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# Proposed Tax Increment Financing District 44<sup>th</sup> and France 2

Edina City Council  
PUBLIC HEARING

October 16, 2018

# Background – Westgate Commercial District



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- Developed along streetcar route (1905-1930s)
- Several neighborhood businesses over 5-6 block area in Edina & Minneapolis
- Westgate Motor Garage
- Skelly (Fairbairn) gas station
- Westgate Theater
- Village on Morningside 1920-1966



Photo Source: Minnesota Historic Society



Photo Source: Cinematreaures.org

# Background – Current Conditions



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Photo Source: southwestjournal.com

## Edina Cleaners

- Established 1952
- Moved to corner 1962
- Expanded in 1978
- Closed & relocated 2017



# Background - 2015 Community Vision



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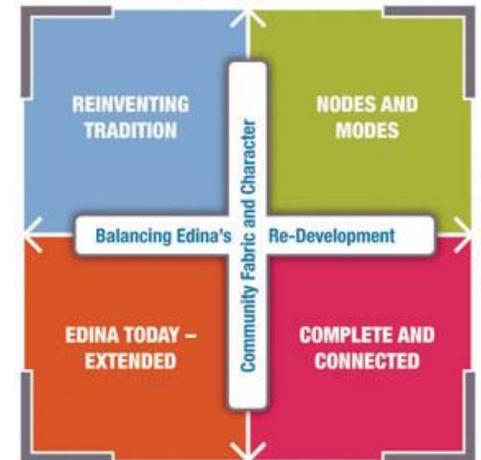
**“Future-Oriented ...** We stand on the foundation of our traditions, but are not afraid to adapt and change as the city evolves.” (page 5)

**“Live and Work ...** promote the development of a mix of commercial amenities, including restaurants and cultural amenities, which ... can further act as connection points or hubs within the fabric of neighborhoods and development areas.” (page 10)

**“Residential Development Mix ...** Continue to explore options for new multi-family housing throughout the city in mixed-use areas and near public spaces... create affordable housing options close to transit, shopping and employment centers” (page 7)

**“Transportation Options - ...** develop the sidewalk, trail and bike networks to improve accessibility and connectivity ...” (page 8)

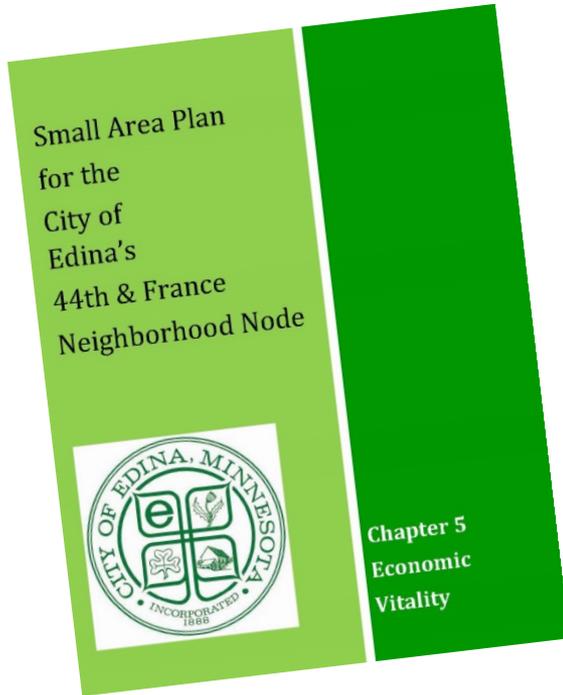
**Commercial Development...** promote the continued vitality of existing core retail zones (page 9)



# Background - 2018 Small Area Plan



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## **Economic Vitality Policies**

The City will:

- Support redevelopment of obsolete properties, site assembly and revitalization of the 44th and France node consistent with the small area plan and other city goals and policies including urban design, transportation, transit, housing, wellness, historic preservation, stormwater management and complete streets goals.
- Use redevelopment tools to create public realm improvements including streetscape improvement pedestrian and bicycle safety and amenities, public parking, utility and transportation improvements, storm water management and park, plaza or green spaces.
- Recognize that the City is best positioned to achieve a desirable outcome for the community by maintaining the flexibility to use redevelopment tools by taking into consideration a variety of factors including the quality of a development, its height, density and appropriateness for the market, tax base and the quality and character of public realm improvements.

