



# Grandview 2 Tax Increment Financing District

- 1) Background and Vision
- 2) What is TIF?
- 3) Why consider a new TIF?
- 4) Proposed TIF Plan
- 5) Frequently Asked Questions

Edina City Council  
PUBLIC HEARING

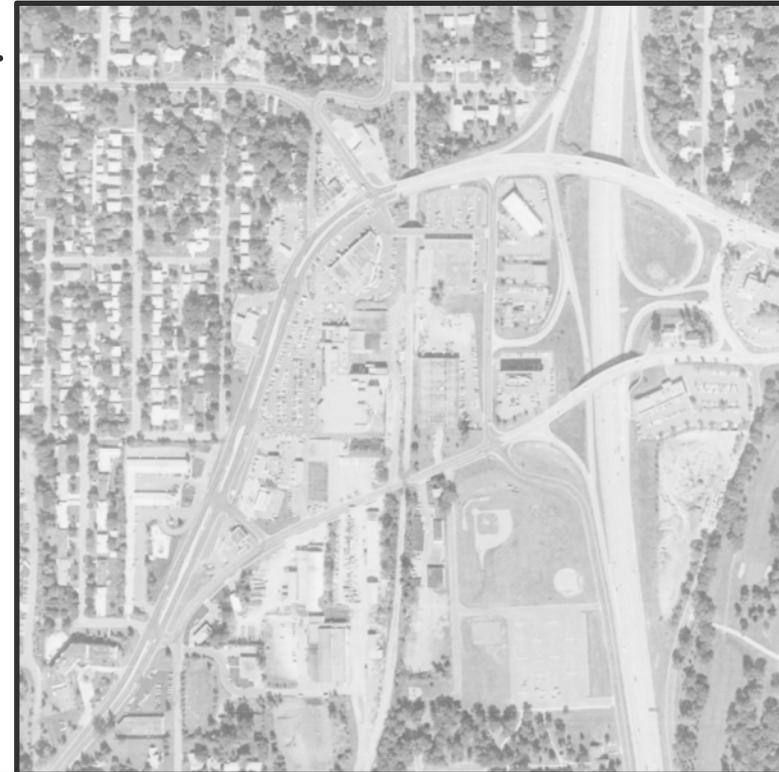
March 2, 2016



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# Background

- A “grand view” of the surrounding countryside.
- Cross-roads of commerce for generations
  - railroad service
  - industrial users
  - Highway 169/212 travelers
  - commercial services
- Multi-use commercial area surrounded by single-family neighborhoods



