



The CITY of
EDINA

Pentagon Park South

4815-4901 W. 77th Street and 7710 Computer Avenue

Redevelopment Agreement with Pentagon Village LLC

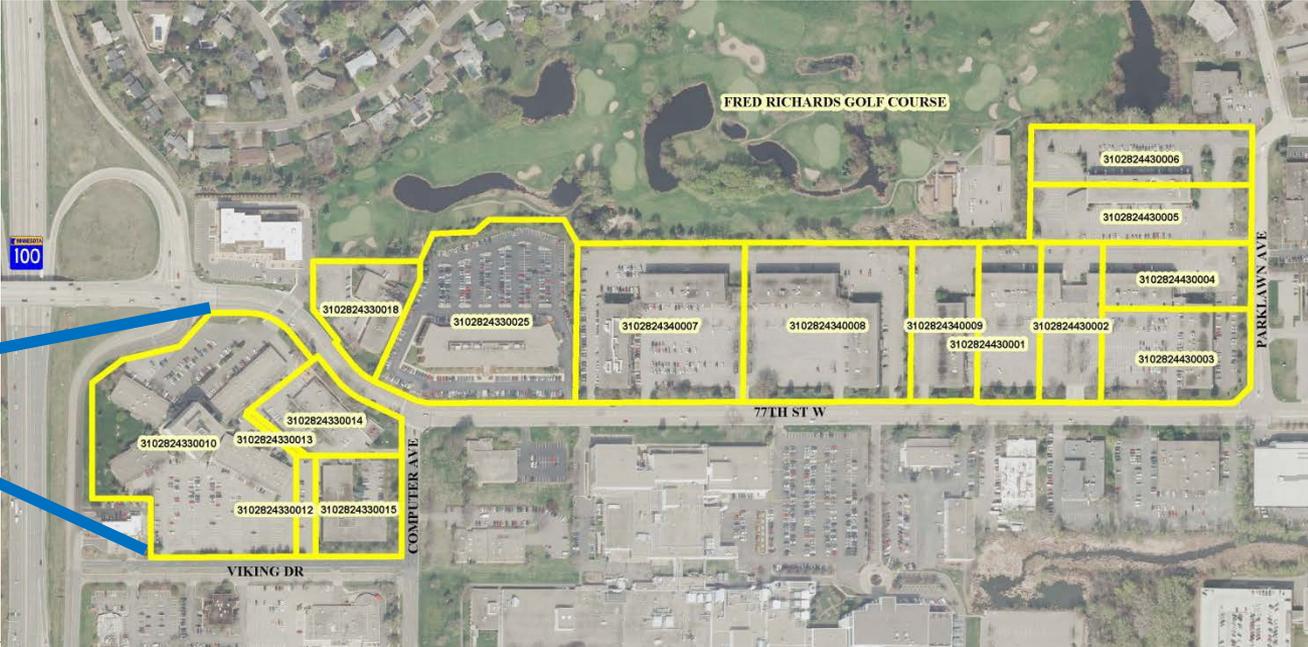
Edina City Council
Edina Housing & Redevelopment Authority

October 2018

Project Description - location



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Project Description



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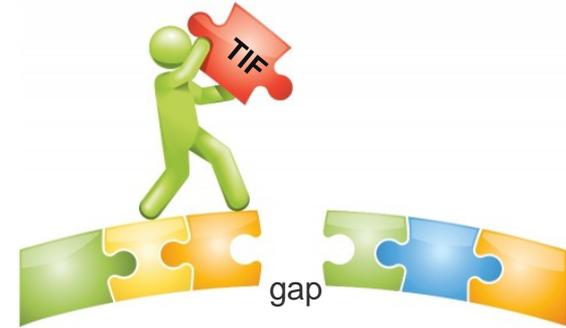


OFFICE 1	25,000sf per floor 5 floors 125,000sf total
OFFICE 2	20,000sf per floor 5 floors 100,000sf total
HOTEL 1	193 keys 4 floors
HOTEL 2	153 keys 4 floors
PARKING (office)	1,155 spaces
PARKING (hotel)	390 spaces
RETAIL 1	7,500 sf
RETAIL 2	4,300 sf
RETAIL / OFFICE	19,000 sf



