



**AGENDA
BOARD MEETING
MARCH 28, 2017 – 2:00 P.M.**

LOCATION: 380 St. Peter Street, Suite 850, Saint Paul, MN 55102

MINUTES

1. Approval of the Minutes from the February 28, 2017 Regular Board Meeting

CONFLICT OF INTEREST

NEW BUSINESS

CREDIT COMMITTEE

1. **Resolution No. 4595** **Public Hearing – Conveyance of Land** to City of Saint Paul, 600 Lafayette Road, Saint Paul, MN
2. **Resolution No. 4596** Acceptance of a \$3,000,000 Loan/Grant from the Kresge Foundation

GENERAL MATTERS

1. Such Other Business as May Come Before the Board

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MINUTES OF THE REGULAR BOARD MEETING
FEBRUARY 28, 2017**

The regular meeting of the Port Authority Board was held on February 28, 2017 at 2:02 p.m. in the Board Room of the Saint Paul Port Authority located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota.

The following Commissioners were present:

Harry Melander
Paul Williams

John Regal
Dai Thao

John Bennett
Dan Bostrom

Also present were the following:

Lee Krueger
Michael Linder

Laurie Hansen
Ann Kosel

Monte Hilleman
Sarah Savela

Keith Mensah

Ava Langston-Kenney

Dana Krueger

Eric Larson, General Counsel, City of Saint Paul

Tim Nelson, MPR

Fred Melo, Saint Paul Pioneer Press

APPROVAL OF MINUTES

Motion was made by Commissioner Regal, seconded by Commissioner Bostrom, to approve the minutes of the Board meeting held on January 24, 2017. The motion carried unanimously.

CONFLICT OF INTEREST

There were no conflicts with any of the items on the agenda.

NEW BUSINESS

ADMINISTRATIVE COMMITTEE

**RESOLUTION NO. 4593
FUND ALLOCATION**

Motion was made by Commissioner Regal to approve Resolution No. 4593 which was reviewed by the Administrative Committee and recommended for approval by the Board. The motion carried unanimously.

CREDIT COMMITTEE

RESOLUTION NO. 4594

PUBLIC HEARING – CONVEYANCE OF LAND TO REGIONS HOSPITAL

Motion was made by Commissioner Williams to approve Resolution No. 4594 which was reviewed by the Credit Committee and recommended for approval by the Board.

Commissioner Thao arrived at this point in the meeting.

At the request of Commissioner Bostrom, there was a brief discussion including, but not limited to, the location of said property, the terms of the conveyance, and the future use of the property.

Chair Melander stated that in accordance with Minnesota Law, the Port Authority is required to hold a public hearing regarding Resolution No. 4594, and declared the Public Hearing open. He asked if anyone in attendance wished to address the Board. No one came forward and, therefore, Chair Melander declared the Public Hearing closed and asked to take a roll call vote.

Chair Melander stated that a roll call vote is required under Chapter 469 and the Commissioners voted as follows:

Commissioner Regal	- aye	Commissioner Bennett	- aye
Commissioner Bostrom	- aye	Commissioner Williams	- aye
Commissioner Thao	- aye	Chair Melander	- aye

The motion carried unanimously.

GENERAL MATTERS

At the request of the Board, President Krueger gave a brief update on the progress at Treasure Island Center and the MLS site.

There being no further business, the meeting was adjourned at 2:17 p.m.

By: _____


Its: _____

/amk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Regular Meeting of March 28, 2017) **DATE:** March 22, 2017

FROM: Laurie J. Hansen 

SUBJECT: PUBIC HEARING - CONVEYANCE OF LAND
CITY OF SAINT PAUL, 600 LAFAYETTE ROAD, SAINT PAUL, MN
RESOLUTION NO. 4595

Action Requested:

Approval of the conveyance of the Public Safety Training Facility to the City of Saint Paul.

Background

Attached is a memo outlining the terms of the land conveyance transaction to the City of Saint Paul for the property located at 600 Lafayette Road, Saint Paul, Minnesota.

Recommendation

We recommend approval of the conveyance of the Public Safety Training Facility to the City of Saint Paul.

LJH:amk

Attachments

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
LAND CONVEYANCE TRANSACTION**

Action Requested: Approval of the conveyance of the Public Safety Training Facility to the City of Saint Paul

Development Officer: Laurie J. Hansen

Purchaser: City of Saint Paul

Purchaser Address: City of Saint Paul
15 Kellogg Boulevard West
Saint Paul, Minnesota 55102

Location of Property to be Conveyed: 600 Lafayette Road, Saint Paul, MN 55130
(PID 32.29.22.23.0053)
(PID 32.29.22.23.0022)
(PID 32.29.22.22.0130)

Conveyance Structure:

The Port Authority entered into a Project Management Agreement with the City of Saint Paul to build the Public Safety Training Facility at 600 Lafayette Road, St. Paul, MN. Funding for the project was provided by a loan from BMO Bank under a Loan Agreement between the Port Authority and BMO Bank. The loan proceeds funded the Port Authority's acquisition of the building site and have been funding the construction of the Public Safety Training Facility.

The Project Management Agreement and Loan Agreement require the City issue bonds in 2017 in an amount sufficient to pay off the bank loan and complete construction. The City will be selling those bonds on March 8 and closing in early April. Once the bank loan has been repaid, the City will take title to the building site, and the Port Authority will complete construction using the remaining bond proceeds.

Nature of Intended Use:

Police Public Safety Training Facility

Business Subsidy Agreement

None

Exception from Port's Development Goals/Covenants:

None

Development Officer's Comments:

We recommend approval of the conveyance of the Public Safety Training Facility to the City of Saint Paul.

