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Proposed West 76th Street Tax Increment Financing District and Budget Amendment to Southdale 2 TIF District

Edina City Council
PUBLIC HEARING

November 20, 2018

Background — Current & Past Conditions



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4100 W. 76th Street

- Constructed 1967
- Flyte Tyme Studios 1988 to 2004
- Recording school until 2016
- Listed for sale 2016
- Sold 2018

Background - 2015 Community Vision



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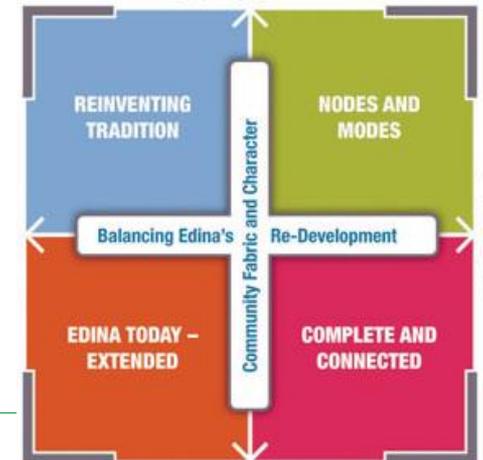


“Future-Oriented ... We stand on the foundation of our traditions, but are not afraid to adapt and change as the city evolves.” (page 5)

“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)

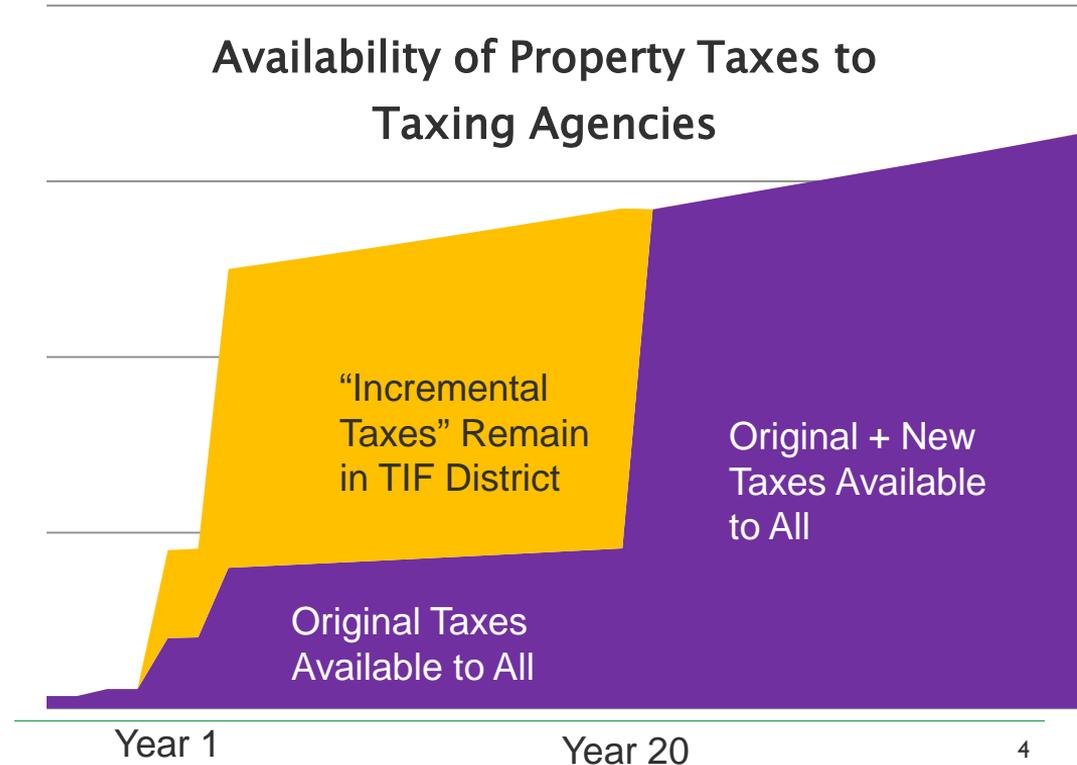




What is TIF?

