



The CITY of
EDINA

Establishing the 72nd and France Tax Increment Financing District

March 19, 2019 Edina HRA

March 19, 2019 Edina City Council



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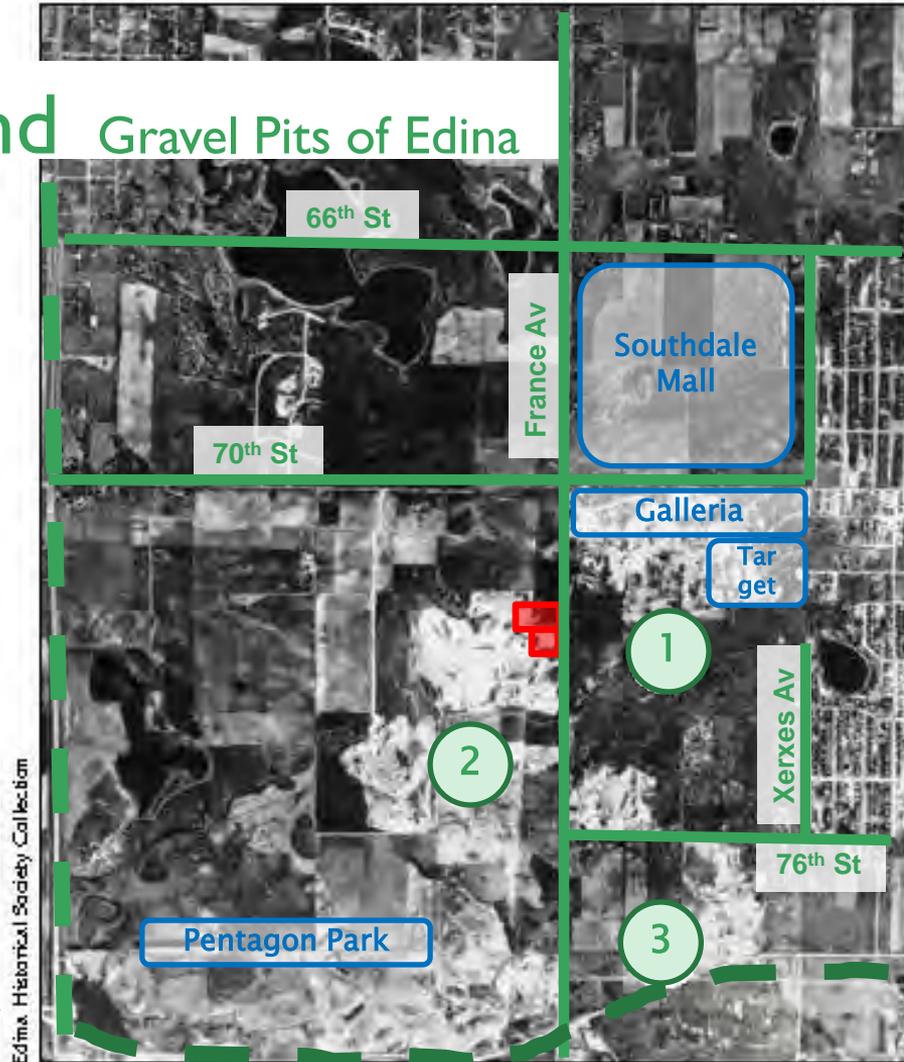
Overview

- Background
- What is TIF
- TIF in Edina
- Summary of Proposal
 - Public Benefits
 - Financing Structure
- Recommended TIF Plan

Background Gravel Pits of Edina



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The large white areas in this 1951 aerial photo shows how much of the Greater Southdale Area was originally used as gravel pits.

- 1) Glacier Sand and Gravel
- 2) Oscar Roberts Company
- 3) Hedberg and Sons

Source: Edina Historical Society as published in Winter 2016 *About Town* magazine

Background Gravel Pits of Edina



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The Prestige Office Building

