I. Call to Order

II. Roll Call

III. Approval of Meeting Agenda

IV. Community Comment

During "Community Comment," the Edina Housing and Redevelopment Authority (HRA) will invite residents to share new issues or concerns that haven't been considered in the past 30 days by the HRA or which aren't slated for future consideration. Individuals must limit their comments to three minutes. The Chair may limit the number of speakers on the same issue in the interest of time and topic. Generally speaking, items that are elsewhere on today's agenda may not be addressed during Community Comment. Individuals should not expect the Chair or Commissioners to respond to their comments today. Instead the Commissioners might refer the matter to staff for consideration at a future meeting.

V. Adoption of Consent Agenda

All agenda items listed on the consent agenda are considered routine and will be enacted by one motion. There will be no separate discussion of such items unless requested to be removed from the Consent Agenda by a Commissioner of the HRA. In such cases the item will be removed from the Consent Agenda and considered immediately following the adoption of the Consent Agenda. (Favorable rollcall vote of majority of Commissioners present to approve.)

A. Minutes: Regular Meeting of January 31, 2019
B. Receive Payment of Claims As Per: Pre-List Dated 2.11.19 TOTAL $47,583.85

VI. Reports/Recommendations: (Favorable vote of majority of Commissioners present to approve except where noted)

A. Request for Financial Participation for 7200-7250 France Avenue
B. Resolution 2019-05: Finding that Parcels are Occupied by Structurally Substandard Buildings, 7200-7250 France Avenue
C. Resolution 2019-06: Requesting a Public Hearing on the Proposed Establishment of the 72nd & France Tax Increment Financing District
D. Approve Amended Affordable Housing Policy

VII. Correspondence
   A. Correspondence

VIII. HRA Commissioners' Comments

IX. Executive Director's Comments

X. Adjournment

The Edina Housing and Redevelopment Authority wants all participants to be comfortable being part of the public process. If you need assistance in the way of hearing amplification, an interpreter, large-print documents or something else, please call 952-927-8861 72 hours in advance of the meeting.
Date: February 14, 2019

To: Chair & Commissioners of the Edina HRA

From: Sharon Allison, City Clerk

Subject: Minutes: Regular Meeting of January 31, 2019

ACTION REQUESTED:
Motion approving the draft regular minutes of January 31, 2019.

INTRODUCTION:

ATTACHMENTS:

Draft Minutes: HRA Regular January 31, 2019
I. CALL TO ORDER
Chair Hovland called the HRA meeting to order at 7:30 a.m.

II. ROLL CALL
Answering rollcall were Commissioners Anderson, Brindle, Fischer, and Chair Hovland.

Absent: Commissioner Staunton.

III. APPROVAL OF MEETING AGENDA
Motion made by Commissioner Brindle seconded by Commissioner Fischer approving the meeting agenda.

Ayes: Anderson, Brindle, Fischer, and Hovland
Motion carried.

IV. COMMUNITY COMMENT - None

V. CONSENT AGENDA – ADOPTED
Motion made by Commissioner Fischer seconded by Commissioner Anderson approving the consent agenda.

V.A. Approve Minutes of Regular and Work Session Meetings of January 17, 2019
V.B. Adopt Resolution No. 2019-03: Designating Official Newspaper
V.C. Adopt Resolution No. 2019-04: Designating Official Depositories

Ayes: Anderson, Brindle, Fischer, and Hovland
Motion carried.

VI. REPORTS/RECOMMENDATIONS – (Favorable vote of majority of HRA Board Members present to approve except where noted).

VI.A. LETTER OF SUPPORT FOR AFFORDABLE HOUSING AT 7075-7079 AMUNDSON AVENUE
Affordable Housing Development Manager Hawkinson introduced Edina Housing Foundation (EHF) Board member Ann Swenson who shared EHF’s support of affordable housing project and explained how MWF Properties (MWF) was selected based on their 20 years of experience and planned to provide a variety of 1, 2 and 3-bedroom units. Board member Swenson explained that MWF was interested in working with the school district and area hospital to provide workforce housing choices and said the project would be compliant with the Small Area Plan (SAP) and potentially provide trail access.

Affordable Housing Development Manager Hawkinson explained the long, difficult process of financing affordable housing and deadlines that must be met. She stated the first application to finance MWF Properties proposal was due February 7 and Hennepin County required a general letter of support from the City. Ms. Hawkinson said the HRA would review the sketch plan in the spring and allowed an opportunity for specific questions regarding financing, but the applicant was requesting consensus at this time because of the application deadline.

The HRA asked if the property had been sold to MWF. Ms. Hawkinson explained a purchase agreement had been signed but closing was on hold due to the need to secure financing prior to conveyance and outlined next steps that included the anticipated need for $700,000 of gap financing. She stated the process had yet to be determined but could be provided through acquisition of land sold to MWF at a discounted price, combination of TIF funding, or other financing.

The HRA commented on proposed site plan and elevations and said while pleased the plan conformed to the SAP they understood it was early in the process and could be different during sketch plan review. The HRA
stressed the importance of the bike trail and parking to the east of the building but because of trail traffic, suggested moving parking to the west on Amundson Avenue as well as moving the tot lot. The HRA expressed and concerns about the proposed approval timeline and the need for review at the Council level. Ms. Hawkinson confirmed the application deadline of February 6 and said that support could come from either the HRA or the Council.

Manager Neal said staff recognized the timeline conflicts and stated the reason for HRA consideration was the HRA was not the same body as Council who had to grant regulatory approvals and waiting for Council would mean the possibility of missing the funding cycle and therefore a missed opportunity for outside funding.

The HRA amended the letter of support.

Motion made by Commissioner Anderson seconded by Commissioner Fischer approving letter of support for MWF Properties’ application to Hennepin County for deferred financing for Amundson Flats, as edited by the HRA.

Ayes: Anderson, Brindle, Fischer, and Hovland

Motion carried.

VI.B. PETITION: CENTENNIAL LAKES VILLAGE HOMES CONDOMINIUM ASSOCIATION PARK MAINTENANCE FEES

The HRA expressed concern about public notice and process and asked why this was being reviewed at the HRA level and not the Council. Executive Director Neal explained there was no public hearing requirement and because the agreement was with the HRA, staff felt that an informational presentation to the HRA would be better. The Centennial Lakes Village Homes Condominium Association (Association) was made aware the HRA would not decide today.

Finance Director Uram stated the Association petitioned the HRA to terminate the requirement to pay park maintenance fees per the terms of their agreement. He said agreements requiring park maintenance fees were put into place for each of the six Association buildings and other adjacent properties back in the late ’80s and ’90s when Centennial Lakes Park was first constructed, as well as with properties adjacent to Edinborough Park, totaling 35 agreements.

Financial Analyst Rich explained the City's intent at the time was that the Centennial Lakes project (and the Edinborough project before that) would assume the responsibility of the long-term costs of maintaining the park and related landscaping. Ms. Rich shared relevant portions of the agreement, which outlined reasons for the maintenance fee, public maintenance charge, and duration of term.

The HRA asked questions regarding automatic renewal at the end of 30 years for an additional 10 years. City Attorney Amy Schuck explained there was a Minnesota Statute that limits covenants on statutes and the agreements may have been set up to avoid the statute applying. Ms. Rich explained the sources and purpose of the funds that the Association sought to have removed from their properties and that expense exceeds revenue annually by approximately $250,000.

Mr. Uram explained that staff was concerned about the financial stability of the Centennial Lakes fund and its ability to operate on its own as an enterprise fund. Mr. Uram stated early termination of the agreement could lead to more petitions resulting in a total loss of more than $500,000 in annual revenue. He recommended continuing the park maintenance fee agreement through the 40-year termination with a plan to move the Centennial Lakes fund into the General Fund starting with the 2020-2021 budget cycle.

JoAnne Boche, 7440 Edinborough Way #4303, shared comments on why the park fees were outdated and unfair and asked to end them.

Jean Otto, 7420 Edinborough Way #6318, shared comments on the public park being supported by park maintenance fees. She said this was an opportunity for expansion of these park fees and was the time to change to a public cost instead of only private cost and requested satisfaction of the covenant.
Lois Ring, 7440 Edinborough Way #4117, stated the petition process was started last year because of the March 2019 agreement deadline.

The HRA replied their intention was to act before the deadline.

