



The CITY of
EDINA

Proposed Sale and Redevelopment Agreement Edina Collaborative

3925, 3930-3944 Market (formerly W. 49-1/2) Street

- 1) Project Description
- 2) Conditions of Sale
- 3) HRA Loan and TIF
- 4) Terms & Conditions

Edina City Council
Edina Housing & Redevelopment Authority

June 27, 2017



Project Description - History

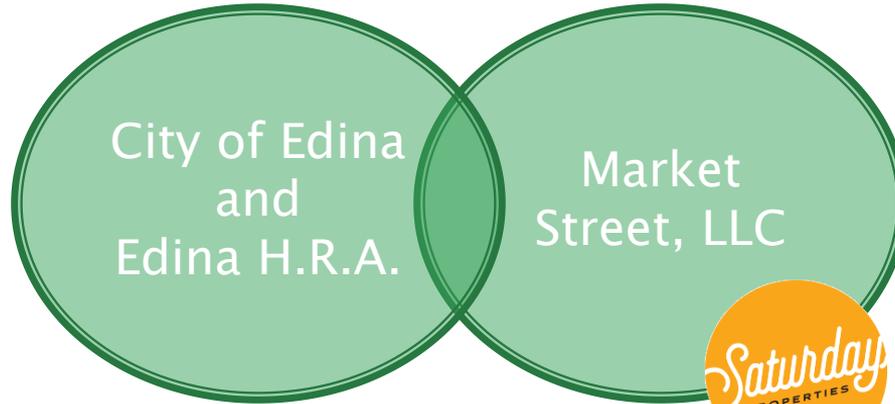
2012	Parking improvements considered but abandoned due to high cost and low return
2013	Edina HRA acquired two parcels for future parking improvements
2014	Parking-only option set aside; preference to mixed-use option that creates street vitality and encourage patrons to visit more than one business
	General repairs and improvements made to all public infrastructure; funded via Cent. Lakes TIF monies and Special Assessments to 50/France property owners
2016	C. Marohn visits and inquires whether todays customers consider the aging, lifeless ramps helpful or hurtful to the appeal of 50 th & France
	Edina HRA issues Request for Proposal to seek creative approaches to public/private redevelopment on W. 49-1/2 Street
	Three developers interviewed; Buhl/Saturday team selected as preferred partner

Project Description

Public Private Partnership



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DAMON FARBER LANDSCAPE ARCHITECTS





Project Description

Public-Private Partnership consists of two distinct and symbiotic elements.

When working together, these projects:

- Increase and improve public parking conditions,
- Create new public realm amenities
- Add vitality on Market Street,
- Return properties to tax rolls,
- Create new living options and new business opportunities

#1 Expansion of North Parking Ramp

- Add 4th parking level
- Add parking on adjacent vacant lots
- Add 10,000 Sq. Ft. commercial
- \$10.7 M cost estimate

#2 Construction of Mixed-Use Structure

- Demolish existing structure
- Add 25,000 Sq. Ft. commercial
- Add 110 apartments
- New public & private underground parking
- Reconstruct shared public plaza and walkways
- \$74.3 M cost estimate

Project Description



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Before



after

Project Description



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Conditions of Sale

- Real estate transaction AND redevelopment – not a simple property sale
- Closing in two stages
 - Initial transfer of funds before HRA begins North Ramp Expansion (\$5.1 M)
 - Second transfer when commercial shell complete (\$1 M)
- 3944 parcel razed prior to construction (HRA expense)
- Other HRA contributions AFTER building is completed, occupiable and actual costs verified

Project Description – North Ramp Expansion



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- 1.33 acres
- 3 parcels – tax exempt
- 1 parcel – vacant
- Formerly occupied by Class C office and retail space
- 262 existing stalls

2018 Schedule

January to March	Construction begins; temporary closure to allow 4 th level construction
April to September	Expansion on 3930 and 3944 parcels; commercial grey box; finishes and landscaping
Fall	North Ramp complete*

