



**To:** Members of Edina Housing and Redevelopment Authority    **Agenda Item #:** HRA VI.

**From:** Bill Neuendorf  
Economic Development Manager

**Action**   
**Discussion**   
**Information**

**Date:** February 18, 2014

**Subject:** Modifying Southeast Edina Redevelopment Plan, Establishing Pentagon Park Tax Increment Financing District Therein and Adopting Tax Increment Financing Plan; HRA Resolution No. 2014-2

### **Action Requested:**

Adopt HRA Resolution 2014-2

### **Information / Background:**

The Pentagon Park office park, consisting of fifteen multi-tenant office buildings, was built in the late 1960s. For several decades, it was well positioned in the market place and had much success. In the past decade however, its dated layout and aging infrastructure has made it considerable less desirable. During the January 8, 2013 City Council work session, the Pentagon Park area was one of several identified as potential locations where a new Tax Increment Financing (TIF) District may be warranted.

Since 2004, the assessed valuation of the Pentagon Park properties has declined by 60%. The vacancy rate of some of the buildings far exceeds that of the marketplace. Nearly every building requires significant repair after several years of deferred maintenance. The area is in need of redevelopment so that this downward trend is reversed.

The City retained Ehlers & Associates as well as other professionals to inspect the existing buildings and prepare the TIF Plan and necessary modifications to the Redevelopment Project Area. LHB, Inc. inspected each building in recent months and determined that the proposed District satisfies the requirements for creation of a 26-year TIF Redevelopment District.

The report is attached for your consideration. The proposed plan has been circulated to other agencies for their review and comment as required by State law.

The new owner envisions a complete transformation of the private properties in the future. While no specific design has been decided upon at this time, the future land use will include a mixture of uses and will likely require significant improvements in the public infrastructure.

The establishment of a new Tax Increment Financing District would allow the City to consider a public/private partnership in the future so that the full potential of this important business/mixed use district can be realized.

Please note that the full 140-page TIF Plan is included as an attachment on the companion City Council document (Item VI. C. Public Hearing).

### **Attachments:**

HRA Resolution No. 2014-2 (2-pages)  
TIF Summary (4-pages)

This Page Purposely Left Blank.

**EDINA HOUSING AND REDEVELOPMENT AUTHORITY  
CITY OF EDINA  
HENNEPIN COUNTY  
STATE OF MINNESOTA**

RESOLUTION NO. 2014-2

**ADOPTING A MODIFICATION TO THE REDEVELOPMENT PLAN FOR  
THE SOUTHEAST EDINA REDEVELOPMENT PROJECT AREA,  
ESTABLISHING THE PENTAGON PARK TAX INCREMENT FINANCING  
DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING  
PLAN THEREFOR.**

WHEREAS, it has been proposed by the Board of Commissioners (the "Board") of the Edina Housing and Redevelopment Authority (the "HRA") and the City of Edina (the "City") that the HRA adopt a Modification to the Redevelopment Plan (the "Redevelopment Plan Modification") for the Southeast Edina Redevelopment Project Area (the "Project Area") and establish the Pentagon Park Tax Increment Financing District (the "District") therein and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Redevelopment Plan Modification and the TIF Plan are referred to collectively herein as the "Modification and Plan"), all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.001 to 469.047, and Sections 469.174 to 469.1794, inclusive, as amended (the "Act"), all as reflected in the Plans and presented for the Board's consideration; and

WHEREAS, the HRA has investigated the facts relating to the Modification and Plan and has caused the Modification and Plan to be prepared; and

WHEREAS, the HRA has performed all actions required by law to be performed prior to the adoption of the Modification and Plan. The HRA has also requested the City Planning Commission to provide for review of and written comment on the Modification and Plan and that the Council schedule a public hearing on the Modification and Plan upon published notice as required by law.

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

- I. The HRA hereby finds that the District is in the public interest and is a "redevelopment district" under Minnesota Statutes, Section 469.174, Subd. 10, and finds that the adoption of the proposed Modification and Plan conform in all respects to the requirements of the Act and will help fulfill a need to redevelop an area of the State of Minnesota which is already built up and that the adoption of the proposed Modification and Plan will help provide employment opportunities in the State and in the preservation and enhancement of the tax base of the City and the State because it will discourage commerce and industry from moving their operations to another state or municipality and thereby serves a public purpose.