VI.C. AMENDMENT TO REDEVELOPMENT AGREEMENT WITH PENTAGON VILLAGE, LLC
Economic Development Manager Neuendorf stated the City and HRA executed a Tax Increment Financing (TIF) Redevelopment Agreement with Pentagon Village, LLC on October 16, 2018, that pertained to the complete redevelopment of the 12-acre site. The three months since the developer secured site plan approvals and the TIF Agreement, they had begun site work and full project design. The developer requested modification to the site plan, which was scheduled before the Planning Commission last night but was cancelled due to weather. Mr. Neuendorf summarized the changes that included a larger dual-brand hotel, change of design for extended stay hotel on grade, combination of two individual parking garages into one single garage, added conditions to protect the public interest, and expedited building of the mixed-used building in Phase 1 instead Phase 2. Staff recommended approval of the amendment contingent upon review of the site plan by the Planning Commission.

Jay Scott, developer, shared the expedited review process that was necessary due to the current weather and their hope to begin construction in February.

Motion made by Commissioner Brindle seconded by Commissioner Fischer to approve Amendment No. 1 to the October 2018 Redevelopment Agreement with Pentagon Village, LLC, contingent upon the review and approval of the modified site plan by the Planning Commission.

Ayes: Anderson, Brindle, Fischer, and Hovland
Motion carried.

VII. CORRESPONDENCE
VII.A. Correspondence – None

VIII. HRA COMMISSIONERS’ COMMENTS - Received

IX. EXECUTIVE DIRECTOR’S COMMENTS
IX.A. Project Update – Received

X. ADJOURNMENT
There being no further business on the HRA Agenda, Chair Hovland declared the meeting adjourned at 9:23 a.m.

Respectfully submitted,

___________________________________________
Scott Neal, Executive Director
Date: February 14, 2019

To: Chair & Commissioners of the Edina HRA

From: Don Uram, Finance Director

Subject: Receive Payment of Claims As Per: Pre-List Dated 2.11.19 TOTAL $47,583.85

ACTION REQUESTED:
Approve Payment of Claims.

INTRODUCTION:
Claims information for approval is attached.

ATTACHMENTS:

HRA Check Register 1.12.19 to 2.11.19
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<td></td>
<td>NORTH RAMP EXP - OWNERS REP</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Report Totals</td>
<td></td>
<td>47,583.85</td>
<td></td>
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</tbody>
</table>
ACTION REQUESTED:
Approve the Term Sheet and authorize staff to engage legal and financial professionals to prepare a full
Redevelopment Agreement based on the approved Term Sheet.

INTRODUCTION:
This item pertains to the redevelopment of a commercial property located at 7200-7250 France Avenue. In
December 2018, the property owner/developer secured preliminary zoning approval to raze the aging medical and
office buildings and replace them with a new mixed-use project.

The new project includes approximately 301 new apartments, of which 20% will be affordably-priced for at least
25-years and approximately 28,000 square feet of new commercial space at the street level. The project design
includes below-grade structured parking and extensive public realm improvements, including a new shared
street/woonerf, new public plaza, preservation of mature grove of tree and improvements to West 72nd Street.

The developer has requested $12 million in tax increment financing (TIF) to address some of the extra-ordinary
costs.

With the assistance of legal and financial advisors, staff has prepared a Term Sheet for consideration by the HRA.
The developer is agreeable to these terms. Staff will present a brief summary of the terms and describe the risk
and benefit to the community.

Staff recommends the Term Sheet be approved.

ATTACHMENTS:
Information / Background:
The property owner and developer of the commercial properties located at 7200 and 7250 France Avenue have requested $12 million in Tax Increment Financing (TIF) to fill a budget gap in the proposed mixed-use project.

Project Status
Staff has completed a thorough evaluation of the developer’s request for TIF financing for the proposed project. The City’s financial and legal advisor’s at Ehlers Associates and Dorsey & Whitney provided assistance and expertise during this evaluation. Staff recommends a pledge of up to $12 million secured by a TIF Note issued upon completion of both new buildings.

Staff supports the use of tax increment financing on this site due to the declining condition of two existing buildings and the existing storm water conditions. The 7250 building has a potentially unsafe structural problem in the parking garage which hinders its occupancy. The 7200 building has been declining for years. It is considered a “Class C” building that has not kept pace with the marketplace. Staff also supports the use of TIF on this site due to the topography that results in these properties retaining storm water for adjacent properties.

Staff also supports the use of TIF to help achieve community goals. The proposed project is designed to include several public realm improvements that are consistent with the goals of the Greater Southdale District Plan. The most significant public feature is the inclusion of a new north-south shared street that provides a convenient alternative for drivers, pedestrians and bicyclists. Improvements to 72nd Street would also be provided by the developer.

A Term Sheet has been prepared to outline the key business points of a potential TIF Redevelopment Agreement with the developer. Key elements of Term Sheet follow:
1) Consideration of a new 20-year TIF Special Housing District to include both properties
   a. 20-year District recommended instead of 26-year District

2) All equity and construction debt secured by the developer
   a. no debt incurred by HRA or City

3) HRA/City to issue a single TIF Note after successful completion of the project
   a. $12,000,000.00 maximum TIF Note
   b. TIF Note pledges to reimburse developer from incremental property taxes for eligible expenses based on actual costs incurred
   c. Elements to be delivered to be in accordance with the approved zoning and site plans; include all public realm improvements, local improvements to 72nd Street, two mixed-use apartment buildings and one pad for future for-sale townhouses by others
   d. Typical look back provisions to ensure that the actual amount of incremental taxes provided does not result in a higher than typical return to the developer

4) 20 percent of the residential units to be affordably priced to households earning 60% Area Median Income (AMI)
   a. Consistent with City policy and zoning approvals
   b. Affordable units distributed among studio, one-bedroom and two-bedroom units
   c. Affordably-priced units to remain affordable for 25-years (instead of the 15-year term required by zoning approvals)

5) Permanent public easements provided along all public elements including:
   a. Streetscape along France Avenue, 72nd Street and Gallagher Drive
   b. New north-south shared street, including the east-west extension to France Ave
   c. Outdoor plaza on the second level of the 7200 building
   d. Approximately 30 surface parking stalls and 187 parking stalls on Level P1

6) Permanent conservation easement provided on the existing wooded area to be preserved as a buffer between the new project and adjacent neighbors

7) Permanent easement to allow storm water from adjacent properties and neighborhood to collect on the site

8) Typical default and correction provisions

The Term Sheet is attached for review by the HRA on February 14th and by the City Council on February 20th. Staff recommends approval of these terms.

# # #
Purpose and Scope

(a) This “Term Sheet” identifies basic business points that establish the framework of the potential use of public funds to support private redevelopment of underutilized properties within the City of Edina and to provide certain public benefits in and adjacent to the property. This document is intended to serve as the general framework of a future Redevelopment Agreement that is executed by the Developer, City of Edina and Edina HRA.

(b) This document is intended for discussion purposes with the Board of the Edina HRA. Based on the response and direction provided by the HRA Board, the City staff is prepared to further engage third-party legal and finance professionals to prepare a full legal contract (the Redevelopment Agreement).

(c) City and HRA Out of Pocket Costs – The Developer has completed the City’s TIF Request Form and agreed to pay for the City’s staff and out-of-pocket costs in evaluating this request for Tax Increment Financing. The City has engaged Dorsey & Whitney, Ehlers Associates and Stantec to provide assistance in preparing the necessary studies and evaluations. Developer has submitted funds in advance and held in escrow. These funds will be used to pay third-party consultants. Any excess / un-used funds will be returned to the Developer.

Project Ownership

The Developer is France Equities, LLC. Blake Bonjean is the principal.

7200 France is owned by France Equities II, LLC (as to an undivided 50% TIC interest) and CPEC Exchange 39560 & 39561, LLC (as to an undivided 50% TIC interest). Blake Bonjean controls the LLC

7250 France is owned by France Equities LLC. Blake Bonjean controls the LLC

Project Description

(a) Location – Consists of two parcels located at the southwest corner of the France Avenue and 72nd Street. Addresses include: 7200 and 7250 France Avenue. The project site is approximately 5.19 acres in area.