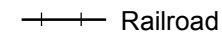
LJH:amk

Public Safety Training Facility

Legend



Site

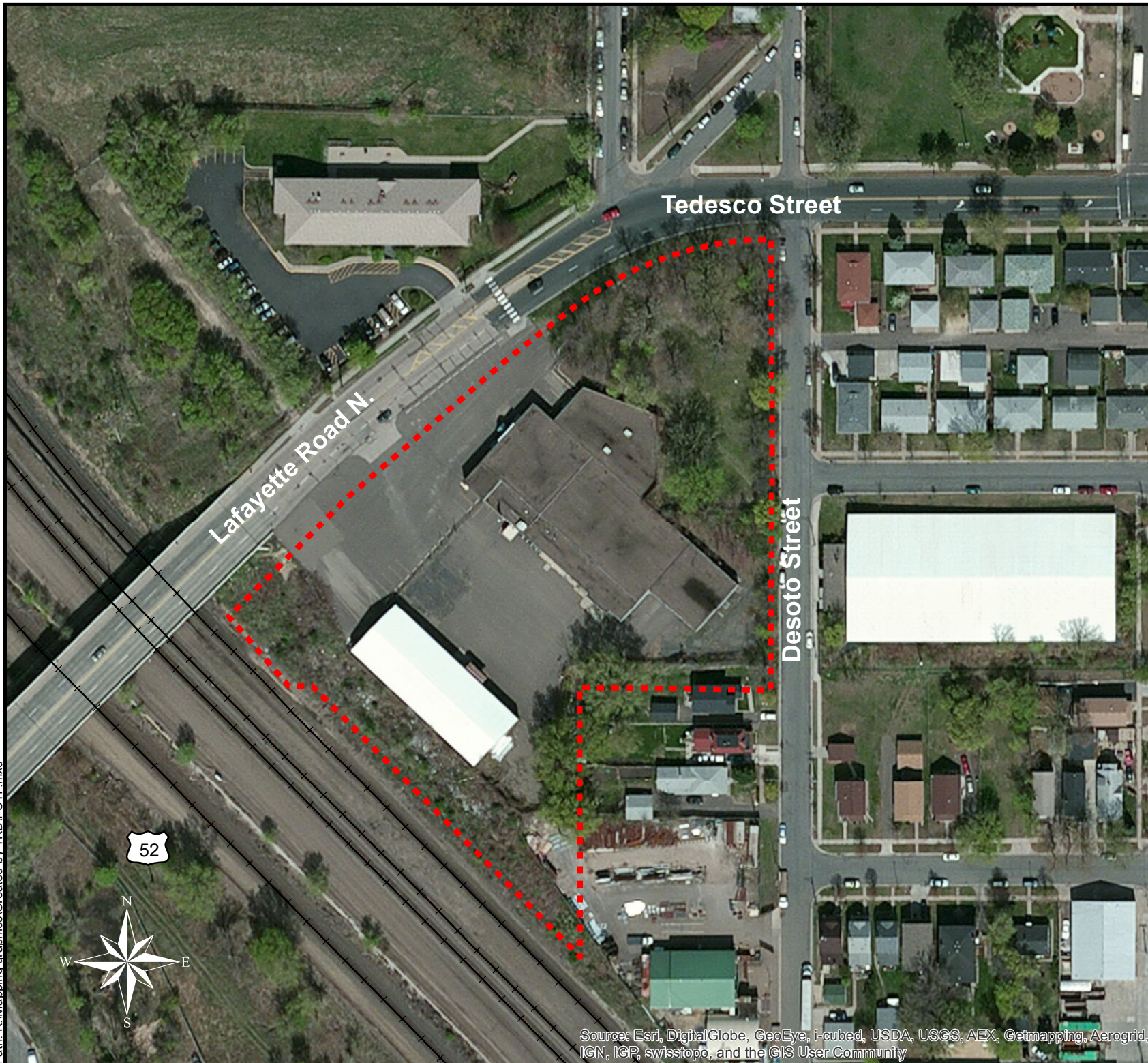


Railroad



380 St. Peter Street
Suite 850
St. Paul, MN 55102

www.sppa.com



Source: Esri, DigitalGlobe, GeoEye, i-cubed, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

**[CONVEYANCE OF LAND TO THE CITY OF SAINT PAUL
600 LAFAYETTE ROAD, SAINT PAUL, MINNESOTA]**

WHEREAS, the Port Authority of the City of Saint Paul ("Port Authority"), pursuant to Minnesota Statutes, Section 469.065, did place a notice, a copy of which with proof of publication is on file in the office of the Port Authority, of a public hearing on the proposed conveyance of land in a legal newspaper, said hearing to be held to determine whether it is in the best interests of the port district of Saint Paul and the people thereof and in furtherance of the general plan of port improvement and industrial development to grant the conveyance of land at 600 Lafayette Road in Saint Paul, Minnesota, to the City of Saint Paul (the "Property").

WHEREAS, the Port Authority did conduct a public hearing pursuant to said notice on Tuesday, March 28, 2017, at which hearing all taxpayers in the port district, both for and against the conveyance, were allowed to state their views.

WHEREAS, it is in the best interests of the port district and the people thereof, and in furtherance of the general plan of port improvement and industrial development, to approve the conveyance.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

1. That the Board of Commissioners of the Port Authority hereby finds, determines and declares that it is for the best interests of the port district and the people thereof to enter into said agreement to convey the land.
2. That the actions of the President of the Port Authority in causing public notice of the proposed conveyance, and in describing the terms and conditions of such conveyance, which have been available for inspection by the public at the office of the Port Authority from and after the publication of notice of hearing, are in all respects ratified and confirmed.
3. That the President of the Port Authority is hereby authorized and directed to complete and execute said agreement to convey, in substantially the form as is on file in the office of the Port Authority, and the proper Port Authority officers are hereby authorized and

directed to complete and execute all documents necessary to convey title in form as approved by counsel.