- 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

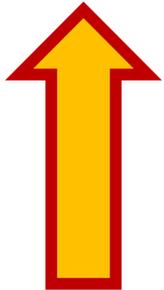
Steps to Establish, Fund and Monitor TIF (defined in Minnesota TIF Statutes)

2) Consider Funding for Specific Projects

- Private developments
- Public improvements

3) Monitoring & Compliance

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

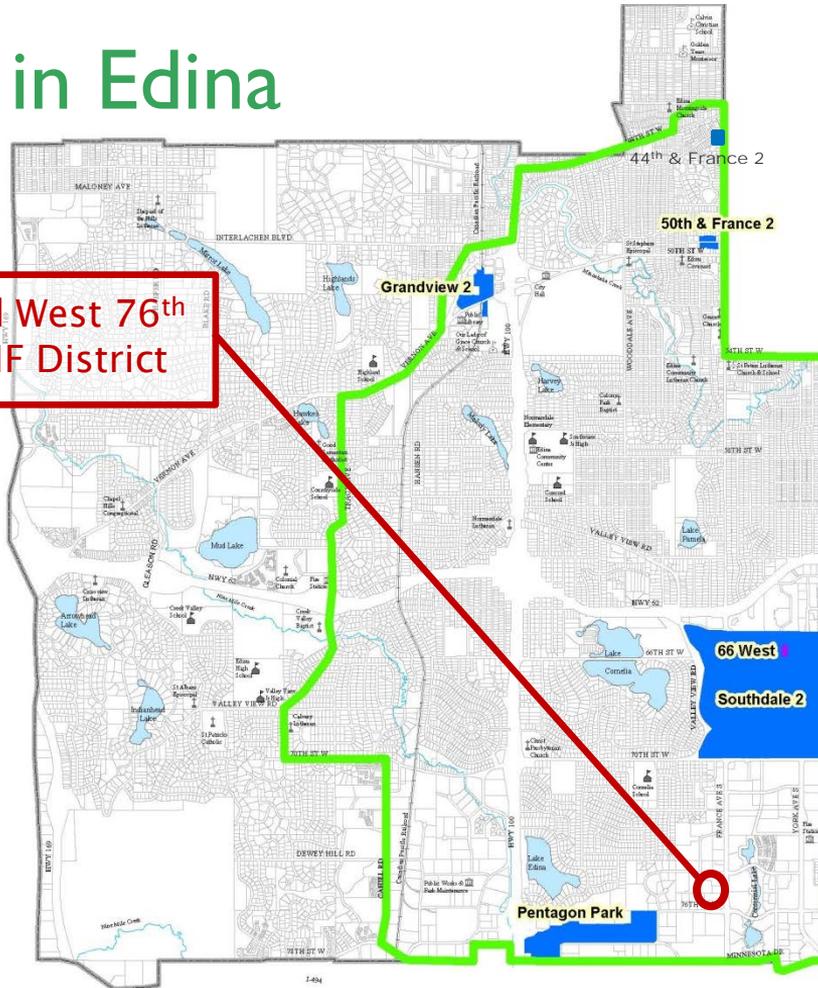


Action considered at Public Hearing

TIF in Edina



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Edina has 6 active TIF Districts:

- Southdale 2
- Pentagon Park
- 66 West
- Grandview 2
- 50th & France 2
- 44th & France 2

