South Loop to promote development activity
7. Increase sustainability by using infrastructure more efficiently and sharing resources
8. Invest in placemaking to foster the creative sector and establish the South Loop as a distinctive destination beyond the MOA
9. Prepare for changes to development form and function due to technology (e.g., driverless cars)

### **MOA Master Contract Objectives**

1. Make prudent public investments that are:
  - a. Based on a formula or ratio
  - b. Not ahead of private investment
  - c. Used only to the extent that public resources are available based on conservative financial projections/modeling
  - d. Only for defined Public Improvements
  - e. Protected by needs analysis and recapture of above-market profits
2. Support long-term viability of MOA
3. Protect the City's discretion on the use of public funds
4. Ensure that MOA acknowledge its financial relationship with the City by promptly and openly communicating to the City all important financial and operational changes
5. Monitor the MOA's investment and maintenance of public improvements and internal MOA features

### **Discussion**

The agenda materials from June 29 outlined a number of the key contract negotiation items (agenda item attached for convenience). One particular item has been the subject of much discussion, and deserves attention. This is the issue of how the Public Investment Fund (PIF) would be defined in an amended Master Contract, and how and where the PIF is used. The PIF is the money that the City uses to fund public improvements for the project such as parking ramps, roads and utilities. In the past, this has been a combination of traditional TIF generated from the two sites (Met Center and Met Stadium) and the South Loop Development Fund. With the 2013 legislation, FD-TIF will be the primary funding source for public improvements moving forward. FD-TIF is generated (through a complex algorithm) by recalculating the Fiscal Disparities property tax base from the Met Center and Met Stadium sites, and will generate approximately \$240 million for the PIF until the legislation terminates its generation in 2034. The 2013 legislation requires FD-TIF to be governed by the same 'rules' as traditional TIF, which means (among other things) that the funds have to be spent in Industrial Development District 1 (which is coterminous with the South Loop District). Legislation does not get into the minutia of how exactly the funds are to be used. That is the purview of the City (as long as the other TIF statutes and rules are followed of course).

Legislative discussions in 2013 were focused around MOA expansion, and the legislation was passed giving relatively broad authority to the City. MOA expansion could occur on the Met Center and Met Stadium sites, or on the Adjoining Lands to the east of MOA (which Triple 5 now owns, but which lies outside of the Project Property to which the Master Contract applies), or on other sites in South Loop. Whether all of the FD-TIF could be used for development of the Met Center and Met Stadium sites is a function of what the public investment ratio is. If the ratio is high (more public investment), all of the FD-TIF could be used directly supporting those sites, and if it is low other sites could be funded.

There are a range of options to address the PIF, some of which are not supported by MOA.

### **Option 1**

Define FD-TIF within the PIF to be used exclusively on infrastructure supporting only the Met Center and Met Stadium sites. These sites would be the core MOA expansion sites.

- MOA prefers this option.
- Note that in this option, spending the money from the PIF requires mutual agreement by both the City and MOA.

### **Option 2a**

Define a portion or percentage of the FD-TIF to be exclusive to the PIF to be used on infrastructure supporting only the Met Center and Met Stadium sites.

- That percentage not within the PIF could be used on projects at the City's discretion.

### **Option 2b**

Define a portion or percentage of the FD-TIF to be exclusive to the PIF to be used on infrastructure supporting only the Met Center and Met Stadium sites.

- For this option, the percentage could be those administration costs not used by the City.
- Administration costs are traditionally 10%, so this would be a 90/10 split option – with the 10% being reduced by staff costs.

### **Option 3**

Do not define FD-TIF within the PIF, and seek one-off agreements with MOA for future phases.

- This option is not supported by MOA.

### **Meeting Format and Next Steps**

Staff will present the principles and objectives and options for discussion at the meeting. The MOA will also present their perspective.

---

Requested Action

Council and Port Authority will discuss objectives and options presented.

---

Attachments:

June 29 MOA Port Authority Item