(b) Existing Conditions – the site consists of two multi-story office buildings. The 7200 building has been vacated, due in part to the condemnation of the parking structure based on safety concerns. The 7200 building is still occupied by five small professional tenants all on month to month leases with 30 day termination clauses. The properties were inspected by Stantec Consulting on January 23, 2019. This third-party evaluation
indicates that both existing buildings meet the “sub-standard” definition in Minnesota TIF statutes. A formal report is being prepared.

(c) **Redevelopment Project** – The Project is as described in the planning documents submitted to the City of Edina and granted preliminary rezoning and site plan approvals on December 4, 2018 via Resolutions 2018-116 and 2018-117 and Ordinance No. 2018-15.

(d) **Minimum Improvements** – As a condition to receiving the TIF assistance described in this Term Sheet, the Developer shall be required to complete certain “Minimum Improvements”, which shall be as defined as the Project improvements approved in the site plan approvals and which generally consist of two new mixed-use structures containing approximately 301 new housing units, approximately 28,700 square feet of commercial space with approximately 540 below-grade structured parking stalls, approximately 30 surface parking stalls and extensive public realm streetscape improvements and conservation of a mature grove of trees, and providing a development-ready pad for the construction of the separate 10-unit townhouse element approved in the site plan approvals; provided, however, the Minimum Improvements will not include actual construction of such townhouses and the Developer is not committing to such construction.

Certain public improvements related to the Project and required as part of the City approvals will be installed, funded, and managed by the Developer with partial reimbursement using incremental property taxes generated from the Project. As part of the Minimum Improvements, the Developer will be responsible for the surface improvements to West 72nd Street (e.g., curb and gutter, paving, streetscape, and amenities). The City will responsible for subsurface improvements to West 72nd Street (e.g., sewer and other utilities). The specific roles of the City and the Developer in the bidding and construction of public street improvements will be described more fully in the final Redevelopment Agreement and the related site improvement agreement to be entered into between the Developer and the City.

The anticipated commercial square footage, residential unit counts and mix, and parking counts of the Project are approximately as follows:

<table>
<thead>
<tr>
<th></th>
<th>7250 France New Building</th>
<th>7200 France New Building</th>
<th>7200 Pad</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>16,082</td>
<td>11,944</td>
<td>0</td>
<td>28,026 SF</td>
</tr>
<tr>
<td>Studio</td>
<td>11</td>
<td>34</td>
<td>0</td>
<td>45 (15%)</td>
</tr>
<tr>
<td>1-bedroom</td>
<td>61</td>
<td>61</td>
<td>0</td>
<td>122 (41%)</td>
</tr>
<tr>
<td>1-bed + den</td>
<td>13</td>
<td>46</td>
<td>0</td>
<td>59 (20%)</td>
</tr>
<tr>
<td>2-bedroom</td>
<td>31</td>
<td>16</td>
<td>0</td>
<td>47 (16%)</td>
</tr>
<tr>
<td>2-bed + den</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4 (1%)</td>
</tr>
</tbody>
</table>
3-bedroom | 2 | 0 | 0 | 2 (1%)
---|---|---|---|---
Townhouse | 8 | 14 | 10 by others | 22 (7%)
---|---|---|---|---
Total Units | 130 | 171 | 10 by others | 301
---|---|---|---|---
Surface Parking | -- | -- | 0 | 30
---|---|---|---|---
Level P1 Parking | -- | -- | 0 | 270
---|---|---|---|---
Level P2 Parking | -- | -- | TBD | 270
---|---|---|---|---
Total Parking | -- | -- | TBD | 570
---|---|---|---|---

The unit mix and actual amount of square footage may change based upon final Project design. A reduction in the number of total dwelling units or total commercial space shown above shall require review of the TIF projections. An amendment to the Redevelopment Agreement will be required if the TIF projections are significantly affected.

4) **Public Benefits** – completion of the Project will deliver several benefits to the general public including:

(a) Remove vacant building with unsafe structural conditions from a prominent corner and replace an out-of-date office building with modern construction

(b) Improve storm water conditions to the benefit of surrounding properties

(c) Conserve grove of mature trees by creating a perpetual conservation easement containing approximately 25,000 square feet.

(d) Provide new site development designed in the spirit of the Greater Southdale Vision Plan

(i) Improve the public sidewalk and streetscape along portions of France Avenue, 72nd Street and Gallagher Drive (approximately 30 feet on all public streets; approximately 40,070 square feet of site)

(ii) Provide a second level outdoor public plaza for use by the general public (approximately 10,336 square feet)

(iii) Provide a new north-south public realm connection (woonerf or shared street) from 72nd Street to Gallagher Drive with an east-west spur to France Avenue (approximately 27,400 square feet of site)

(e) Improve West 72nd Street from France Avenue to Lynmar Lane to include traffic calming features to benefit the Cornelia neighborhood

(f) Provide public art at the internal intersection of the shared street, in accordance with the site plan approvals and selected by the Developer
(g) Provide at least 20 percent of the housing units leased to households at the 60% Area Median Income (AMI) level for a minimum period of 25 years. Based on the approved site plans, 62 units of affordable housing are anticipated. The actual number might change depending on the total units constructed. None of the 10 future for-sale townhouse units shall be required to be affordably priced. The number of affordable units delivered in the apartments shall be based on the entire number of units on site, including a future 10-townhouse development on the separate townhouse pad. If the number of units constructed on the townhouse pad exceeds 10, additional affordable unit(s) shall be required to be provided in Project (either in the apartments or the townhouse element) in accordance with the City’s affordable housing policy.

5) Project Timeline

This timeline identifies the general time frame envisioned for the Minimum Improvements. Firm deadlines will be included in the Redevelopment Agreement. Failure to meet the ‘no later than’ deadlines will be considered a default under the Redevelopment Agreement.

<table>
<thead>
<tr>
<th>Description of Work</th>
<th>Commencement Date 7250 France</th>
<th>Commencement Date 7200 France</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Anticipated</td>
<td>No Later Than</td>
<td>Anticipated</td>
</tr>
<tr>
<td>Construction documents and permits</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Real Estate Closing</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Certificate of Occupancy</td>
<td>7/31/2021</td>
<td>12/1/2021</td>
<td>1/31/2022</td>
</tr>
</tbody>
</table>

6) Project Budget

(a) The Minimum Improvements are estimated to cost $111,703,027, including applicable land assembly, soft costs and hard costs. The costs related to the future vertical development of the townhouse pad is not included in this cost.
(b) The budget is anticipated to be reduced through value engineering and competitive pricing. Budget reductions must not alter the approved aesthetics or other required components of the Project nor the scope and quality of the public realm improvements.

(c) Preliminary estimates of Sources and Uses are as follows:

<table>
<thead>
<tr>
<th>Sources</th>
<th>Amount</th>
<th>Percent</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>$ 30,862,027</td>
<td>27.7%</td>
<td>Includes items potentially reimbursed with grant proceeds and deferred fees</td>
</tr>
<tr>
<td>Mortgage</td>
<td>$ 68,841,000</td>
<td>61.6%</td>
<td>Maximum supported by Net Operating Income</td>
</tr>
<tr>
<td>TIF Note</td>
<td>$ 12,000,000</td>
<td>10.7%</td>
<td>As additional equity or monetized</td>
</tr>
<tr>
<td>Grants</td>
<td>$ TBD</td>
<td>0%</td>
<td>Seeking $2,500,000 from DEED, Met. Council, and Hennepin County,</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$111,703,027</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>Amount</th>
<th>Percent</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition and Land Costs</td>
<td>$ 11,500,000</td>
<td>10.3%</td>
<td>Represents the portion of the total land costs allocated to the Minimum Improvements land</td>
</tr>
<tr>
<td>Site and Construction Hard Costs (total) including the following major elements:</td>
<td>$ 87,879,716</td>
<td>78.7%</td>
<td>includes Construction Costs, Permits &amp; Fees of both buildings</td>
</tr>
<tr>
<td>Improvements to W. 72nd Street</td>
<td>$ 1,200,000</td>
<td></td>
<td>From curb to curb, excluding streetscape costs; extending from France Ave to Lynmar Lane</td>
</tr>
<tr>
<td>Demolition, Remediation &amp; Earthwork</td>
<td>$ 3,243,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
<td>% of Total</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>-------------</td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>Structured Parking</td>
<td>$13,579,370</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site Utilities</td>
<td>$ 1,790,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misc. Public Realm improvements, including streetscape along all public roads and shared street</td>
<td>$ 1,598,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soft Costs (total) including the following major element:</td>
<td>$ 7,376,782</td>
<td>6.6%</td>
<td></td>
</tr>
<tr>
<td>Includes design and other Professional Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer &amp; Related Fees</td>
<td>$ 4,310,000</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>Financing Costs (total)</td>
<td>$ 3,942,672</td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td>Lease-up Reserves (total)</td>
<td>$ 1,003,857</td>
<td>0.9%</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$111,703,027</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

7) Project Financing

(a) The Developer owns the 7250 building and has a partnership agreement regarding the 7200 building.