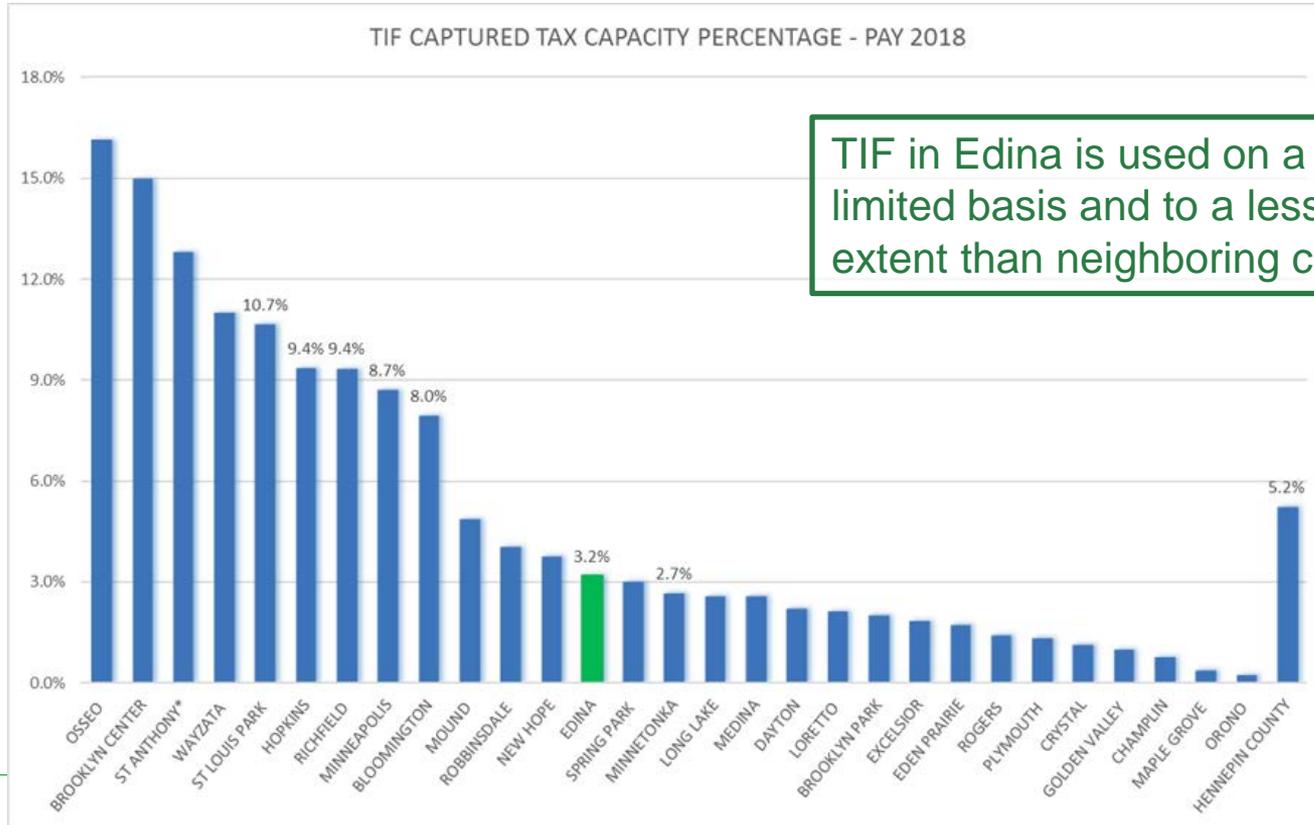
5 of 52 major redevelopment projects since 2010 received pledges of Tax Increment

- Southdale Center, 2012
- 66 West Apartments, 2015
- Nolan Mains / 50th & France Parking Ramps, 2017
- Pentagon South, 2018
- 4500 France, 2018 (pending)

TIF in Edina



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

Proposed TIF District & TIF Plan



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- 1 parcel, 2 acres in size
- “Affordable” Housing District
 - Using Special Legislation approved in 2014
- 20 year term (max.)
- Allow pooling from Southdale 2 District
- Allow site acquisition of parcel
- Original Tax Capacity = \$16,364 (2018)
- Projected Tax Capacity = \$115,015 (2021)
 - Used to establish maximum budget

Proposed TIF Plan – Sources and Uses



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Estimated Incremental Property Tax Collected

- \$2.1 million
 - Over 20 year term
 - With interest earnings
 - Excludes base taxes distributed to other taxing agencies (County, Schools, City, etc)