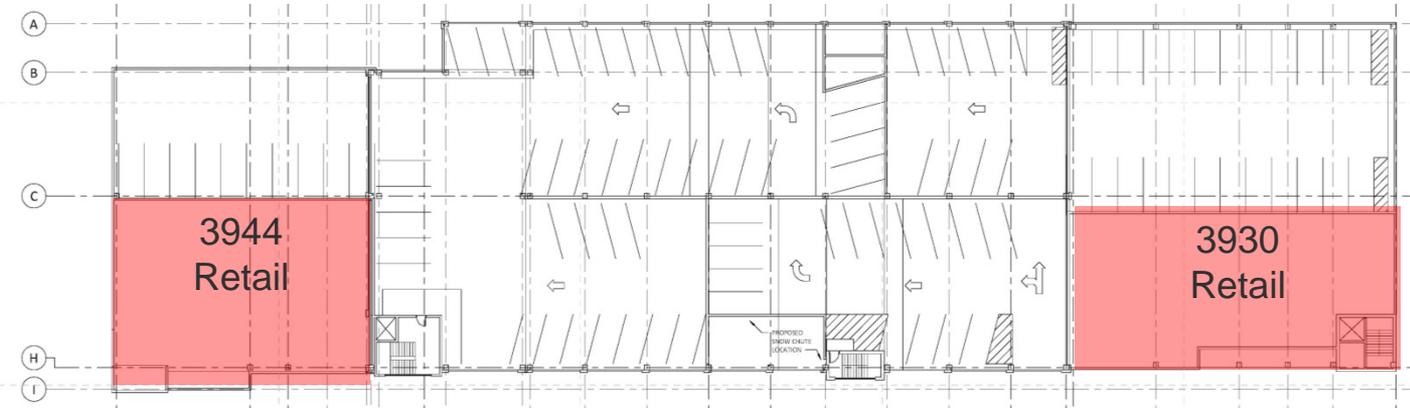
* Occupancy of commercial tenant spaces depends on leasing

North Ramp Renderings

Project Description



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3944 expansion

3930 expansion

4 PHASE I SOUTH EXTERIOR ELEVATION
1/16" = 1'-0"

3 PHASE I EAST EXTERIOR ELEVATION
1/16" = 1'-0"



Project Description

Budget – North Ramp Expansion

Description	Amount	Pct.
Environmental remediation	\$ 149,285	1%
Parking expansion	\$ 8,012,014	75%
Retail shell construction (paid by developer)	\$ 621,120	6%
Sidewalks, landscaping, screening	\$ 345,840	3%
Architecture/engineering	\$ 562,600	5%
Construction Management	\$ 384,348	3.5%
Other soft costs	\$ 115,959	1%
Contingency	\$ 501,837	5%
Total Estimated Costs	\$ 10,700,207	

Approx \$34,000
per stall

(excluding real
estate &
demolition)

Project Description – North Ramp Expansion



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- Expanded from 262 to 573 public stalls
- Creation of approx. 10,000 Sq. Ft. Class A commercial space
- Commercial space sold to Developer for \$1 M
- \$10.7 Million cost estimate (design and construction)

Revenue Sources

\$6,100,000	Land Sales
\$621,120	Developer contribution
\$3,808,114	Cent. Lakes TIF monies (CIP 15-224)
\$170,973	Enviro. grant (pending)
\$10,700,207	TOTAL

Project Description –

South Side Reconstruction

- 1.53 acres
- 5 parcels
- Tax-exempt since 1977
- 310 existing stalls to be relocated



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2018–2019 Schedule

Jan. 2018	Real estate transaction
March –April 2018	Demolition and sitework begins after North Ramp 4 th level expansion substantially complete
Summer 2018	Below grade and commercial street level constructed
Fall 2018 – Summer 2019	Above-grade construction
Early Fall 2019	Apartments & public spaces complete
* Occupancy of commercial tenant spaces depends on leasing	

Mixed-Use Renderings

Project Description



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Mixed-Use Renderings

Project Description



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Mixed-Use Renderings

Project Description



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Mixed-Use Renderings

Project Description



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Project Description

Budget – South Site Redevelopment

Description	Amount	Pct.
Acquisition and Site Costs	\$ 9,168,368	12.4%
Construction Costs	\$ 51,404,068	69.2%
Permits & Fees	\$ 796,509	10.7%
Professional Services	\$ 3,860,683	5.2%
Financing Costs	\$ 5,140,282	6.9%
Project Management	\$ 2,841,888	3.8%
Operations & Marketing	\$ 1,024,038	1.4%
Total	\$74,235,836	

Costs of Public Elements	
Land Purchase	\$6.1 M
Public Parking	\$4.2 M
Outdoor plaza	\$1.8 M
Site prep/demo	
/clean up	<u>\$2.5 M</u>
	\$14.6 M