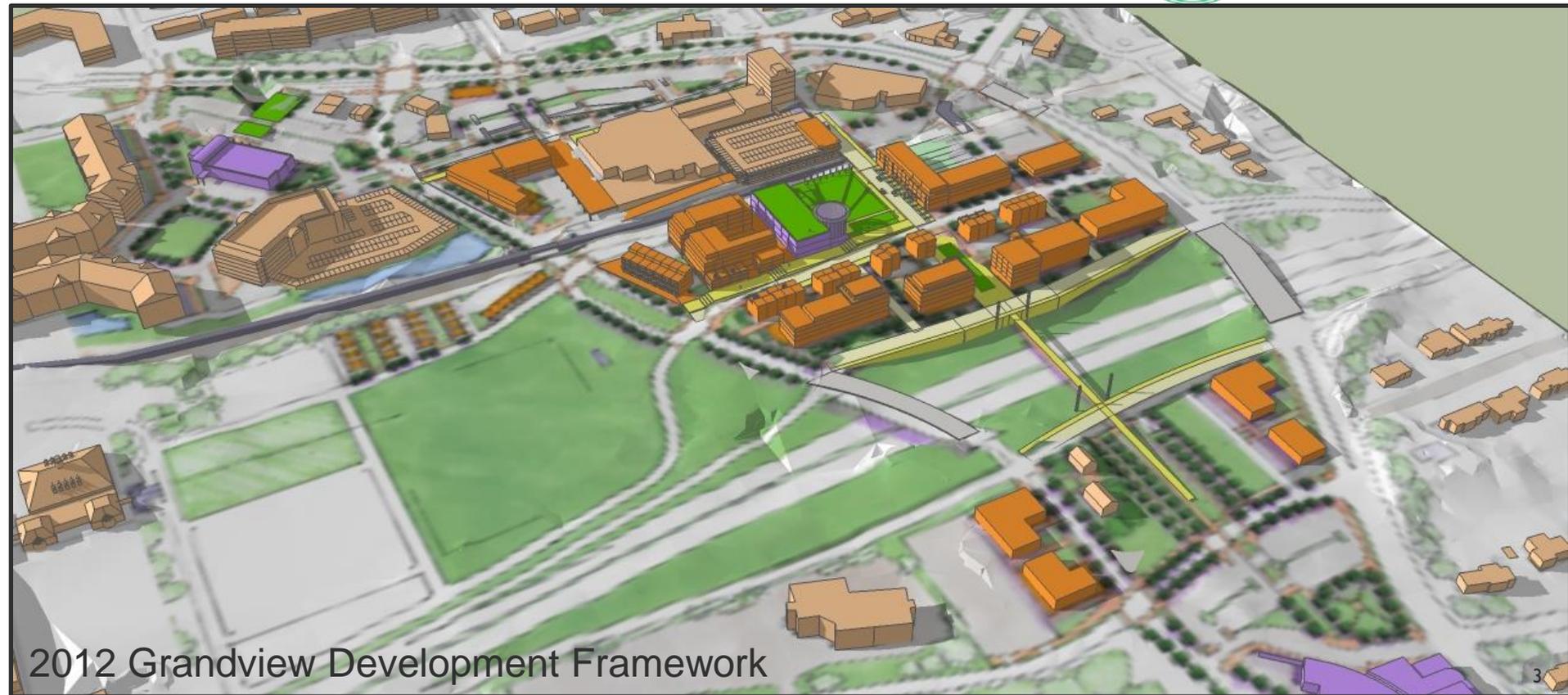
1979 aerial photo



# Community Vision



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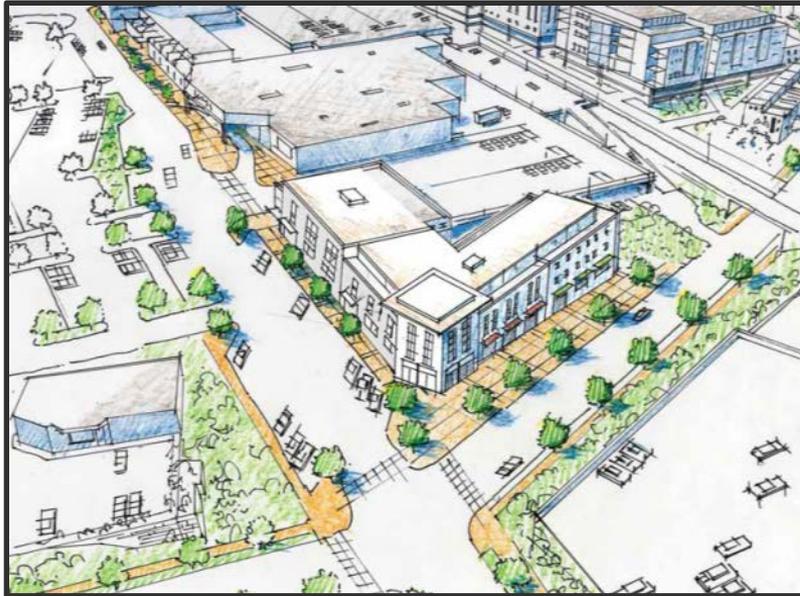
2012 Grandview Development Framework



# Community Vision



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2012 Concept for 5220 Eden Ave.  
School District's bus garage site

2012 Concept for 5146 Eden Ave.  
City's former Public Works site





# Community Vision



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**Potential 74,000 SF community center as the  
cornerstone of a public/private redevelopment**



# Community Vision



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

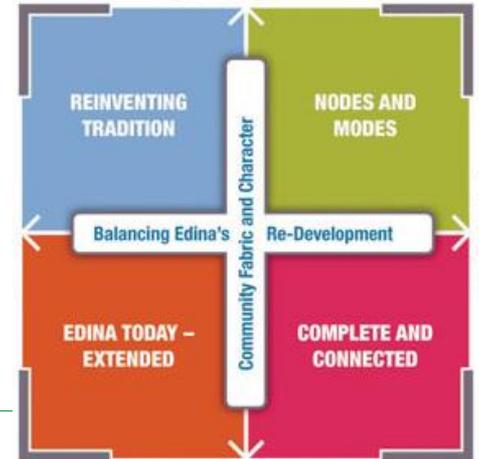
**“Transportation Options -** Continue to promote and develop the sidewalk, trail and bike networks to improve accessibility and connectivity throughout the city and beyond.” (page 8)