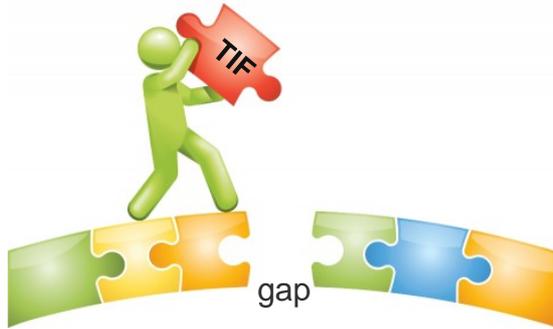
Projected Uses of Tax Increment Funds

- | | |
|----------------------|----------------------|
| • Site preparation | \$0 |
| • Utilities | \$0 |
| • Affordable Housing | \$1.195 M (55%) |
| • Other Improvements | \$0 |
| • Administrative | \$205 k (10%) |
| • Interest | <u>\$760 k (35%)</u> |
| • Total | \$2,160,378 |

Proposed TIF Plan – Findings



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- At least 20% of the new units will be affordably priced at or below 60% AMI for at least 25 years
- It is expected that 100% of the units will be affordably priced at a variety of income levels
- New housing such as proposed does not generate adequate rental income to pay for the construction and operating expenses
- Funding support from a variety of public & private resources, including grants and low-income housing tax credits will also be necessary to allow this project to move forward

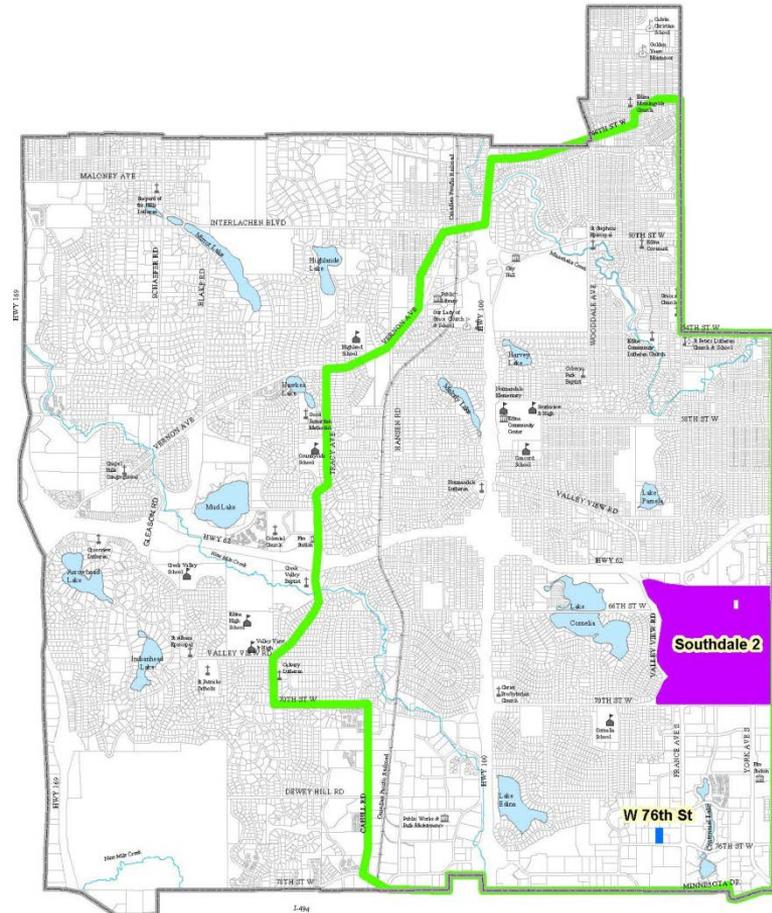
In Conclusion: it is not reasonably expected that the proposed affordably-priced housing development will be constructed without the use of Tax Increment Financing.