Adopted: March 28, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Regular Meeting of March 28, 2017)

DATE: March 23, 2017

FROM: Peter M. Klein 

SUBJECT: ACCEPTANCE OF A \$3,000,000 LOAN/GRANT FROM THE KRESGE
FOUNDATION
RESOLUTION NO. 4596

Action Requested:

Acceptance of a \$3,000,000 loan/grant from the Kresge Foundation to provide loans to organizations in low income communities so that they can invest in energy efficiency and renewable energy projects.

Public Purpose:

Organizations located within low income communities have had difficulty investing in energy savings projects. The loan/grant from the Kresge Foundation will allow the Port Authority of the City of Saint Paul to focus on these organizations to help them understand the positive cash flow that these investments can provide. These organizations will become more competitive and reduce their reliance on fossil fuels.

Background:

In April of last year, the Port Authority submitted a proposal to use the Kresge loan/grant funds in New Markets Tax Credit (NMTC) eligible areas in Minnesota. NMTC eligible areas are designated as areas of need and their boundaries are easily determined. As part of our submission, we also committed to lend to minority-led and women-led organizations. This is a new program for the Kresge Foundation, and the first that we have seen, to use endowment funds in this manner. Hundreds of organizations throughout the country expressed an interest in this new program and the Port Authority was one of the few selected.

Financial Analysis:

The Kresge Foundation requires that the loan/grant funds be returned to it in ten years. We intend to use the funds in a similar way to our Trillion BTU fund. The same underwriting criteria will be in place, PACE assessments will likely be used as collateral and the Credit Committee will need to approve all loans. Should there be a loss relating to one of these loans, Kresge is expecting the Port Authority to take that loss and return the full \$3,000,000 within ten years. We are working with the Minnesota Department of Commerce to see that Trillion BTU grant funds will cover any losses in the Kresge program. If Commerce does not approve the use of Trillion BTU to act as a loss reserve, then the Port Authority staff will reevaluate and, if the Port Authority staff elects to proceed, will bring the revised recommendation to the Board for reconsideration. However, Commerce has initially provided its approval subject to the U.S. Department of Energy's approval.

BOARD OF COMMISSIONERS

March 23, 2017

Page 2

Loans in the Kresge program will generally be for 10 years at 4.5%. Kresge will earn 2.5% and the Port Authority will earn 2.0% on these loans. Kresge will also compensate the Port Authority with a one-time payment of 5.0% of grant funds implemented. We will have 18 months to implement up to \$3,000,000 of these loans.

Recommendation:

We recommend the acceptance of the Kresge Foundation loan/grant in the amount of \$3,000,000.

Attachment

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

**[ACCEPTANCE OF A \$3,000,000 LOAN/
GRANT FROM THE KRESGE FOUNDATION]**

WHEREAS, the Port Authority of the City of Saint Paul is a public body corporate and politic and governmental subdivision organized pursuant to Chapter 469 of Minnesota Statutes; and

WHEREAS, under Minn. Stat. § 469.055, the Port Authority shall promote the general welfare of the port district, and of the port as a whole; promote the efficient, safe, and economical handling of the commerce; and, under Minn. Stat. §§ 469.048 to 469.061, the Port Authority has the powers and duties conferred upon all port authorities; and, under Minn. Stat. § 469.084, Subds. 1 to 15, the Port Authority has additional statutory duties and powers including powers related to recreational facilities and small business capital; and

WHEREAS, the Kresge Foundation recently created a new grant program focused on economic development stimulus in low-income communities; and, in April of 2016, the Port Authority submitted a proposal to the Kresge Foundation for loan/grant funds in New Markets Tax Credit (NMTC) eligible areas in Minnesota (NMTC eligible areas are designated as areas of need), and as part of the submission, the Port Authority committed to lend to minority-led and women-led organizations; and

WHEREAS, the Kresge Foundation has awarded the Port Authority up to \$3,000,000 as a loan under a ten-year program and up to \$150,000 as a grant.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

That subject to the Minnesota Department of Commerce's agreement that the Trillion BTU grant funds will serve as a loss reserve fund to cover any losses incurred in the Kresge grant/loan program with the Port Authority, the President or anyone acting under his direction is hereby authorized and directed to execute any and all necessary documents and undertake reasonable actions and steps to obtain and administer the Kresge Foundation loan/grant program with the Port Authority.

Adopted: March 28, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:


By _____
Its Secretary

CAPITAL CITY PROPERTIES

380 ST. PETER STREET
SUITE 850
SAINT PAUL, MN 55102

MEMORANDUM

TO: John Bennett, Lee Krueger, Harry Melander, **DATE:** March 23, 2017
Nneka Constantino, John Regal, Paul Williams
(Regular Meeting of Tuesday, March 28, 2017)

FROM: Laurie J. Hansen 

SUBJECT: **MEETING OF BOARD OF DIRECTORS
TUESDAY, MARCH 28, 2017 at 2:00 PM**

Capital City Properties Board President, John Bennett, is calling a meeting of the Board of Directors of Capital City Properties on Tuesday, March 28, 2017 at 2:00 p.m., in the Port Authority Board Room, 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102.

AGENDA

1. Approval of the Minutes from the October 25, 2016 Regular Meeting
2. Conflict of Interest
3. Resolution No. 122 – Approval of the 2017 Budget
4. Resolution No. 123 – Midway Shopping Center – Approval to Negotiate and Enter into a Joint Venture Agreement with Irgens and MUFC Investor, LLC
5. Such other Business as May Come Before the Board of Directors

cc: City Clerk
Press

**CAPITAL CITY PROPERTIES
MINUTES OF THE BOARD OF DIRECTORS MEETING
OCTOBER 25, 2016**

The meeting of the Capital City Properties Board of Directors was held on October 25, 2016 at 2:08 p.m. in the Board Room of the Saint Paul Port Authority located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota.