*Small Area Plan for the City of Edina's 44th & France Neighborhood Node  
Page 60*

Small Area Plan prepared and approved 2018



# What is TIF?

- Economic development financing tool
- Used throughout the U.S.
- Governed by Minnesota Statute
- Enabled by City Council
- “Tax Increment” Financing - uses growth in tax base to fund private investment and public infrastructure

## Availability of Property Taxes to Taxing Agencies





# What is TIF?

## 1) Create "District"

- Boundaries
- Maximum Budget
- Term
- Qualifications
- But-for

## Steps to Establish, Fund and Monitor TIF (defined in Minnesota TIF Statutes)

## 2) Consider Funding for Specific Projects

- Private developments
- Public improvements

## 3) Monitoring & Compliance

- 4-year knock down
- 5-year construction
- Annual reporting
- De-certification

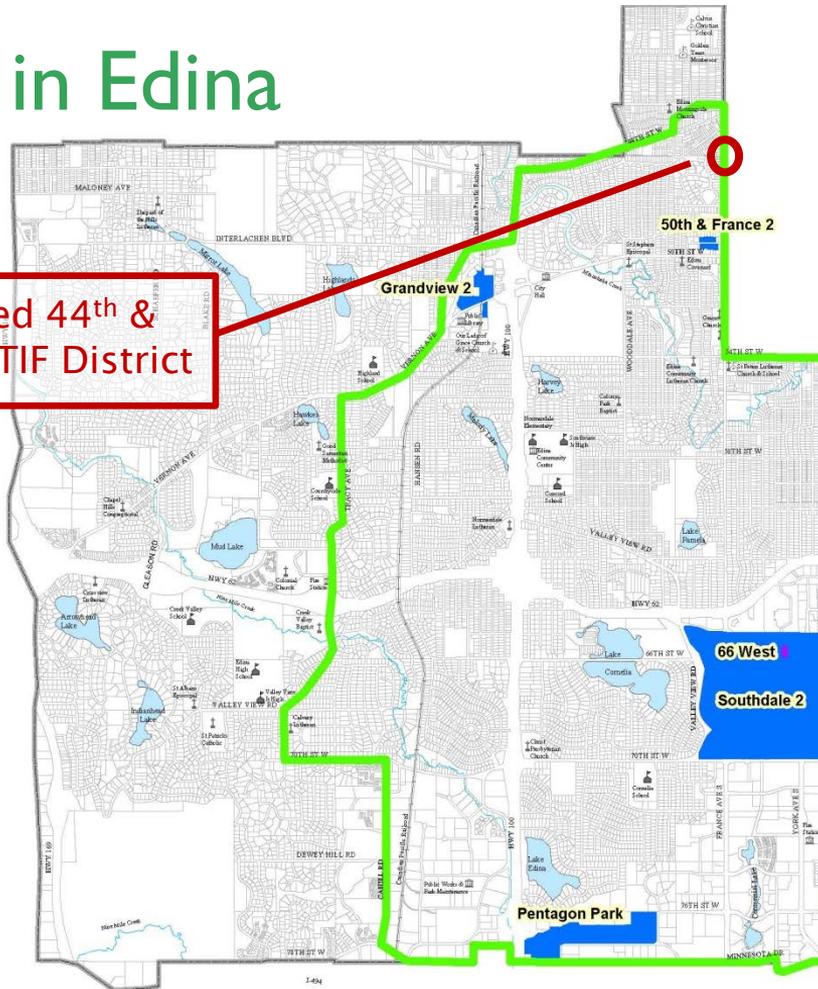


Action considered at Public Hearing

# TIF in Edina



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**Proposed 44<sup>th</sup> & France 2 TIF District**

