

Originator Community Development	Item Alpha Business Center - Amendment #2 to Purchase and Redevelopment Contract
Agenda Section CONSENT BUSINESS	Date 5/5/2014

Description

The South Loop District Plan describes Lindau Lane as a pedestrian oriented development spine connecting two signature developments in the South Loop District—the Mall of America and McGough’s Bloomington Central Station. In May 2010, the City acquired the Alpha Business Center parcels to obtain rights-of-way to extend Lindau Lane from 24th Avenue to 30th Avenue and to use the remainder parcels for redevelopment. Construction of Lindau Lane will be substantially complete in 2015 leaving two vacant parcels adjacent to 24th Avenue and the Mall of America. The City transferred these parcels to the Port to market and sell; the remaining Alpha 5 parcel plus the Interstate Diesel parcels will be available for redevelopment in 2017 or 2018 (see enclosed map). Parcel A is approximately 2 acres on the north side of the new “Lindau Link.” Parcel B is approximately 4.5 acres on the south side of Lindau Link.

An RFQ process managed by Port Authority staff culminated in the selection Terratron Inc. as the developer for a hotel on the Alpha A site. A Purchase and Redevelopment Agreement (PRA) was executed for Alpha A on August 19, 2013. The PRA required an Easement and Maintenance Agreement between the developer and the city for an on-site public plaza. An amendment to the PRA was approved by the Council and Port Authority (in February and March 2014 respectively) to reflect the current closing schedule and additional details of the public plaza. A second amendment to the PRA is now desired to allow the developer to utilize the Alpha A property in a 1031 Improvement Exchange.

A 1031 Improvement Exchange allows a property owner to defer capital gains taxes on one sold property if that same property owner invests the proceeds of the sale into a like-kind second asset. In this case, the developer intends to sell a development in Mankato and purchase the Alpha A property to be improved with the Alpha A hotel. Allowing the developer to do this 1031 Exchange does not change any of the deal points of the PRA. But, since the 1031 process requires that the property be temporarily held by a Qualified Intermediary that is not affiliated with the developer, the PRA needed to be modified to allow this. To avoid any additional City/Port risk, the developer is providing the City/Port with a personal guarantee for the PRA. The developer’s assets have been reviewed by the City’s and Port’s consultant, Springsted Inc., to ensure that the personal guaranty is sufficient.

Requested Action

Staff recommends that the City Council approve the attached resolution for Amendment #2 to the Purchase and Redevelopment Agreement (including the Personal Guaranty) for the Alpha A parcel substantially in the form attached.

Attachments:

- CC Resolution
- Parcel Map
- Amendment #2 to Purchase and Redevelopment Agreement