The following Board members were present:

John Bennet

Harry Melander

Paul Williams

John Regal

Lee Krueger

Also present were the following:

Laurie Hansen

Linda Williams

Dana Krueger

Andrea Novak

Councilmember Dai Thao, City of Saint Paul

Councilmember Dan Bostrom, City of Saint Paul

Eric Larson, General Counsel, City of Saint Paul

Zachary Synstegaard, University of St. Thomas

APPROVAL OF MINUTES

Director Regal made a motion, seconded by Director Williams, to approve the minutes of the September 27, 2016 Regular Board meeting. The motion carried unanimously.

CONFLICT OF INTEREST

There were no conflicts with any of the items on the agenda.

ELECTION OF OFFICERS

Director Regal made a motion, seconded by Director Krueger, to nominate the following Directors for the 2016/2017 officer positions effective November 1, 2016: John Bennett, President; Nneka Constantino, Vice President; Harry Melander, Secretary/Treasurer. The motion carried unanimously.

There being no further business, the meeting was adjourned at 2:10 p.m.

By: _____

Its: _____

CAPITAL CITY PROPERTIES

380 ST. PETER STREET
SUITE 850
SAINT PAUL, MN 55102

MEMORANDUM

TO: BOARD OF DIRECTORS
(Regular Meeting of March 28, 2017)

DATE: March 23, 2017

FROM: Bruce Kessel 

SUBJECT: 2017 BUDGET
RESOLUTION NO. 122

ACTION REQUESTED:

Approval of the 2017 overhead budget for Capital City Properties (CCP).

PROPOSAL:

Attached for your review is a comparison of the 2016 budget and the 2017 overhead budget for CCP.

CCP consolidated financial statements include the operating results of other activities such as the Capital City Parking Garage. The attached overhead budget includes costs not budgeted and approved by separate governing body / trustee. The proposed budget addresses the activities necessary to operate CCP.

RECOMMENDATION:

We recommend approval of the 2017 overhead budget for CCP.

/blk

Attachments

CAPITAL CITY PROPERTIES
COMPARISON OF OVERHEAD BUDGET - 2016 APPROVED TO 2017 PROPOSED

	2016 Budget	2017 Proposed	Variance
<u>Revenues:</u>			
Interest Income	\$ 140,000	\$ 125,000	\$ (15,000)
Interest on Loans	100,100	88,800	(11,300)
Lease payments	126,600	126,600	-
NMTC Loan Origination and Fee Income	358,000	358,000	- (1)
Joint Venture Income	460,000	357,500	(102,500) (2)
Total Income	1,184,700	1,055,900	(128,800)
<u>Expenses:</u>			
Commissioner Fees	2,000	2,000	-
Legal fees	75,000	75,000	-
Consulting fees - NMTC	50,000	50,000	- (3)
Insurance - D & O	34,500	38,000	(3,500)
Other	70,000	65,000	5,000
Interest Expense	16,100	14,100	2,000 (4)
Joint Venture costs	10,000	10,000	-
PA Reimbursable Expenses (Labor, etc.)	50,000	50,000	-
Total Expense	307,600	304,100	3,500
Cash Available before Port Authority Grant:	877,100	751,800	(125,300)
Grant to Port Authority to lessen the burden of government	(1,550,000)	(1,550,000)	-
Net Operating Income / (Loss)	(672,900)	(798,200)	(125,300)

NOTES:

- (1) Fee Income generated from NMTC loans.
- (2) Anticipated cash flow from operations from existing joint ventures.
- (3) Costs associated with establishing and maintaining the New Market Tax Credit program.
- (4) EPUC Chiller Trillion loan.

**RESOLUTION OF
CAPITAL CITY PROPERTIES**

[2017 BUDGET]

WHEREAS, staff has presented to the Board of Directors of Capital City Properties (“CCP”) a proposed overhead budget for 2017, with its recommendation for approval; and

WHEREAS, the Board of Directors of CCP has been given an opportunity to review and discuss that proposed budget.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Capital City Properties that the proposed 2017 overhead budget for CCP, which has been presented to the CCP Board at this meeting, is hereby approved.

Adopted: March 28, 2017

CAPITAL CITY PROPERTIES

By _____
Its President

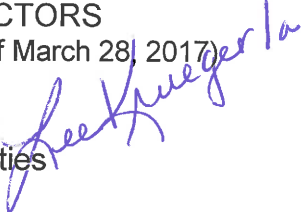
By _____
Its Secretary

CAPITAL CITY PROPERTIES

380 ST. PETER STREET
SUITE 850
SAINT PAUL, MN 55102

MEMORANDUM

TO: BOARD OF DIRECTORS
(Regular Meeting of March 28, 2017) **DATE:** March 23, 2017

FROM: Lee Krueger, CEO
Capital City Properties 

SUBJECT: MIDWAY SHOPPING CENTER
APPROVAL TO NEGOTIATE AND ENTER INTO A JOINT VENTURE
AGREEMENT WITH IRGENS AND MUFC INVESTOR, LLC
RESOLUTION NO.

Action Requested:

Approval for CCP to negotiate and enter into a three-party Joint Venture Operating Agreement with Irgens and MUFC Investor LLC, an entity created by the ownership of Minnesota's MLS Franchise (Team).

Proposal:

Attached is a report outlining the material terms, conditions and financial risks associated with this proposed joint venture opportunity.

