



To: Mayor and City Council

Agenda Item #: Work Session IV.

From: Bill Neuendorf
Economic Development Manager

Action
Discussion
Information

Date: February 3, 2014

Subject: Pentagon Park TIF District Proposal

Action Requested:

Discussion and general direction regarding preparation of new TIF District and Term Sheet for redevelopment of Pentagon Park

Information / Background:

The tax valuation and market appeal of the Pentagon Park office park has declined in recent years. A comprehensive transformation could reposition this site for the next generation.

The new owner/developer has worked with City staff and officials for the past year to discern an appropriate direction for redevelopment. While stabilization is occurring in the short-term, planning is under way for the long-term transformation of the site.

Based on the high costs of redevelopment, the creation of a new TIF Redevelopment District should be considered so that a higher caliber project can be successfully pursued. This type of incentive appears necessary to counter the high costs of redevelopment. Extraordinary costs include: demolition of existing substandard structures, correction of unstable soils, construction of public roadway improvements, construction of storm water features and construction of structured parking so that a more intensive and pedestrian-friendly site plan can be achieved.

This area is located in the Southeast Edina Redevelopment District. A January 2014 study from LHB Associates has found the site eligible for TIF designation. A public hearing is scheduled for February 18, 2014 to fully consider the creation of a TIF Redevelopment District.

As staff prepares the relevant documents and preliminary agreements, it is highly beneficial to discuss the general direction and guidance from the City Council. All suggestions will be considered as the City prepares for the upcoming Public Hearing.

Attachments:

Presentation (14-pages)



Pentagon Park TIF District Preliminary Overview

Edina City Council
Work Session
February 3, 2014

Tonight's Discussion

- 1) Why a new TIF District?
- 2) Description of Potential Project
- 3) How should Tax Increment be Invested?
- 4) Preparing a Term Sheet
- 5) Discussion and Next Steps

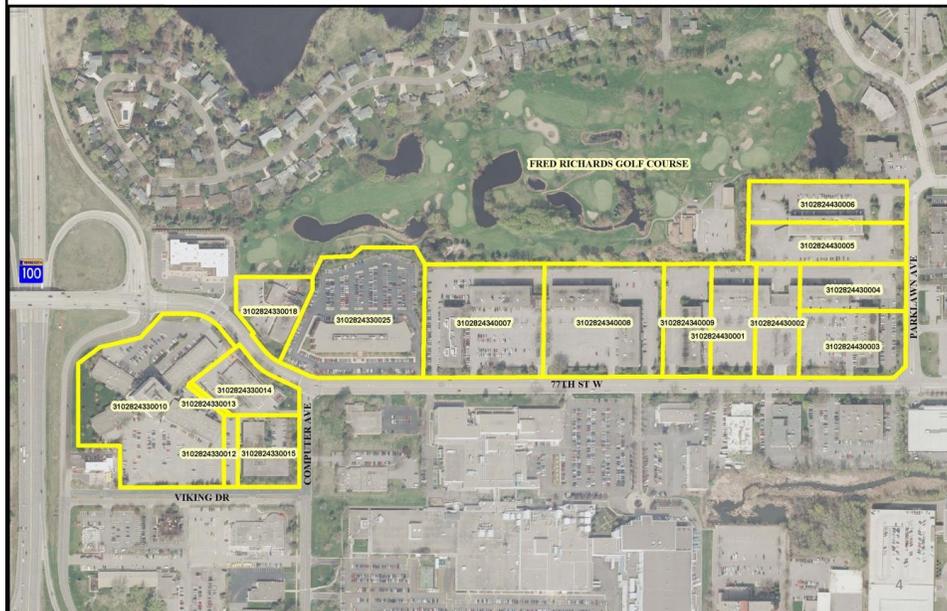


1) Why a new TIF District?

- Existing buildings are outdated and “substandard”
 - Class C and declining
- Major reinvestment needed to transform and ensure future economic contribution
- High costs for transformation
 - New storm water standards
 - Public roadway improvements
 - Soil stabilization

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1) Why a new TIF District?



1) Why a new TIF District?