**“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)



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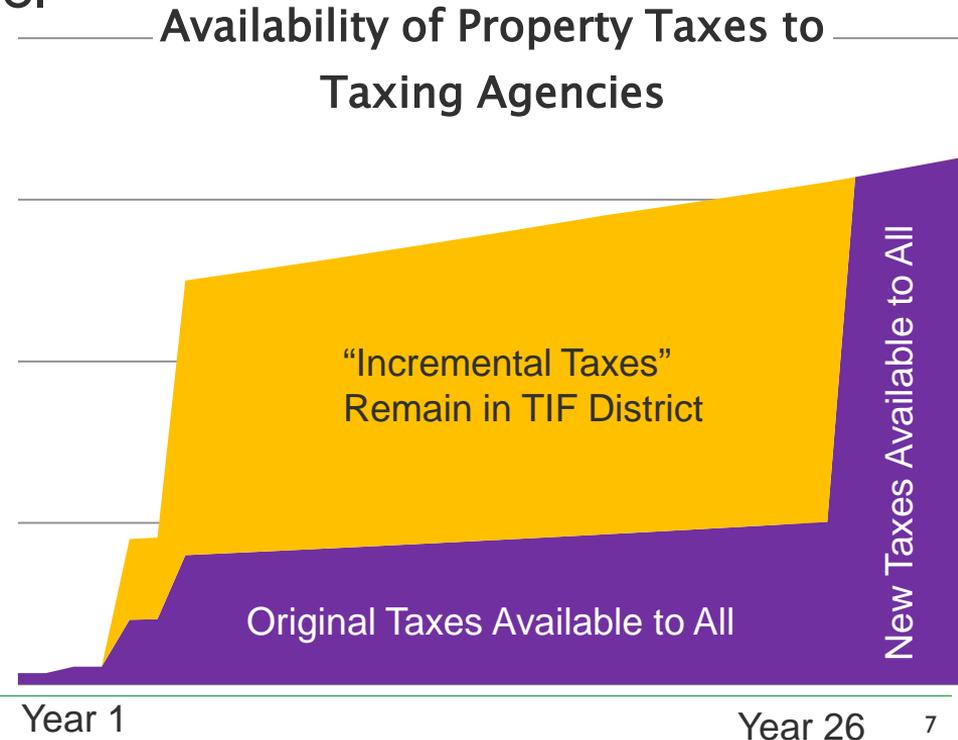
**“Residential Development Mix ...** Continue to explore options for new multi-family housing throughout the city in mixed-use areas and near public spaces, including ... Grandview.” (page 7)





# What is TIF?

- Economic development financing tool
- Used throughout the U.S.
- Guided by Minnesota Statute
- Enabled by City Council
- Uses growth in tax base to fund private investment and public infrastructure
- Use growth within TIF District to leverage growth outside District



# What is TIF?



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Tax increment financing (TIF) uses the **increased** property taxes that a real estate development generates to finance the costs of the development. In Minnesota, TIF is used for two basic purposes:

- To induce or cause a development or redevelopment that otherwise would not occur – e.g., to convince a developer to build an office building, retail, industrial, or housing development that otherwise would not be constructed. To do so, **the increased property taxes are used to pay for costs (e.g., land acquisition or site preparation) that the developer would normally pay.**
- **To finance public infrastructure (streets, sewer, water, or parking facilities) that are related to the development.** In some cases, the developer would be required to pay for this infrastructure through special assessments or other charges. In other cases, all taxpayers would pay through general city taxes.



# What is TIF?

## 1) Create "District"

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

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

## 2) Consider Funding for Specific Projects

- Private developments
- Public improvements

## 3) Monitoring & Compliance

- 4-year kick-out
- 5-year construction
- Annual reporting
- De-certification



## Why consider TIF?

- *Development Framework* calls for high caliber investments to create unique neighborhood center that includes both “go to” destinations and “stay at” amenities
- Strategic tool to achieve public goals for the changing commercial area (discussed in 2012, 2013 & 2015)
- Proactive step to prevent additional decay and blight

