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## HOUSING AND REDEVELOPMENT AUTHORITY

# 2018 - YEAR IN REVIEW

## OVERVIEW

The Edina Housing and Redevelopment Authority (HRA) was established in 1974 for the purpose of undertaking urban redevelopment projects and assisting with the development of affordable housing. The members of the Edina City Council serve as Commissions of the Board of the HRA. The Edina City Manager serves as Executive Director of the HRA. From time-to-time, additional services are provided to the HRA by City staff as part of their regular job duties. The HRA also uses third-party professionals to provide expertise in the preparation of redevelopment agreements and to provide monitoring and reporting oversight.

This report has been prepared by City of Edina staff to highlight activities and accomplishments in the past year. This report also contains updated project information that may shape upcoming activities and programs of the HRA.

## 2018 ACCOMPLISHMENTS

- Established 44<sup>th</sup> & France 2 TIF District to support new public parking, new public plaza and new infrastructure at 4500 France Avenue
- Established West 76<sup>th</sup> Street TIF District to support new affordably-priced housing at 4100 West 76<sup>th</sup> Street
- Modified the Southdale 2 TIF District to support retention and creation of affordably-priced housing
- Completed investigative study of Grandview Green Highway Lid concept
- Completed Expansion of North Parking Ramp at 50<sup>th</sup> & France
- Executed Redevelopment Agreement with Pentagon Village, LLC to support redevelopment of 12-acres of vacant land along West 77<sup>th</sup> Street between Normandale Road and Computer Avenue
- Executed Redevelopment Agreement with 4500 France Orion, LLC to support redevelopment of 4500 France Avenue
- Hired Affordable Housing Development Manager
- Adopted of Affordable Housing Compliance Guidelines and Fair Housing Policy
- Closed on ten (10) "Come Home 2 Edina" second mortgages
- Branded Edina's affordable housing program: "Open Doors Edina"

## REDEVELOPMENT ACTIVITY

The flurry of redevelopment continues in commercial and industrial sites in Edina. Most redevelopment occurs on properties that were originally developed 50 or more years ago. The aging structures on these properties, typically has not kept pace with the needs or expectations of the current marketplace. Most redevelopment in Edina is privately funded. The HRA does get involved in project financing when the project is determined to be unfeasible without intervention and when the proposed project delivers long-term community benefits. Of the 52 major redevelopment projects constructed since the Great Recession began to end in 2010, ninety percent of new projects have been privately funded. Only 5five projects have included pledges of tax increment financing from Edina.

In 2018, two new tax increment financing (TIF) districts were established and the budget of the Southdale 2 TIF District was modified. As of year-end 2018, Edina has seven active TIF Districts. Key details are summarized below:

Name	Type	Size (acres)	Year Established	First Collection	Expiration Year
44 <sup>th</sup> and France 2	Renewal, 15-years	1.0	2018	2021	2036
50 <sup>th</sup> and France 2	Redevelopment, 25-years	2.8	2017	2021	2046
Grandview 2	Redevelopment, 25-years	10.8	2016	2020	2045
Southdale 2	Economic Development, 8-years	208	2012	2013	2021
66 West	Housing	0.9	2016	2019	2044
West 76 <sup>th</sup> Street	Housing, 20-years	2.0	2018	2022	2042
Pentagon Park	Redevelopment, 25-years	47	2014	2018	2043

In general, Edina uses tax increment financing less frequently and to a lesser extent than neighboring communities and peers. Maps to illustrate the use of TIF are attached as Exhibits A and B.

## PROJECT STATUS

### 1) 4500 France Avenue

The HRA entered into a Redevelopment Agreement and pledged to issue a TIF Note up to \$2.295 million after successful completion of the \$29 million redevelopment project. The project consists of approximately 46 apartments with approximately 7,000 square feet of commercial space on the first floor. The new building is designed to be four stories near the commercial street and two stories along Sunnyside Road to make a smooth transition to the adjacent single-family houses. The project will also include several infrastructure improvements in the commercial node and will provide a public plaza, public parking, public art and new public sidewalks with streetscape improvements.

2) North Ramp on Market Street

The HRA hired Adolfson and Peterson Construction to expand the North Parking Ramp. This project was completed in Fall 2018 at a total estimated cost of \$12 million. The expanded ramp includes 546 public parking stalls as well as 10,000 square feet of commercial space that will be sold to a private developer in Q2 2019.