2. The HRA further finds that the Modification and Plan will afford maximum opportunity, consistent with the sound needs for the City as a whole, for the development or redevelopment of the Project Area by private enterprise in that the intent is to provide only that public assistance necessary to make the private developments financially feasible.
3. The boundaries of the Project Area are not being expanded.
4. The reasons and facts supporting the findings in this resolution are described in the Modification and Plan.
5. The HRA elects to calculate fiscal disparities for the District in accordance with Minnesota Statutes, Section 469.177, Subd. 3, clause b, which means the fiscal disparities contribution would be taken from inside the District.
6. Conditioned upon the approval thereof by the City Council following its public hearing thereon, the Modification and Plan, as presented to the HRA on this date, are hereby approved, established and adopted and shall be placed on file in the office of the Executive Director of the HRA.
7. Upon approval of the Modification and Plan by the City Council, the staff, the HRA's advisors and legal counsel are authorized and directed to proceed with the implementation of the Modification and Plan and for this purpose to negotiate, draft, prepare and present to this Board for its consideration all further plans, resolutions, documents and contracts necessary for this purpose. Approval of the Modification and Plan does not constitute approval of any project or a Development Agreement with any developer.
8. Upon approval of the Modification and Plan by the City Council, the Executive Director of the HRA is authorized and directed to forward a copy of the Modification and Plan to the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a.
9. The Executive Director of the HRA is authorized and directed to forward a copy of the Modification and Plan to the Hennepin County Auditor and request that the Auditor certify the original tax capacity of the District as described in the Plans, all in accordance with Minnesota Statutes 469.177.

Approved by the Board on February 18, 2014.

---

Chair

ATTEST:

---

Secretary

STATE OF MINNESOTA)  
COUNTY OF HENNEPIN) SS  
CITY OF EDINA )

CERTIFICATE OF CITY CLERK

I, the undersigned duly appointed and acting City Clerk for the City of Edina do hereby certify that the attached and foregoing Resolution was duly adopted by the Edina City Council at its Regular Meeting of February 18, 2014, and as recorded in the Minutes of said Regular Meeting.

WITNESS my hand and seal of said City this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
City Clerk

This Page Purposely Left Blank.



# Tax Increment Financing District Overview

## City of Edina

### Pentagon Park Tax Increment Financing District

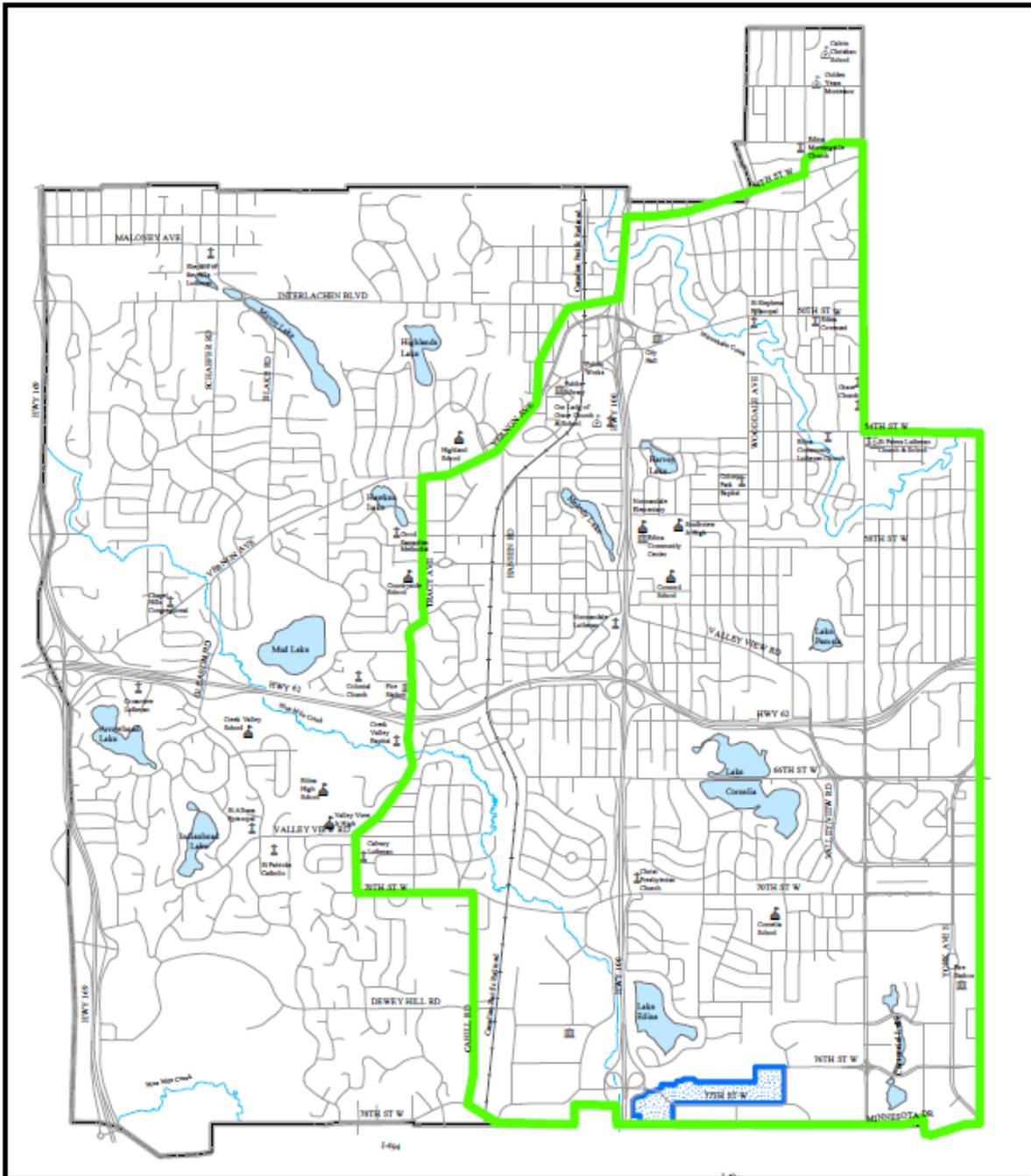
The following summary contains an overview of the basic elements of the Tax Increment Financing Plan for the Pentagon Park Tax Increment Financing District. More detailed information on each of these topics can be found in the complete Tax Increment Financing Plan.