### Challenges to Redevelopment

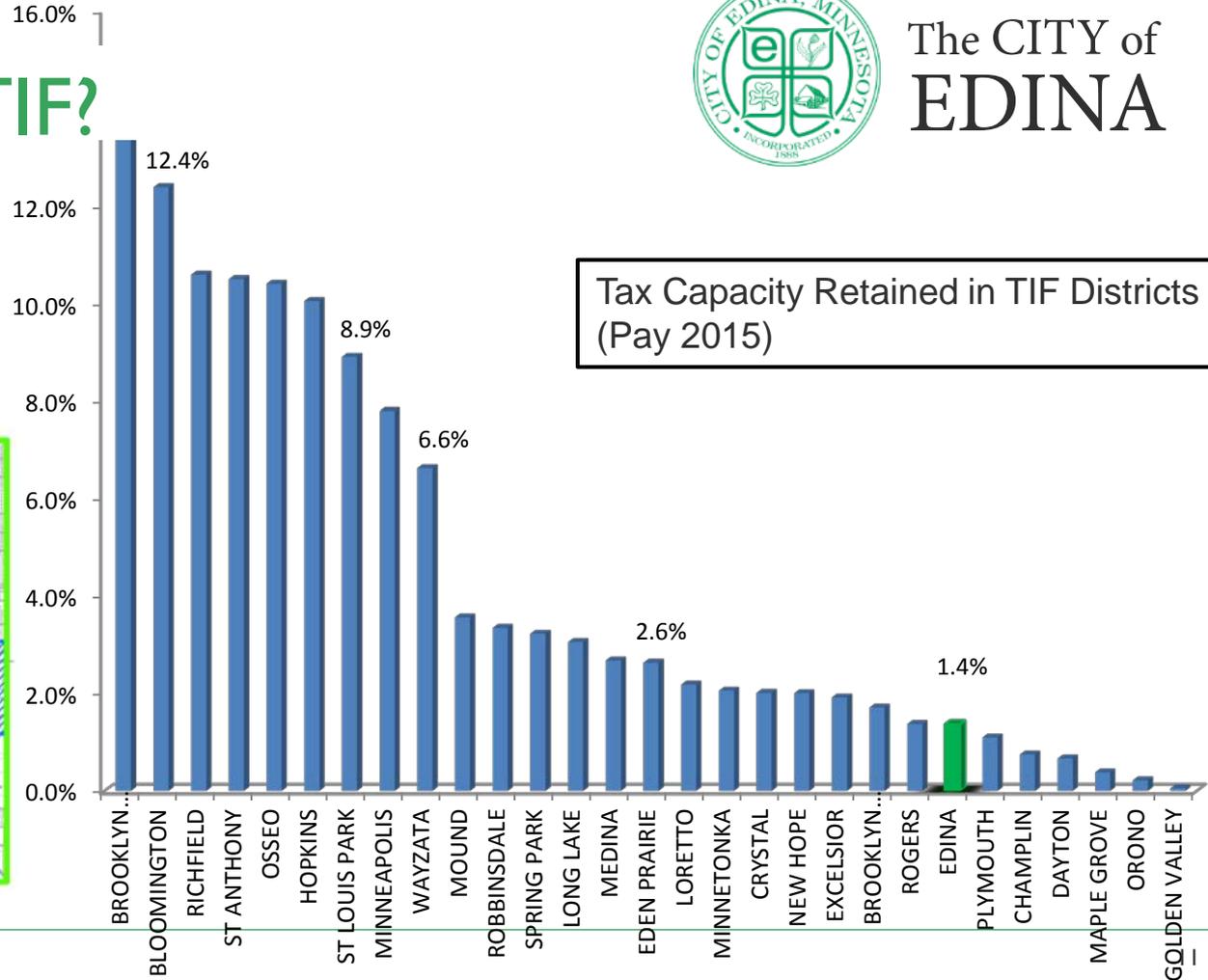
- 1) - site clearance / demolition
- 2) - environmental remediation
- 3) - land assembly
- 4) - public roadway improvements
- 5) - structured parking costs



# Why consider TIF?



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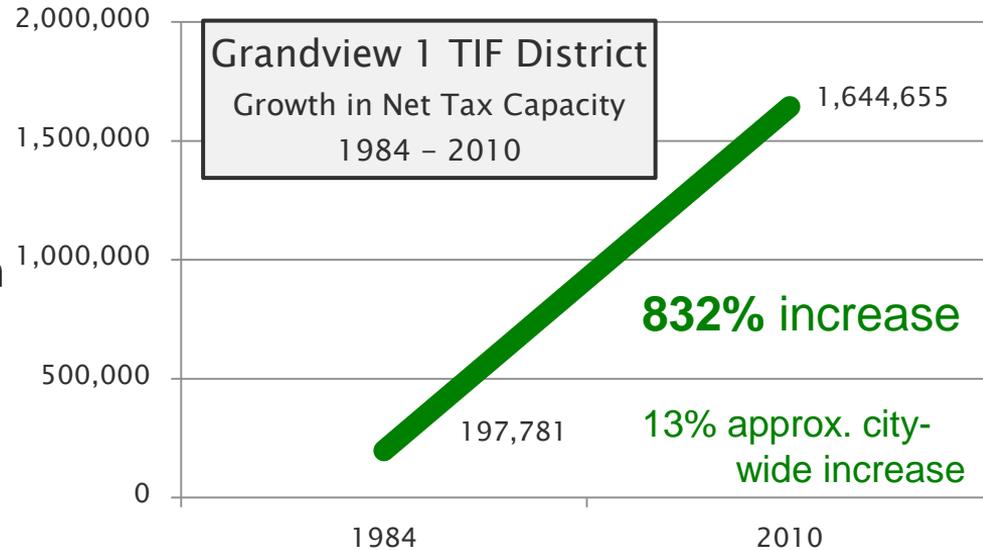


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# Why consider TIF?