Deal Structure – 3 Pay Go Notes

- Sitework to proceed ASAP with 100% of equity & debt by Developer
 - approx \$109 M total investment
- Pay as you go TIF Notes
 - Up to 3 Notes, depending on level of investment made by June 2019
 - Maximum of \$18.1 M
 - interest bearing (6%)
- TIF reimbursed upon completion of buildings and delivery of public easements
- Review of developer's financial pro forma indicates a financing gap



Key conclusion:

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



Responsible Parties

Retail by Pentagon
Village, LLC

All 12-acres Site Prep by
Pentagon Village, LLC

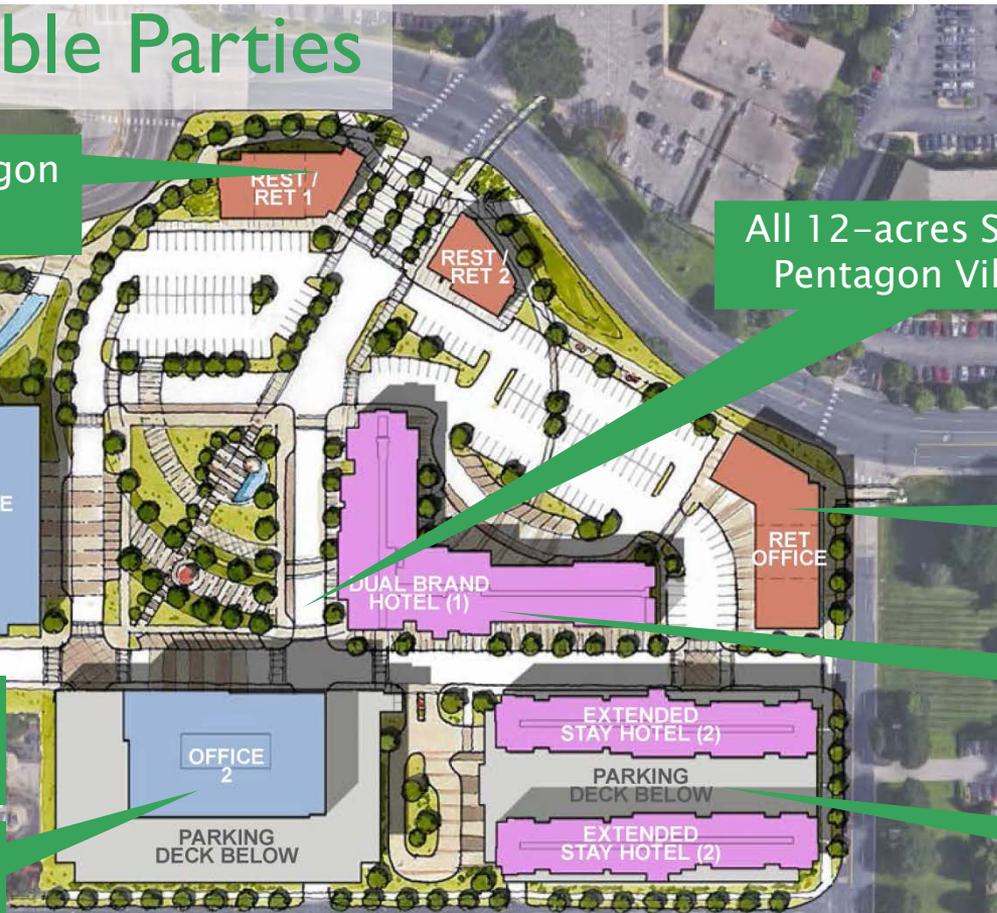
Mixed-Use
Developer TBD

Hotel
Developer #1

Hotel
Developer #2

Office #1
Developer TBD

Office #2
Developer TBD



Project Description

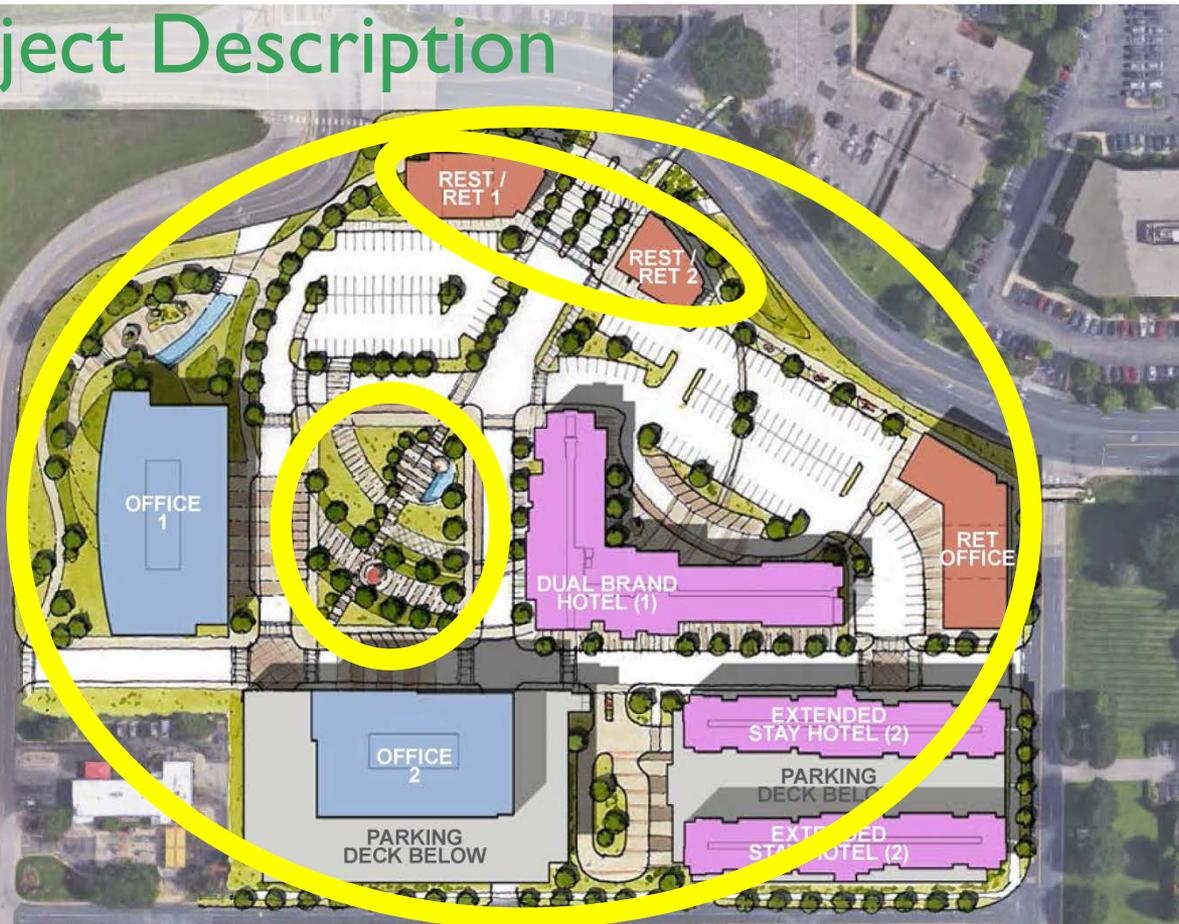


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Phase 1A Outcomes

- Clear site (completed)
- Prepare entire 12-acre site
- Begin Retail Elements
 - 2-separate buildings
- Invest approx \$9.1 million
- Deliver public easement for 1-acre plaza w/ one year
- Provide “minimum assessment agreement” if necessary

Incentive: TIF Note A,
reimbursable for up to \$9.0
million in qualified expenses