7250 France Ave

Built 1972-74



The Oscar Roberts Company

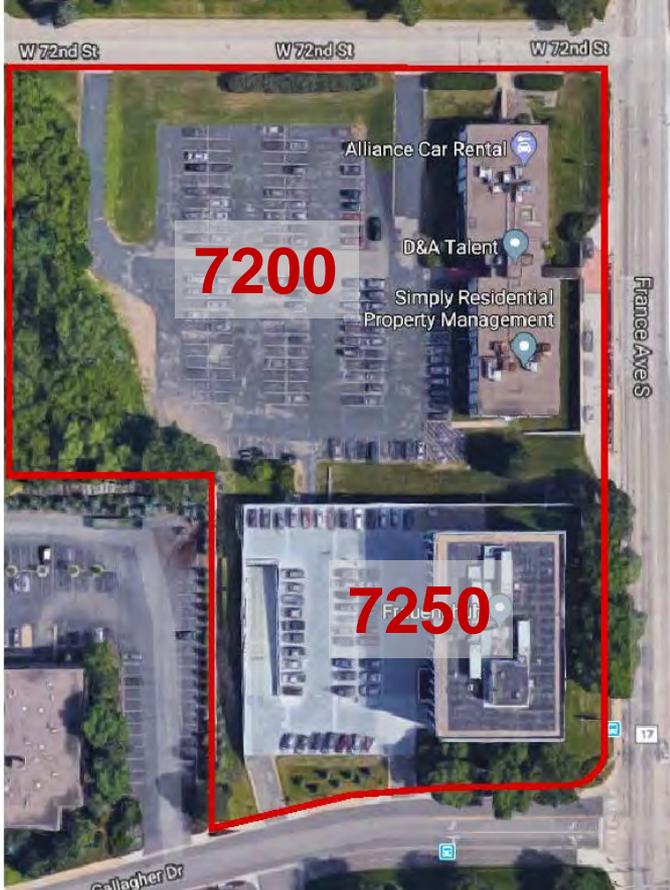
7200 France Ave

Built 1967-69

Background - Current Conditions



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7200 France Ave.

- Class "C" office space
- Aging and outdated
- Property sold several times in recent years as developers struggled to find a solution to reposition the property to modern uses
- Only 5 tenants remain

7250 France Ave.

- Class "C" medical office space
- Not permitted to be occupied due to structural instability of underground parking structure
- Vacant - No tenants remain

Background - Current Conditions



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Photo 33: 7250 Parking ramp deteriorated precast concrete



Photo 34: 7250 Parking ramp structural steel shoring



Photo 35: 7250 Parking ramp deterioration at bearing wall and steel angles and plates added to support deck above



Photo 36: 7250 Parking ramp temporary shoring

7250 France Ave.

Source: Stantec Consulting;
Existing conditions report
dated Feb. 6, 2019

Background - 2015 Community Vision



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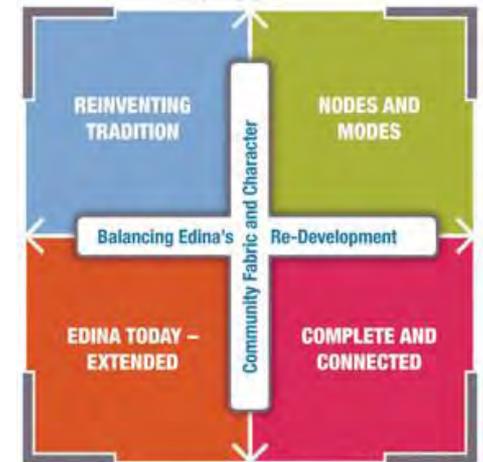
“Future-Oriented ... We stand on the foundation of our traditions, but are not afraid to adapt and change as the city evolves.” (page 5)

“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)

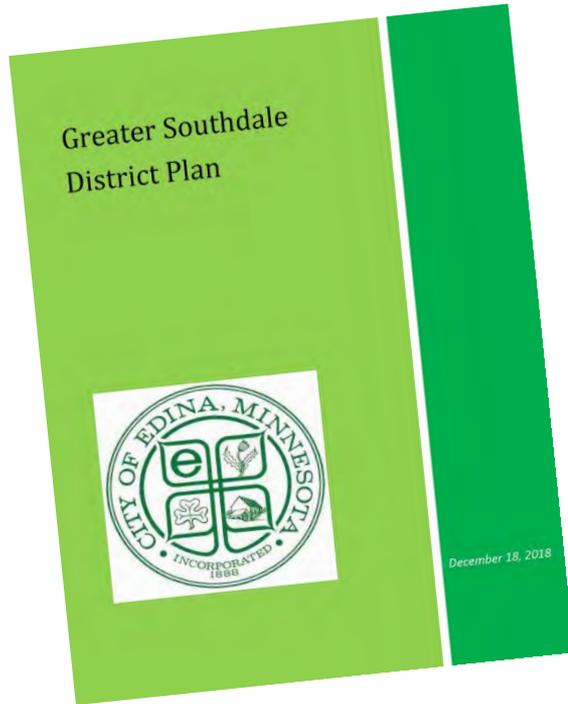
Commercial Development... promote the continued vitality of existing core retail zones (page 9)



