



HOUSING AND REDEVELOPMENT AUTHORITY

2019 - YEAR IN REVIEW

OVERVIEW

The Edina Housing and Redevelopment Authority (HRA) was established in 1974 for the purpose of undertaking urban redevelopment projects and assisting with the development of affordable housing. The members of the Edina City Council serve as Commissions of the Board of the HRA. The Edina City Manager serves as Executive Director of the HRA. From time to time, additional services are provided to the HRA by City staff as part of their regular job duties.

The HRA also uses third-party professionals to provide expertise in the preparation of redevelopment agreements and to provide monitoring and reporting oversight.

This report has been prepared by City of Edina staff to highlight activities and accomplishments in the past year. This report also contains updated project information that may shape upcoming activities and programs of the HRA.

2019 ACCOMPLISHMENTS

- Completed redevelopment at 50th & France, including the Nolan Mains apartments, new Center Parking Ramp and new exterior public plazas
 - Completed oversight of Market Street redevelopment, including regular communications between developer and neighboring businesses
 - Sold the new retail space constructed as part of the North Ramp Expansion to a private developer who will lease and maintain the commercial spaces
 - Issued a 15-year loan to support 10 affordable housing units located within the Nolan Mains apartments
- Completed intersection improvements at Wooddale and Valley View
- Completed initial phase of intersection improvements at Interlachen and Vernon
- Issued three TIF Notes to Pentagon Village, LLC, to recognize private investment necessary to attract new businesses to the vacant 12 acres along West 77th Street between Normandale Road and Computer Avenue

- Established 72nd & France TIF District to support redevelopment and new affordable housing at 7200-7250 France Avenue
 - Executed Redevelopment Agreement with France Equities, LLC, to support redevelopment of 7200-7250 France Avenue
- Established Amundson Avenue TIF District to support new affordable housing at 7075-7079 Amundson Avenue
 - Entered into agreement with Edina Housing Foundation to temporarily acquire the site and assume the Purchase Agreement with MWF Properties to build 62 units of affordable housing on the site
- Modified Southdale 2 TIF Plan to support new affordable housing at 4040 W. 70th St.
- Secured legislative authority to maximize the use of incremental taxes from the Southdale 2 District for affordable housing purposes
- Closed on six (6) “Come Home 2 Edina” second mortgages
- Acquired 4100 W. 76th St. and executed redevelopment agreement with Aeon for the redevelopment into affordable housing
- Implemented the Class 4d Property Tax Reduction for naturally occurring affordable multifamily housing
- Amended the Affordable Housing Policy to extend affordability period and add tenant protections
- Provided gap financing to preserve a NOAH property at 7008 Sandell Ave.

REDEVELOPMENT ACTIVITY

The flurry of redevelopment continues in commercial and industrial sites in Edina. Most redevelopment occurs on properties that were originally developed 50 or more years ago. The aging structures on these properties typically has not kept pace with the needs or expectations of the current marketplace. Most redevelopment in Edina is privately funded. The HRA does get involved in project financing when the project is determined to be unfeasible without intervention and when the proposed project delivers long-term community benefits. Most of the 60 major redevelopment projects constructed since the Great Recession began to end in 2010 have been privately funded. Only nine projects have utilized tax increment financing (TIF) from Edina. Four of these nine projects were developed by the Edina HRA or not-for-profit affordable housing developers.

In 2019, two new TIF districts were established. As of year-end 2019, Edina has nine active TIF districts. Key details of Edina’s TIF districts are summarized below:

Name	Type	Size (acres)	Year Established	First Collection	Expiration Year
44 th and France 2	Renewal, 15-years	1.0	2018	2021	2036
50 th and France 2	Redevelopment, 25-years	2.8	2017	2020	2045
72 nd and France	Special Housing, 20-years	5.2	2019	2023	2043
Amundson Avenue	Special Housing, 20-years	1.2	2019	2022	2042
Grandview 2	Redevelopment, 25-years	10.8	2016	2020	2045
Southdale 2	Economic Development, 8-years	208	2012	2013	2021
66 West	Housing	0.9	2016	2019	2044
West 76 th Street	Special Housing, 20-years	2.0	2018	2022	2042
Pentagon Park	Redevelopment, 25-years	47	2014	2018	2043

In general, Edina uses TIF to a lesser extent than neighboring communities. Maps and graphs to illustrate the use of TIF in Edina are attached as Exhibits A and B.

