

RESOLUTION

Board of Hennepin County Commissioners

RESOLUTION: 26-0185

At a meeting of the Board of Hennepin County Commissioners, a motion was made by Commissioner Lunde, and seconded by Commissioner Edelson, that the Resolution be adopted. The motion passed.

BE IT RESOLVED, that the County Administrator be authorized to negotiate and finalize documents necessary to amend and assign Lease/Use Agreement A140981 in order to extend the term through December 1, 2039 and permit St. David's Holding Foundation to assume the Agreement from St. David's Center Minneapolis, and that following review and approval by the County Attorney's Office, the Chair be authorized to sign the documents on behalf of the County .

Background:

In 2014, the State Legislature appropriated \$3 million to the County for the predesign, design, renovation, furnishing and equipping of an early childhood center at the YWCA of Minneapolis building located at 1130 Nicollet Mall. The State then provided these funds to the County through Grant Agreement A140979 between the County and the Minnesota Department of Human Services, the grantor. The original bonding appropriation and, subsequently the grant agreement, was amended in 2015 to expand the eligible uses of the funds to include other building improvements. The YWCA provided \$3 million of matching funds toward the project.

State law required that the County, as grantee, have an ownership interest in the property to be improved, which would house the governmental program in question - the early childhood center. In order to fulfill this requirement and to accomplish the goals of the appropriation, the County entered into Ground Lease A140980 over the entirety of the property at 1130 Nicollet Mall owned by the YWCA. The County then leased the building back to the YWCA through Lease/Use Agreement A140981. The County Board authorized Agreements A140979, A140980, and A140981, through Resolution 14-0258, adopted July 17, 2014.

In 2023, the YWCA determined that it would close its fitness center in the Nicollet Mall building and put the property up for sale. Under state law, capital projects that are wholly or partially funded with state bond proceeds become "state bond-financed property" and are subject to a variety of requirements, including actions that must occur if there is a change in use or ownership of the property.

On November 30, 2023, St. David's Center submitted a letter of intent to purchase the underlying fee title of the YWCA building and subsequently entered into a purchase agreement with the YWCA. St. David's is a leader in child and family development, offering educational, therapeutic, and support services including early childhood education, mental health and pediatric therapies, autism treatment, home visits, and disability services to approximately 4,300 children and families annually.

On July 12, 2024, St. David's purchased and assumed all rights and obligations under the ground lease and the lease-use agreement with the County. The Assignment and Assumption of Ground

Lease A140980 and the Assignment and Assumption of Lease/Use Agreement A140981 were conveyed from the YWCA to St. David's Center Minneapolis, LLC. The term was of the Ground Lease was also extended to June 1, 2052.

St. David's is renovating the building to expand early childhood services available for children struggling with trauma or behavioral and developmental issues. It operates the majority of services itself and leases a portion of the facility back to the YWCA to continue providing the current program of licensed childcare services. Ultimately, St. David's plans to use the entire building for children's services; in contrast, the YWCA only used a portion of the building for its early childhood education programming.

St. David's has commenced a fundraising campaign to fund a portion of the proposed renovation of the building and is seeking additional state bonding support in the 2026 legislative session. St. David's is also eligible for a federal program called New Market Tax Credits (NMTC). The NMTC Program is a federal initiative that incentivizes private investment in low-income communities (identified by census tract) by offering federal tax credits to investors. It's designed to spur economic growth, job creation, and community development in areas that traditionally lack access to capital.

The NMTC Program allows investors to receive a federal tax credit over seven years in exchange for making a qualified equity investment in Community Development Entities (CDEs). These CDEs then make below-market-rate loans, known as Qualified Low-Income Community Investments (QLICI), to projects in distressed communities.

The NMTC funding formula is based on what has already been invested in the project (24-month lookback period) and the cost of the next phase of renovation. St. David's plans to submit all costs related to the building acquisition and the first and second phase of renovation totaling approximately a \$3.3 million new market tax credit. The credit effectively allows St. David's Holding Foundation to borrow \$8,160,000 from Old National CDE Corporation and \$8,415,000 from BMO Harris New Markets Fund LLC (the Lenders or CDEs) for a total QLICI loan of \$16,575,000.

In order to close on the QLICI loans, St. David's needs the County to approve three items. (1) Extend the current Lease/Use Agreement A140981 through December 1, 2039. The current term of the Lease/Use Agreement expires May 1, 2027, with two 12.5-year renewal options. The renewal will extend the Lease/Use Agreement through December 1, 2039. (2) Assign the Lease/Use Agreement A140981 from the St. David's Center Minneapolis, LLC to St. David's Holding Foundation. The Foundation is being formed as the vehicle for the New Markets Tax Credit financing. (3) Authorize the Recognition, Non-Disturbance and Attornment Agreement to provide certain assurances as to the non-disturbance of Tenant's rights under the Lease. If St. David's were to default on the QLICI loans, the Recognition, Non-Disturbance and Attornment Agreement would allow, but not obligate, the Lenders to cure any default by St. David's under the Lease/Use Agreement.

St. David's must close on NMTC funding by May 31, 2026, or they will lose the opportunity to apply the formula to the costs associated with the renovation, which would result in a significant decrease in the amount of NMTC funding available.

RESOLUTION ADOPTED ON 4/28/2026

The question was on the adoption of the resolution with the votes as follows:

Aye: 7 Commissioner Fernando, Commissioner Goettel, Commissioner Lunde, Commissioner Greene, Commissioner Conley, Commissioner Edelson, and Commissioner Anderson

Maria Rose

A handwritten signature in blue ink that reads "M. Rose". The signature is written in a cursive style with a large, looped "M" and a stylized "Rose".

Maria Rose