Recommendation:

We recommend approval of this action.

LJK: amk

Attachment

MIDWAY SHOPPING CENTER SITE

OUTLINE OF PROPOSED JOINT VENTURE AGREEMENT

Action Requested: Approval for the Capital City Properties (CCP) to negotiate and enter into a three-party Joint Venture Operating Agreement with Irgens and MUFC Investor LLC, an entity created by the ownership of Minnesota's MLS Franchise (Team).

Development Officers: Lee Krueger, CCP
Chris Bowen, Irgens
Bill McGuire, Team

Proposed Partner: Irgens
MUFC Investor, LLC, (Team)

<u>Proposed Partners' Addresses:</u>	Irgens 833 East Michigan Street Suite 400 Milwaukee, WI 53202	MUFC Investor, LLC 4150 Olson Memorial Hwy Suite 300 Minneapolis, MN 55422
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Location of Property To be Developed: Approximately 15.6 acres of land adjacent to the "bus barn" site located on Snelling Avenue in Saint Paul's Midway Business District. Attached, as Exhibit A, is a map of the proposed site, which sets for parcel identifications based a present development concept.

Structure of JV: The template for the proposed JV Agreement (Agreement) will be based on CCP's prior joint venture agreements with other developers.

Operating Agreement: The key deal points are as follows:

1. Project Description

The project will consist of the existing Midway Shopping Center and the potential of outlot developments on the 15.6 acres currently owned by RK Midway. The development will likely be a mixed-use project in a commercial district. The buildings will most likely have tenants leasing space consisting of housing, retailers, restaurants, medical office, entertainment, and athletic facilities.

2. Legal Structure of Entity

CCP will enter into a Master Lease Agreement with the owner of the Shopping Center, thereby becoming, in effect, the Landlord. Under the Master Lease, the Port Authority has had a period of time to perform due diligence to determine the financial viability of the Master Lease arrangement and the potential cost of any environmental remediation required in connection with the redevelopment. Irgens and the Team will be required to guarantee the payment of any environmental remediation costs in excess of available grants. CCP will consult in good faith with the Team and

Irgens with respect to the decision to approve due diligence and move forward with the Master Lease, but such decision will be made by CCP alone after such good faith consultation. Assuming the Master Lease is not terminated, the Master Lease Agreement will then be assigned to Capital City Properties which would then assign the lease to the Joint Venture.

The JV will take the form of a limited liability company (LLC) formed under Minnesota law. The members of the LLC will be (i) Capital City Properties, (ii) Irgens and/or its affiliate/assign and (iii) MUFC Investor, LLC, and/or its affiliate/assign. CCP would be a 10% member owner in the Joint Venture, the Team would be 30% member owner and Irgens would be 60% member owner.

3. Risk to CCP

Payment of rent to RK Midway (currently \$2,300,000 annually) will be paid in the following order: existing tenants' rental obligations, Team payment, Irgens' guaranty, and CCP. The full faith and credit of CCP is at risk if numbers one, two and three fail to pay rent. Once the Master Lease is terminated, CCP will no longer be responsible for rent payments.

Importantly, the full faith and credit of the Port Authority of the City of Saint Paul is not pledged.

4. Application of Positive Cash Flow

CCP would be entitled to receive, during the first year of the JV operation (or as soon thereafter as positive cash flow is available to pay such amount) approximately \$100,000 to reimburse CCP for expenses incurred in connection with the Midway redevelopment project. Thereafter, CCP will receive an annual payment of \$50,000 in consideration of its guaranty of the Master Lease for the project, as long as the JV is not in default in any payment due CCP as set forth above. All three parties will share proportionately in any additional positive cash flow resulting from ongoing operation of the property and net proceeds from the sale of the property after debt service.

5. Voting Percentages

To the extent allowed by law and CCP tax-exempt status, the parties will have joint decision-making powers on major operating decisions, based on equal voting rights among the respective parties (to be distinguished from financial rights, which will be based on proportional ownership interests, except as otherwise set forth herein). A list of "Major Decisions" will be included in the JV Agreement, which Major Decisions shall require the consent of at least 2/3 of the Governors. Major Decisions will include, without limitation, decisions to demolish any existing buildings, terminate or otherwise amend any existing lease, entry into new leases or ground leases, and sale or other transfer of any portion of the site and any financing transaction.

6. Governance

The JV will be managed by a Board of Governors with 6 board members. Each JV partner will be allowed to appoint 2 board members to the Board of Governors.

7. Capital Contribution

Irgens is responsible for contributing equity and/or loan guarantees. CCP's equity contribution is the transfer of the land (once received) to the LLC and an in-kind contribution of time and investment spent thus far on the development. Team's equity contribution will be cash flow guarantees and its commitment to pay rent for Parcel 6c and the Plaza as set forth in Section 6 below.

8. Lease for Parcel 6c and Plaza

The JV will enter into a lease with the Team with respect to Parcel 6c and the Plaza area, which lease will have a term extending through 2069 (Team Lease). Annual rent will be paid by the Team for Parcel 6c and the Plaza in a negotiated amount between the two parties.

Accordingly, during the term of such lease, the Team shall be entitled to all revenues derived from the Plaza, both for naming rights and events held in the Plaza. The Team shall have the obligation for the construction of all improvements to the Plaza and shall maintain the same in good condition throughout the term of the lease. The lease will be "triple net" to the JV, so all expenses related to Parcel 6c and the Plaza will be borne by the Team.

9. Operating Cash Flow Shortages

If the development proceeds, tenant revenues, rent from the Team Lease and other funds available to the LLC are not sufficient to pay the LLC obligations (including the rent due under the Master Lease), Irgens would be obligated to fund shortfalls. Advances of these funds will be treated as they are typically addressed in joint venture agreements, will bear an interest rate of eight percent (8%) and may be reimbursed out of subsequent positive cash flows, sale, refinancing or other usual JV arrangements.