PROJECT STATUS

1) 4500 France Avenue – The Lorient Apartments

The HRA entered into a Redevelopment Agreement in 2018 and pledged to issue a TIF note up to \$2.295 million after successful completion of the \$29 million redevelopment project. The project consists of approximately 46 apartments (of which three are affordable to households with incomes at or below 60 percent of AMI) with approximately 7,000 square feet of commercial space on the first floor. The new building is designed to be four stories near the commercial street and two stories along Sunnyside Road to make a smooth transition to the adjacent single-family houses. The project will also include several infrastructure improvements in the commercial node and will provide a public plaza, public parking, public art and new public sidewalks with streetscape improvements.

The project is under construction with completion expected August 2020.

2) North Ramp on Market Street

This project was completed in Fall 2018 at a total estimated cost of \$12 million. Real estate proceeds and monies from the Centennial Lakes TIF fund were used to fund the capital

investment. The final project includes 546 public parking stalls as well as 10,000 square feet of commercial space.

Throughout the year, staff worked with the project architect and the general contractor to resolve punchlist and warranty items. Significant time and attention were given to resolve a persistent moisture concern near the intersection of the snow chute and the commercial tenant space. While the problem was resolved, staff is prepared to monitor this location to ensure a watertight enclosure. This year, additional way-finding signage was also added to the North Ramp to simplify customer use.

The commercial space was sold to a private developer in October 2019. After the commercial spaces were sold, the developer began interior construction for new businesses. The two spaces will be subdivided to accommodate four new tenants. At least two new businesses are anticipated to open in Spring 2020.

3) Nolan Mains / Center Ramp on Market Street

This property was sold to a private developer in 2018 for construction of 100 units of rental housing, approximately 20,000 square feet of commercial space and reconstruction of the new Center Parking Ramp. The building is configured around a series of public walkways and plazas to create a vibrant pedestrian experience that engages the adjacent commercial properties.

The project also includes shared trash rooms for use by adjacent businesses and extensive, utility improvements that benefit surrounding properties.

The HRA issued a \$10.1 million TIF note that will begin to bear interest and be payable upon completion of the \$74 million project.

With the support of the Edina Housing Foundation, the HRA also provided a low-interest loan to support 10 affordable rental units in the facility for a period of at least 15 years.

As of the end of 2019, the development is nearing substantial completion. Residents began occupying the building on Nov. 1, 2019. The Center Ramp was opened to the public on Nov. 1. The public walkways and plazas have been delivered in phases starting November 1. The two shared trash rooms were also delivered. Seasonal programming in the public plaza began in December with three holiday events for families.

In early 2020, the contractor will complete final construction details. Interior construction of commercial tenant spaces is anticipated to occur in 2020 as leases are executed. Due to winter conditions, staff has agreed to allow final landscaping and the final street paving to occur in Spring 2020 so that survivability and durability of these public elements are increased.

4) Edina Flats – Valley View Road and Kellogg Avenue

The HRA sold vacant property on Valley View Road and Kellogg Avenue to a private developer for construction of up to 18 new condominiums. The developer also owns vacant property at Valley View and Oaklawn.

The developer has scaled back the size of the project and is constructing 15 condominium units on Kellogg with no imminent plans for the Oaklawn parcel. As of year-end 2019, the building at 6142 Kellogg has been completed and the public plaza on the corner has been completed.

Construction of 6120 and 6128 Kellogg is underway and foundations for 6112 Kellogg have been installed. At year end – 9 of the 15 units are reserved for new occupants. Several real estate closings are scheduled for early 2020.

5) 5146 Eden Avenue

The HRA decided to pause any redevelopment planning on this site in 2019. The site remains vacant.