Background - 2018 Small Area Plan



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Small Area Plan approved Dec 2018

Recommended several design elements that the developer can deliver as part of the redevelopment:

- creation of north/south public route on the west side of France Ave.
- Generous set backs on public streets
- Limited height of new structures
- Quality architecture
- Create proper transition to adjacent neighbors



What is TIF?

- Economic development financing tool
 - Used throughout the U.S.
- Governed by Minnesota Statute
 - modified each year to prevent misuse and remain relevant for community goals
- 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



Year 1

Year 20

Year 26

Year 40+

What is TIF?

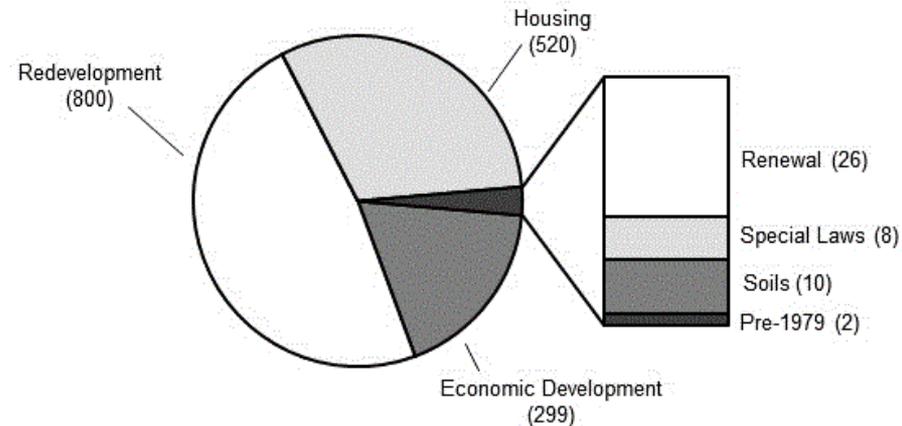


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Types of Districts	Duration Limit
Economic Development	8 years
Renewal and Renovation	15 years
Edina Special Housing	20 years
Soils Condition	20 years
Housing	25 years
Hazardous Substance	25 years
Redevelopment	25 years

Reference: MN House Research Dept

TIF Districts by Type in 2016
(1,665 districts)