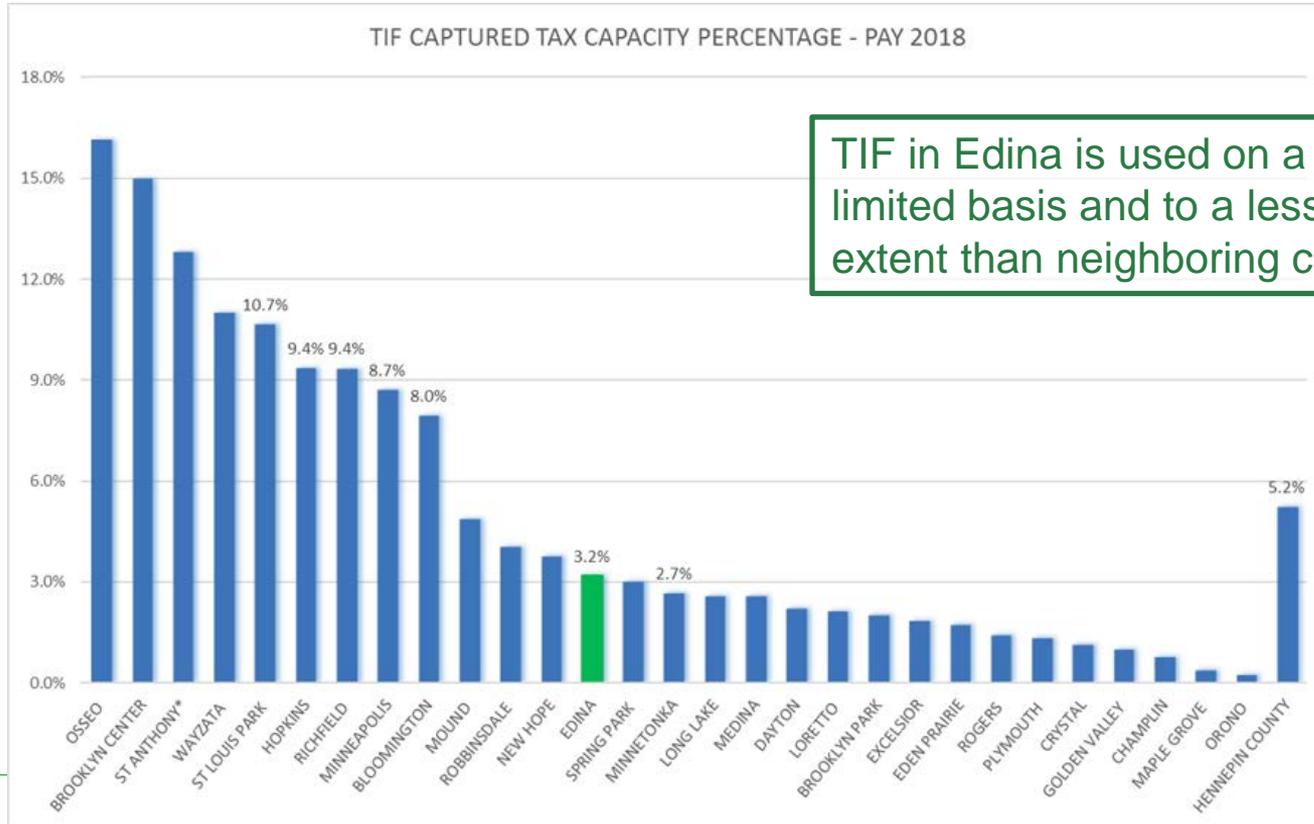
- Edina has 5 active TIF Districts:
- Southdale 2
  - Pentagon Park
  - 66 West
  - Grandview 2
  - 50<sup>th</sup> & France 2

- 3 of 52 major redevelopment projects since 2010 received Tax Increment
- Southdale Center, 2012
  - 66 West Apartments, 2015
  - Nolan Mains / 50<sup>th</sup> & France Parking Ramps, 2017
  - Pentagon South, TBD

# TIF in Edina



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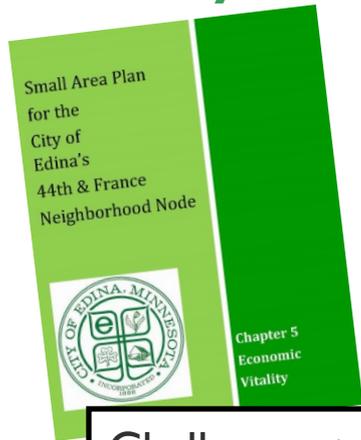


TIF in Edina is used on a limited basis and to a lesser extent than neighboring cities

# Why consider a new TIF District?



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Follow guidance in 2018 Small Area Plan:

- **Chapter 9 - Land Use and Urban Design Implementation ...** “Use redevelopment tools to create public realm improvements including streetscape improvements, pedestrian and bicycle safety improvements, public parking, utility and transportation improvements, storm water management and park, plaza or green spaces.” (pages 77-78)