Project Description

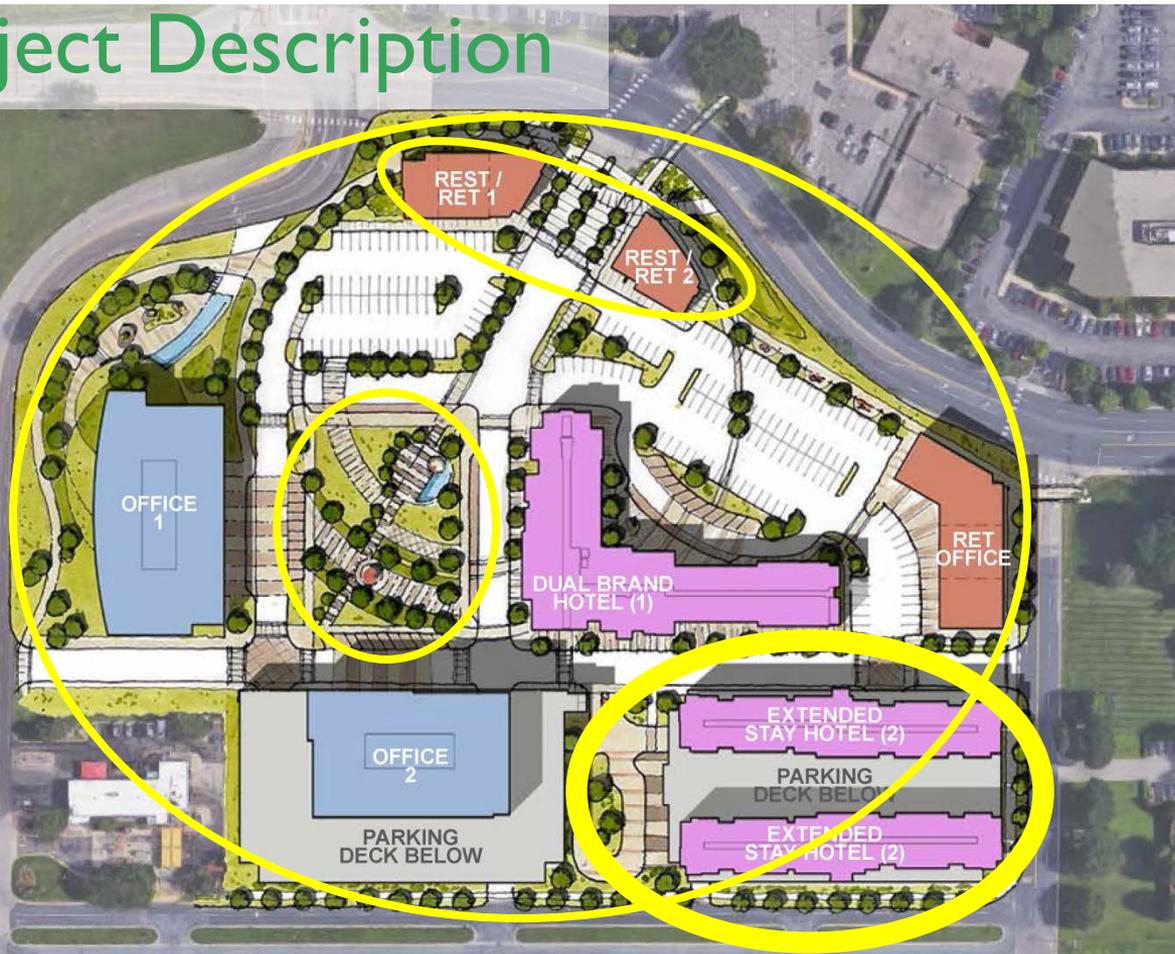


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Phase 1B Outcomes

- Complete Phase 1A
- Prepare southeastern parcel for parking structure
- Deliver public easement for parking structure w/l one year
- Begin at least 1 hotel
- Invest approx \$9.3 million

Incentive: TIF Note B;
reimbursable for up to \$5.4
million for qualified expenses