Amended Southdale 2 TIF Plan



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- Created 2011
- Expires 2021
- \$5 million loan to Southdale Center Mall
- Budget modification required to help support West 76th Street project via funding and potential acquisition



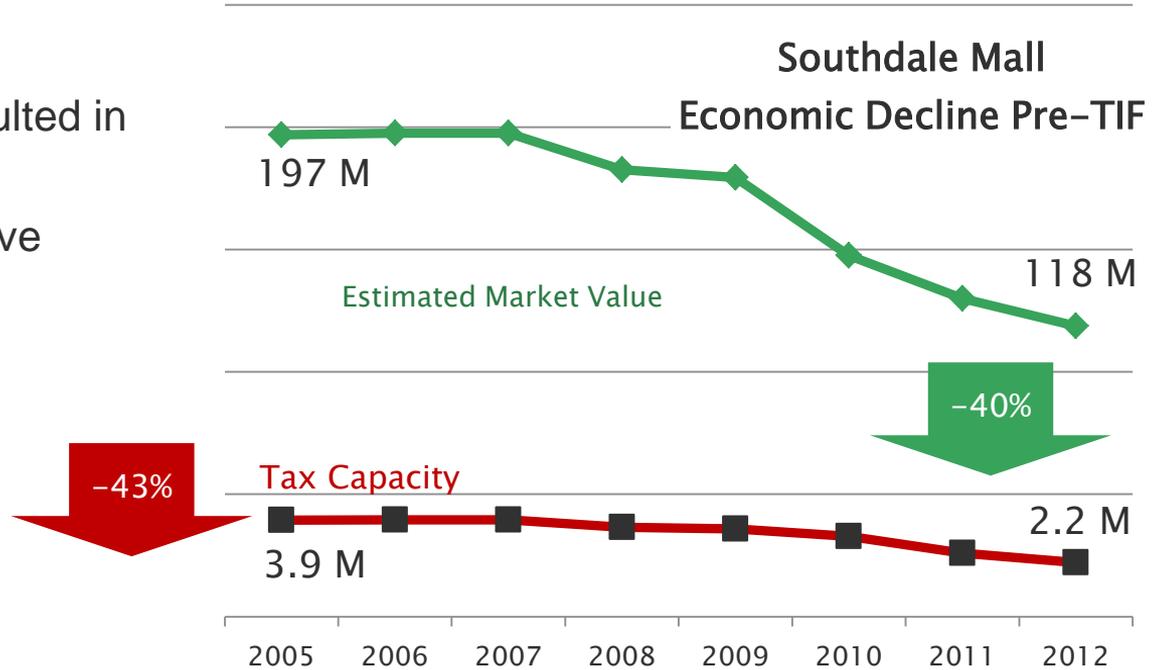
Southdale 2 TIF Background



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WHY DID EDINA INTERVENE ?

- Multiple ownership changes resulted in lack of significant investment
- Less relevant in highly competitive marketplace
- Less attractive to consumers
- Less appealing to residents
- Declining tax valuation
- Increasing vacancy rates
- Increasing perception of crime



Southdale 2 TIF Background



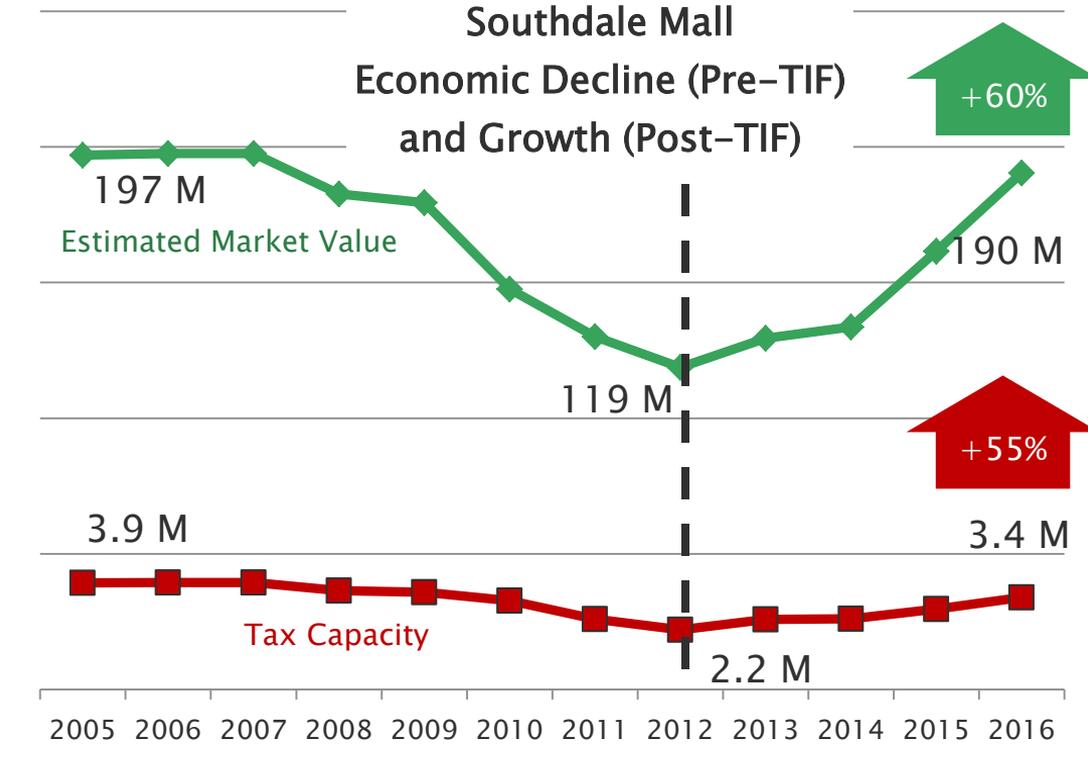
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Goal & Objectives