The construction project included several mitigation efforts to support local businesses during the construction phase. These efforts included: off-site parking, employee shuttle, valet parking for customers (extended on four occasions), on-site parking manager, business-neighborhood liaison, district marketing and promotion. The cost of these mitigation strategies is included in the total project cost.

3) Nolan Mains / Center Ramp on Market Street

The HRA sold property at 3925 Market Street to a private developer in January 2018 to promote mixed use redevelopment of the site. This redevelopment effort was set in motion in 2013 based on concerns of businesses and residents that the 50<sup>th</sup> & France district was experiencing reduced foot traffic and needed parking improvements and other enhancements to meet the needs of the next generation. In 2013, the HRA acquired two commercial parcels adjacent to the original North Ramp to accommodate additional parking and sought creative solutions from the private sector in 2016 to reinvigorate the underused parcels on Market Street.

The approved project consists of 100 units of rental housing and approximately 20,000 square feet of commercial space. The building is configured around a series of public walkways and plazas to create a vibrant pedestrian experience that engages the adjacent commercial properties. The new structure is arranged as three connected buildings with a height of six stories in the middle and five stories on the ends.

The HRA pledged to issue a TIF Note up to \$10.1 million upon completion of the \$74 million project. The project will include approximately 128 public parking stalls located on the first underground level (Center Ramp), shared trash rooms, public plazas, sidewalks and enhanced streetscape to create a uniform customer experience. The developer will also provide infrastructure and utility improvements to benefit surrounding commercial properties.

With the support of the Edina Housing Foundation, the HRA also pledged to provide a low-interest loan to support 10 affordably-priced rental units in the facility for a period of at least 15-years.

As of year-end 2018, the Nolan Mains apartment project has the lower level foundations completed and the structural frame is about 50 percent complete. The project is on schedule for completion in Fall 2019.

4) Edina Flats – Valley View Road and Kellogg Avenue

The developer continues to make progress on the construction and sale of 18 new condominium units. The project is partially constructed on land previously owned by the HRA.

As of year-end 2018, the shell construction of the first 6-unit building is nearly complete and the site preparation for the other buildings is beginning to take shape.

5) 5146 Eden Avenue

The HRA worked in partnership with developers at Frauenshuh Inc. to explore the possible sale and redevelopment of the former public works property in the Grandview District. Several layouts and scenarios were explored including elements of market-rate housing (in both high-rise and mid-rise configurations), affordably-priced housing, district shared parking, outdoor public space, and a new community facility ranging in size from 15,000 to 50,000 square feet to replace the existing Art Center and Senior Center facilities.

Ultimately, the negotiations with Frauenshuh were terminated due to disagreement on the sales price, terms and site layout. Concerns were also raised by the HRA about the high construction and operating costs of a new community facility at this site.

6) Southdale Center Mall

The 77-acre Southdale Center Mall property continues to undergo significant transformation in 2018. The RH Gallery store is under construction at the southwest corner of the site and anticipated to open in late 2019. The Shake Shack restaurant opened in Fall 2018 at the northwest corner. The 146-room Homewood Suites hotel opened in Fall 2018 at the northeast corner. The structural frame for the new Lifetime Fitness and Lifetime Sport/Lifetime Work facility is nearly complete at the former site of the JC Penney's department store. The former Herberger site remains vacant since the retailer was liquidated and the department store was closed in late summer 2018. Simon Properties, the property owner is reviewing several possibilities for re-use or redevelopment of the Herberger site.

7) 6600-6800 France Avenue

The property owner/developer secured land use approvals to add new retail, housing, hotel and office space on the site in 2016. The new buildings are intended to be arranged around a new inner circulation route that can be used by both pedestrians and vehicles. The approved site plan includes several public realm amenities that incorporate unique and contemporary strategies to achieve a welcoming and vibrant sense of place.

The City and the developer secured a grant from the Metropolitan Council to support creative placemaking on the site in 2017.

While the flagship suburban site for Bank of America has been completed, none of the other anticipated elements has been initiated. The site continues to face challenges resolving stormwater runoff, due in part to its low elevation compared to the adjacent Rosland Park and Lake Cornelia. The developer appears to be reassessing the combination of elements based on market conditions.

It may be necessary for the HRA to intervene in the future to facilitate redevelopment of this site so that the desired stormwater and public realm improvements can be achieved.