Project Description

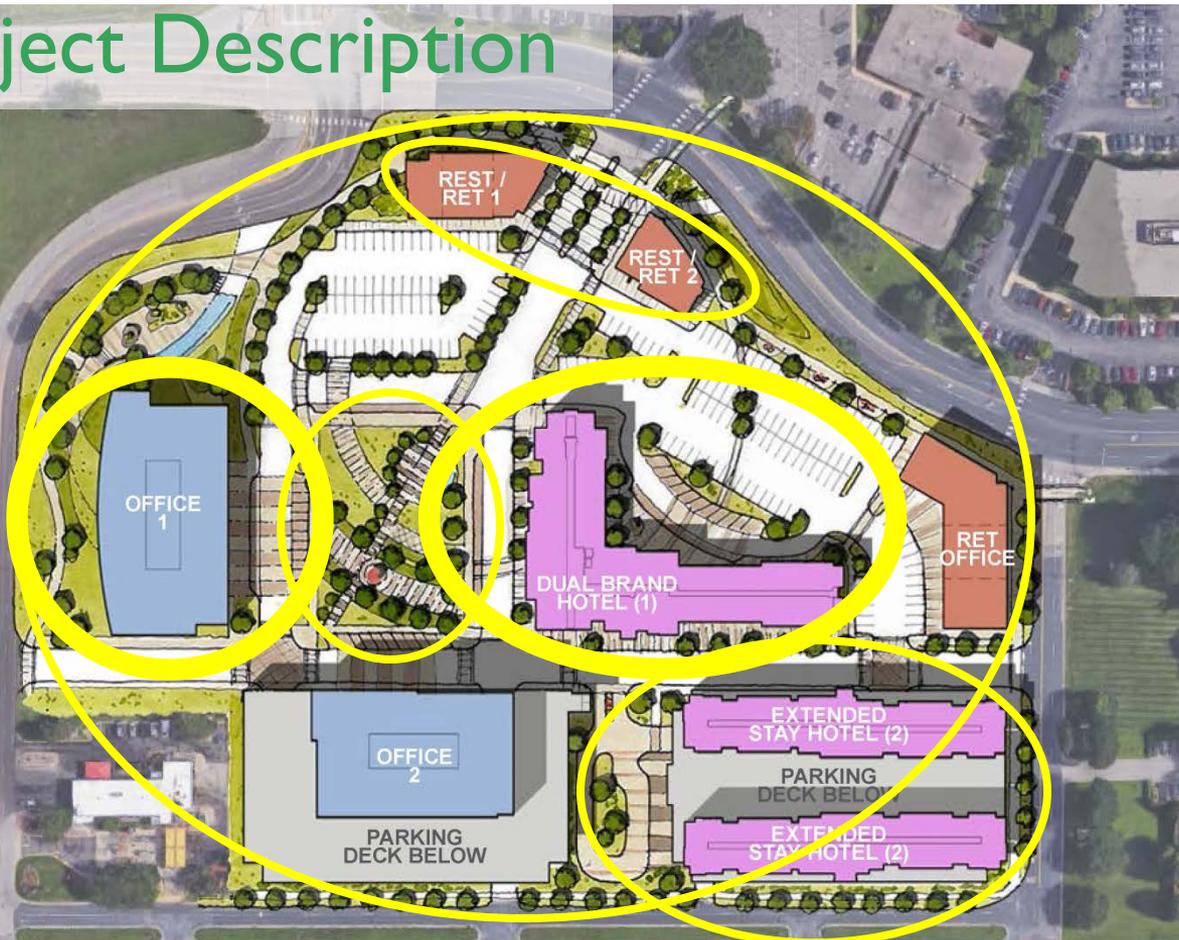


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Phase 1C Outcomes

- Complete Phase 1A
- Complete Phase 1B
- Complete second hotel (or comparable buildings)
- Begin fourth large element (likely first Element in Phase 2)
- Invest at least \$3.7 million

Incentive: TIF Note C;
reimbursable for up to \$3.7
million for qualified expenses