CCP will have the option to put its interest in the venture to Irgens first, then Team at a minimal price (e.g. reimbursement to CCP of its out of pocket costs in connection with the subject project), in which event Team and/or Irgens, as the case may be, shall assume all of CCP's obligations under the Master Lease and related documents and shall indemnify CCP against such future obligations. Any such transfer shall be conditioned upon receipt by CCP of a full and final release of CCP from any obligations under the Master Lease.

10. Ladder Capital Mortgage

Irgens and Team will jointly apply to the holder of the current mortgage encumbering the project site for consent to redevelop

the project site as contemplated herein, and will lend their respective credit to induce the holder of the mortgage to so consent.

11. Purchase Option

The Master Lease will contain an option to purchase the Shopping Center Site from the Master Lessor (the Purchase Option). The Purchase Option price will increase periodically, as set forth in the Master Lease. The Purchase Option will be assigned by the CCP to the JV. Any member can exercise the purchase option by written notice to the other members. Each member will then have a “tag along” right to participate in the purchase of the site, which right will be exercised by written notice to the other members given within 30 days after the initial exercise notice. Each member electing to participate in the purchase will be required to contribute a pro rata portion of the capital necessary to consummate the purchase. The members electing to participate in the purchase shall buy out the non-electing members’ interest in the JV at the time of purchase of the site for the then current “book value” of such non-electing member’s interest. Irgens agrees to exercise the purchase option, if not previously exercised, on or before December 31, 2022 so long as market conditions (e.g. availability of financing, interest rates, etc.) make doing so economically feasible. CCP will not elect to participate in the purchase of the property at this time.

12. Schedule

Construction commencement is planned to take place in spring 2017 with the site likely ready for occupancy in late-2018 to early-2019.

13. Leasing

To the extent possible, the Agreement also requires that tenants be sought, which will give the Project a building-wide average workforce of at least 1.5 full-time employees per 1,000 square feet of rentable space. Consistent with the joint ventures with Ryan for the Energy Park development, with Wellington Management for the River Bend development, and the Westminster Junction Venture, LLC with Frauenshuh, the Port Authority exercises its control to ensure appropriate job density and hourly wage and benefits via its approval or non-approval of any and all leases. The Partnership will contract with the Port Authority to provide leasing for the project.

14. Property Management

Irgens’ in-house property management service will be hired on a month-to-month basis at a market fee not to exceed five percent (5%).

15. Development Management

Irgens shall be primarily responsible for all aspects of construction management services. Irgens shall receive a construction management fee of two and one-half percent (2.5%) of the cost of construction projects approved by the JV. If at-risk development services are also required, Irgens will receive a development fee of four percent (4%) of the development cost budget (at risk to be defined in the Operating Agreement). Payment will be an offset from Irgens' cash equity payment and will be treated as an in-kind contribution to Irgens' capital contribution.

16. Dispute Resolution

The JV Agreement would include both a waiver of a right to a jury trial and an agreed-upon form of alternative dispute resolution to handle any disputes arising between or among the members.

17. Project Labor Agreement

The LLC shall require that any general contractor on the Project must agree to enter into a No-Strike No-Lockout Project Labor Agreement with St. Paul Building and Construction Trades Council covering work on the Project. The partnership will require contractors be paid prevailing wages for construction and this will apply to tenant build-outs as well.

18. Proposed Budget Summary

- A. This partnership is contingent upon a mutually approved project budget and Operating Agreement.
- B. Sources of capital include a construction in kind contribution. Other sources include A&E and Soft costs paid to date, and the sale of the land and building, plus carrying costs to date, as an offset.

19. Other Items

- A. Irgens, Team and CCP agree to pay all their own pre-development costs incurred to date for all consultants, contractors, architects, engineers, and attorneys prior to the start of the partnership and the commencement of construction.
- B. CCP, Team and Irgens agree to cooperate on starting the environmental investigation, demolition, preparatory work, environmental remediation and asbestos removal for the area needed for the MLS soccer stadium. Any costs pre-approved by all parties shall be funded by Irgens and Team, including the required termination of a number of existing tenant leases.

- C. This Joint Venture is contingent upon the following:
- a) The successful execution of a Master Lease Agreement between CCP and RK Midway (see attached parcel map) which will consist of parcels 2a, 2b, 2c, 3, 4, 6a, 6b, 6c, 6k, 6l, 6m, 6n, 6o;
 - b) The assignment of said Master Lease from CCP to the newly-formed Joint Venture;
 - c) A creation of a Snelling Avenue JV between RK Midway, Irgens and Team which will consist of parcels 1, 5a, 5b, 5c, 5d, 5e; 7a, 7f;
 - d) A lease agreement between RK Midway and Team for parcels 8a, 8b, 8c, 8d; and
 - e) Approval from the Ladder Capital Mortgage.

Acquisition of Land:

The Agreement requires CCP to obtain site control via a master lease and transfer its interest to the LLC as its equity contribution approximately 15.6 acres of land and the operating shopping center.

Partners' Backgrounds: Irgens

Since 1983, Irgens, a full-service real estate development, investment and management company, has been leading the process of achieving customer, investor, employee and community goals by creatively providing professional, results-oriented real estate solutions. This commitment has led to hundreds of successful healthcare and commercial real estate development projects, totaling more than \$2 billion in value.

Today, their real estate experts are based in Milwaukee, Chicago and Phoenix. Irgens performs together in these markets and throughout the United States as one seamless team, delivering high-level industry expertise and insight, single-source accountability on projects and value-added services to clients in the commercial and healthcare market sectors.