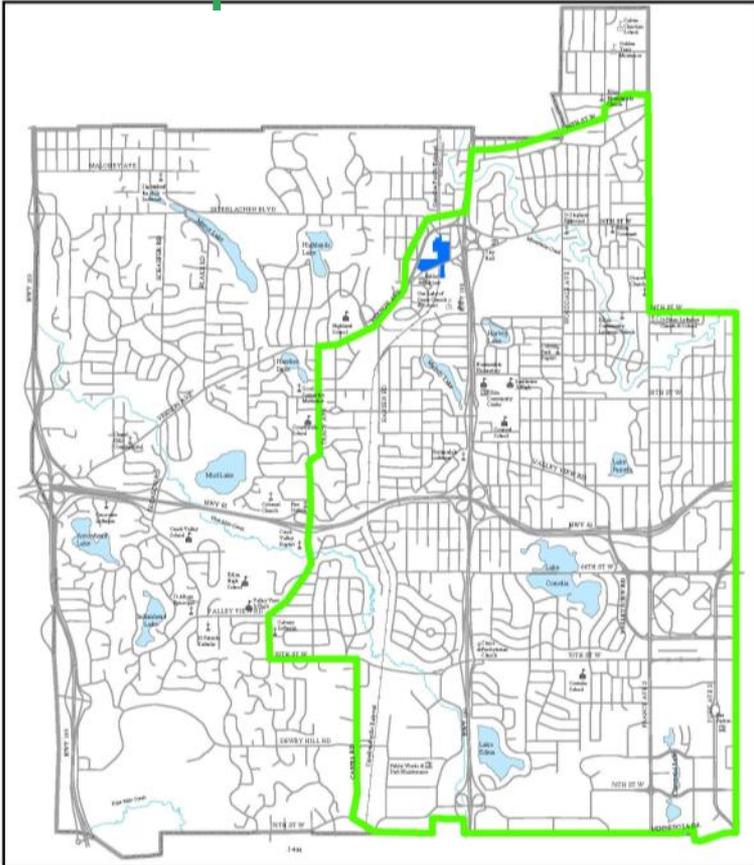
## Hasn't TIF been used before?

- Grandview (I) TIF District
- 1984 to 2010 (26 years)
- 832% growth in tax capacity
- Outdated industrial sites replaced with
  - Class A office building
  - Market-rate condominiums
  - Public park
  - Hennepin County Library
  - Edina Senior Center





# Proposed District



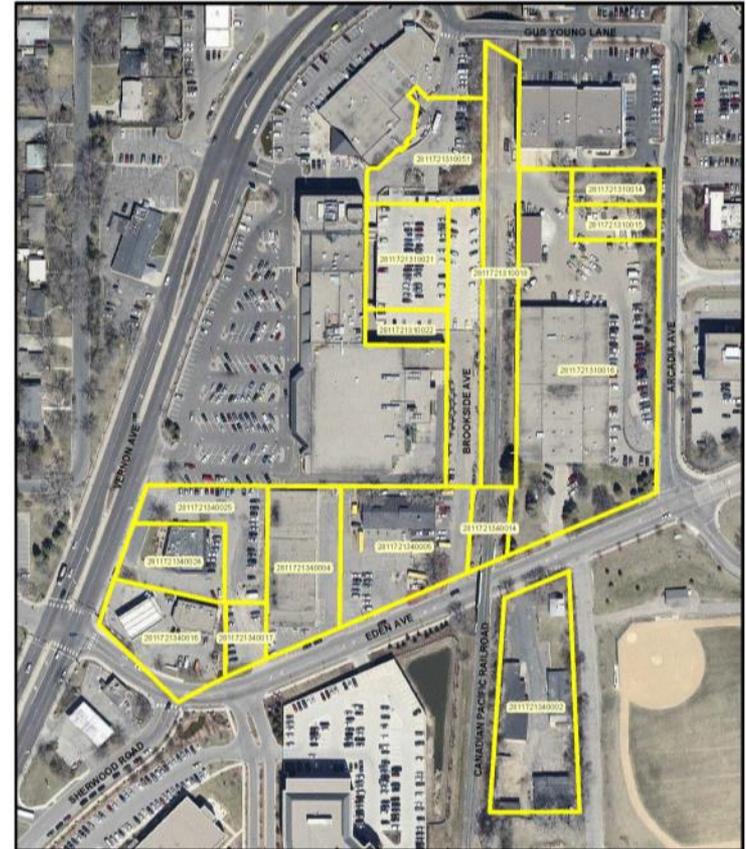
- Focus on parcels most likely to change in next five years
- Do NOT take the “Include Everything” approach
- Only include a “subset” of the 80-acre Grandview Commercial Area