8) 7200/7250 France Avenue

The developer/property owner has secured preliminary rezoning approval to replace two aging office buildings with two multi-family apartment buildings with commercial space on the street level. The approved site plan includes several public realm amenities and preserves a portion of the property that has a grove of mature trees.

The developer has requested \$12 million in TIF to support the \$117 million project. While the rezoning of the site has been approved by the City Council, staff is still evaluating the TIF request. Action on this request is anticipated early in 2019.

9) 7001 York Avenue

Hennepin County owns and operates the Regional Library on this 8-acre property. For several years, they have been considering how to redevelop the site to provide county services to residents of Edina and surrounding communities. The Service Center relocated to Southdale Center in 2015. The Court Facility is on schedule to move to Ridgedale Center in Minnetonka in 2019. The Regional Library is scheduled to be reconstructed in the next few years.

The HRA may get involved in the future redevelopment of this site, possibly for the creation of new affordably-priced housing. Details are pending until the County determines the preferred use of the property and timing for a future transaction.

10) 4100 West 76<sup>th</sup> Street

Aeon, a private developer who specializes in affordably-priced housing has purchased this property after it had been listed on the open market for more than one year. The existing commercial building was originally constructed in 1967 and has been occupied by a number of different businesses – including a successful recording studio.

In Fall 2018, Aeon secured an amendment to the Comprehensive Plan to allow affordably-priced housing to be built on this parcel.

The HRA pledged to provide \$2.4 million in monies and \$925,000 in future incremental property taxes from the site to support long-term affordability on the site.

Aeon is in the process of securing full funding commitments so that construction can commence in 2020.

The HRA is negotiating for the temporary purchase of the property from the Community Land Bank to demonstrate the City's commitment to provide new affordably-priced housing in the community.

#### 11) Pentagon Park South – Pentagon Village

The HRA executed a redevelopment agreement with the developer to support complete redevelopment of the vacant 12-acre property. Upon completion, the developer will deliver several new building elements. They are anticipated to include: new dual brand hotel, two new retail buildings, extended-stay hotel, mixed-use retail/office building, two new office buildings, parking garages, public plaza and new infrastructure.

TIF support will be provided via multiple TIF Notes with a combined maximum principal amount of \$18.1 million. The actual amount of TIF reimbursement will be determined based on actual project costs and the amount of investment that can be delivered prior to June 30, 2019.

As of year-end 2018, the developer is making significant progress with site improvements. A minor amendment to the site plan and TIF Redevelopment Agreement is anticipated in early 2019.

#### 12) Pentagon Park North

A proposal from Chase Real Estate to construct 585 units of market-rate housing on a portion of the north parcel was denied. The HRA negotiated preliminary terms but final agreement was unable to be reached. While there is still interest from the private sector to redevelop part of this site, the property owner intends to rehabilitate the existing office buildings and offer leases for new office space.

#### 13) 7075 Amundson Avenue

The Edina Housing Foundation purchased this vacant site in 2018 after the business closed due to bankruptcy. The Foundation has expressed their intention to sell the site to a developer for the construction of affordably-priced housing. The use of TIF is anticipated in order to secure other funding sources and make the eventual project viable.

## OTHER HRA ACTIVITIES

#### 14) Development Strategy for Affordably Priced Housing

The HRA approved a strategy to use incremental property taxes generated from the market-rate developments within the Southdale 2 District to support the creation or retention of affordably-priced housing in Edina. Based on the amount of tax revenue estimated to be collected prior to expiration in 2021, between 3 and 6 developments could potentially be supported. Financial support from other entities would also be required to make these projects viable.

Staff will investigate potential sites in a variety of commercial/multi-family districts for possible implementation. Staff will also seek additional approval from the State Legislature to use as much of the local funding as possible before 2021.

### 15) Open to Business Program

The HRA continues to partner with the Metropolitan Consortium of Community Developers (MCCD) to provide free business consulting services for start-up businesses or expanding businesses located within Edina. These services are also provided to Edina residents regardless of where the business may eventually be located. The \$5,000 annual contribution from the HRA supplements funding provided from Hennepin County.

In 2018, the Open to Business program provided service to 24 entrepreneurs with business interests or homes in Edina. Staff at MCCD provided 165 hours of direct technical assistance with these clients.

The categories of businesses included start-ups, existing with growth opportunities and existing businesses with operational challenges. The types of businesses ranged from fitness to consulting and from real estate to packaging design.

The Open to Business program resulted in direct business loans of \$188,000 to some of these clients. These loans leveraged another \$1.69 million in business investment.