A portion of the site was temporarily allowed to be used to accommodate construction workers and equipment related to the construction of the Avidor Apartments and the roadway and intersection reconstruction at Interlachen and Vernon.

6) Southdale Center Mall

The 77-acre Southdale Center Mall property continues to undergo significant transformation in 2019. The new 60,000-square-foot RH Gallery furniture showroom was completed in September 2019 in an overflow parking lot. This is the only such facility in the upper Midwest.

The redevelopment of the former JC Penney anchor was completed in December 2019. This area is now occupied by a state-of-art Lifetime Athletic facility and complemented with Lifetime Sport and Lifetime Work facilities. A new entrance to the mall structured as a three-story tall winter garden was also created.

In 2020, three new tenants are anticipated to open in this new portion of the mall. The new businesses are: Yumi Japanese, Rustica Bakery and Dry Bar salon.

While the RH Gallery and Lifetime parcels are located within the Southdale 2 TIF District, these projects were privately financed with no HRA participation.

The former Herberger site remains vacant since the department store was closed in late summer 2018. Simon Properties, the property owner is reviewing several possibilities for re-use or redevelopment of the Herberger site. Hennepin County intends to relocate the Southdale Regional Library to this site and there is strong interest from another retail anchor as well as luxury residential developer. Concept plans are anticipated to be submitted for review in 2020.

7) 6600-6800 France Avenue

While the property owner/developer secured land use approvals to add new retail, housing, hotel and office space on the site in 2016, the only element to be completed has been the flagship suburban site for Bank of America. The developer has determined that the original concept is not financially feasible, due in part to the high cost of structured parking and storm

water requirements. They have indicated that the project cannot move forward without significant changes.

Due to the uncertainty of this project, the \$1.3 million grant awarded from the Metropolitan Council for the public realm improvements has been rescinded.

It may be necessary for the HRA to intervene with the use of public financing to achieve stormwater improvements that benefit the public as well as to achieve other public benefits.

8) 7008 Sandell Avenue

The HRA awarded \$350,000 to Aeon to assist with the acquisition and rehabilitation of 7008 Sandell. Of the 11 units, the rents on five of them were reduced to serve households with incomes at or below 60 percent of AMI.

9) 7001 France Avenue

Ryan Companies and US Bank intend to redevelop the 5.7-acre site with a mixture of commercial and residential uses, including a modern facility for US Bank. At year end, the primary tenants have vacated the existing buildings with only the bank remaining. The developer is taking the comments and suggestions provided by the Planning Commission and City Council into consideration as they prepare updated plans for regulatory consideration.

Public financing might need to be considered in order to secure a viable plan that can deliver the type of public realm improvements and public amenities suggested by the City.

Concept plans are anticipated to be submitted in 2020.

10) 7200/7250 France Avenue

In late 2018, the developer/property owner secured rezoning approval to replace two aging office buildings with two multi-family apartment buildings with commercial space on the street level. The approved site plan includes several public realm amenities and preserves a portion of the property that has a grove of mature trees.

In April 2019, the City & HRA established the 72nd & France TIF District and entered into a Redevelopment Agreement with the developer. This agreement pledges \$12 million in future TIF payments after successful completion of the project. The TIF pledge will reimburse the developer for eligible expenses associated with public benefits. The developer has been pursuing private funding for the project in 2019. Lenders and investors indicate that the project is not financially feasible in the current format. The developer is reviewing options regarding how to proceed.

Due to the uncertainty of this project, the request for \$1.8 million in grant funding from the Metropolitan Council has been withdrawn and the \$500,000 grant from DEED has been rescinded.

11) 3250 West 66th Street – Millennium of Southdale

The first phase of this project began in 2019. It consists of 227 units of multi-family housing. The vacant building was demolished in summer and site work began soon after. At year-end the contractor continues to work on the foundation system.

While this property is located within the Southdale 2 TIF District, this project was privately financed with no HRA participation. The owner has agreed to make seven of the units (3 percent) affordable.