Project Description – South Site Reconstruction



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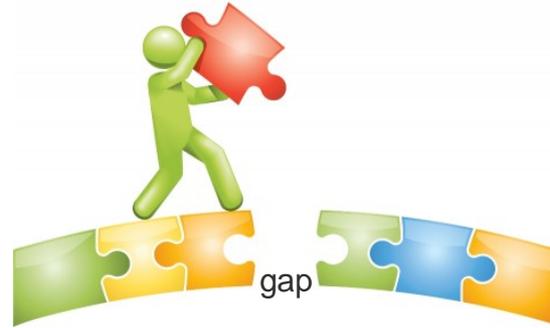
- Land sold for \$5.1 million
- Creation of approx. 25,000 Sq. Ft. Class A commercial space
- Creation of 110 apartments, 11 of which are affordably-priced
- Creation of underground public parking and underground private parking
- Creation of public plaza and public walkways
- \$74.3 Million cost estimate (design and construction)

Revenue Sources	
\$18,511,263	Equity
\$400,000	Deferred Developer Fee
\$41,300,000	Primary Financing (Debt)
\$2,324,573	Grants (pending)
\$1,600,000	HRA/EHF Affordable Housing Loan
\$10,100,000	TIF Note
\$74,235,836	TOTAL



HRA Affordable Housing Loan

- Developer will dedicate 10% of the units to be affordably priced for 15 years
 - Half will be priced to households earning no more than 60% of AMI
 - Half will be priced to households earning no more than 50% of AMI
- 9 – one bedroom units and 2 – two bedroom units
- \$2.0 Million lost revenue



Key question to consider:

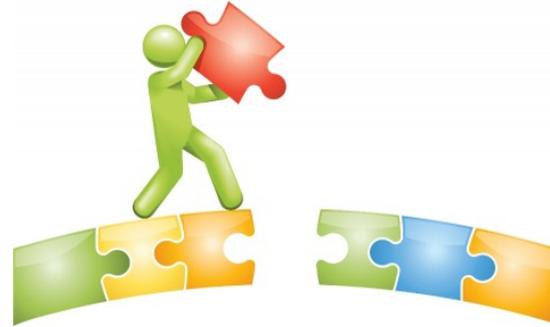
Without increasing the density or eliminating other public elements, how will the affordable units be financed?



HRA Affordable Housing Loan

Recommended Solution

- Developer defers \$400,000 fee
- \$1.6 Million loan to fund lost earnings
 - Issued after affordable units completed
 - 15-year term loan
- Interest only with lump sum at term
- 1% annual interest plus “true-up” at term to match inflation (2.5% max, annually)
- Loan could be extended after 15 years if mutually agreeable terms are reached
- Monies sourced from HRA Affordable Housing Fund with possible 50/50 split with Edina Housing Foundation



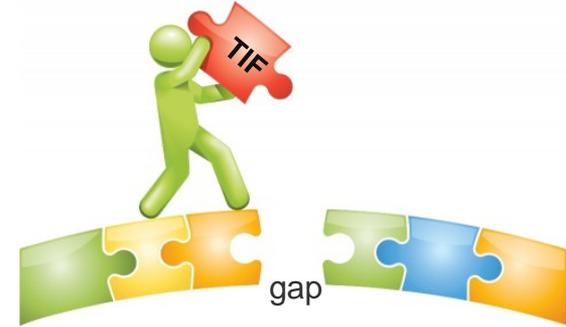


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Incremental Taxes (TIF)

HRA sale and City zoning approvals contingent on creation of new public parking, new public plaza and new public walkways

- TIF-eligible expenses estimated to be at least \$14.6 million
- Creates a financing gap that cannot be funded with traditional debt
- Developer's equity contribution is higher than typical projects
- Grant funds sought to reduce gap
- Developers' anticipated return is lower than typical projects



Key conclusion:

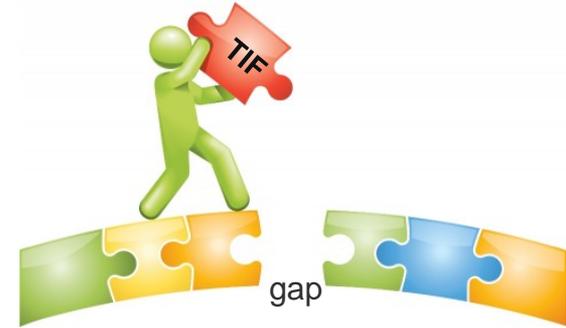
“But for” the use of TIF to bridge the remaining gap, the project will not move forward