Anticipated Elements of TIF Plan

- Redevelopment TIF district
 - At least 50% of buildings substandard
 - Reasonable distribution of substandard buildings
- All parcels in a single district
- 26 year term
- Newer buildings included due to potential public improvements/storm water needs
 - Barr Engineering building
 - Walsh Title building

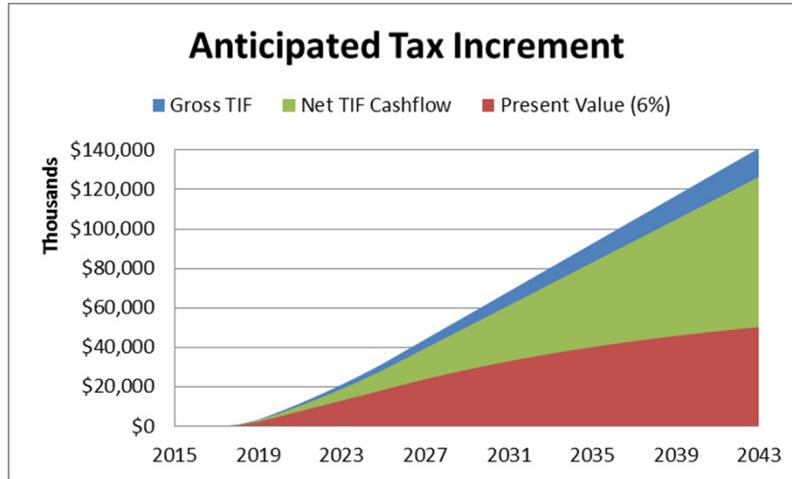
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2) Description of Potential Project

- Initial Phases
 - 495,000 s.f. office with small amount of retail
 - 425 room hotel
 - Upgrades to 77th Street
 - Potential storm water improvements
- Future Phases
 - 800,000 – 900,000 s.f. of additional office and supportive retail
 - New public roadways and parking
- \$500,000,000 total project cost (estimate)

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2) Description of Potential Project



Full build: estimate \$126 Million in Net TIF available for eligible costs
(Present Value: \$53.8 Million)

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3) How should Incremental Taxes be Invested?



3) How should Incremental Taxes be Invested?

- Developer financed
 - Pay-as-you-go TIF
- Recommend focus on extraordinary redevelopment costs
 - Soil corrections
 - Storm water features
 - Public streets and sidewalks
 - Shared structured parking
 - Demolition and other eligible costs

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3) How should Incremental Taxes be Invested?

	<u>South</u>	<u>North</u>	<u>Total</u>
Soil Correction	\$9,581,000	\$16,020,000	\$25,601,000
Storm Water	\$777,000	\$1,070,000	\$1,847,000
Demolition	\$1,750,000	\$2,890,000	\$4,640,000
Green Space / Sitework	\$2,625,000	\$2,730,000	\$5,355,000
Street Infrastructure			
- 77th Street	\$2,886,000		
- 77th Street Bridge	\$2,563,000		
- Transit Shelters	\$180,000		
- 76th Street Parkway	\$7,825,000		
- Supporting Street	\$1,676,000		
- Green Streets	\$4,319,000		
- Monument Signs	\$80,000		
			\$19,529,000
Parking Ramps			
- Ramp A - 1,140 Stalls	\$11,514,000		
- Ramp B - 1,140 Stalls	\$11,514,000		
- Ramp C - 650 Stalls		\$6,565,000	
- Ramp D - 650 Stalls		\$6,565,000	
- Ramp E - 650 Stalls		\$6,565,000	
- Ramp F - 975 Stalls		\$9,847,500	
			\$52,570,500
TOTAL INFRASTRUCTURE INVESTMENT			\$109,542,500

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3) How should Incremental Taxes be Invested?

- Present Value is equivalent of approx. 10% of developer costs
 - \$45M to \$54M
 - Approx 80-90% of ALL increment from ALL phases
 - Approx 10-20% retained for administrative costs and other public improvements needed in the area

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3) How should Incremental Taxes be Invested?

Limitations on TIF

- TIF law complicates multi-year projects with broad range of costs
 - 80% of TIF costs must be spent within first five years (2019)
 - TIF must be targeted to substandard buildings
 - Cannot use TIF exclusively for “social/recreation” purposes
- When 77th Street improvements are installed, TIF needs to be “committed” from future building phases

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4) Preparing a Term Sheet

- Establish minimum improvements
 - Value or square footages
- Establish process for refining assistance to each building phase based upon pro forma review
- Outline expected triggers for 77th Street and other roadway improvements
 - At City's option, may assess portion of road improvements to adjoining parcels via Chapter 429 process
- Storm water improvements determined after Fred Richards site decision
- Expect amendments to redevelopment agreement in future years

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5) Discussion and Next Steps

- TIF hearing scheduled February 18
- Term sheet anticipated March 18
- Redevelopment agreement to follow

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