12) 3101 West 66th Street – Aria Apartments

This 184-unit apartment building was completed in August 2019.

While this property is located within the Southdale 2 TIF District, this project was privately financed with no HRA participation. The owner agreed to make eight units (4 percent) affordable to households with incomes at or below 60 percent of AMI.

13) 7001 York Avenue

Hennepin County owns and operates the Regional Library on this 8-acre property. For several years, they have been considering how to redevelop the property. The Service Center relocated to Southdale Center in 2015. The Court Facility moved to Ridgedale Center in Minnetonka in 2019. The Regional Library is scheduled to be relocated to the southeast quadrant of Southdale Center mall as early as 2022.

The HRA may get involved in the future redevelopment of this site, possibly for the creation of new affordably priced housing in addition to other viable market-driven uses. Details are pending until the County determines the timing for a future transaction.

14) 3650 Hazelton Road – Promenade Residences

This 1.25-acre site is currently occupied by a vacant retail building. The City approved the zoning for a new high-rise residential building in 2019. This project is privately financed. The developer intends to break ground in Spring 2020.

15) 4040 West 70th Street

The Edina Housing Foundation entered into a Purchase Agreement for this 1.58-acre site. The HRA approved a term sheet to lend the Foundation the acquisition funds needed. The City Council approved amending the Southdale 2 TIF plan to allow for pooled TIF funds to be used to facilitate affordable housing at this location. The Foundation intends to solicit a developer for the creation of age-restricted affordable housing

16) 4100 West 76th Street – The Sound on 76

Aeon, a private developer who specializes in affordable housing, has purchased this property after it had been listed on the open market for more than one year. The existing commercial building was originally constructed in 1967 and has been occupied by a number of different businesses – including a successful recording studio.

The HRA pledged to provide \$2.4 million in monies and \$925,000 in future incremental property taxes from the site to support long-term affordability on the site.

Aeon was awarded partial tax credits from Minnesota Housing in November 2019 and is applying for the remaining credits in January 2020. Once awarded, this proposed development will be fully funded. Construction is expected to commence in summer 2020.

The HRA acquired the property in August 2019 and entered into a Purchase Agreement with Aeon with the intention to sell to Aeon after they have secured full construction funding.

17) Pentagon Park South – Pentagon Village

The HRA executed a Redevelopment Agreement with the developer to support complete redevelopment of the vacant 12-acre property. In 2019, a minor amendment to the agreement was approved. Upon completion, the developer will deliver completely new infrastructure and several new building elements. They are anticipated to include: new dual-brand Marriott hotel, two new retail buildings, Waterwalk extended-stay hotel, mixed-use retail/office building, two new office buildings, parking garage and public plaza.

The developer has completed a lot of work since the agreements were executed. All infrastructure is substantially complete, the Phase I parking structure is complete and the framework for the public plaza is complete. The remainder of the site has been prepared as building pads to be improved by the owner of each new project.

Construction has begun on the first two retail buildings. One hotel pad has been sold and the second is scheduled to close soon. Construction on both hotels is anticipated to begin Spring 2020.

Staff reviewed the developer's pre-development and infrastructure expenses to confirm the level of investment. Three TIF notes were issued in July 2019 with a total principal amount of \$18.1 million. These notes will not begin to accumulate interest nor be payable until the milestones set out in the Redevelopment Agreement are reached.

18) 7075 Amundson Avenue

The Edina Housing Foundation purchased this vacant site in 2018 after the business closed due to bankruptcy. After a competitive Request for Proposal process, the Foundation selected MWF Properties to develop 62 units of family workforce housing. All necessary funding has been secured and construction is expected to commence in summer 2020.

The HRA approved acquiring 7075 Amundson from the Foundation at the asking price of \$1.3M and entered into a Purchase Agreement with MWF Properties to sell the site for \$600,000. This write-down helped fill a funding gap and allowed MWF to maximize points on their Low Income Housing Tax Credit application.

OTHER HRA ACTIVITIES

19) Special TIF Legislation

In 2019, Edina secured legislative authority to use pooled TIF funds from the Southdale 2 District with a timeline that is co-terminus with the expiration of the TIF District on December 31, 2021.