# Proposed District

## Size & Conditions

- 15 parcels
- 10.8 acres
- All sites evaluated per MN TIF Statute
- Buildings inspected with owner consent
- 3 buildings deemed “sub-standard”
- Vacant, parking & R-O-W parcels
- 11 parcels currently tax-exempt
- Buildings “reasonably distributed”



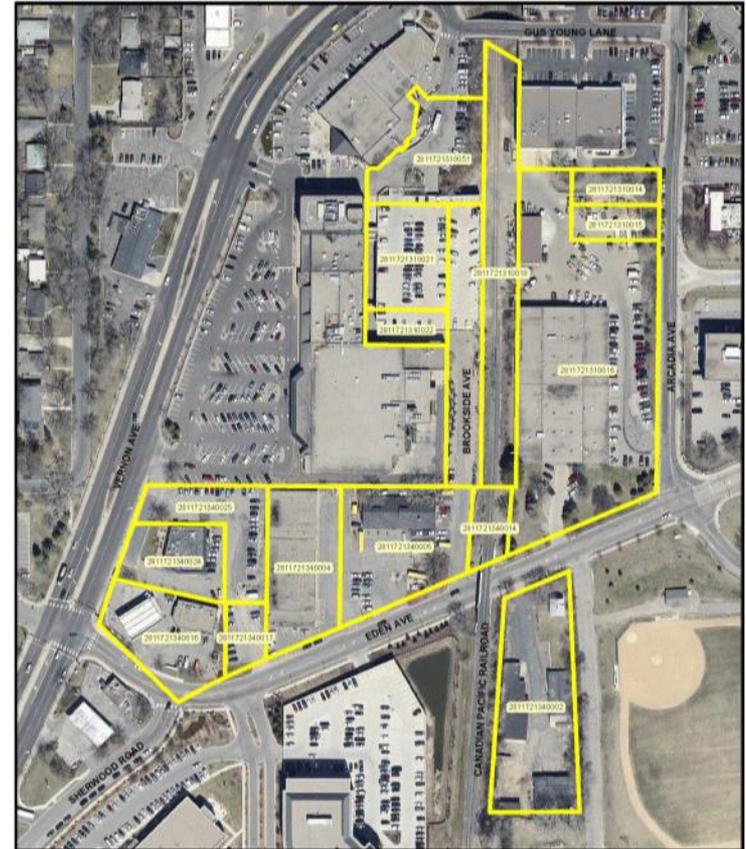


# Proposed District

## Financial Estimates

- Redevelopment District - 26 year term
- Original Tax Capacity = 57,196\*
- Estimated Tax Capacity = 1,579,458
  - Estimate only
  - Establishes maximum budget
  - No guarantee

*\*Will increase if tax-exempt land becomes taxable*





# Proposed District

## Financial Estimates

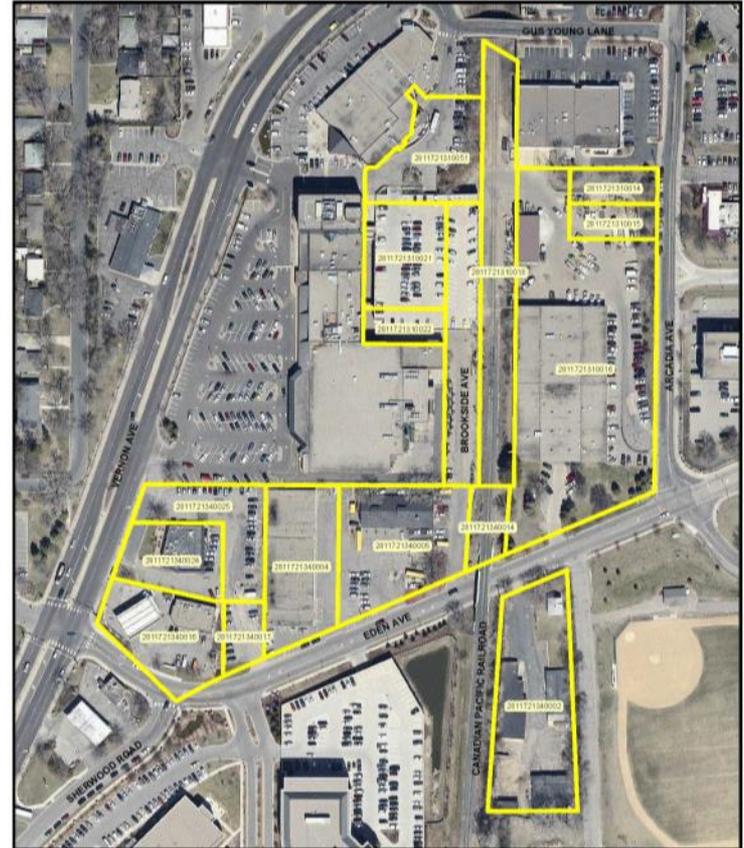
- Original Tax Capacity = 57,196
- Estimated Tax Capacity = 1,579,458

