

S.F. 2345 / H.F. 2401

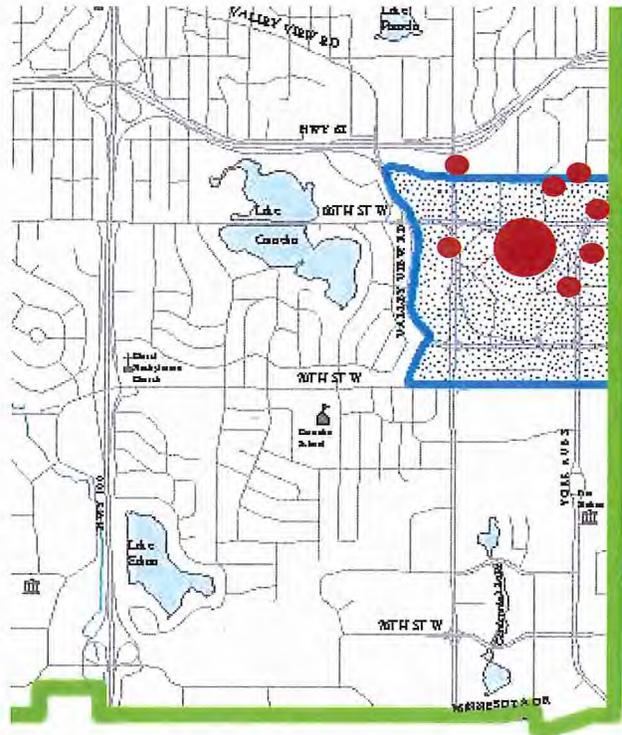
City of Edina: Approval of 2014 Special Law

Special Note: These requested provisions were included in the Tax Bill approved by House and Senate and sent to the Governor where it was pocket vetoed due to a technical issue unrelated to the Edina legislation. As of 7/13/2016, a Special Session has not yet been convened to fully approve these provisions.

Context

In 2012, the City of Edina established the Southdale 2 TIF District to stimulate job creation and re-investment in and around Southdale Center Mall. This effort was highly successful. The City's \$5 million interest-free loan to Simon Properties resulted in a \$40+ million transformational investment to the nation's first enclosed shopping mall and encouraged residents, shoppers, developers and investors that the Greater Southdale area was back on an upward trajectory. Since the establishment of the TIF District and the improvements to the Southdale Center Mall, additional spin-off investment has been realized.

- One Southdale Place apartments
 - completed 2015 (1,000% increase in EMV)
- Southdale Office Centre
 - award-winning renovation of office building completed 2015
- Aurora on France senior apartments
 - under construction
- Onyx on York apartments and retail
 - under construction
- Gateway Pointe apartments
 - approved, construction begins 2016
- Millennium at Southdale apartments
 - Preliminary approval, Phase I construction begins 2016
- 66 West apartments
 - approved, construction begins 2016



Market-driven projects continue to re-energize this commercial mixed-use district. The vast majority of the 1,600 new housing units constructed and approved in the last four years are market-rate with a basic rent \$1,400 per month or more. Based on the high cost of land, labor and materials, affordably-priced units are very difficult to deliver. Tax increment financing can be a useful financial tool to underwrite the cost of land assembly and new construction.

Background

In 2014, Senator Franzen and Representative Erhardt each sponsored legislation on the behalf of City of Edina to allow incremental property taxes to be used to support affordably-priced housing. The State Legislature approved this special legislation (see attached) in 2014. This special law was recognized by the Edina City Council in Resolution 2014-70.

Unfortunately, a photocopy of this City Resolution was not delivered to the Secretary of State's Office by the 12/31/2014 deadline, as required by Minnesota Statutes, section 645.021. This omission potentially nullifies the special legislation which, in turn, could jeopardize local funding for the proposed 66 West apartment project by Beacon Interfaith Housing which is intended to be the first project to benefit from this special legislation.

Request

Approval of the S.F. 2345 / H.F. 2401 legislation (with the attached clarification) is requested so that the copy of the City's Resolution 2014-70 can be submitted to the Secretary of State and local funding can be provided to the Beacon project to satisfy the Summer 2016 construction start date.



Prepared by: City of Edina

March 31, 2016

2014 Minnesota Laws, Chapter 308, Article 6, Section 8

Sec. 8. CITY OF EDINA; TAX INCREMENT FINANCING.

Subdivision 1. Authority to create districts. (a) The governing body of the city of Edina or its development authority may establish one or more tax increment financing housing districts in the Southeast Edina Redevelopment Project Area, as the boundaries exist on March 31, 2014.

(b) The authority to request certification of districts under this section expires on June 30, 2017.

Subd. 2. Rules governing districts. (a) Housing districts established under this section are subject to the provisions of Minnesota Statutes, sections 469.174 to 469.1794, except as otherwise provided in this subdivision.

(b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no increment must be paid to the authority after 20 years after receipt by the authority of the first increment from a district established under this section.

(c) Notwithstanding the provisions of Minnesota Statutes, section 469.1761, subdivision 3, for a residential rental project, the city may elect to substitute "20 percent" for "40 percent" in the 40-60 test under section 142(d)(1)(B) of the Internal Revenue Code in determining the applicable income limits.

(d) The provisions of Minnesota Statutes, section 469.1761, subdivision 3, apply for a 25-year period beginning on the date of certification of the district.

Subd. 3. Pooling authority. The city may elect to treat expenditures of increment from the Southdale 2 district for a housing project of a district established under this section as expenditures qualifying under Minnesota Statutes, section 469.1763, subdivision 2, paragraph (d): (1) without regard to whether the housing meets the requirement of a qualified building under section 42 of the Internal Revenue Code; and (2) may increase by an additional 25 percentage points the permitted amount of expenditures for activities located outside the geographic area of the district permitted under that section.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Edina with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

S.F. No. 2345 / H.F. No. 2401

(with City requested clarification shown)

1.1 A bill for an act
1.2 relating to the city of Edina; extending the time to file approval of a 2014 special
1.3 Law.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. **CITY OF EDINA; APPROVAL OF 2014 SPECIAL LAW.**
1.6 Notwithstanding the provisions of Minnesota Statutes, section 645.021, subdivision
1.7 3, the chief clerical officer of the city of Edina may file the city's certificate of its
1.8 approval of Laws 2014, chapter 308, article 6, section 8, by December 31, 2016, and, if
1.9 the certificate is so filed and the requirements of Minnesota Statutes, section 645.021,
1.10 subdivision 3, are otherwise complied with, the special law is deemed approved. , and all
actions taken by the city prior to the effective date of this section in reliance on Laws
2014, chapter 308, article 6, section 8 are deemed consistent with Laws 2014, chapter
308, article 6, section 8 and this act.

1.11 **EFFECTIVE DATE.** This section is effective the day following final enactment
1.12 without local approval as an amendment to the provisions of Laws 2014, chapter 308,
1.13 article 6, section 8.