Ehlers Associates completed an analysis of the amount of funds available within the Southdale 2 District and the constraints on those funds. A summary is included in Exhibit C.

20) Open to Business Program

The HRA continues to partner with the Metropolitan Consortium of Community Developers (MCCD) to provide free business consulting services for start-up businesses or expanding businesses located within Edina. These services are also provided to Edina residents regardless of where the business may eventually be located. The \$5,000 annual contribution from the HRA supplements funding provided from Hennepin County.

While year-end figures are not yet available, as of June 2019, the Open to Business program provided service to 11 entrepreneurs with business interests or homes in Edina. Staff at MCCD provided more than 70 hours of direct technical assistance with these clients.

The categories of businesses included start-ups, existing with growth opportunities and existing businesses with operational challenges. The types of businesses ranged from fitness to retail and from bakery to micro-brewery.

The Open to Business program resulted in direct business loans of \$160,000 to some of these clients. These loans leveraged another \$3.9 million in business investment.

21) Come Home to Edina Program

The Come Home 2 Edina program closed six loans in 2019. Marketing efforts have been increased, especially to organizations that serve under-represented populations. The Edina Housing Foundation also increased the cap on a house value from \$350,000 to \$425,000 in hopes of expanding the pool of eligible households that might use this program.

22) Class 4d Property Tax Incentive

HRA approved a pilot program for owners of naturally occurring affordable multifamily properties to reduce their property tax obligation by investing in energy efficient upgrades to

the building and committing to keep units affordable for households with incomes at or below 60 percent of AMI for a period of time. Despite marketing and outreach efforts by staff in 2019, no property owners took advantage of this program. Changes were approved to simplify the program in 2020 in hopes of securing more affordable units.

FORECAST OF 2020 ACTIVITIES

The staff work plans for 2020 tentatively include these activities:

- Decide upon the future use of the vacant site at 5146 Eden Ave.
- Issue TIF note for 4500 France Ave.
- Issue Certificate of Completion for the Nolan Mains/ Market Street Redevelopment project
- Investigate the redevelopment potential of the 44th & France commercial node
- Investigate the needs of the Highway 100 business park
- Consider the early termination of the 66 West TIF District
- Convey 7075-7079 Amundson to MWF Properties, close on financing and commence construction of 62 units of affordable housing
- Convey 4100 W. 76th St. to Aeon, close on financing, and commence construction of 70 units of affordable housing
- Make a determination regarding a Tenant Protection Policy.
- Expand Community Land Trust program.