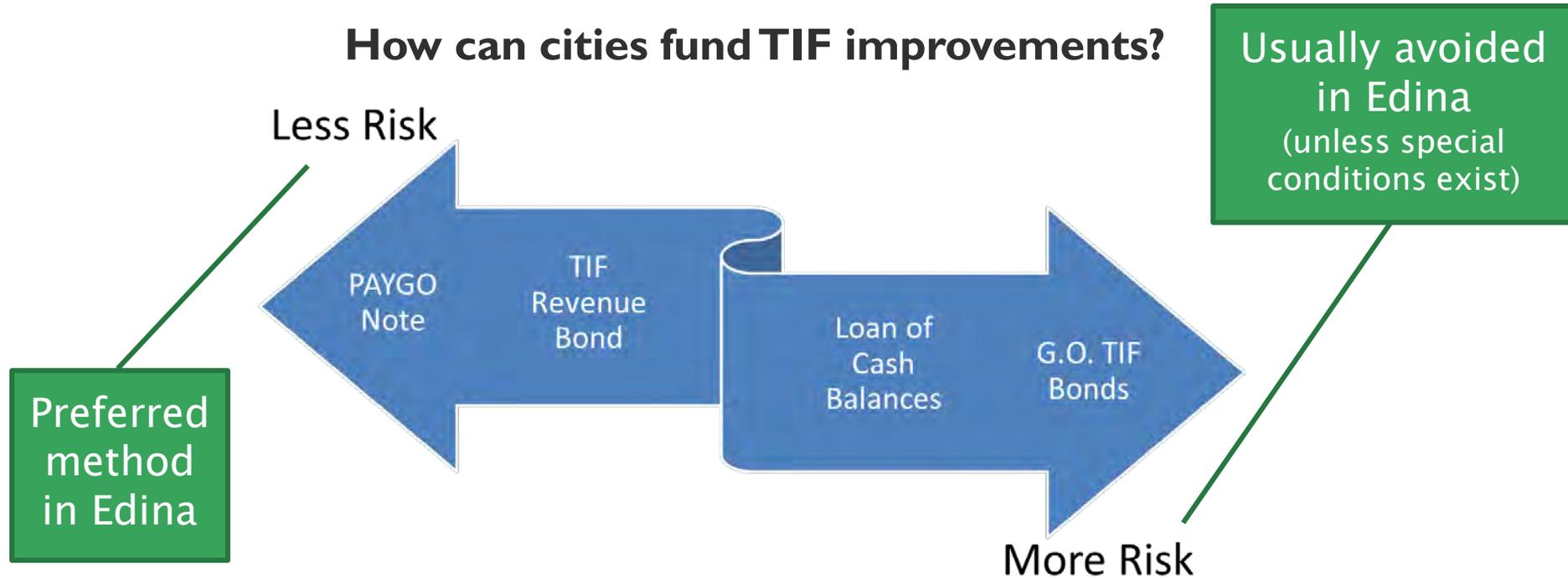
Source: 2018 Report of the State Auditor

What is TIF?



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How can cities fund TIF improvements?





What is TIF?

Step 1) Create "District"

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

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

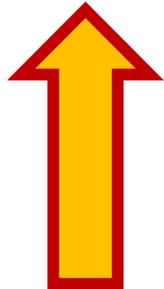
Step 2) Consider Funding for Specific Projects

- Private developments
- Public improvements

Step 3) Monitoring & Compliance

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

Action considered in Spring 2019



Action considered tonight



What is TIF? ... The “but for” Test

What is the “but-for” test?

Before creating a TIF district, a local government must find that in its opinion the development would not have happened *but for* the use of TIF (hence, the term "but-for" test).

Staff Note: this does not imply that NO project will be able to move forward, but that a project of the scale, scope and quality of that proposed will be able to move forward

What is the purpose of this test?

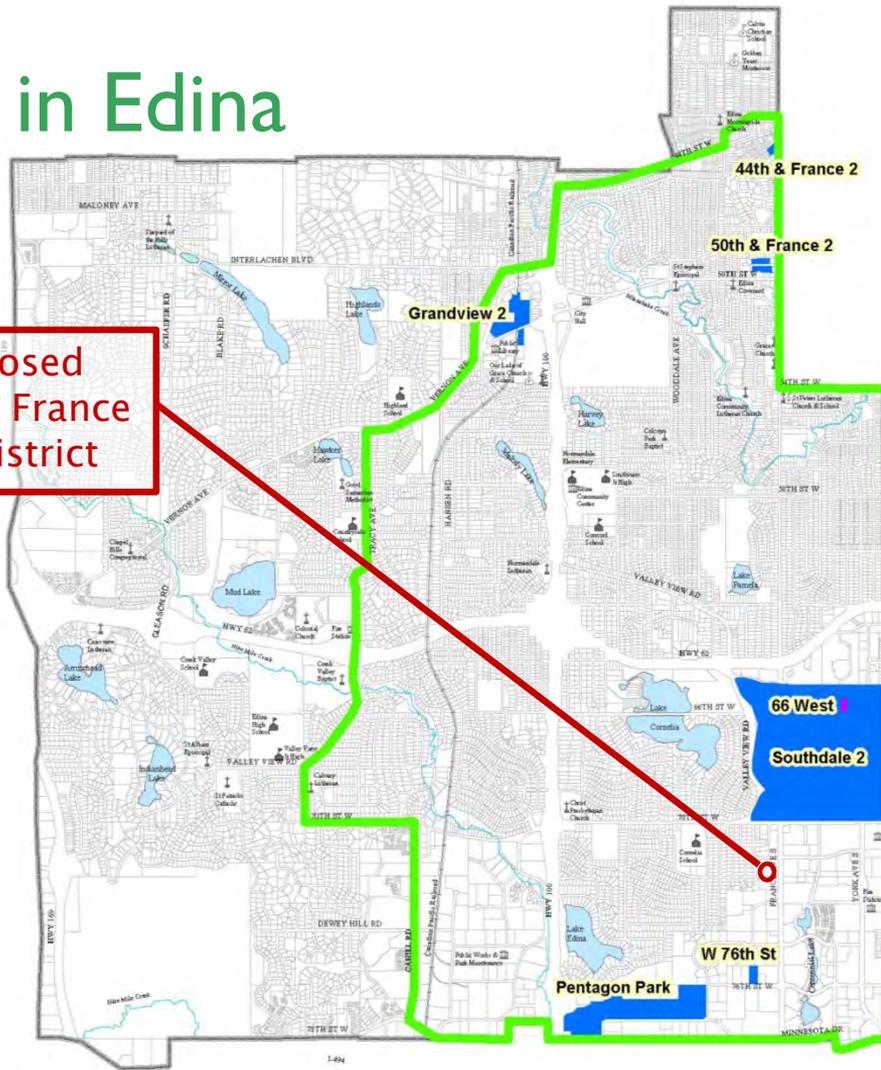
- To prevent excessive or unnecessary use of TIF – If a development would have been done anyway, why should TIF be used to assist it?
- To protect the interests of overlapping governmental units (typically the county and school district). If authorities use TIF for developments that would be built anyway, TIF diverts potential tax revenue from the county and school to the development authority and city.

