

Economic Development


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Date: September 27, 2017

To: Cary Teague, Community Development Director
Scott Neal, City Manager

cc:

From: Bill Neuendorf,
Economic Development Manager 

Re: Economic Impact of Estelle Edina

The proposed Estelle Edina project consists of two high rise residential towers constructed on a podium consisting of commercial tenant spaces. Parking for the residential tower will be located below grade and surface parking will be available for shared use of employees and customers. The towers are complemented by six low-rise townhouses. The majority of homes will primarily be marketed toward luxury living. Twenty percent of the units will be affordably-priced based on applicable standards. The high rise buildings will be constructed of fire rated non-combustible materials.

The purpose of this memo is to document five of the key benefits this project could yield to the economic climate in the Greater Southdale area and Edina is general.

Background

Several high rise residential buildings have been constructed in the Greater Southdale area as far back as the early 1970s. Several high-rise buildings are also located along Edina's southern border in Bloomington.

The most recently constructed high-rise is the Westin Hotel and Condominiums. Constructed in 2008, this is the one of the last condominium buildings available since the Great Recession. In recent years, it is not uncommon for luxury buyers to purchase two or more adjacent units in the Westin and combine them to create a more generously sized home.

1) New Options for Home Ownership

While there are many new options for short-term and long-term rental units in Edina, there is pent-up demand for condominiums. It is beneficial to provide a variety of housing options for residents. Many current Edina residents who are down-sizing seek to purchase a maintenance-free condominium and prefer an ownership interest rather than a rental.

2) New Affordable Housing Options

The developer proposes to sell 20 percent of the condominium units to households earning no more than 60 percent of the Twin Cities Area Median Income (AMI). This is the measure of affordability limits used by HUD, State of Minnesota and Metropolitan Council.

These units are likely to be sold to senior citizens (many of whom are likely downsizing from modest older homes in Edina) or younger singles or families on limited incomes. Affordably-priced units are essential for a broad-based community that is welcoming to all. These units could prove beneficial to seniors on limited means who seek to preserve their assets for their retirement needs. These units could also be beneficial to younger people seeking to return to or establish roots in Edina who have limited incomes and seek an opportunity to be part of a thriving community and build wealth for the future.

3) Replacement of Outdated Buildings

Most of the structures located on the 6900 France block were built as part of the first wave of construction after Southdale Center Mall changed the retail landscape of the Twin Cities. The existing buildings to be replaced were originally constructed in the late-1960s to mid-1970s and are an average of 47+ years old. The buildings are 1-2 stories in height and are constructed with a mixture of materials.

Facility Name & Address	Year Constructed	Brief Description	2017 Market Value
Bremer Bank 6900 France Ave.	1966	Single story bank	\$1,568,700
BMO Harris Bank 3905 W. 69 th St.	1979	Single story bank	\$2,193,400
Galleria Office Building 6950 France Ave.	1967	Two story Class C office building	\$2,631,900
Salon Concepts Building 3939 W. 69 th St.	1977	Single story salon (formerly general contractor)	\$2,287,000
Average =	47+ years	Market Value per Acre =	\$2,260,677

Based on Assessing Department data, each of the four properties proposed to be redeveloped have a land value that exceeds the value of the existing buildings. In short, these parcels are likely candidates for redevelopment in the near future.

4) Growth in Tax Base

The total tax base of the four buildings on the 3.84 acre site have an estimated Market Value of \$8,681,000 based on 2017 Assessor's data. This equates to an average market value of \$2,260,677 per acre. While this is a remarkably high figure, it pales in comparison to other surrounding parcels that have been re-constructed or modernized up in recent years.

Upon successful completion, the proposed Estelle project would increase the tax base of this site by a factor of 28 times the existing valuation.

Facility Name and Address	Brief Description	2017 Market Value	Value per Acre
Average of four existing buildings on Estelle Site	Combination of low-rise office and professional service buildings	\$8,681,000	\$2,260,677
Galleria Edina – 6950 France Ave.	Luxury-oriented shopping center; recently updated and expanded to remain the “go to” destination for luxury shopping	\$115,495,200	\$8,619,045
Phoenix Plaza I – 6996 France Ave.	New retail building on half-acre site; featuring the Vitamin Shop; reconstructed in 2012	\$5,603,900	\$10,988,601
Estelle Edina – upon completion	As proposed, two condominium towers with street level commercial space, plus townhouses	Developer estimates \$250,000,000	Estimated at \$65,000,000

The three largest governing agencies with taxing authority on the property are: Hennepin County, Edina Public Schools #273 and City of Edina. Each of these agencies will see a notable increase in tax base due to the construction of Estelle. While the increased tax base does not necessarily benefit the agencies directly, the larger tax base reduces the overall tax burden on individual tax payers within the Districts. Both residential and commercial tax payers will recognize a benefit.

While the parcels were originally included within the boundaries of the Southdale 2 Tax Increment Financing TIF District, they were removed from the District in 2016 due to inactivity. The parcels are anticipated to fully return to the tax rolls when the Southdale 2 TIF District terminates in 2021, about the same time that the proposed project is completed.

5) Sustaining Edina as a Destination for Luxury Living

Edina remains one of the most prestigious cities for upper and upper-middle income families in Minnesota. As of 2016, Minnesota's top three wealthiest zip codes were in the City of Edina. This market area can easily compete with the best locations within the Twin Cities. The Greater Southdale trade area can drive rents and sales prices on par with the best of luxury living in prestigious areas of downtown Minneapolis and Saint Paul.

Market data indicates that many luxury buyers want to be in Edina but do not have viable options for maintenance-free living that condominiums provide. This proposal would bring a new top-of-the-line living option that contributes to the prestige and desirability of the area.

Ambitious projects promote the Edina "brand" and provide market appeal that benefits residents by stabilizing and increasing the values of their homes and businesses by sustaining a vibrant area to provide goods and services while being attractive and desirable to employees.

In conclusion, a project of this scale and magnitude provides many positive benefits to the Greater Southdale Area and the overall Edina community.

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