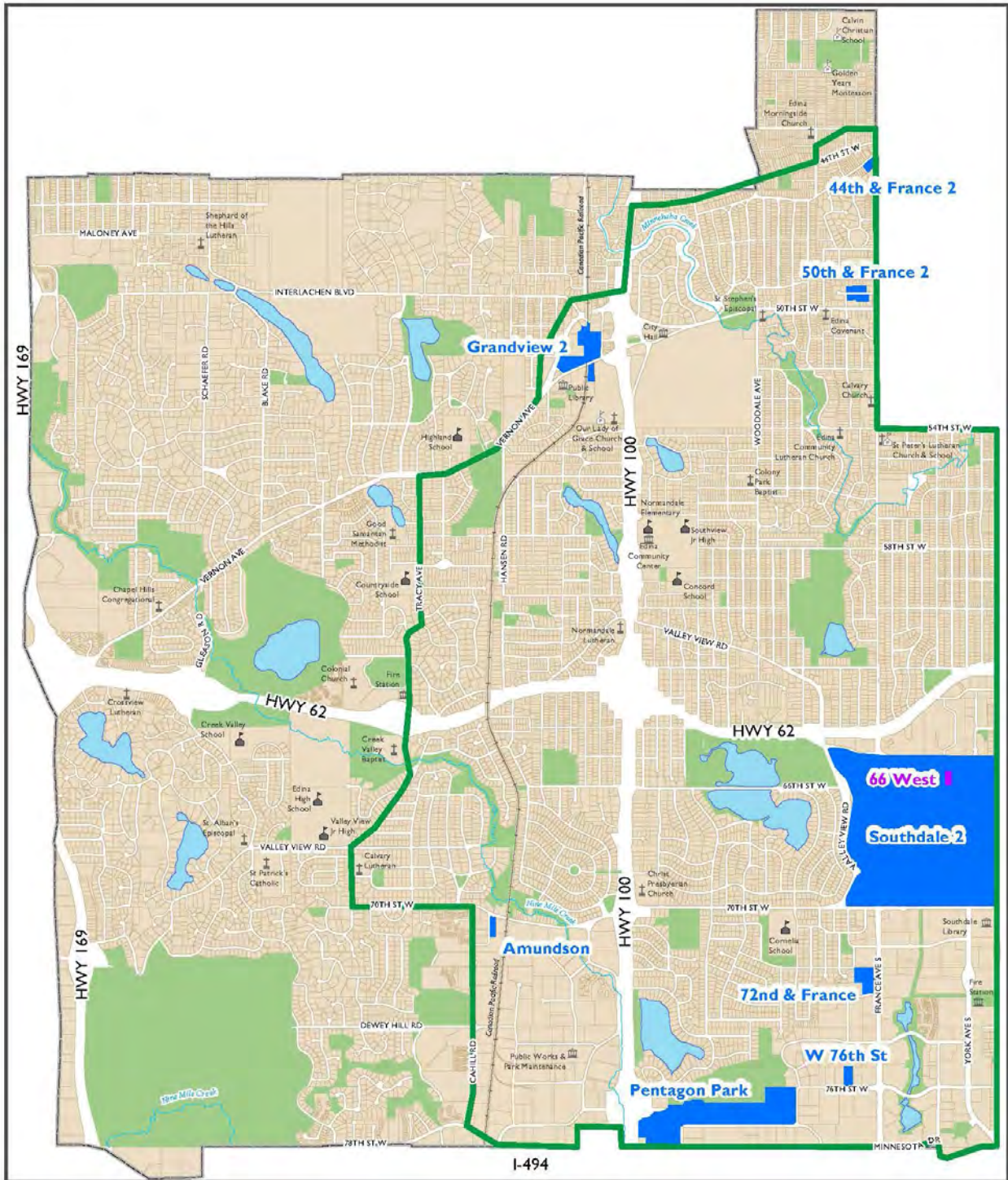
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January 10, 2020

Exhibit A – Map of Active TIF Districts



- ▭ Southeast Edina Redevelopment Project Area
- ▭ 44th & France 2 TIF District (established 2018, 15-year term)
- ▭ 50th & France 2 TIF District (established 2017, 25-year term)
- ▭ 66 West TIF District (established 2016, 25-year term)
- ▭ 72nd & France TIF District (established 2019, 20-year term)
- ▭ West 76th St TIF District (established 2018, 20-year term)
- ▭ Grandview 2 TIF District (established 2016, 25-year term)
- ▭ Pentagon Park TIF District (established 2014, 25-year term)
- ▭ Southdale 2 TIF District (established 2012, 8-year term)
- ▭ Amundson TIF District (established 2019, 20-year term)

