



Date: February 13, 2020

To: Chair and Members of the Edina Housing & Redevelopment Authority

From: Stephanie Hawkinson, Affordable Housing Development Manager

Subject: Approving Loan Documents for the Purchase of 4040 W. 70th Street

Information / Background

On December 12, 2019 the Housing and Redevelopment Authority reviewed and approved a Term Sheet that identified the basic business points supporting the use of public funds for the acquisition by the Edina Housing Foundation (the “EHF”) of 4040 W. 70th St. (the “Site”) from American Collectors Association. The purpose of this acquisition is to provide the EHF with the opportunity to secure a developer for the construction of age-restricted, affordable housing estimated at 118 units. The Term Sheet was intended to serve as the general framework of a Loan Agreement to be executed between the EHF and Edina HRA.

City Council held a Public Hearing on December 17 regarding modifying the Southeast Edina Redevelopment Project Area and TIF Plan that would allow Southdale 2 TIF Pooled funds to be used for this acquisition. To this end, Resolution 2016-116 was approved.

Loan Agreement

Attorneys representing the HRA drafted the attached Loan Agreement, Promissory Note and Mortgage (“Loan Documents”) for the loan between the HRA and EHF. The Loan Documents adhere to the business terms outlined in the Term Sheet that was approved December 12, 2019. Highlights include the following:

- \$3,650,000 loan secured by a non-recourse Mortgage. This is a reduction from the previously approved \$3.8 million due to remediation that will be needed when the current building is demolished.

- 0 percent interest for two years with two one-year extensions. As allowed in the Purchase Agreement, the Seller had opted to extend the closing date until June 1, 2020, therefore the Maturity Date of the Loan Documents is June 1, 2022.
- EHF will report back to the HRA when a developer is selected and periodically thereafter with status reports.
- The HRA will pay closing costs.
- EHF indemnifies the HRA for any losses or damages to the site.
- If EHF defaults on their obligations under the Loan Documents, the HRA can terminate the Loan Documents and seek either a reimbursement of the loan or can take title of the site.
- EHF will maintain and manage the existing use until the residential development is ready to proceed.

Development Descriptions

In moving forward with this parcel, EHF will follow the same process they used when securing a developer for 7075-7079 Amundson. They will actively seek a developer through a competitive Request for Proposal process; review the proposals for developer experience, capacity and quality of work; and conduct interviews.

Compliance with Greater Southdale District Plan

The Greater Southdale District Plan supports the development of affordable age-restricted housing at 4040 W. 70th St. In addition to the site being zoned appropriately, the plan states the following:

The Greater Southdale District has an important role to play in accommodating expected housing growth. Already an area characterized by high density residential and mixed-use development, it is guided for additional infill development of a similar or higher intensity. The presence of jobs, retail and services, transit, and public amenities means this area contains the elements for a complete community, which can leverage these advantages for a convenient and accessible lifestyle for a range of household types.

Affordable housing is a necessary component of the housing mix. This is especially true given the demographic future of Greater Southdale. The expected growth in the senior population and the desire to attract young workers and families both point to the need to have more affordable housing, including options for those that might choose to move here from other parts of the community. (pg. 85)

Next Steps for 4040 W. 70th Street

- Spring 2020 – EHF will solicit development proposals.
- Fall 2020 – A developer is anticipated to be selected.
- 2021 – The HRA will review development proposal.
- 2021/2022 – The Planning Commission and City Council will review the land use plan for approval.

HRA Action

Staff recommends approval of the Loan Agreement, Promissory Note and Mortgage.