(b) The Developer is in the process of negotiating for a construction loan to support the development and construction of the Minimum Improvements. Given the size of the Project, the construction loan will likely involve multiple lenders requiring an intercreditor agreement. Construction loan commitment sizing and timing depends on equity and timing of a Guaranteed Maximum Price from the contractor. The construction loan is anticipated to require a 30% minimum equity contribution. Developer will provide a “go ahead” letter when financing is in place and the Project is ready to proceed.

(c) Grants in the amount of approximately $2,500,000 will be pursued from multiple sources including MN DEED, Metropolitan Council and Hennepin County. All grants secured shall be used to reduce the financial gap and to support delivery of public benefits. The amount of grant funding secured shall be taken into consideration when calculating the look back. Cumulative grant amounts greater than $2,500,000 shall be considered when sizing the TIF Note.

(d) The complex site plan with extensive public realm improvements and structured parking results in a financial gap. “But for” reimbursement of some eligible expenses using TIF assistance, the Project will not move forward.
(e) Based on estimates and underwriting consistent with standard real estate development practice and evaluation of the expected returns against market return on typical cost and equity investment benchmarks, the estimated financial gap exceeds $23,000,000, which such gap can be closed through a combination of TIF assistance, grants, value-engineering, and additional equity with below-market returns.

8) **New Housing Tax Increment District**

(a) The HRA will engage third-party consultants to prepare the TIF-related documentation. The Developer shall bear the cost of these third-party consultants.

(b) The City & HRA will consider the creation of a new 20-year Housing TIF District on the project site using Special Legislation approved for Edina.

(c) The City & HRA will consider recognition of the substandard condition of the existing buildings in order to qualify for grant funding and to allow demolition to proceed promptly.

9) **TIF Assistance**

(a) The Project as a whole must be evaluated and the “but for” must continue to be demonstrated through completion. Prior to the issuance of the TIF Note and disbursement of any TIF assistance, the Developer will provide all information necessary to demonstrate that the Project satisfies the “but for” test under applicable Minnesota statutes at the City’s statutorily required determination.

(b) Any TIF assistance issued should be in accordance with the City’s TIF Policy dated April 19, 2011.

(c) Creation of the TIF District and any TIF assistance provided shall comply with all applicable Minnesota statutes.

10) **Qualified Costs**

(a) The Project budget includes many costs that are qualified as TIF-eligible expenses per Minnesota statutes. These costs are summarized below. Note that only a portion of these “qualified” costs will be designated to be “reimbursable” through TIF assistance (see #11 below).

<table>
<thead>
<tr>
<th>Description of Qualified Cost</th>
<th>Estimated Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Public Realm improvements – France Ave. and Gallagher Dr.</td>
<td>$565,000</td>
</tr>
<tr>
<td>2 Public Realm improvements – Woonerf (north-south and east-west stub)</td>
<td>$1,175,000</td>
</tr>
<tr>
<td>3 Public Realm improvements – 72nd Street</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>4 Public plaza – 2nd level</td>
<td>$1,416,810</td>
</tr>
</tbody>
</table>
11) **Reimbursable Costs**

(a) Based on review of the Project pro forma, up to $12,000,000 of qualified costs are intended to be reimbursable from TIF assistance. This amount is adequate to bridge the financial gap without over-subsidizing the Project.

(b) The types of reimbursable costs include:

<table>
<thead>
<tr>
<th>Description of Reimbursable Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Demolition, remediation and site preparation</td>
</tr>
<tr>
<td>2 Streetscape and public realm improvements</td>
</tr>
<tr>
<td>3 Storm water improvements</td>
</tr>
<tr>
<td>4 Affordable housing (years 16 to 25)</td>
</tr>
<tr>
<td>5 TIF-related Professional Fees</td>
</tr>
</tbody>
</table>

**Total not to exceed $12,000,000**

(c) The cumulative amount of these line items shall be considered eligible for reimbursement via the TIF Note.

12) **TIF Note** – TIF assistance will be provided in the form of a single pay-as-you-go TIF Note, to be issued only upon completion of the Minimum Improvements.

(a) The preliminary principal value of the TIF Note is based on preliminary estimates regarding reimbursable costs and total Project costs. The final principal value of the TIF Note shall be based on the actual reimbursable costs expended to complete the Minimum Improvements and shall not exceed $12,000,000.00.

(b) The Note shall bear interest at the same rate as the primary financing loan but shall not exceed 5.5%
The City/HRA will make payments on the Note using standard procedures: two annual payments based on 90% of actual incremental property taxes generated from the Minimum Improvements, paid and received by the City. Assuming Project completion in 2021, the first payments would occur in 2022.

The current estimate of TIF cash flow is based on an annual inflationary increase of 1% of the assessed valuation of the property containing the Minimum Improvements. This estimate is hypothetical and the City does not guarantee that such funds will be available.

13) **HRA Administrative Costs** – HRA shall retain standard 10% of TIF increment generated from the Minimum Improvements per Minnesota statute.

14) **Certificate of Completion** – A Certificate of Completion will be required as a condition of awarding the TIF Note. Developer shall provide complete access to final costs so that City staff can confirm the actual costs incurred to complete the Minimum Improvements. A Certificate of Occupancy, executed public easements, and acceptance of public improvements (by City or County engineers, as appropriate) shall also be required to earn the Certificate of Completion.

15) **Look Back Provisions**

(a) The final principal amount of the TIF Note shall be based upon final costs actually incurred for the Minimum Improvements. Cost savings due to value-engineering will be taken into account when issuing the TIF Note, and the final size of the assistance in combination with the projected net operating income shall not exceed an average 7% annual return on cost.

(b) Look back required upon the earlier of: (i) 15-years after the Certificate of Completion is issued, or (ii) the complete sale of the Minimum Improvements property whether a complete sale occurs at one time or as a series of partial sales. The sale of the townhouse pad itself shall not be considered as a trigger for the look back.

(c) At the look back, an Internal Rate of Return (IRR) exceeding 16% shall trigger a claw back. The average above 16% will be considered “excess profits” subject to the claw back calculation. Any claw back will be first applied to reduce any remaining TIF Note principal balance then outstanding. The Developer shall be responsible for any additional claw back amount, if any.

16) **Fiscal Disparities** – the City’s ‘fiscal disparity’ obligation for the redevelopment site will be paid for from property taxes generated from the Project. This will be included in the calculation of available tax increment available to pay off the TIF Note.

17) **Other Terms and Conditions**

(a) **Affordable Housing**

(i) The affordable units shall be distributed among studio units (which will be no smaller than 500 square feet in size), one bedroom units (which will be no less than 700 square feet in size), two bedroom units (which will be no less than 1,000 square feet in size) and townhouse units (which will be no less than 700
square feet in size). The anticipated distribution is shown in the following table. Changes in the distribution of units shall require the approval of the City.

<table>
<thead>
<tr>
<th></th>
<th>Market</th>
<th>Affordable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>16</td>
<td>29</td>
<td>45</td>
</tr>
<tr>
<td>1-bedroom</td>
<td>101</td>
<td>21</td>
<td>122</td>
</tr>
<tr>
<td>1-bed + den</td>
<td>59</td>
<td>0</td>
<td>59</td>
</tr>
<tr>
<td>2-bedroom</td>
<td>38</td>
<td>9</td>
<td>47</td>
</tr>
<tr>
<td>2-bed + den</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>3-bedroom</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Townhouse</td>
<td>19</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td>Future Townhouses*</td>
<td>10</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>249</td>
<td>62</td>
<td>311</td>
</tr>
</tbody>
</table>

*By a future developer

(ii) The Developer shall agree that cannot take any action which would cause the Minimum Improvements to not qualify for the housing TIF District to be established. The HRA or related entity shall have first option to purchase some or all of the affordably-priced units in the event that any portion of the Minimum Improvements are converted from residential rental units to condominiums. During the 25-year affordability term, the purchase price would will be based on affordability of a 30-year mortgage for a household earning 120% Area Median Income (AMI).