TIF in Edina



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Proposed
72nd & France
TIF District



Edina has used TIF financing since the 1970s.

Edina currently has 7 active TIF Districts:

- Southdale 2
- Pentagon Park
- 66 West
- Grandview 2
- 50th & France 2
- 44th & France 2
- 76th Street



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52
NEW

**Commercial
Redevelopment
Projects** since 2010



TIF in Edina



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Only 5 of **52** major projects since 2010 received pledges of Tax Increment

- 1) Southdale Center, 2012
 - 2) 66 West Apartments, 2015
 - 3) Nolan Mains / 50th & France Parking Ramps, 2017
 - 4) Pentagon Village (South), 2018
 - 5) 4500 France, 2018
-

TIF in Edina



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Edina updated the TIF Policy in 2011.

In Edina, incremental property taxes are typically used to reimburse developer for eligible expenses after successful completion of the project. This eliminates financial risk to the City.

TIF is considered for use under limited conditions:

- 1) Projects that deliver measurable benefit to the general public
- 2) To cover the financial gap of constructing affordable housing
- 3) To avoid an outdated facility from having a blighting influence on neighboring properties

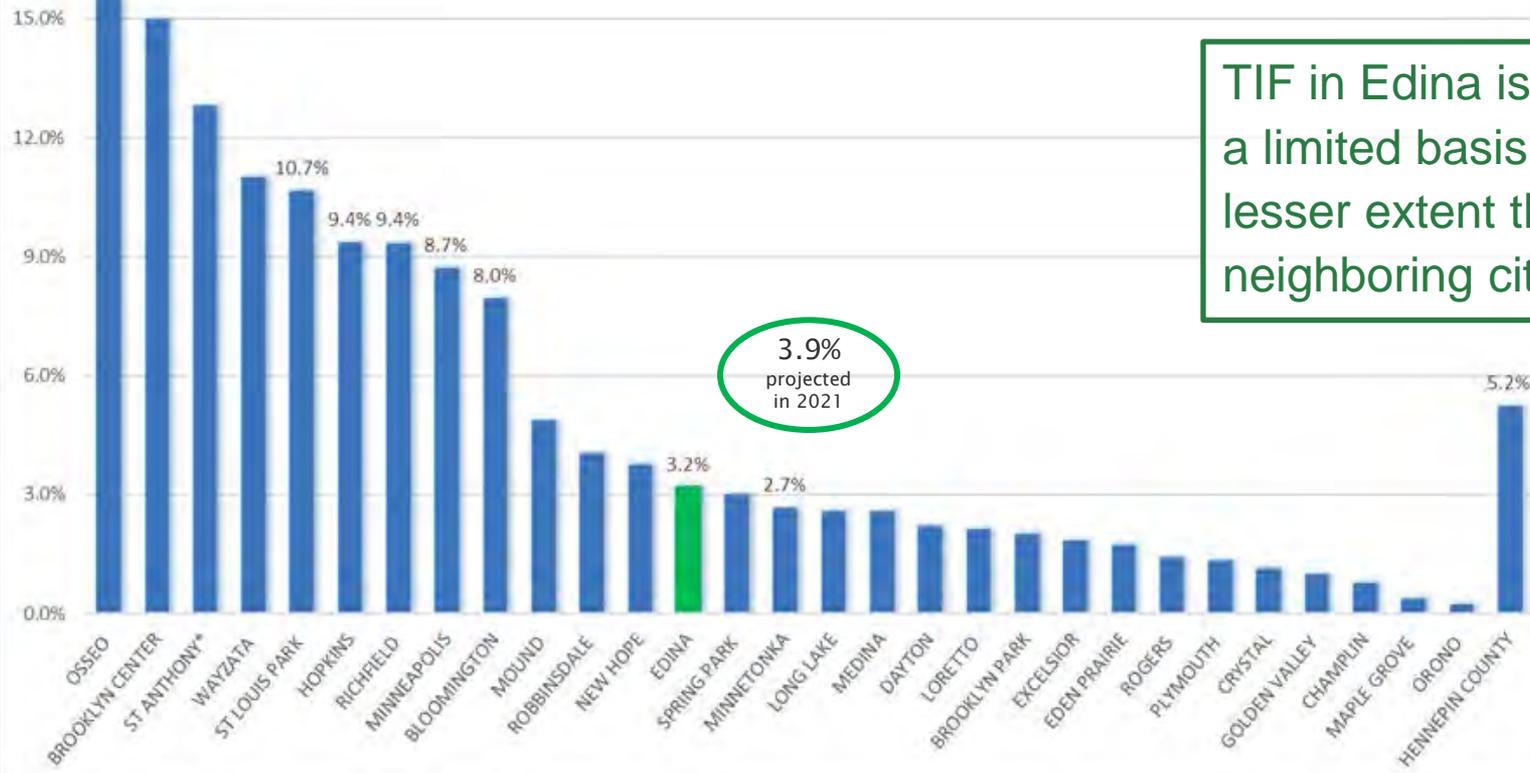
The amount of TIF pledged is limited to that required to fill a financial gap in the budget.

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Percent of Property Tax Capacity retain in TIF Districts – Pay 2018



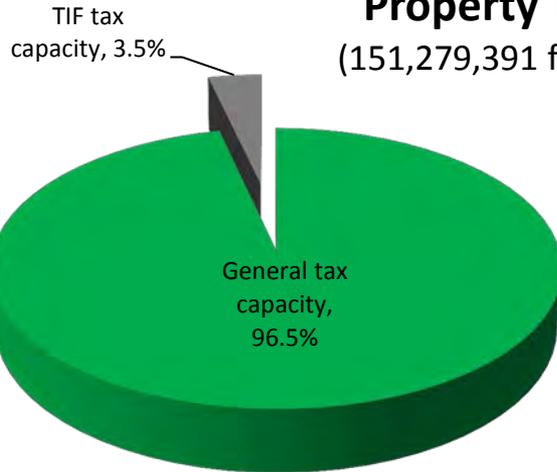
TIF in Edina is used on a limited basis and to a lesser extent than neighboring cities

TIF in Edina



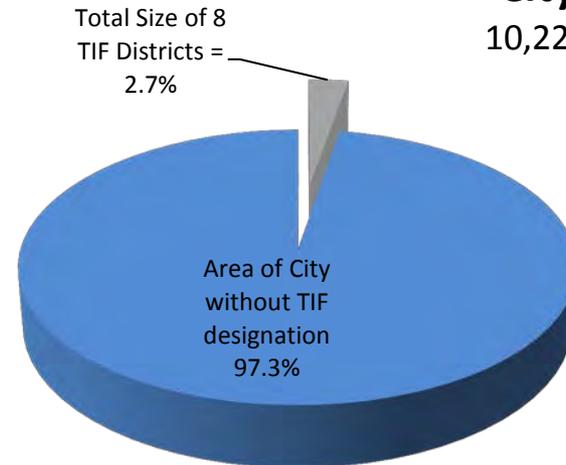
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**City of Edina
Property Tax Capacity**
(151,279,391 for Pay 2019 final)



Source: Edina Assessing Dept. / Ehlers

City of Edina
10,225 Total Acres



Source: City of Edina

Note: These percentages will be reduced when the 209-acre Southdale 2 District decertifies in 2021.