### Taxes Excluded From TIF (Preliminary 2016 Tax Rates)

Total Property Taxes	1,491,632
less State-wide Taxes	(130,311)
less Fiscal Disparities Contribution	(127,542)
less Market Value Based Taxes	(149,372)
less Base (OTC) Taxes	(49,477)
<b>Tax Increment</b>	<b>1,034,931</b>

### Taxable Market Value - Estimate

Commercial Office/Retail	13,372,000
Residential	59,061,320
<b>Total</b>	<b>72,433,320</b>



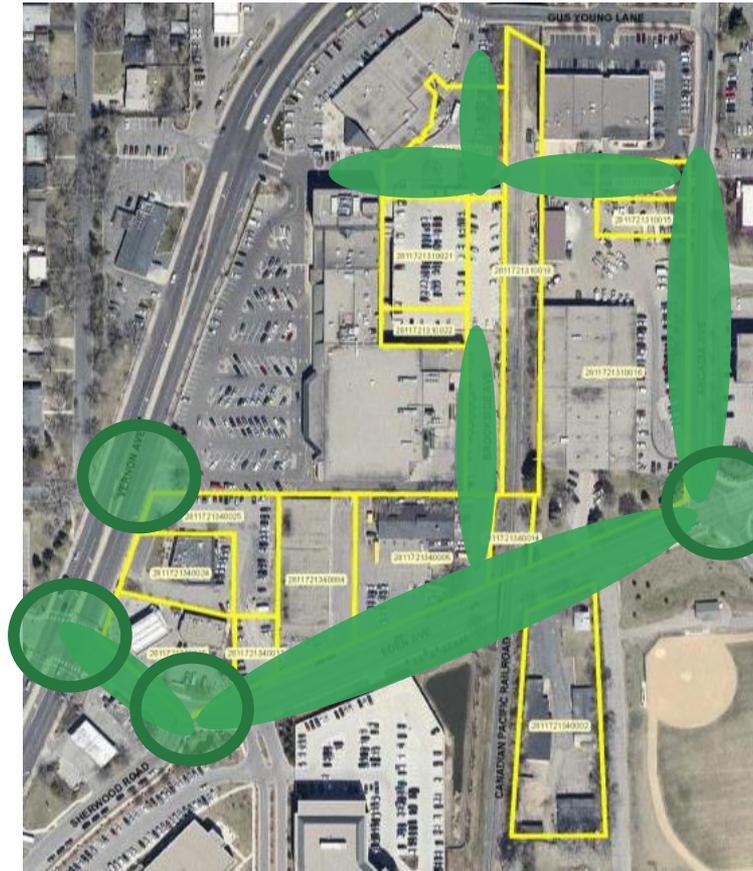


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# Proposed District

## Public Improvements

- Eden Avenue
- Arcadia Avenue
- New shared-street & bridge
- New road to “Jerry” parking ramp
- Vernon/Eden intersection
- Eden/Sherwood intersection
- Eden/Arcadia intersection
- Structured Parking



**Likely Uses of  
Incremental  
Taxes Collected**

## Site Improvements

- Environmental remediation
- Site preparation
- Structured parking



# Proposed District

## Potential Revenue Collected

- \$32.5 million in taxes (over 26 year term)
- \$35.7 million (with interest earnings)

## Projected Uses of Funds

- |                      |                 |              |
|----------------------|-----------------|--------------|
| • Land acquisition   | \$1.5 M         | (4%)         |
| • Site preparation   | \$1.5 M         | (4%)         |
| • Utilities          | \$1.2 M         | (3%)         |
| • Other Improvements | \$13.8 M        | (39%)        |
| • Administrative     | \$3.2 M         | (9%)         |
| • Interest           | <u>\$14.5 M</u> | <u>(41%)</u> |
| • Total              | \$35.7 M        |              |



# Proposed District

## Impacted Taxing Agencies

- City of Edina
- Edina School District #273
- Hennepin County
- Other Smaller Agencies too  
(Water shed, transit, HRA, mosquito)

Largest Taxing Agencies	Total Tax Base	OTC as % of Total Tax Base
Hennepin County	1.467 billion	0.0039 %
City of Edina	112.55 million	0.051 %
Edina School District 273	93.77 million	0.061 %

Original Tax Capacity is 57,196. This amount will always be included in the general tax base.

MN TIF Statute requires that the OTC be recalculated if tax-exempt land becomes taxable.