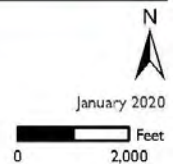
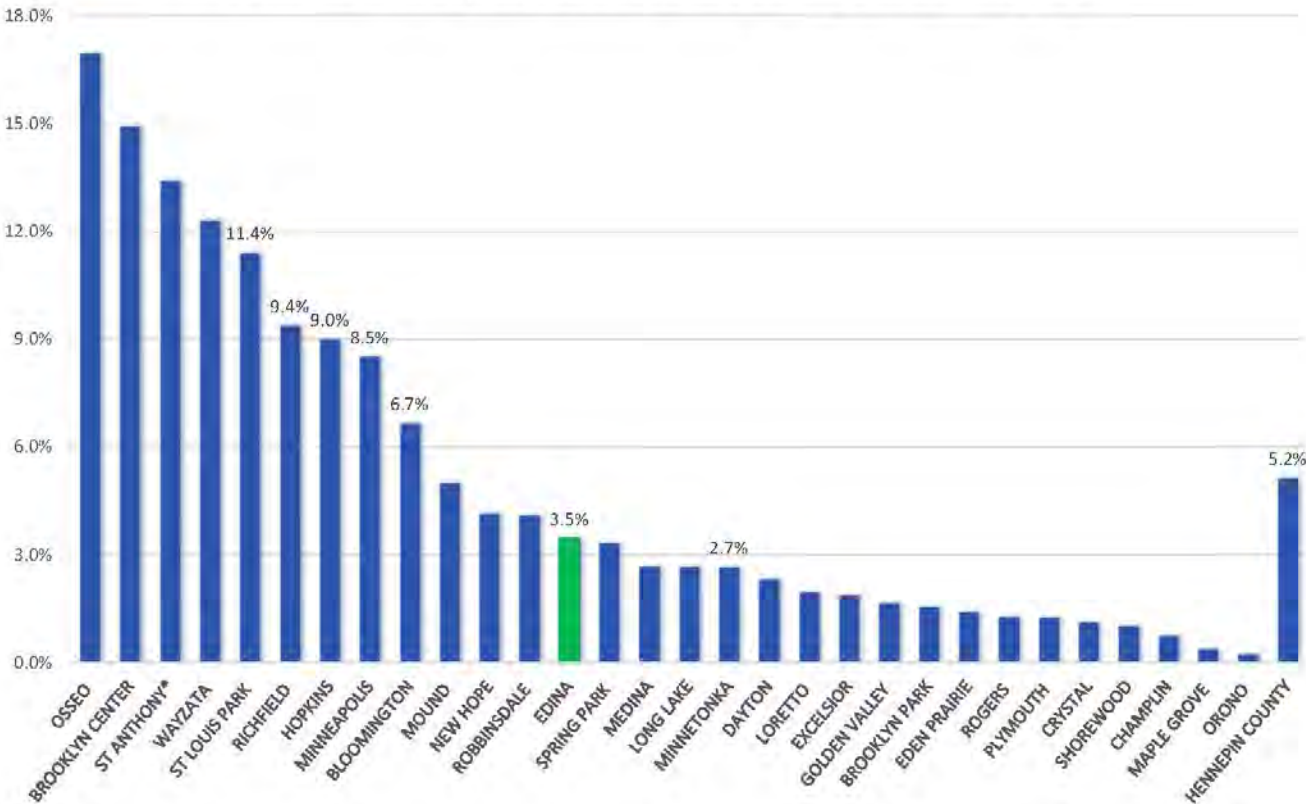


Exhibit B – Use of TIF in Edina

Percent of Property Tax Capacity Retained in TIF Districts – Pay 2019



City of Edina
Property Tax Capacity
(\$151,279,391 for Pay 2019)

