



To: Members of the Edina Housing & Redevelopment Authority **Agenda Item #:** HRA VII.

From: Bill Neuendorf
Economic Development Manager

Action
Discussion
Information

Date: March 18, 2014

Subject: Pentagon Park Redevelopment – Authorizing Preparation of Redevelopment Agreement

Action Requested:

Authorize staff to engage legal and financial consultants to negotiate a Master Redevelopment Agreement based on the preliminary Term Sheet with the developer.

Information / Background:

The owner of the Pentagon Park office park approached the City to request financial assistance in achieving the long-term redevelopment goals that are currently being considered for the 42-acre site. The full-scale redevelopment that is envisioned includes a high level of extraordinary costs that are associated with redevelopment of existing buildings in an area with poor soil conditions. Many of these costs would not likely apply to a similar project in a different location.

Staff has engaged legal and public finance experts to begin preliminary discussions about the level and type of assistance that is necessary to transform this 42-acre property. These preliminary conversations have resulted in the attached Term Sheet.

The basic structure of the proposed assistance requires the greatest risk to be borne by the developer and his investors. The City is exposed to very little risk. The proposed terms anticipate that a financial TIF Note will be pledged to the developer upon initiation of each phase of the project. Upon successful completion of each phase, the City would make payments on the TIF Note using incremental property taxes that are generated by the new buildings.

Reimbursement would be provided for costs of the new roadways and related public improvements completed by the developer. Reimbursement would also apply to the costs of demolition, soils stabilization and storm water retention which are necessary activities to prepare the site for new investment. Reimbursement is also requested for the high costs of the parking structures proposed to maximize the buildable area and to eliminate vast fields of surface parking lots. It is anticipated that the parking structures would be privately owned but may be available for shared parking in the future.

Authorization is sought to fully negotiate a Redevelopment Agreement (RDA) with the property owner based on the general terms described in the Term Sheet. At this time, the city staff and property owner are aligned on the preliminary terms. The preparation of the RDA will require significant additional research so that various development scenarios can be addressed. Upon completion, the Redevelopment Agreement will be brought to the City Council and Edina Housing and Redevelopment Authority for full consideration.

The proposed Term Sheet (dated 3-13-2014) and Summary are attached to the related City Council agenda item. Please refer to Item VIII. D.