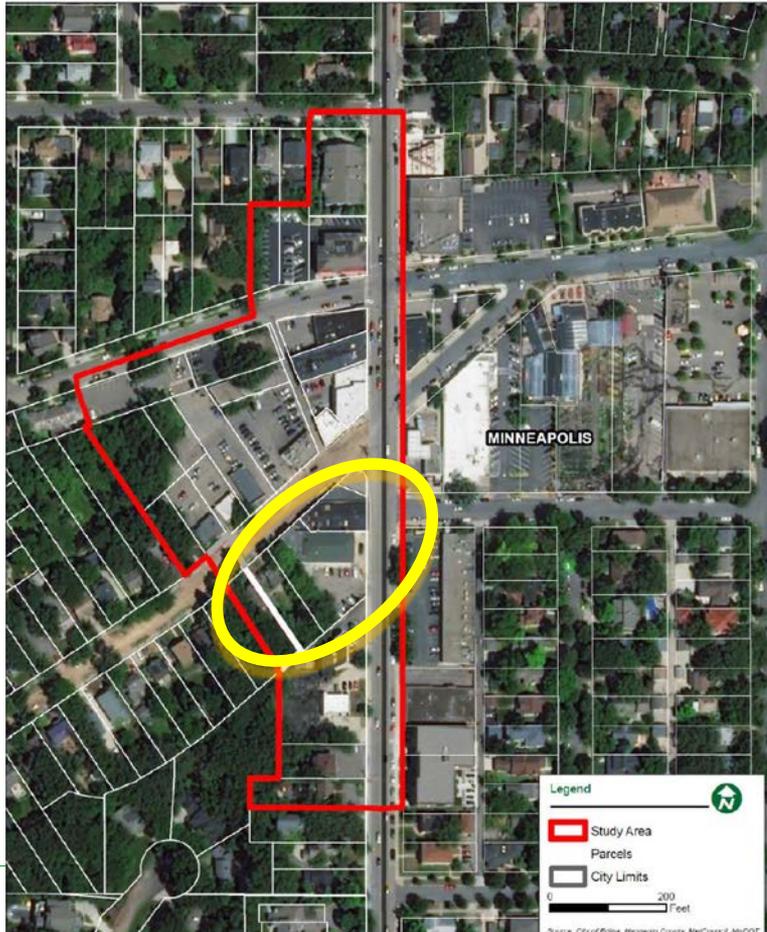
## Challenges to Redevelopment

- 1) demolition costs
- 2) environmental remediation
- 3) Small site with close neighbors
- 4) public realm costs
- 5) structured parking costs

# Proposed TIF Plan – District boundaries



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## 44<sup>th</sup> & France Neighborhood Node

- Avoid the “Include Everything” approach
- Include only the parcels imminently anticipated to change
  - boundaries could be re-considered in future if need arises
- 18% of 5.91-acre Neighborhood Node

# Proposed TIF Plan – District boundaries



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## Qualifying Conditions

- 5 parcels
- 1.05 acres, approx.
- All parcels evaluated per MN Statute
  - 2 buildings deemed “sub-standard”
  - More than 70% of area previously improved (buildings, parking lot, etc)
- Renewal District - 15 year term (max.)

# Proposed TIF Plan – Financial Estimates



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- Original Tax Capacity = \$28,800 (2018)
- Projected Tax Capacity = \$260,378 (2020)
- Projected Tax Capacity = \$299,297 (2035)
  - 9x and 10x original
  - Used to establish maximum budget
  - Estimate only

## Taxable Market Value – Estimate

Current Value = \$2.17 million

New Value = \$18.9 million (+871%)

GAIN = \$16.73 million

# Proposed TIF Plan – Sources and Uses



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## Projected Uses of Tax Increment Funds

- Site preparation \$959 k (23%)
- Utilities \$723 k (18%)
- Affordable Housing \$195 k ( 5%)
- Other Improvements \$813 k (20%)
- Administrative \$195 k ( 5%)
- Interest \$1.2 M (29%)
- Total \$4,084,773

### Estimated Tax Increment Collected

- \$3.9 million in taxes
  - (over 15 year term)
- \$4,084,773
  - (with interest earnings)

# Proposed TIF Plan — But For Analysis



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- There are extensive costs to construct mixed-use facility with public improvements to benefit the community.
- While some re-use could occur without TIF, the significant redevelopment anticipated is not likely to exceed \$14.1 million unless public financing is available.

**In Conclusion: it is reasonable to conclude that significant private investment will not occur without the use of Tax Increment Financing.**



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## Questions / Discussion