(iii) The Developer and HRA agree to discuss the potential extension of the 25-year affordability term about one-year in advance of the expiration of the affordability term. Both parties agree to negotiate in good faith to lengthen the term of affordability but without binding either party to a particular outcome.

(iv) In addition to the 25-year land use restriction placed on the affordably-priced units, failure to lease these units at qualified rates to qualified households shall be considered a default of the Redevelopment Agreement

(b) Grants – the City/HRA agree to sponsor appropriate grant applications that provide financial support for the Project. Costs and effort of preparing the grant applications shall be borne by the Developer. City staff shall have the final authority to review and submit the grant applications to Metropolitan Council, Minnesota Department of
Employment and Economic Development and Hennepin County per the terms of the applicable grant programs.

The City and Developer will enter into a standard Sub-recipient Grant Agreement to ensure that the requirements of secured grants are successfully completed.

(c) Public Easements – The Developer shall provide permanent public easements at no cost for the following elements:

(i) public sidewalks and related landscape and streetscape along France, Gallagher and 72nd Street (approximately 40,070 square feet)

(ii) second level public plaza in 7200 building (approximately 10,336 square feet)

(iii) surface parking stalls and street level and P1 level covered parking stalls intended to be used by customers and visitors to the site (approximately 217 parking stalls)

(A) Entrances to the public parking areas shall be clearly identified as “public parking”

(B) No easement is required on the P2 level intended for tenants and owners of the residences

(C) Developer shall have rights to apply reasonable time limitations on the public parking area

(D) Developer shall have rights to reserve up to 10% percent of the public parking stalls for the designated use of preferred customers or guests

(iv) north-south woonerf (including vehicle and pedestrian elements) that connects Gallagher to 72nd, including the east-west stub that connects France Ave (approximately 27,400 square feet)

(v) the wooded portion at the western edge of the 7200 site (approximately 25,000 square feet)

(vi) stormwater retention and detention facilities (approximately 238,000 cubic feet)

(vii) Developer shall retain rights to establish reasonable rules and regulations regarding public use and events located on the premises.

(d) Maintenance District – the Developer is agreeable to the creation of a future Maintenance District / Special Service District per Minnesota Statute 428a.01 to 428a.101 to address future maintenance costs related to the public sidewalks and streetscapes. Such a District will not include the costs to operate and maintain the second level public plaza or the internal plazas or wooded areas. The scope and timing of this future Maintenance District requires agreement of other commercial property owners and may be several years in the future.
(e) **City and HRA Approval of Significant Changes** – changes to the Project that impact scope or design are subject to City review using the typical City procedure.

(f) **Performance Bonds** – bonds or other security will be required for work in the public way. The requirements for these bonds will be identified in the site improvement agreement between the City and the Developer and in the Redevelopment Agreement. The City shall not restrict the Developers’ ability to appeal property tax assessments below the amount estimated in calculation of tax increment.

18) **Default and Cure** – standard default provisions will apply. Each default will have a notice and cure period.
Consideration of Tax Increment Financing at 7200-7250 France Avenue

Recommended Terms

February 14, 2019 Edina HRA
February 20, 2019 Edina City Council
Overview

• Background
• What is TIF
• TIF in Edina
• Staff Evaluation
• Recommended Terms
  - TIF Note structure
  - Public Benefits
The large white areas in this 1951 aerial photo shows how much of the Greater Southdale Area was originally used as gravel pits.

1) Glacier Sand and Gravel
2) Oscar Roberts Company
3) Hedberg and Sons

Source: Edina Historical Society as published in Winter 2016 About Town magazine
Background  Gravel Pits of Edina

The Prestige Office Building
7250 France Ave
Built 1972-74

The Oscar Roberts Company
7200 France Ave
Built 1967-69
The CITY of EDINA

Background - Current Conditions

7200 France Ave.
- Class “C” office space
- Aging and outdated
- Property sold several times in recent years as developers struggled to find a solution to reposition the property to modern uses
- Only 5 tenants remain

7250 France Ave.
- Class “C” medical office space
- Not permitted to be occupied due to structural instability of underground parking structure
- Vacant - No tenants remain
Background - Current Conditions

Photo 33: 7250 Parking ramp deteriorated precast concrete

Photo 34: 7250 Parking ramp structural steel shoring

Photo 35: 7250 Parking ramp deterioration at bearing wall and steel angles and plates added to support deck above

Photo 36: 7250 Parking ramp temporary shoring

7250 France Ave.

Source: Stantec Consulting; Existing conditions report dated Feb. 6, 2019
Background - Proposed Project
Background - Proposed Project

GRANTED PRELIMINARY REZONING APPROVAL DECEMBER 2018
Background - 2015 Community Vision

“Future-Oriented ... We stand on the foundation of our traditions, but are not afraid to adapt and change as the city evolves.” (page 5)

“Transportation Options - ... develop the sidewalk, trail and bike networks to improve accessibility and connectivity ...” (page 8)

“What Does EDINA Of The Future Look Like? As printed in Vision Edina

“Live and Work ... promote the development of a mix of commercial amenities, including restaurants and cultural amenities, which ... can further act as connection points or hubs within the fabric of neighborhoods and development areas.” (page 10)

“Residential Development Mix ... Continue to explore options for new multi-family housing throughout the city in mixed-use areas and near public spaces ... create affordable housing options close to transit, shopping and employment centers.” (page 7)

Commercial Development... promote the continued vitality of existing core retail zones (page 9)
Recommended several design elements that the developer can deliver as part of the redevelopment:

- creation of north/south public route on the west side of France Ave.
- Generous set backs on public streets
- Limited height of new structures
- Quality architecture
- Create proper transition to adjacent neighbors
What is TIF?

• Economic development financing tool
  - Used throughout the U.S.

• Governed by Minnesota Statute
  - modified each year to prevent misuse and remain relevant for community goals

• Enabled by City Council

• “Tax Increment” Financing - uses growth in tax base to fund private investment and public infrastructure

Availability of Property Taxes to Taxing Agencies

- Original + Market Value Taxes Available to All
- “Incremental Taxes” Remain in TIF District
- Original + Incremental Taxes Available to All
# What is TIF?

<table>
<thead>
<tr>
<th>Types of Districts</th>
<th>Duration Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development</td>
<td>8 years</td>
</tr>
<tr>
<td>Renewal and Renovation</td>
<td>15 years</td>
</tr>
<tr>
<td>Edina Special Housing</td>
<td>20 years</td>
</tr>
<tr>
<td>Soils Condition</td>
<td>20 years</td>
</tr>
<tr>
<td>Housing</td>
<td>25 years</td>
</tr>
<tr>
<td>Hazardous Substance</td>
<td>25 years</td>
</tr>
<tr>
<td>Redevelopment</td>
<td>25 years</td>
</tr>
</tbody>
</table>

Reference: MN House Research Dept

---

**TIF Districts by Type in 2016**

(1,665 districts)

- **Redevelopment** (800)
- **Housing** (520)
- **Soils** (10)
- **Special Laws** (8)
- **Economic Development** (299)
- **Renewal** (25)
- **Pre-1979** (2)

Source: 2018 Report of the State Auditor
What is TIF?

How can cities fund TIF improvements?

Less Risk

Preferred method in Edina

More Risk

Usually avoided in Edina (unless special conditions exist)

PAYGO Note

TIF Revenue Bond

Loan of Cash Balances

G.O. TIF Bonds
What is TIF?

Steps to Establish, Fund and Monitor TIF
(defined in Minnesota TIF Statutes)

Step 1)
Create “District”
- Boundaries
- Maximum Budget
- Term
- Qualifications
- But-for

Step 2)
Consider Funding for Specific Projects
- Private developments
- Public improvements

Step 3)
Monitoring & Compliance
- 4-year knock down
- 5-year construction
- Annual reporting
- De-certification

Action considered at future Public Hearing
What is TIF? ... The “but for” Test

What is the “but-for“ test?
Before creating a TIF district, a local government must find that in its opinion the development would not have happened but for the use of TIF (hence, the term "but-for" test).

