



Date: February 15, 2018

To: Board of the Edina Housing and Redevelopment Authority

From: Bill Neuendorf, Economic Development Manager

**Subject: Request for Tax Increment Financing -
Aeon 4040 Affordable Apartments**

Information / Background:

Aeon, a not-for-profit developer of affordable housing is interested in creating new housing options in Edina. The developer has approached the Edina Housing and Redevelopment Authority (HRA) with a request to consider establishing a new Housing TIF District to provide financial support for a new multi-family housing project located at 4040 West 70th Street.

The project would include approximately 90 units, most of which would be subsidized to be affordable to residents who are of moderate and limited incomes. Unit sizes would include studios, 1-bedroom, 2-bedroom and 3-bedroom.

The project is located within the boundaries of the Southeast Edina Redevelopment Project Area and is eligible to be defined as a new Tax Increment Financing (TIF) District.

TIF is a public finance mechanism enabled by Minnesota Statute to help provide funding for redevelopment and housing projects. Simply put, new property taxes generated from this new real estate investment will remain within the TIF District to help fund the improvements. The existing property tax base from this site will continue to be available to the taxing agencies like Hennepin County, Edina School District 273 and City of Edina. At the expiration of the District, the full property tax base of the parcels in the TIF District will be available to the taxing agencies.

Recognizing that new affordably priced housing is in short supply in Edina, staff recommends that this request be fully explored. As the HRA considers this request, please consider the following questions:

- 1) Is this a reasonable project to establish a new TIF District? Are there any preferred boundaries for the District?
- 2) As a stand-alone Housing District, incremental taxes generated will likely be fully directed to support this project with little chance of being repaid. This would look more like a TIF grant than a TIF loan. Does the HRA have any concern for a project if this type?

- 3) Edina's Affordable Housing Policy requires that the level of affordability be retained for at least 15-years. Does the HRA contemplate a longer term as a condition of a significant TIF contribution?
- 4) This project will also require the financial support of several other resources. Does the HRA contemplate any level of matching grant or philanthropic/private sources as a condition of a TIF contribution?
- 5) The Southdale 2 District will soon have nearly \$5 million that can be used to support a variety of affordable housing projects. Is this a good project to use some of the existing monies from the Southdale 2 TIF District?
- 6) The HRA's Affordable Housing Fund has an uncommitted balance of approximately \$1.2 million. Would the HRA consider using monies from this fund to further support this project?
- 7) Does the HRA have any preference regarding the unit size or pricing levels for the rental apartments in this project?
- 8) Setting aside the requirements of the City's zoning and building requirements, does the HRA contemplate any additional provisions that would impact the design of construction of this project? For example, would the HRA expect to see a higher degree of sustainability for a higher level of financial support?

If the HRA is generally supportive of this concept, the developer and staff will begin the lengthy process involved with tax increment financing. The financial and legal advisors from Ehlers Associates and Dorsey & Whitney will assist the City and HRA with this work. In accordance with Edina's TIF policy, the cost of these advisors would be borne by the developer.

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