## FORECAST OF 2019 ACTIVITIES

The staff work plans for 2019 tentatively include these activities:

- Ongoing management of Market Street redevelopment, including re-opening the Center Ramp in Fall 2019
- Execute real estate transaction and secure site approval for 5146 Eden Ave.
- Issue TIF Note for Pentagon Village (aka Pentagon Park South)
- Consider new TIF District for 7200-7250 France Avenue
- Update policy on the use of Tax Increment Financing
- Investigate the redevelopment potential of the 44<sup>th</sup> & France commercial node
- Enter into a Purchase Agreement with MWF Properties for 7075 Amundson.
- Acquire 4100 West 76<sup>th</sup> Street and hold for Aeon for the redevelopment into affordable housing.
- Implement the Class 4d Property Tax Reduction and energy efficient grant program for naturally occurring affordable multifamily housing.
- Develop a single family ownership rehabilitation and land-trust program.

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Exhibit A

Map of TIF Districts

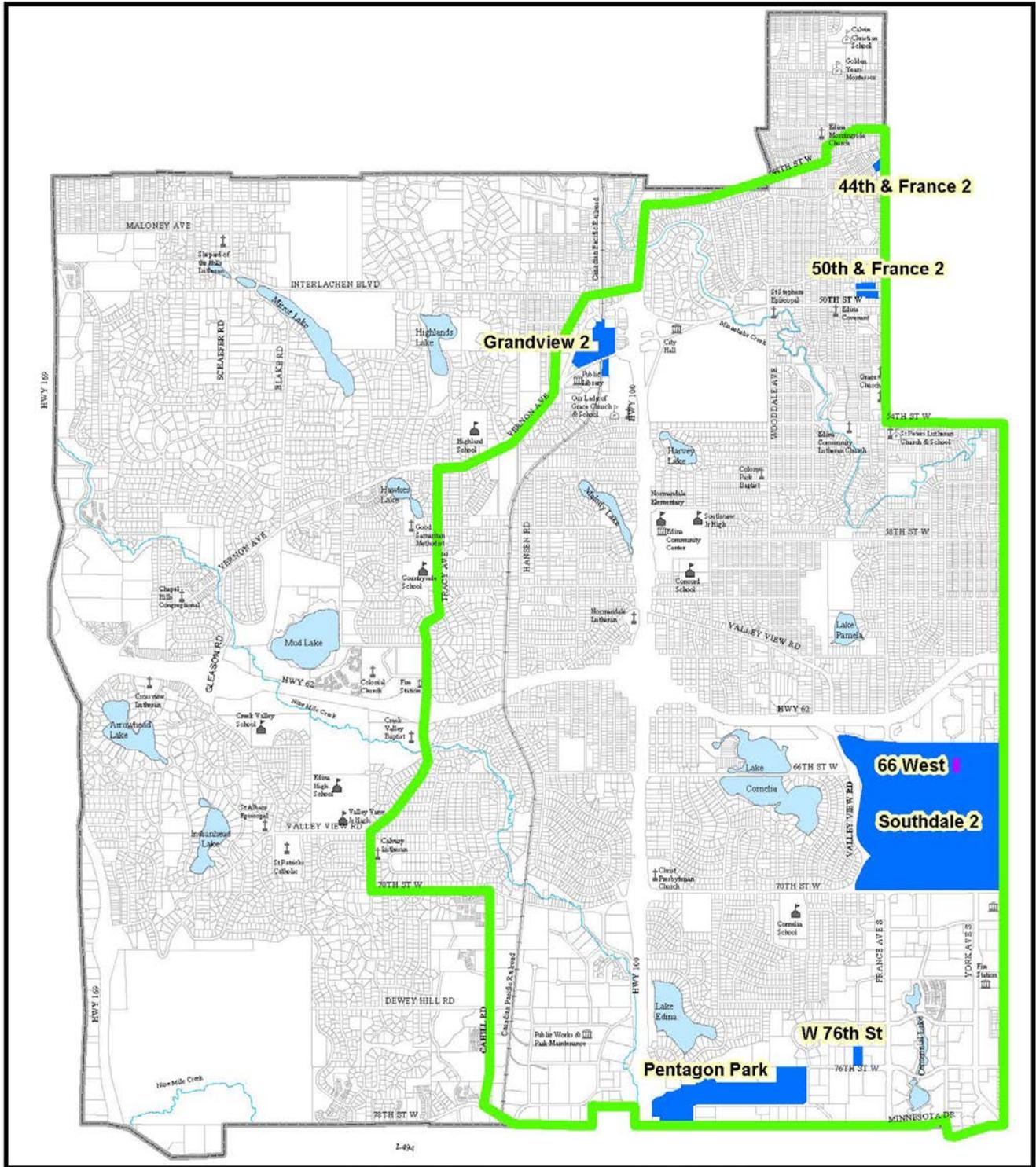
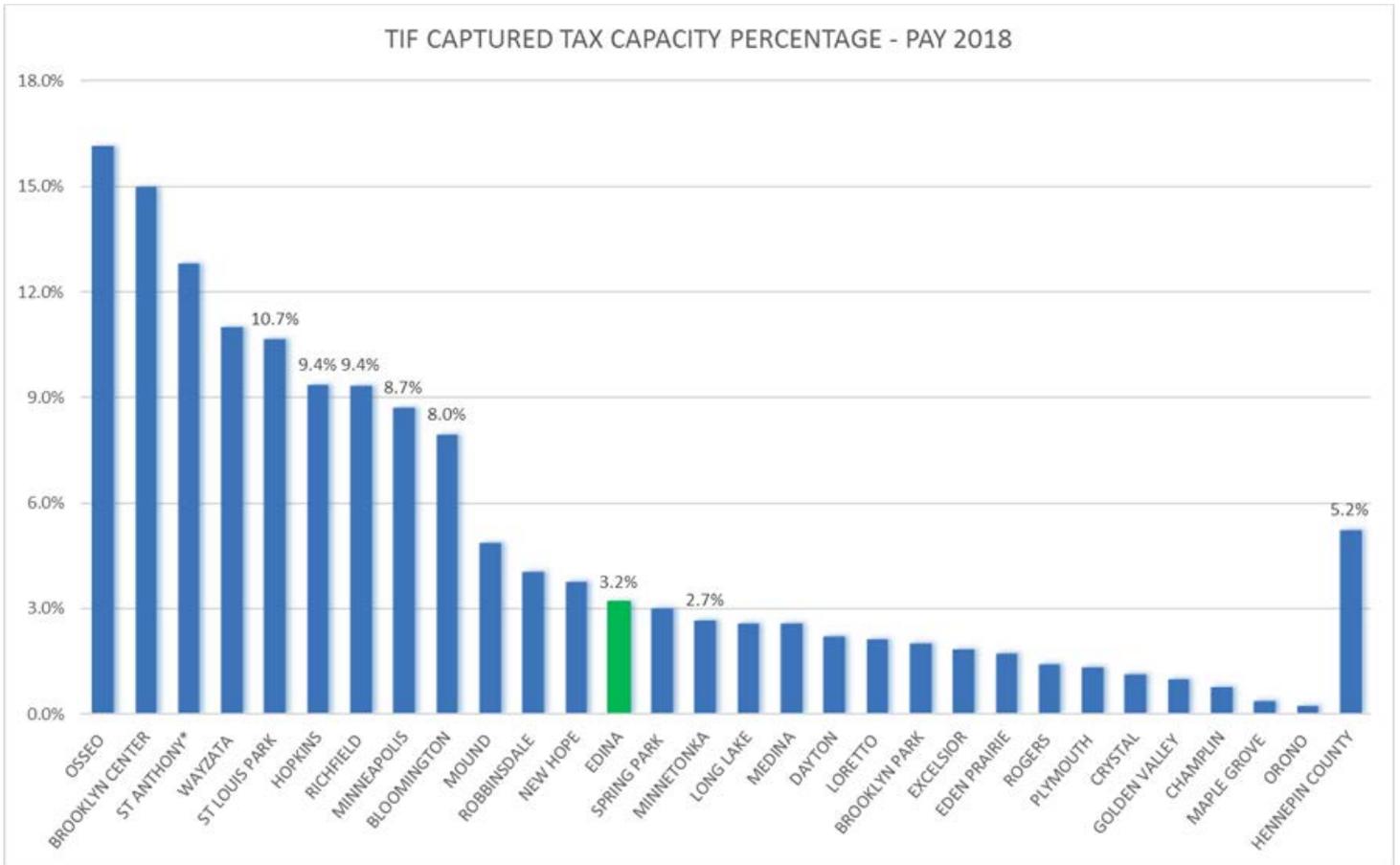


Exhibit B

# Use of TIF in Edina



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