What is the purpose of this test?
• To prevent excessive or unnecessary use of TIF — If a development would have been done anyway, why should TIF be used to assist it?
• To protect the interests of overlapping governmental units (typically the county and school district). If authorities use TIF for developments that would be built anyway, TIF diverts potential tax revenue from the county and school to the development authority and city.

Edina has used TIF financing since the 1970s. Edina currently has 7 active TIF Districts:

- Southdale 2
- Pentagon Park
- 66 West
- Grandview 2
- 50th & France 2
- 44th & France 2
- 76th Street
52 New Commercial Redevelopment Projects since 2010
Only 5 of 52 major projects since 2010 received pledges of Tax Increment

1) Southdale Center, 2012
2) 66 West Apartments, 2015
3) Nolan Mains / 50th & France Parking Ramps, 2017
4) Pentagon Village (South), 2018
5) 4500 France, 2018
Edina updated the TIF Policy in 2011.

In Edina, incremental property taxes are typically used to reimburse developer for eligible expenses after successful completion of the project. This eliminates financial risk to the City.

TIF is considered for use under limited conditions:

1) Projects that deliver measurable benefit to the general public
2) To cover the financial gap of constructing affordable housing
3) To avoid an outdated facility from having a blighting influence on neighboring properties

The amount of TIF pledged is limited to that required to fill a financial gap in the budget.
TIF in Edina is used on a limited basis and to a lesser extent than neighboring cities.
TIF in Edina

City of Edina Property Tax Capacity
(152,208,410 for Pay 2019)

- General tax capacity, 96.4%
- TIF tax capacity, 3.6%

Total Size of 8 TIF Districts = 2.7%

Area of City without TIF designation 97.3%

Source: Edina Assessing Dept.

Note: These percentages will be reduced when the 209-acre Southdale 2 District decertifies in 2021.

City of Edina
10,225 Total Acres

Source: City of Edina
Staff Evaluation

The developer requested $12 million in TIF support to make their project viable.

This request has been analyzed and evaluated. A substantial budget gap has been confirmed.

This gap can be resolved through the combination of:

- Additional equity
- Tax Increment Financing
- Outside grants
## Staff Evaluation

The 20-year revenue flow of increment property taxes is conservatively estimated to be $12,050,000.

<table>
<thead>
<tr>
<th></th>
<th>Current conditions (2018)</th>
<th>After full development (2022)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax Capacity</td>
<td>217,506</td>
<td>1,250,287</td>
<td>+575%</td>
</tr>
<tr>
<td>Estimated Market Value</td>
<td>$10,950,300</td>
<td>$94,245,600</td>
<td>+861%</td>
</tr>
</tbody>
</table>
Staff Evaluation

Minimum Improvements

• All demolition and site preparation for 5.19 acres
• Delivery of two apartment buildings with street level commercial space
  - 62 of the 301 units to be affordably priced for 25-years
• Deliver prepared pad for 10 townhouses by others
• Deliver all easements
### Staff Evaluation

#### USES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Acquisition and Land Costs</td>
<td>$11,500,000</td>
<td>10.3%</td>
</tr>
<tr>
<td>Site and Construction Hard Costs (total) including the following major elements:</td>
<td>$87,879,716</td>
<td>78.7%</td>
</tr>
<tr>
<td>Improvements to W. 72\textsuperscript{nd} Street</td>
<td>$1,200,000</td>
<td></td>
</tr>
<tr>
<td>Demolition, Remediation &amp; Earthwork</td>
<td>$3,243,700</td>
<td></td>
</tr>
<tr>
<td>Structured Parking</td>
<td>$13,579,370</td>
<td></td>
</tr>
<tr>
<td>Site Utilities</td>
<td>$1,790,000</td>
<td></td>
</tr>
<tr>
<td>Misc. Public Realm improvements, including streetscape along all public roads and shared street</td>
<td>$1,598,900</td>
<td></td>
</tr>
<tr>
<td>Soft Costs (total) including the following major element:</td>
<td>$7,376,782</td>
<td>6.6%</td>
</tr>
<tr>
<td>Developer &amp; Related Fees</td>
<td>$4,310,000</td>
<td></td>
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<tr>
<td>Financing Costs (total)</td>
<td>$3,942,672</td>
<td>3.5%</td>
</tr>
<tr>
<td>Lease–up Reserves (total)</td>
<td>$1,003,857</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$111,703,027</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

#### SOURCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Equity</td>
<td>$30,862,027</td>
<td>27.7%</td>
</tr>
<tr>
<td>Mortgage</td>
<td>$68,841,000</td>
<td>61.6%</td>
</tr>
<tr>
<td>TIF Note</td>
<td>$12,000,000</td>
<td>10.7%</td>
</tr>
<tr>
<td>Grants</td>
<td>$TBD</td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$111,703,027</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>
Staff Evaluation

<table>
<thead>
<tr>
<th>Description of MN Statute Qualified Cost</th>
<th>Estimated Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Public Realm improvements – France Ave. and Gallagher Dr.</td>
<td>$565,000</td>
</tr>
<tr>
<td>2 Public Realm improvements – Woonerf</td>
<td>$1,175,000</td>
</tr>
<tr>
<td>3 Public Realm improvements – 72nd Street</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>4 Public plaza – 2nd level</td>
<td>$1,416,810</td>
</tr>
<tr>
<td>5 Site Utilities / Stormwater Retention</td>
<td>$1,790,000</td>
</tr>
<tr>
<td>6 Affordable Housing Extension (years 16 to 25)</td>
<td>$4,900,000</td>
</tr>
<tr>
<td>7 Demolition and Earthwork</td>
<td>$3,235,200</td>
</tr>
<tr>
<td>8 Level P1 Structured Parking</td>
<td>$6,790,000</td>
</tr>
<tr>
<td>9 TIF-related Professional Fees</td>
<td>$150,000</td>
</tr>
<tr>
<td>1 Conservation Easement Land</td>
<td>$1,066,810</td>
</tr>
<tr>
<td><strong>Total =</strong></td>
<td><strong>$22,288,820</strong></td>
</tr>
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</table>

Description of TIF Reimbursable Costs

Demolition, remediation and site preparation

Streetscape and public realm improvements

Storm water improvements

Affordable housing (years 16 to 25)

TIF-related Professional Fees

Total not to exceed $12,000,000
Alternative options have also been considered.
- Reoccupy existing buildings
- Construct 2 medical/office buildings w/o TIF
- Construct proposed project w/20 year TIF pledge

Staff recommends pursuing the proposed project, with TIF support, since it delivers the highest long-term tax benefit to the community.
Staff Evaluation

Alternative options have also been considered.

- Reoccupy existing buildings
- Construct 2 medical/office buildings w/o TIF
- Construct proposed project w/20 year TIF pledge

Staff recommends pursuing the proposed project, with TIF support, since it delivers the highest long-term tax benefit to the community.
Recommended Terms

• Create a 20-year Special Housing TIF District

• Pledge $12.0 million TIF Note paid from incremental tax revenue

• Pursue grants from other funders (DEED and Met. Council)

• Prepare and execute full TIF Redevelopment Agreement to bind both parties later in 2019

A 26-year District was considered, but not deemed necessary.

