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Economic Development Division
Office of Business Resources

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TO: CDA Community Development Sub-Committee

FROM: Matthew B. Mikolajewski

DATE: April 25, 2008

SUBJECT: Truman Olson Questions

This memo outlines responses to questions and concerns recently discussed with Mr. Lynn Boese regarding the disposition of the Truman Olson property:

The Army will not pay for demolition of the existing Truman Olson building ... the property will be sold in an as-is condition.

The Army will not pay for remediation of lead-based paint or asbestos unless there is flaky paint or asbestos presenting an immediate health risk (per above, the building will be sold as-is).

Even after the property is sold, the Army will maintain its obligation for remediation of environmental contamination caused by the Army not identified in the environmental assessment. For example, if while constructing something on the property, someone finds some buried ammunitions, the Army will be liable to remediate the situation.

The Army will complete an appraisal for the property based on its "as-is" condition versus its market potential. The purchase price of the property is based on this appraisal. The City will not see a copy of the Army's appraisal.

Mr. Boese does not believe the City will qualify for an Economic Development Conveyance. The transfer of ROW for an extension of Cedar Street would likely occur through a Negotiated Sale. Mr. Boese suggested that we could recommend our desired method of conveying parcel(s) within our Redevelopment Plan, and then negotiate accordingly with the Army. In other words, first focus on preparing the Redevelopment Plan, and then work with the Army on the specific method of conveying parcel(s).

Mr. Boese reiterated the points he made in his discussion with the CDA Sub-Committee that just because homeless providers have submitted NOIs to use the Truman Olson property does not mean that we must automatically accommodate them at the Truman Olson site; however, if the CDA Sub-Committee recommends proceeding in this manner, we need to document our justification for not accepting the provision of these services at the site. As discussed previously, we retain the

option of identifying an alternative location for use by the homeless service providers. Mr. Boese provided an example from Illinois where a community paid a provider \$150,000 to locate a facility at an alternative location other than the Army site. There are no particular rules for how we negotiate with the homeless providers.

The purchase by the City of an alternative parcel for the homeless provider(s) is a completely separate transaction from the purchase of all or part of Truman Olson by the City for a road right-of-way or economic development. We could try to negotiate with the Army to reduce the purchase price of the Truman Olson site based on the expense associated with acquiring an alternative parcel for homeless services; however, there is no guarantee that the Army will honor this request.

I did not get the feeling that the City or CDA will be able to acquire all or part of the Truman Olson property for free. Per the line above, there may be a circumstance where the City would need to pay, at least in part, for both the Truman Olson property (for economic development or a Cedar Street extension) and any alternative properties identified for the provision of homeless services. It would be prudent to budget/plan for City expenditure in both cases.

I also followed-up with Bob Wendler of the Army who is in charge of the disposition once the Redevelopment Plan has been approved (Mr. Boese guides us through the BRAC process and preparation of the Redevelopment Plan, and then it is passed to Mr. Wendler to manage implementation of said plan). Mr. Wendler reminded me that they would likely not be vacating the Truman Olson facility until 2011. We should budget for any capital improvements accordingly. Mr. Wendler also indicated that HUD is backed-up with their review of Redevelopment Plans. As such, although technically HUD has 60-days from the September 14th Redevelopment Plan submission date, Mr. Wendler doesn't believe we will hear back from HUD until January 2009 at the earliest. Mr. Wendler also reminded us that the provision of homeless service takes priority over the two education proposals.