



Date: June 11, 2020

To: Chair and Commissioners of the Edina HRA

From: Stephanie Hawkinson, Affordable Housing Development Manager

Subject: PUBLIC HEARING: Resolution 2020-03 Authorizing Sale of Land to Amundson Flats, LP and Approve Redevelopment Agreement

Information / Background:

In July 2018, the East Edina Housing Foundation (Foundation) acquired the Waldorf-Nevens at 7075-7079 Amundson Avenue (Parcel). Their intent was to secure a developer through a Request for Proposal (RFP) process for the development of multifamily affordable housing. The Foundation unanimously selected MWF Properties, LLC (MWF) as their proposal was in keeping with the Foundation's vision.

MWF is proposing a 100% workforce housing development containing 62 one-, two- and three-bedroom units. There will be underground parking, first floor patios, and a connection to the bike trail. The proposed rents will serve households with incomes between 30% and 70% of the Area Median Income.

The Foundation and MWF negotiated an initial Purchase Agreement for \$1,300,000. The sale proceeds would reimburse the Foundation for the acquisition of the site; property taxes; insurance; legal fees; utilities; and the cost for securing the property. Later, the Foundation agreed to write down the purchase price to \$600,000 to help fill the development financing gap and strengthen MWF's Low Income Housing Tax Credit (LIHTC) application to Minnesota Housing. MWF was awarded full LIHTCs in November. They have secured all necessary financing to complete the proposed development and are moving towards acquisition and financial closing.

HRA Participation

Although the Foundation was prepared to fulfill their agreement to sell the property at a reduced price, the loss of revenue would have an impact on their on-going operations and ability to undertake similar development activities in the future. The Foundation does not have a revenue stream but must rely on investment and interest earnings on their Come Home 2 Edina mortgages. Therefore, on July 25, 2019 the Foundation requested that the Housing and Redevelopment Authority (HRA) acquire the Parcel for \$1,300,000 and honor the land sale write-down resolution with MWF. The HRA agreed and authorized staff to engage legal counsel to prepare documents so the HRA can acquire 7075-7079 Amundson Avenue from

the Foundation and sell to MWF Properties. The HRA expressed interest in having the Foundation maintain ownership until MWF had their financing secured and were prepared to assume ownership.

On December 12, 2019 via Resolution 2019-10, the HRA adopted a modification to the Tax Increment Financing Plan for the Southdale 2 Tax Increment Financing District; established the Amundson Avenue Tax Increment Financing District and approved a Tax Increment Financing Plan. Staff recommended using \$1,300,000 in Southdale 2 Special Legislation Pooled funds to acquire the parcel.

On February 19, 2020, the City Council approved the final rezoning, final plat, and final development plan for the Project.

Sale of 7075-7079 Amundson Avenue

With financing and land use approvals secured, MWF Properties is seeking to acquire the property. Resolution 2020-03 authorizes the sale of 7075-7079 Amundson Avenue to Amundson Flats, Limited Partnership.

Low Income Housing Tax Credit developments are structured whereby a Limited Partnership is formed that will own the development. The Tax Credit investor, in this case US Bank, becomes the Limited Partner and MWF Properties is a member of the General Partner, Edina Group, LLC. The sale of the land will be to the Limited Partnership.

Redevelopment Agreement Highlights

To secure the intent of the land-sale write-down for the development of affordable housing, Staff is also seeking approval of a Redevelopment Agreement between the HRA and Amundson Flats, LP. The complete Redevelopment Agreement is attached with a summary of key terms below.

- The development will provide 62 units of affordable housing.
- The HRA will acquire the Parcel from the Edina Housing Foundation for \$1,300,000 and sell to Amundson Flats, LP for \$600,000 using Southdale 2 Special Legislation TIF pooled funds.
- The Redevelopment Agreement is secured by a Declaration of Covenants and Restrictions that will be in place for 40-years.
- If construction does not commence by January 2, 2021, the HRA may require that the property be transferred back to the HRA.
- Development must be completed by December 1, 2022.
- 100% of the units must be affordable: Eight units affordable to households with incomes at or below 30% of Area Median Income (AMI); 31 units affordable to households with incomes at or below 50% of AMI; and 23 units affordable to households with incomes at or below 70% of AMI as allowed through income averaging.
- Amundson Flats, LP may assign their rights and obligations under the Redevelopment Agreement to US Bank, the construction lender.
- The Limited Partner has the right to cure any defaults.

Budget Action:

Special Legislation TIF	Estimated Balance	Requests	Repayments
Starting Pooling Capacity	\$7,485,831		
4100 Edina		(\$2,900,000)	\$500,000
Amundson Flats		(\$1,300,000)	\$600,000
Future Funding Capacity	\$4,385,831		

Public Purpose/Comprehensive Plan Conformance:

The initial development plans were amended to align with the Small Area Plan (SAP) that was adopted by the City Council on January 8, 2019. The proposed plans now limit the unit count to 50 units per acre and include a trail easement on the south edge. As stated in the SAP:

The 70th & Cahill neighborhood commercial node was first identified in the 2008 Edina Comprehensive Plan as a potential area of change, noting its “potential for the addition of new compatible uses” was greater than in other areas of the city. As part of the city’s overall 2018 update to the comprehensive plan, 70th & Cahill was identified as one of six critical geographic areas within the community that have the potential for significant change and development (page 1).

The proposed Amundson Flats is the first development to come forth within the study area following the adoption of the SAP.

Affordable Housing

The 70th and Cahill SAP and the 2019 draft Comprehensive Plan both express the need to create affordable housing. Preserving and producing affordable housing is a priority in the City as evidenced by the passage of the New Multifamily Affordable Housing Policy in March 2019.

Within the SAP affordable housing is mentioned in a variety of areas:

- Page v:” Connection to an under-represented housing stock and potential location for the “missing middle,” or varied, affordable housing choices within a walkable area for middle-income residents such as teachers, police officers and retirees.”
- Guiding Principle 3 on page 9 states: “Housing options provided at Cahill Village comply with and support the City of Edina’s Affordable Housing Policy.”
- On page 35, land use goal 5 states: “Encourage and accommodate affordable housing as part of redevelopment.”

Additional Public Purpose:

- According to the Edina Chamber of Commerce, employers have reported that increasing the number of workforce housing units helps with the recruitment of employees and put the local economy at a competitive advantage.
- Affordable rents can increase the residual income that households have at their disposal after meeting necessary housing costs, thus providing increase buying power to support local businesses.
- An estimated 125 short term construction jobs will be created.
- Three permanent jobs will be created.