Proposed action:	<ul style="list-style-type: none"><li>➤ Establishment of the Pentagon Park Tax Increment Financing District (District) and the adoption of a Tax Increment Financing Plan (TIF Plan).</li><li>➤ Modification to the Redevelopment Plan for the Southeast Edina Redevelopment Area which includes the establishment of the Pentagon Park Tax Increment Financing District, which represents a continuation of the goals and objectives set forth in the Redevelopment Plan for the Southeast Edina Redevelopment Area.</li></ul>	
Type of TIF District:	A redevelopment district	
Parcel Numbers:	31-028-24-33-0010	31-028-24-34-0012
	31-028-24-33-0014	31-028-24-33-0013
	31-028-24-33-0018	31-028-24-33-0015
	31-028-24-33-0025	31-028-24-34-0007
	31-028-24-34-0008	31-028-24-34-0009
	31-028-24-43-0002	31-028-24-43-0001
	31-028-24-43-0003	31-028-24-43-0004
	31-028-24-43-0005	31-028-24-43-0006
Proposed Development:	The District is being created to facilitate the multi-phase construction of several hundred thousand square feet of new office space, adjacent public improvements, and other commercial development including, potentially, a hotel in the City. Please see Appendix A of the TIF Plan for a more detailed project description.	
Maximum duration:	The duration of the District will be 25 years from the date of receipt of the first increment (26 years of increment). The City elects to receive the first tax increment in 2018. It is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after December 31, 2043, or when the TIF Plan is satisfied.	
Estimated annual tax increment:	Up to \$6,544,578	

Authorized uses:	The TIF Plan contains a budget that authorizes the maximum amount that may be expended:  Land/Building Acquisition.....\$1,000,000 Site Improvements/Preparation.....\$30,241,000 Public Utilities .....\$1,847,000 Other Qualifying Improvements .....\$39,224,000 Administrative Costs (up to 10%).....\$18,233,791 <b>PROJECT COSTS TOTAL</b> .....\$90,545,791 Interest .....\$80,032,553 <b>PROJECT COSTS TOTAL</b> ..... <b><u>\$170,578,344</u></b>
	See Subsection 2-10, on page 2-6 of the TIF Plan for the full budget authorization.
Form of financing:	The project is proposed to be financed by a pay-as-you-go note.
Administrative fee:	Up to 10% of annual increment, if costs are justified.
Interfund Loan Requirement:	If the City wants to pay for administrative expenditures from a tax increment fund, it is recommended that a resolution authorizing a loan from another fund be passed <i>PRIOR</i> to the issuance of the check.
4 Year Activity Rule (§ 469.176 Subd. 6)	After four years from the date of certification of the District one of the following activities must have been commenced on each parcel in the District: <ul style="list-style-type: none"> <li>• Demolition</li> <li>• Rehabilitation</li> <li>• Renovation</li> <li>• Other site preparation (not including utility services such as sewer and water)</li> </ul> If the activity has not been started by approximately February 2018, no additional tax increment may be taken from that parcel until the commencement of a qualifying activity.
5 Year Rule (§ 469.1763 Subd. 3)	Within 5 years of certification revenues derived from tax increments must be expended or obligated to be expended.  Any obligations in the District made after approximately February 2019, will not be eligible for repayment from tax increments.