- Incentive to Simon Properties to make transformational investment in Southdale Center Mall
 - \$5 million interest-free loan
 - \$15 million investment, minimum
 - Prompt response & action

Desired Outcomes

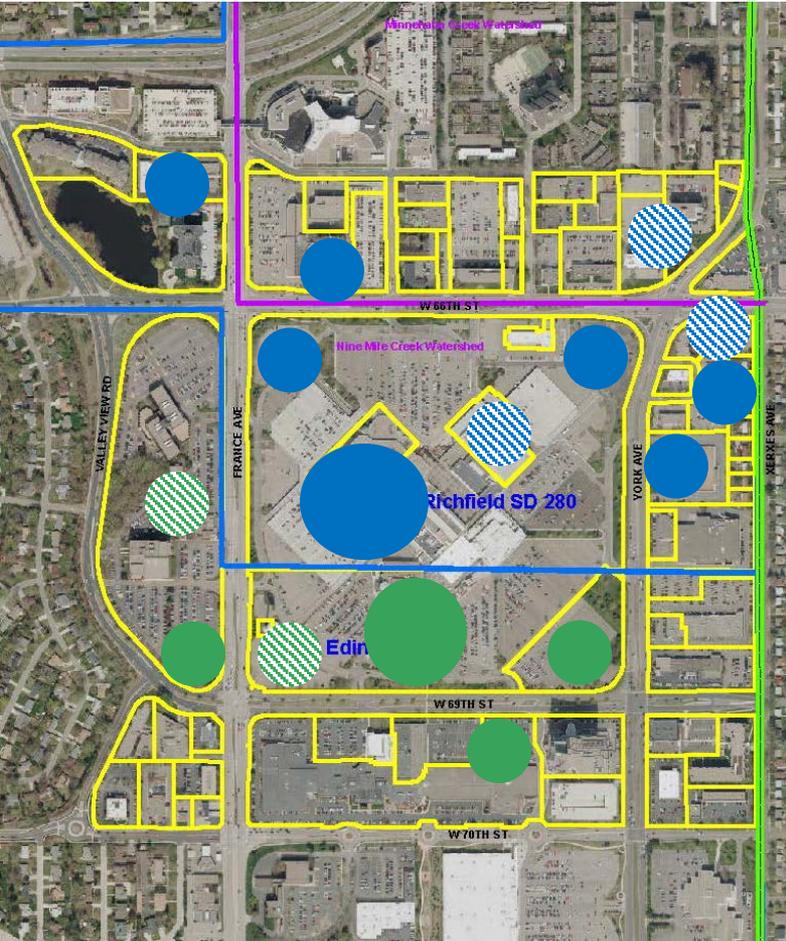
- 1) Halt decline
- 2) Revive shopping center for enjoyment of residents & others
- 3) Re-assure neighbors and investors
- 4) Stimulate investment in surrounding properties