Project Description

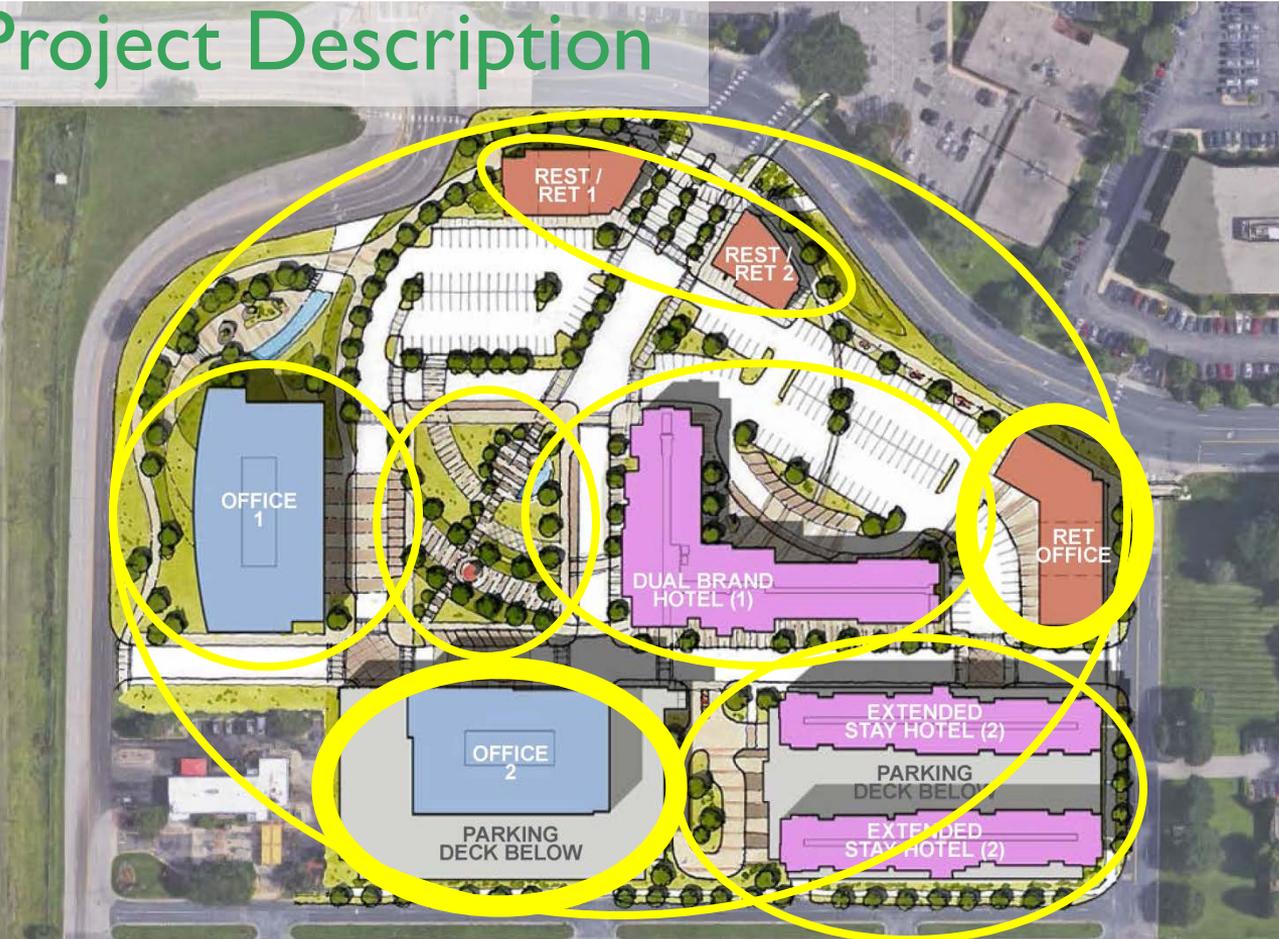


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Phase 2 Outcomes

- Complete Phase 1A
- Complete Phase 1B
- Complete Phase 1C
- Complete mid-scale retail/office on corner
- Complete final office building or similar hotel facility
- No deadline to complete Phase 2

Incentive: none



Project Budget (Phases IA, IB, IC)



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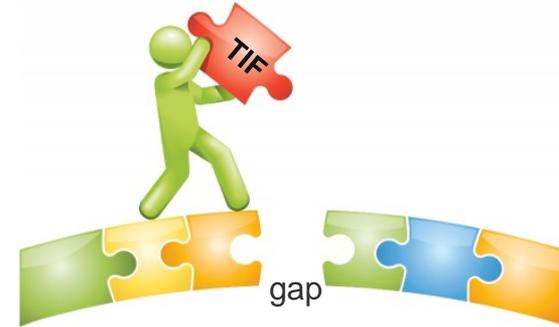
Description of Developer Costs*	Amount
Acquisition and Site Costs	\$ 3.4 million
Site Costs	\$23.4 million
Hard Construction Costs (shell + tenant)	\$71.1 million
Soft Costs (predevelopment, financial, fees)	\$12 million
Total	\$109.9 million

* Excludes potential investments by two hotel groups and future Phase 2



Deal Structure – Precautions

- Risk borne by developer (not City)
 - Financial gap demonstrated
- Pay as you go Notes
 - Sized based on actual expenses incurred
- Minimum Assessment Agreement, if necessary
- Repaid based on performance
- Developer to bear maintenance cost of public amenities – shared parking, outdoor plaza, public art, etc.
- 26-year term; could be repaid early if possible
- Lookbacks if excess profits realized



Key conclusion:

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

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.

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