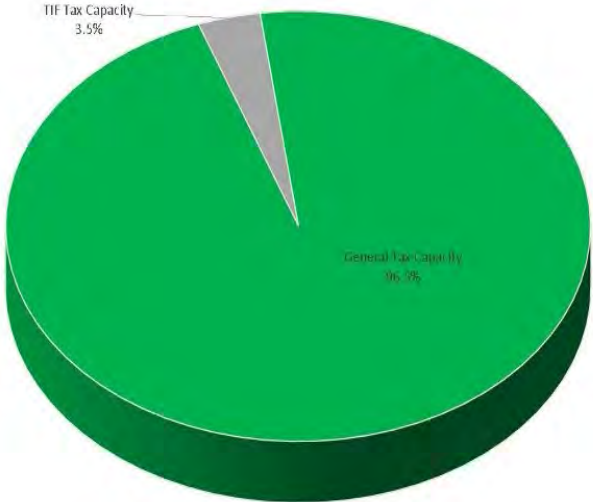
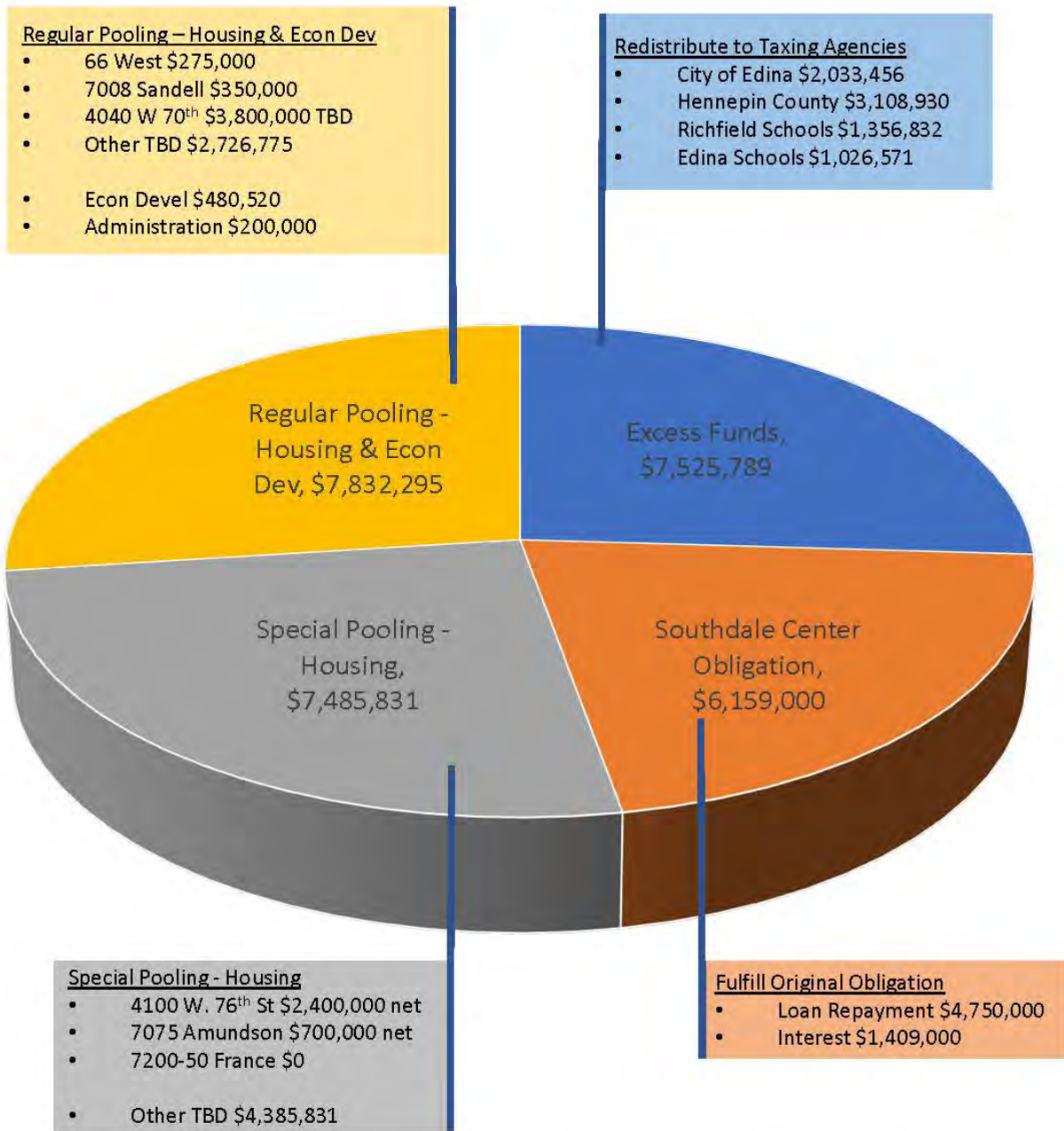


Exhibit C

Projected* Use of Southdale 2 Incremental Property Taxes



*Based on estimates prepared by Ehlers Associates September 2019;
calculated at decertification of TIF District on 12/31/2021