No matter what the opportunity may be, Irgens promises to:

- 1. Establish and nurture long-term relationships
- 2. Be innovative and creative
- 3. Commit to managed growth and seek future opportunities
- 4. Provide profitable, sustainable and responsible solutions to challenges

This commitment and their guiding principles of integrity, creativity, dedication and professionalism are what fuels Irgens' efforts and guarantees their client's long-term success.

MUFC Investor, LLC
Team Rep is William McGuire

It has been nearly 40 years since Minnesota had a top division soccer team. That all changed when Minnesota United kicked off with Major League Soccer (MLS). The raucous support of United will echo high through the Saint Paul skyline as has been seen by the team's opening home game at TCF Bank Stadium just a few weeks ago.

Minnesota United was awarded an expansion spot in Major League Soccer on March 25, 2015 and shortly thereafter announced its intention to build a state of the art soccer stadium in Saint Paul at the center of downtown Minneapolis and St. Paul. Construction of that stadium is expected to begin in summer of 2017 with games beginning as early as late 2018, but more likely in March of 2019.

The original North American Soccer League (NASL) lasted from 1968 to 1984. In that period of time, high level soccer was brought to North America by world class superstar players.

The league started a second chapter in 2011 with an eight-team league featuring teams from the United States, Canada and Puerto Rico. United FC enjoyed a magical run to the league championship game, the Soccer Bowl, where it defeated the Fort Lauderdale Strikers across to claim the reborn league's inaugural championship.

The NASL brought the Minnesota Kicks to Metropolitan Stadium in Bloomington and professional soccer has been a part of the sports landscape in the land of 10,000 lakes ever since. The Minnesota Thunder followed in 1994 and had a great run of success that included sending several players on to the U.S. National Team and other professional teams. After the Thunder dismantled in 2009, the Stars began play in 2010 as the NSC Minnesota Stars, a team owned and operated by the National Sports Center in Blaine. In 2011, the team changed hands, becoming a league-owned franchise, winning the 2011 NASL crown in the first season of the re-launched league. On January 9, 2013, the NSC Minnesota Stars unveiled a new crest and announced a change in name, as the team became known as Minnesota United FC.

Minnesota United is an accessible, resilient and unifying force bringing the fastest growing sport in the country to fans in Minnesota and across the Twin Cities with innovative style. Building a new home in the heart of two industrious cities, the North is rising—not replicating, but ushering in a new era of soccer in America.

On March 25, 2015, Major League Soccer commissioner Don Garber announced Minnesota United as the league's 23rd club and awarded the franchise to a group led by former UnitedHealth CEO Bill McGuire.

On September 8, 2015, the Ramsey County Board of Commissioners passed a non-binding resolution to support the stadium's construction on the St. Paul bus barn site, provided the design and construction are paid for by private funds. On October 23, 2015, it was announced that Minnesota United would build a stadium on the 35-acre St. Paul Bus Barn site. The proposed stadium will seat approximately 20,000, is to be completed in 2019, and will be privately financed.

**Development Officer's
Comments:**

The site lies within the Port Authority's Midway Industrial Development District (formed in September 2016 with SPPA Resolution #4583). A redevelopment of the Subject Parcel will advance the Port Authority's commercial redevelopment efforts in the area and can help serve as an additional catalyst for development within Saint Paul's Midway Business District, and fits within the Port Authority's mission to remediate marginal property.

In partnership with Irgens and Team, we are proposing a Joint Venture to redevelop the Midway Shopping Center. To the extent allowed by law and CCP tax-exempt status, in structure, this partnership is similar (albeit differing percentages of ownership) to the projects built in Energy Park with Ryan Companies, Riverbend Business Center with Wellington Management, Midway Stadium with United Properties, Beacon Bluff with Interstate Partners, and Frauenshuh at Westminster.

This joint venture is also consistent with Port Authority goals of creating ongoing cash flow for the Port's financial stability.

The members of the LLC have experience in owning multi-tenant properties; therefore, this expertise will be useful and provide an excellent chance of a successful development.