Incremental Taxes (TIF)

Recommended Solution

- \$10.1 Million pay-as-you-go TIF Note
- Note issued at closing
- Payments begin approx. 6 months after verification of actual expenses and project completion
 - Based on 90% of increment
- 26-year repayment
- Note bears 6% interest after completion
- Could be repaid early, if taxes generated exceed estimate



Key conclusion:

“But for” the use of TIF to bridge the remaining gap, the project will not move forward

Terms & Conditions



Responsibilities of Developer

- Bear financial risk of design, acquisition and construction
- Bear City costs related to TIF creation & RDA negotiation
- Coordinate construction of North Ramp expansion and Mixed-Use
- Retain affordability of units for 15 years
- Provide permanent easement for public plaza, public walkways, shared trash rooms and underground public parking
- Manage underground public parking

Terms & Conditions



Commitments of City / HRA

- Enable TIF public finance tool
- Consent to grant applications
- Transfer ownership of land
- Expand North Parking Ramp
- Provide gap financing for mixed-use development and affordably-priced units
- Reimburse for maintenance of underground public parking and shared trash rooms
 - expenses distributed via annual District maintenance assessments
- Maintain public plaza and walkways
 - expenses distributed via annual District maintenance assessments

Underground Public Parking Easement Terms & Conditions



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Responsibilities of Developer

- Construct a two-level underground parking facility
- Provide a permanent public easement to allow public parking on the first underground level
- Approx 128 stalls with stairway and elevator access to street level
- Developer to retain ownership of structure
- Developer to manage and schedule regular maintenance
- City to determine rates, hours of operation and public use policy
- City to reimburse Developer for regular maintenance expenses
 - these expenses to be included in annual assessments to 50th and France property owners

Terms & Conditions



Responsibilities of Developer

- Construct outdoor plaza with seating, landscaping, water feature and fire pit
- Provide a permanent public easement to allow public use of this outdoor space
- Approx. 4,900 Sq. Ft. of plaza and 7,400 Sq. Ft. of shared street/woonerf
- Total pedestrian circulation area is approx. 34,000 Sq. Ft.
- Developer to retain ownership of below-grade structure
- City to determine hours of operation and public use policy
- City to manage and schedule regular maintenance
 - these expenses to be included in annual assessments to 50th and France property owners

Shared Trash Rooms Easement Terms & Conditions



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Responsibilities of Developer

- Construct waste collection rooms for the shared use of merchants located on this entire city block
- Provide a permanent public easement to allow shared use of the trash rooms
- Developer to retain ownership of structure
- Developer to manage and schedule regular maintenance
- City to determine public use policy
- City to reimburse Developer for disposal and hauling fees as well as regular maintenance expenses
 - these expenses to be included in annual assessments to 50th and France property owners

Interim Public Parking Solutions

Terms & Conditions



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Responsibilities of Developer

- Most invasive construction work scheduled during period with lowest parking demand (Jan through April)
- Construction staggered to reduce or eliminate parking impact during highest parking demand (Nov-Dec)
- Contractors and subcontractors required to park off-site
- Material staging and storage areas located off-site
- Valet parking service provided at Developer expense
 - approx. 3 weeks when public parking is minimal (April/May 2018)
 - three temporary valet locations anticipated
 - off-site vehicle parking at nearby off-street parking lots
 - hours and days based on business input and demand

Terms & Conditions



Precautions to minimize City's Risk

- Go ahead letter required before bids awarded
- Most land proceeds secured up front
- TIF Lookback provisions
- Loan issued after completion
- TIF payments after completion

Remedies in case of default

- Unable to secure financing – HRA retains land and delays project
- Unable to complete apartments – No TIF payments required; No loan awarded; potential reversion (subject to mortgage provisions)
- Unable to purchase north commercial boxes, or unable to begin south site - HRA retains space and retains \$600k to construct shell

Summary & Recommendation



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City staff, legal counsel and financial advisors have reviewed the financing plans of the developer and drafted the Redevelopment Agreement. It is recommended that the Redevelopment Agreement be approved and staff be authorized to implement the terms.



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Thank You.

City staff, and advisors from Dorsey, and Ehlers are available to answer questions.