City retains flexibility to pool monies from Southdale 2 District, to reduce interest expenses
Recommended Terms

TIF Note

• Sized based on review of actual costs at completion
• Not to exceed $12.0 million
• Issued AFTER all conditions successfully achieved by 2022 deadline
• Subject to “lookback” at earlier of complete sale or 15 years
• Subject to “clawback” of excess profits greater than 16% IRR

• Earns 5.5% interest (to match debt)
• Payable from 90% of incremental taxes generated from the site and/or other incremental revenues available to the City (Southdale 2 District for example)
Recommended Terms

Public Benefits – Affordable Housing

• 20% of total units priced to be affordable to families earning 60% Area Median Income (AMI)
• Units distributed among studio, 1-bed, 2-bed, and townhouse style
• Units are scattered throughout both buildings
• All residents have same access to all amenities

• Extend term of affordability from 15-years to 25-years
• City retains first right to purchase if building is sold or converted to condominium
• Both parties agree to discuss – in good faith – opportunities to extend term past 25 years prior to termination
Recommended Terms

Public Benefits – Land Easements

• Conservation of 25,000 Sq Ft of mature wooded area along northwestern edge
• Permanent easement along 72nd, France and Gallagher street edges (40,070 Sq Ft)
• Permanent easement along internal shared street/woonerf (27,400 Sq Ft)
• Permanent easement on second level outdoor plaza (10,336 Sq Ft)

• Developer retains right to establish reasonable rules to ensure these areas are properly used and to keep public activities from disturbing the residents

Land Area dedicated to Private & Public Uses

- 55% private buildings (2.83 acres)
- 45% public easement (2.36 acres)
Recommended Terms

Public Benefits – Additional Easements

• Public use of approx. 217 parking stalls on the surface and P1 levels
  - Developer retains right to establish reasonable time limits and rules to ensure adequate parking is available for customers in these areas

• Public easement on the 238,000 cubic feet underground stormwater facility
Recommended Terms

Public Benefits – Road Improvements

- Roadway improvements along W. 72\textsuperscript{nd} St
  - France to Lynmar
  - Hinder cut-through traffic into neighborhood
  - Traffic calming
  - Specific features to be determined
    (photo is an example only)

Source: Cape Gazette website
Recommended Terms

In summary, staff recommends:

1) Creation of a 20-year Special Housing TIF District
2) Issuance of a single TIF Note not to exceed $12 million
3) Payments from 90% of incremental revenue from site or other sources available to the City
4) Preparation of full legal agreement based on these terms
Questions / Discussion
ACTION REQUESTED:
Approve Resolution 2019-05 finding that parcels are occupied by structurally substandard buildings.

INTRODUCTION:
This item pertains to the redevelopment of properties located at 7200 and 7250 France Avenue.

The property owner/developer has requested that the site be considered for a new Tax Increment Financing (TIF) District. TIF monies would potentially be used to fill a gap in the project financing.

While a 20-year Special Housing District is recommended to be established, this resolution recognizes the substandard conditions of both existing buildings. This recognition would preserve flexibility for the City in case the Special Housing District is unable to accomplish the redevelopment goals.

The consultants at Stantec Consulting Services have inspected and evaluated the existing buildings and affirmed the substandard conditions. The attached report documents the existing conditions.

One of the buildings has been found to be structurally unsafe and unfit for occupancy. The property owner/developer would like to demolish the building as soon as practical.

This resolution has been prepared by the HRA's public finance advisors and provides the City and Developer an option for redevelopment financing in the future. Staff recommends approval of the resolution.

ATTACHMENTS:
Resolution No. 2019-05 Declaring Substandard Buildings
Existing Conditions Report - 7200-7250 France
RESOLUTION NO. 2019-05
FINDING THAT PARCELS ARE OCCUPIED
BY STRUCTURALLY SUBSTANDARD BUILDINGS

WHEREAS, the Edina Housing and Redevelopment Authority (the “HRA”) is considering the establishment of a new Tax Increment Financing (TIF) District located at 7200 to 7250 France Avenue; and

WHEREAS, the HRA engaged Stantec Consulting Services Incorporated (“Stantec”) to inspect and evaluate the existing conditions for compliance with Minnesota Statutes regarding establishment of a tax increment financing district; and

WHEREAS, Stantec conducted a physical inspection of the properties and submitted a report dated February 6, 2019.

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Edina Housing and Redevelopment Authority (the “HRA”), as follows:

1. The HRA intends to include in a tax increment financing district to be created by the HRA under Minnesota Statutes, Sections 469.174 to 469.1794 (the “TIF District”), two tax parcels located in the City of Edina (the “City”) at 7200 to 7250 France Avenue South consisting of PID Numbers 3102824140001 and 3102824140015 (the “Parcels”), on which two multi-tenant office buildings, a structured-parking ramp, and one paved surface parking lot are located.

2. The HRA has engaged Stantec to inspect the Parcels and the buildings located on the Parcels and to prepare a report as to the Parcels and the conditions of the buildings. A copy of the report of Stantec dated February 6, 2019 (the “Stantec Report”), has been presented to and reviewed by the Board of Commissioners. It is expected that the buildings located on the Parcels will be demolished and removed prior to the creation of the TIF District. It is also expected that the demolition and removal will be performed by the developer under a redevelopment agreement with the HRA and that the costs of such work could be financed by the HRA.

3. The Board of Commissioners hereby finds as follows:

(a) That both of the Parcels, consisting of 100 percent of the area of the proposed TIF District, are occupied by buildings, streets, utilities, or paved drives or parking lots;

(b) that both of the two buildings (100 percent) located on the Parcels are structurally substandard within the meaning of Minnesota Statutes, Section 469.174, Subd. 10(b), since they contain defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance;
(c) that both of the two buildings (100 percent) located on the Parcels are not in compliance with the building code applicable to new buildings and require substantial renovation and could not be modified to satisfy the building code at a cost of less than 15% of the cost of constructing a new structure of the same square footage and type on the Parcels;

(d) that the conditions described in (a), (b), and (c) above are reasonably distributed throughout the geographic area of the proposed TIF District.

(e) after the demolition and removal of the buildings on the Parcels, the HRA intends to include the Parcels within the proposed TIF District. In making the findings under (a)-(d) above, the HRA is relying on the Stantec Report.

Dated: February 14, 2019

Attest: ____________________________  ____________________________

Michael Fischer, Secretary                        James B. Hovland, Chair

STATE OF MINNESOTA)
COUNTY OF HENNEPIN)   SS
CITY OF EDINA               )

CERTIFICATE OF EXECUTIVE DIRECTOR

I, the undersigned duly appointed and acting Executive Director for the Edina Housing and Redevelopment Authority do hereby certify that the attached and foregoing Resolution is a true and correct copy of the Resolution duly adopted by the Edina Housing and Redevelopment Authority at its Regular Meeting of February 14, 2019, and as recorded in the Minutes of said Regular Meeting.

WITNESS my hand and seal of said City this ______________ day of ___________________, ____________.

______________________________

Executive Director
Final Report of
Inspection Procedures and Results
For
Determining Qualifications of a
Tax Increment Financing (TIF) District
as a Redevelopment District

The CITY of
EDINA

Edina HRA
Proposed TIF District
Edina, Minnesota

Stantec Project No. 193804653

February 6, 2019
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**APPENDIX A** Map of Proposed TIF District
  - Hennepin County Property Maps

**APPENDIX B** Building Code and Condition Deficiencies Reports

**APPENDIX C** Code Deficiency Estimated Replacement Costs

**APPENDIX D** Photographs
PART 1 - EXECUTIVE SUMMARY

PURPOSE OF EVALUATION

Stantec was retained by the City of Edina HRA to inspect and evaluate the properties within a Tax Increment Financing Redevelopment District ("TIF District") proposed to be established by the City. The proposed TIF District is located in the City of Edina, in a general area between 72nd Street West on the north, Gallagher Drive on the south, and France Avenue South on the east (Figure 1). The purpose of Stantec’s work was to determine whether the proposed district meets the statutory requirements for coverage, and whether buildings on the two parcels, located within the proposed TIF District, meet the qualifications required for a Redevelopment District.

SCOPE OF WORK

The proposed district consists of two (2) parcels containing two (2) commercial multi-tenant office buildings, one (1) over a three-level parking ramp, and one (1) with on-grade paved parking lot.
All the buildings in the proposed district received an onsite interior and exterior inspection. Building Code and Condition Deficiency Reports for each building inspected by Stantec are in Appendix B.

CONCLUSION

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under Minnesota Statutes, Section 469.174, Subdivision 10(a), it is our professional opinion that the proposed TIF District does qualify as a Redevelopment District.

The remainder of this report describes our process and findings in detail.

PART 2 - MINNESOTA STATUTE 469.174, SUBDIVISION 10 REQUIREMENTS

The properties were inspected in accordance with the following requirements under Minnesota Statutes, Section 469.174, Subdivision 10a, which states:

Interior Inspection

"The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building."

Exterior Inspection and Other Means

"An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard."

Documentation

"Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3(1)."

Qualification Requirements

Minnesota Statutes, Section 469.174, Subdivision 10(a) requires two tests for occupied parcels:

1. Coverage Test

"...parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures."
The coverage required by the parcel to be considered occupied is defined under Minnesota Statutes, Section 469.174, Subdivision 10(e), which states: "For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures."

2. Condition of Building Test

...“parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; and (2) the conditions described in clause (1) are reasonably distributed throughout the geographic area of the district.”