# But-For Analysis per MN TIF Statute

But-For Analysis	
Current Market Value	3,787,086
New Market Value - Estimate	72,433,320
Difference	68,646,234
Present Value of Tax Increment	16,363,834
Difference	52,282,400
<b>Value Likely to Occur Without TIF is Less Than:</b>	<b>52,282,400</b>

- There are extensive costs to complete environmental remediation, site preparation and construct multi-modal public improvements to serve the community.
- While some re-use could occur without TIF, the significant redevelopment anticipated in the Comprehensive Plan and the Development Framework is not likely to exceed \$52.28 million unless public participation is available.

**THEREFORE, It is the opinion of City staff and engaged consultants that it is reasonable to conclude that significant private investment will not occur without the use of Tax Increment Financing (TIF) to fund these extra-ordinary cost.**



# Frequently Asked Questions

**Will this TIF District increase the taxes paid by homeowners due to the 2015 School District referendum?**

**NO.** Such a situation is addressed in the MN TIF Law.

The properties in this District remain part of the tax base used to distribute the costs related to the \$124.9 Million Facilities Referendum because the special levy was conducted prior to the TIF District.



## Frequently Asked Questions

**Will this TIF District increase the taxes paid by homeowners due to the City's or School Districts operating budgets?**

NO. This recurring situation is also addressed in the MN TIF Law.

Tax levies for operational purposes are based on the full value (RMV) of the properties. If new private development occurs inside the TIF District, the total tax base will increase and the amount due by individual taxpayers will be reduced.

# Frequently Asked Questions



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## **Will this TIF District increase residential enrollment in the public school system?**

UNCERTAIN. If new residential uses are proposed and constructed in the TIF District, it is possible that school age residents could live there.

In Edina, most families with school-age children tend to live in single-family homes. The 167 unit Grandview Square condominiums currently enrolls 1 school-aged child in Edina Public Schools. The 242-unit One Southdale apartments currently enrolls 11 school-aged children.



# Frequently Asked Questions

**Will the “base” level of the TIF District change if the tax-exempt properties are sold and become taxable?**

YES. Many of the parcels are currently tax-exempt. If they become taxable, the base value of the land will be added to the “frozen” tax base so that each taxing agency receives a fair amount.

The Edina Assessing Department, in conjunction with Hennepin County Assessing Department determines the fair assessed value in these cases. This recalculation is mandated by MN TIF Law.



# Frequently Asked Questions

## **Can a TIF District be shut down early?**

YES. The TIF Plan and MN Statute govern the maximum length of the District. The City can decide to close the TIF District early if the conditions are appropriate.

In the past, Edina has closed 4 TIF Districts earlier than originally estimated. The new value of those properties was then used to enhance the tax base of all taxing agencies.



# Frequently Asked Questions

**Will this TIF District increase the value of the tax-exempt land in case portions of it are sold or leased for taxable purposes?**

**MOST LIKELY.** Developers are generally willing to pay a higher land value if they know that it benefits from an incentive program like TIF to achieve shared community goals. Proper zoning and related site entitlements are also helpful in maximizing the value of property.



# Frequently Asked Questions

## **Why is this TIF District proposed now?**

Time is of the essence if the City wants to include the vacant parcel at 5146 Eden Ave. in a TIF District.

City Council approved Resolution 2013-04 on March 19, 2013. This certified that the old Public Works facility satisfied the standards of MN TIF Law and was considered “substandard” for TIF purposes. Generally accepted legal practice dictates that action to create a TIF District should occur within 3-years of certification (no later than March 19, 2016).



# Frequently Asked Questions

## **Who determines how TIF monies are spent? Will monies be given to developers?**

The City Council determines how TIF monies are spent based on public input, staff recommendations, legal counsel and public finance advisors.

In this District, most expenditures are anticipated to be used to fund public infrastructure improvements (roads, sidewalks, parking, etc.). It is possible that some monies may be used to reimburse property owners/developers for costs related to clean up and site preparation for new developments. Specific expenses are considered on a case-by-case basis after the District is established.



# Frequently Asked Questions

**Does this TIF District impact the future re-use of the City's vacant public works site?**

**NO.** The proposed TIF District does not obligate the City to pursue any particular project on its property. Like any property owner, it can determine the best use of its land.



# Frequently Asked Questions

**Does the TIF District place on undue burden on the City's maintenance budget?**

NO. While new public infrastructure items are anticipated within the District (roads, sidewalks, etc), the proposed roads only add 0.029% to the City's 220 miles of existing local roads. The anticipated sidewalks add 0.31% to the City's 77 miles of existing sidewalks.

Future road improvements outside of the TIF District are not part of this proposal.



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Thank You.

City staff and Ehlers & Associates are  
pleased to answer any other questions.