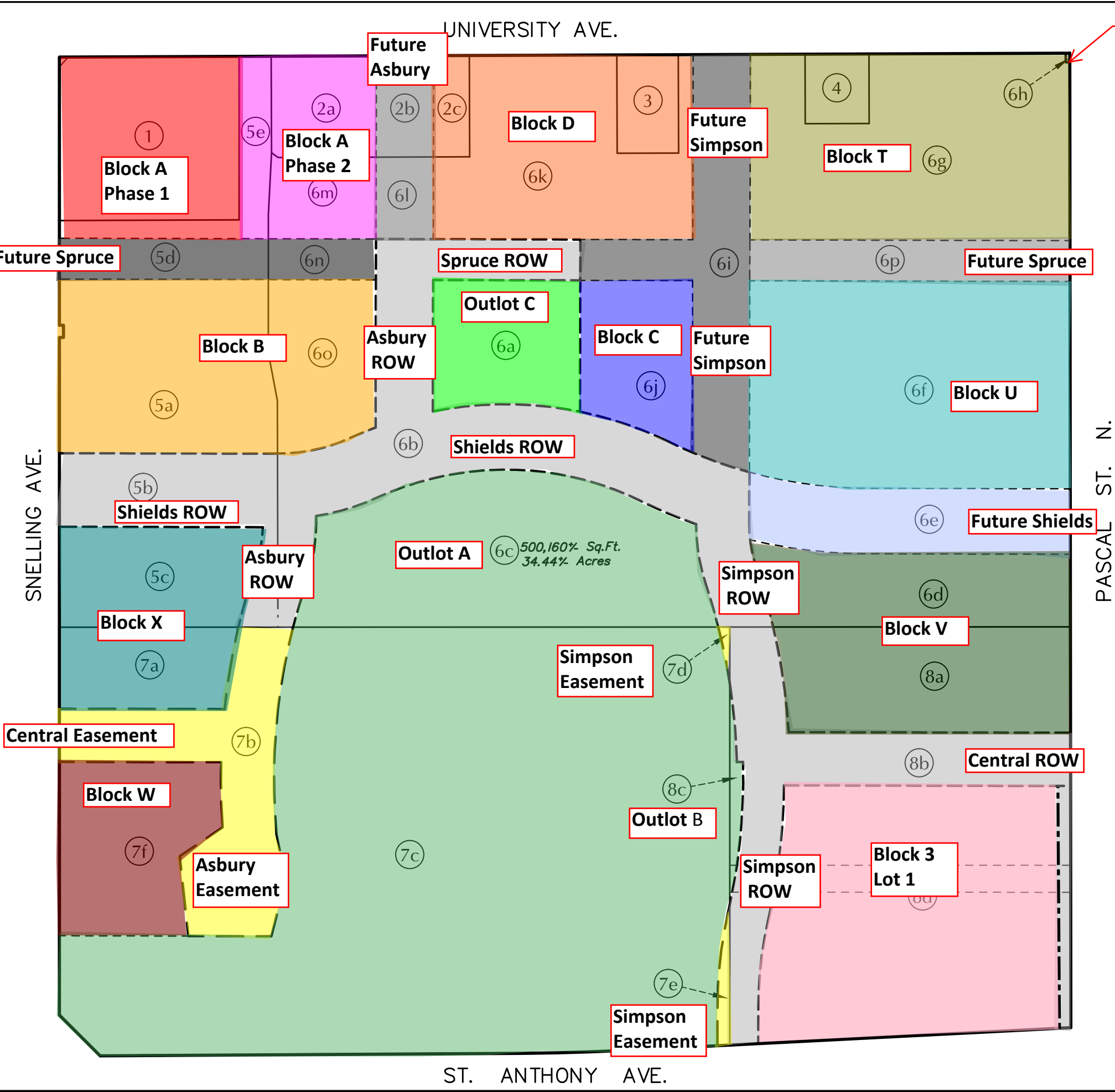
Real estate ownership does have risks. To protect CCP's financial position, we are suggesting a joint venture structure that limits our financial risks, but at the same time provides control over major decision making matters. CCP's financial exposure is limited to the upfront equity investment of the control of the land, and some predevelopment expenditures (site work, etc.). The predevelopment expenditures would be necessary for any proposed development on the Site.

Recommendation:

We are recommending approval for CCP to enter into the proposed Operating Agreement with Irgens and Team.

LJK:amk

Attachment



TAX PARCELS & PROPOSED RIGHTS-OF WAY

February 8, 2017

LEGEND

- PERIMETER BOUNDARY
- TAX PARCEL BOUNDARIES
- PROPOSED STREET R.O.W.
- FUTURE STREET R.O.W.

TAX PARCEL INFORMATION

1 =	342923320001	Rd Parent Investors LLC
2 =	342923320009	Rk Midway Shopping Center LLC
3 =	342923320005	Rk Midway Shopping Center LLC
4 =	342923320006	Rk Midway Shopping Center LLC
5 =	342923320011	Rk University Midway LLC
6 =	342923320012	Rk Midway Shopping Center LLC
7 =	342923320003	Twin Cities Area Metro Transit Commission
8 =	342923320008	Midway Lot 5 LLC

Exhibit A

**RESOLUTION OF
CAPITAL CITY PROPERTIES**

**[MIDWAY SHOPPING CENTER APPROVAL TO
NEGOTIATE AND ENTER INTO A JOINT VENTURE
AGREEMENT WITH IRGENS AND MUFC INVESTOR, LLC]**

WHEREAS, Capital City Properties ("CCP") requests approval of the Operating Agreement between CCP, MUFC Investor, LLC, a Minnesota limited liability company created by the ownership of Minnesota's Major League Soccer franchise ("Team"), and Irgens development company, located in Milwaukee, Wisconsin ("Irgens") (in a Minnesota corporate form and structure to be determined later), for the development of the approximate 15.6 acres of land as depicted in Exhibit A attached hereto (the "Site") and is adjacent to the real estate that is commonly referred to as the Bus Barn.

WHEREAS, the material terms of the Operating Agreement to be entered into as presented to the CCP Board for approval, which Operating Agreement provides for the creation of a limited liability company (the "Joint Venture").

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Capital City Properties, as follows:

1. The Chief Executive Officer (the "CEO"), or such other officer as may be appropriate in the absence of the CEO, is authorized to enter into the Operating Agreement in substantially the form as described in the CCP Board Memorandum, with such modifications as might be negotiated and approved by the CEO of CCP in consultation with counsel to CCP.
2. The authority to approve, execute and deliver future amendments to the Operating Agreement or any other transaction documents entered into by CCP in connection with the activities contemplated by the Operating Agreement is hereby delegated to the CEO, or such other officer as may be appropriate in the absence of the CEO of CCP, provided that:
 - (a) Such amendments do not materially and/or adversely affect the interests of CCP;
 - (b) Such amendments do not contravene or violate any policy of CCP; and
 - (c) Such amendments are acceptable in form and substance to the CEO and counsel to CCP.

3. The execution of the Operating Agreement, or any other instrument or document by the CEO of CCP, shall be conclusive evidence of the approval of such documents in accordance with the terms of this Resolution.

Adopted: March 28, 2017

CAPITAL CITY PROPERTIES

By: _____
Its: _____

ATTEST:

By: _____
Its: _____