Southdale 2 TIF Background



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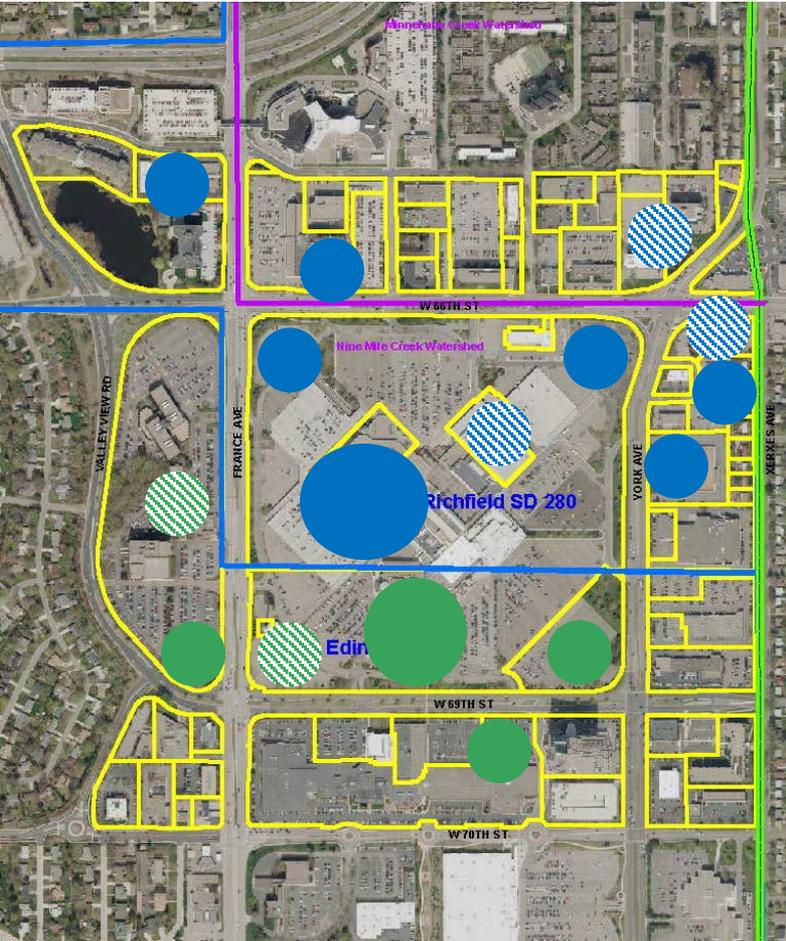
	Total	School District 273	School District 280
Parcels	300	105	196
Acres	208	93	116
Projects Completed	11	4	7
Projects Pending	5	2	3
Increase in EMV*	\$204 M (approx 26%)	\$119 M	\$85 M

*Tax Year 2016, current number is higher

Amended TIF Plan – Financial Estimates



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	Edina	Richfield
	<u>Schools 273</u>	<u>Schools 280</u>
• Original Tax Capacity (2012)	\$4.457 M	\$4.121 M
• Projected Tax Capacity (2021)	\$4.714 M	\$5.858 M
	- Used to establish budget	
	- Estimate only	
	- Actual numbers will be higher	

See page 2-5 of amended TIF Plan

Amended TIF Plan – Sources and Uses



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Estimated Incremental Property Tax Collected

- Original \$11.95 million
- Modified \$31.12 million
 - Over ten years
 - Includes interest earnings
 - Excludes base taxes distributed to other taxing agencies (County, Schools, City, etc)

Projected Uses of Tax Increment Funds

	<u>Original</u>	<u>Modified</u>
• Land/building acquisition	\$0	\$4.0 M (13%)
• Site preparation	\$2.27 M	\$2.27 M (7%)
• Utilities	\$0	\$0
• Affordable Housing	\$0	\$15.17 M (49%)
• Other Improvements	\$5.0 M	\$5.0 M (16%)
• Administrative	\$1.1 M	\$1.1 M (4%)
• Interest	<u>\$3.58 M</u>	<u>\$3.58 M (11%)</u>
• Total	\$11,952,217	\$31,120,000



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Questions / Discussion