Summary of Proposal – northwesterly view



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**FINAL
REZONING
APPROVAL
PENDING**

Summary of Proposal – minimum improvements



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- All demolition and site preparation for 5.19 acres
- Delivery of two apartment buildings with street level commercial space
 - 62 of the 301 units to be affordably priced for 25-years
- Deliver 10 for-sale townhouses
- Deliver all easements



Summary of Proposal – financial gap



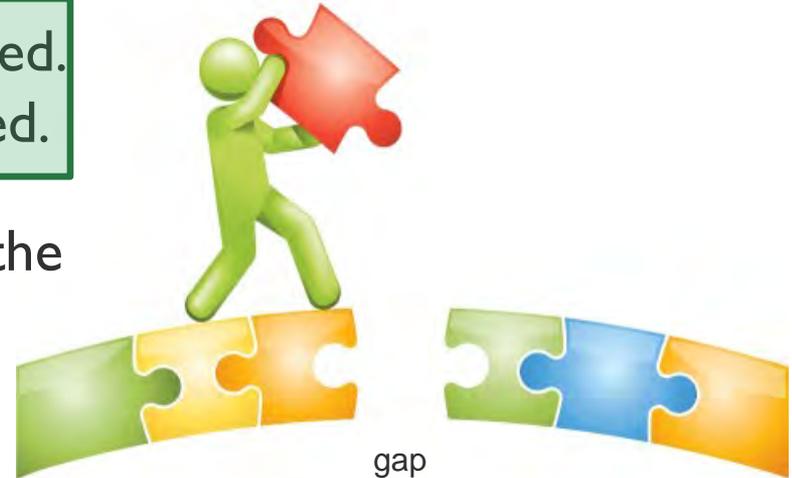
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The developer requested \$12 million in TIF support to make the project viable.

This request has been analyzed and evaluated. A substantial budget gap has been confirmed.

This financial gap can be resolved through the combination of:

- Additional equity
- Tax Increment Financing
- Outside grants



Summary of Proposal – economic benefit



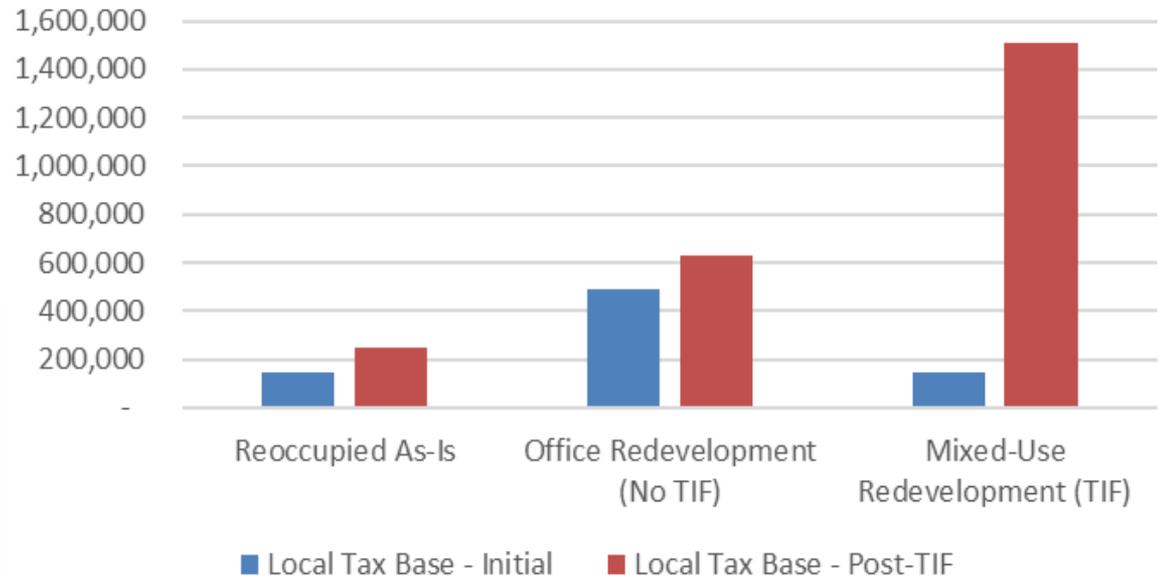
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Alternative options have also been considered.