The reasons and facts supporting the findings for the adoption of the TIF Plan for the District, as required pursuant to *M.S., Section 469.175, Subd. 3*, are included in Exhibit A of the City resolution.

MAP OF THE SOUTHEAST EDINA REDEVELOPMENT PROJECT AREA AND THE PENTAGON PARK TAX INCREMENT FINANCING DISTRICT



**Southeast Edina Redevelopment Project Area  
and Proposed Pentagon Park TIF District**



-  Project Area
-  Proposed Pentagon Park TIF District

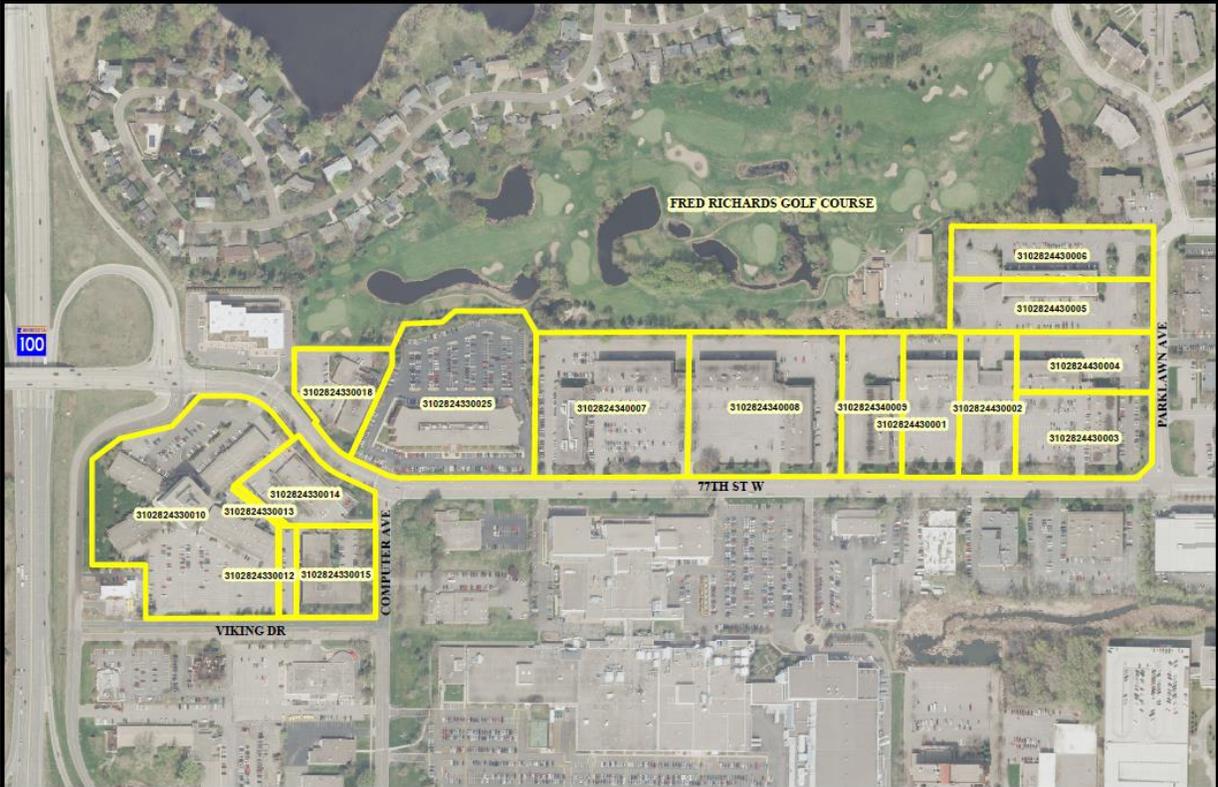


Engineering Dept.  
December, 2013



**EHLERS**  
LEADERS IN PUBLIC FINANCE

MAP OF THE PENTAGON PARK TAX INCREMENT FINANCING DISTRICT



**Proposed Pentagon Park TIF District**

 Proposed Pentagon Park TIF District Parcels



Engineering Dept.  
December, 2013