- Reoccupy existing buildings
- Construct 2 medical/ office buildings w/o TIF
- Construct proposed project w/20 year TIF pledge

The proposed project, with TIF support, delivers the highest long-term tax benefit to the community.

Impact of Redevelopment on Local Tax Base:
Tax Capacity net of Fiscal Disparities



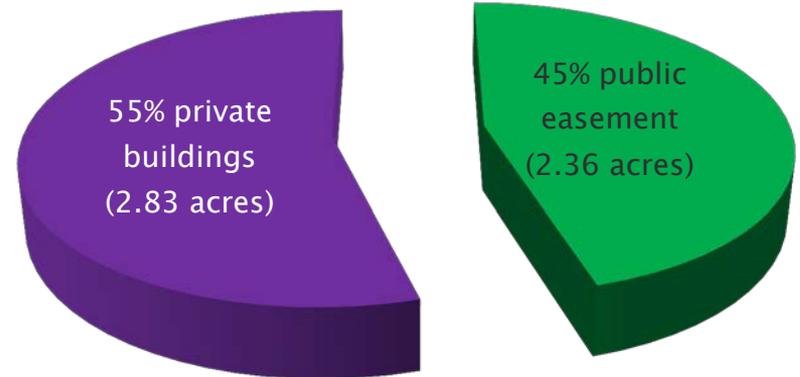
Summary of Proposal – public benefits



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- Affordable housing (25-years)
- Conservation (tree) easement
- Public parking easement
- Public access easement (shared street, sidewalks and streetscapes, plaza)
- Shared stormwater system
- 72nd Street traffic calming

Land Area dedicated to Private & Public Uses



Summary of Proposal – Terms & Conditions



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TIF Note

- Sized based on review of actual costs at completion
 - not to exceed \$12.0 million
 - earns 5.5% (max.) interest
- Issued AFTER successful completion:
 - apartments completed
 - Townhouses under construction
 - Public easements delivered
- Subject to “lookback” and “clawback” of excess profits greater than 16% IRR
- \$500,000 penalty if townhouses not completed on schedule

Proposed TIF District & TIF Plan



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- 2 parcels, 5 acres in size
- “Affordable” Housing District
 - Using Special Legislation approved in 2014
- 20 year term (max.)

- Original Tax Capacity = \$168,986
- Projected Tax Capacity = \$1,546,944
 - Used to establish maximum budget

+815%



Proposed TIF Plan – Sources and Uses



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Projected Uses of Tax Incremental Funds

Estimated Incremental Property Tax Collected

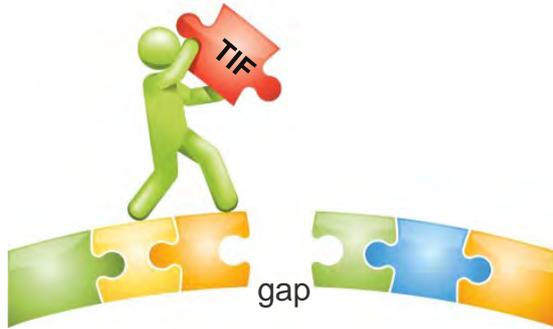
- \$28.4 million
 - Over 20 year term
 - With interest earnings
 - Excludes base taxes distributed to other taxing agencies (County, Schools, City, etc)

• Acquisition	\$1.0 M
• Site improvements	\$3.2 M (11%)
• Utilities	\$1.8 M
• Affordable Housing	\$5.4 M (19%)
• Other Improvements	\$3.5 M (12%)
• Administrative	\$2.7 M (10%)
• Interest	<u>\$10.7 M (38%)</u>
• Total	<u>\$28.4 Million</u>

Proposed TIF Plan – Findings



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- Site qualifies as a Housing TIF District
 - 20% of the new units will be affordably priced
 - At 60% AMI for at least 25 years
- Site plan complies with the City's general plans for redevelopment
- High construction costs and restricted rental income creates a financial gap that that hinders the delivery of the proposal

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



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Questions / Discussion