1. Structurally substandard is defined under Minnesota Statutes, Section 469.174, Subdivision 10(b), which states: “For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.”

Definition of Substantial Renovation

Substantial renovation, for purposes of Minnesota Statutes, Section 469.174, Subdivision 10(c), is defined as renovation with costs exceeding 15 percent of the building's replacement value.

Buildings are not eligible to be considered structurally substandard unless they meet certain additional criteria, as set forth in Subdivision 10(c) which states:

"A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is
structurally substandard. Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1). Failure of a building to be disqualified under the provisions of this paragraph is a necessary, but not a sufficient, condition to determining that the building is substandard."

"Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence."

**PART 3 - PROCEDURES FOLLOWED**

Stantec performed interior and exterior inspections for both commercial buildings within the proposed TIF District on January 23, 2019. Visual observations were made of all levels of all properties and structures, with physical measurements taken where necessary. Area calculations and construction data are based upon information from various sources, as noted.
PART 4 – FINDINGS

A. Coverage Test

1. The total square foot area of each parcel in the proposed TIF District was obtained from Hennepin County Property Map GIS mapping, and site verification.

2. The total square foot area of buildings and site improvements on the parcels in the proposed TIF District was obtained from City records, Hennepin County Property Map GIS mapping, construction documents provided by the City, and site verification.

3. The percentage of coverage for each parcel in the proposed TIF District was computed to determine if the 15 percent minimum requirement was met. The total square footage of parcels meeting the 15 percent requirement was divided into the total square footage of the entire district to determine if the 70 percent requirement was met.

Findings:

The proposed TIF District met the coverage test under Minnesota Statutes, Section 469.174, Subdivision 10(e), which resulted in parcels consisting of 100 percent of the area of the proposed TIF District being occupied by buildings, streets, utilities or paved drives or parking lots (Figure 2). This exceeds the 70 percent area coverage requirement for the proposed TIF District under Minnesota Statutes, Section 469.174, Subdivision 10(a) (1).

Figure 2 – Coverage Test Aerial View
B. Condition of Building Test

1. Replacement Cost

The first step in evaluating a building to determine if it is substandard to a degree requiring substantial renovation or clearance is to determine its replacement cost.

This is the cost of constructing a new structure of the same square footage and type on site. Replacement costs were researched using R.S. Means Cost Works square foot models for 2019.

A replacement cost was calculated by first establishing building use (office, retail, residential, etc.), building construction type (wood, concrete, masonry, etc.), and building size to obtain the appropriate median replacement cost, which factors in the costs of construction in Edina, Minnesota.

Replacement cost includes labor, materials, and the contractor's overhead and profit. Replacement costs do not include architectural fees, legal fees or other “soft” costs not directly related to construction activities. Replacement cost for each building is tabulated in Appendix C.

2. Code Deficiencies

The next step in evaluating a building is to determine what code deficiencies exist with respect to such building. Code deficiencies are those conditions for a building which are not in compliance with current building codes applicable to new buildings in the State of Minnesota.

Minnesota Statutes, Section 469.174, Subdivision 10(c), specifically provides that a building cannot be considered structurally substandard if its code deficiencies are not at least 15 percent of the replacement cost of the building. Thus, it was necessary to determine the extent of code deficiencies for each building in the proposed TIF District.

The evaluation was made by reviewing all available information with respect to such buildings contained in City Building Inspection records and making interior and exterior inspections of the buildings. Stantec utilized the 2015 Minnesota State Building Code as the official code for our evaluations. The Minnesota State Building Code is a series of provisional codes written specifically for Minnesota only requirements, adoption of several international codes, and amendments to the adopted international codes.

After identifying the code deficiencies in each building, we used R.S. Means Cost Works 2019: Unit and Assembly Costs to determine the cost of correcting the identified deficiencies. We were then able to compare the correction costs with the replacement cost of each building to determine if the costs for correcting code deficiencies meet the required 15 percent threshold.
Finding:
Both buildings/structures (100 percent) in the proposed TIF District contained code deficiencies exceeding the 15 percent threshold required by Minnesota Statutes, Section 469.174, Subdivision 10(c). A complete Building Code and Condition Deficiency report for each building/structure in the proposed TIF District can be found in Appendix B of this report.

3. System Condition Deficiencies
System condition deficiencies are a measurement of defects or substantial deterioration in site elements, structure, exterior envelope, mechanical and electrical components, fire protection and emergency systems, interior partitions, ceilings, floors, and doors.

The evaluation was made by reviewing all available information contained in City records; and making interior and exterior inspections of the buildings.

Stantec only identified system condition deficiencies that were visible upon our inspection of the building or contained in City records. We did not consider the amount of "service life" used up for a particular component unless it was an obvious part of that component's deficiencies.

Minnesota Statutes, Section 469.174, Subdivision 10(c), provides for the minimum threshold of code deficiencies that must be met in order to consider a building substandard. If a building meets the minimum code deficiency threshold under Minnesota Statutes, Section 469.174, Subdivision 10(c), then in order for such building to be "structurally substandard" under Minnesota Statutes, Section 469.174, Subdivision 10(b), the building's defects or deficiencies should be of sufficient total significance to justify substantial renovation or clearance." Based on this definition, Stantec re-evaluated each of the buildings that met the code deficiency threshold under Minnesota Statutes, Section 469.174, Subdivision 10(c), to determine if the total deficiencies warranted "substantial renovation or clearance" based on the criteria we outlined above.

Finding:
In our professional opinion, both buildings/structures (100 percent) in the proposed TIF District are structurally substandard to a degree requiring substantial renovation or clearance, because of defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance as described below:
Multi-Tenant Office Building - 7200 France Avenue South - Parcel 3102824140001

This building was found to be structurally substandard with code deficiencies that exceed the 15 percent of the building replacement value criteria as defined by Minnesota Statutes, Section 469.174, Subdivision 10 (b) and (c).

Multi-Tenant Office Building/Parking Ramp - 7250 France Avenue South - Parcel 3102824140015

This building and parking ramp was found to be structurally substandard with code deficiencies that exceed the 15 percent of the building replacement value criteria as defined by Minnesota Statutes, Section 469.174, Subdivision 10 (b) and (c).

NOTE: The parking ramp has been condemned by the City of Edina due to extreme deterioration of the precast concrete deck planks at the support beams. Structural steel framing has been added in some locations to support the deteriorated precast concrete deck planks prior to the condemnation determination. Building owner has some temporary shoring in place currently to keep the decks in place.
C. Distribution of Substandard Structures

Much of this report has focused on the condition of individual buildings as they relate to requirements identified by Minnesota Statutes, Section 469.174, Subdivision 10. It is also important to look at the distribution of substandard buildings throughout the geographic area of the proposed TIF District.

Finding:

The substandard buildings are reasonably distributed throughout the geographic area of the proposed TIF District (Figure 3).

![Figure 3 – Distribution of Substandard Structures (shown hatched green)](image)

D. CONCLUSION

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under Minnesota Statutes, Section 469.174, Subdivision 10a, it is our professional opinion that the proposed TIF District does qualify as a Redevelopment District.
PART 5 - TEAM CREDENTIALS

Bruce P. Paulson, AIA - Senior Project Manager/Inspector

Bruce has more than 42 years of architectural experience as project architect, project manager, and project designer for municipal, governmental, educational, commercial, hospitality, and healthcare clients. He is involved with all phases of the architectural process, from pre-design through construction administration, including specialty consulting in investigations for buildings, building condition surveys, TIF inspections, code reviews, estimating, and specification writing.
PARCEL ID: 3102824140001
OWNER NAME: France Equities II LLC et al
PARCEL ADDRESS: 7200 France Ave S, Edina MN 55435
PARCEL AREA: 3.51 acres, 152,751 sq ft
A-T-B: Torrens
SALE PRICE: $3,300,000
SALE DATA: 09/2018
SALE CODE: Excluded From Ratio Studies

ASSESSED 2017, PAYABLE 2018
PROPERTY TYPE: Commercial-Preferred
HOMESTEAD: Non-Homestead
MARKET VALUE: $5,226,000
TAX TOTAL: $183,601.62

ASSESSED 2018, PAYABLE 2019
PROPERTY TYPE: Commercial-preferred
HOMESTEAD: Non-homestead
MARKET VALUE: $6,569,300

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## Land

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<td>Lake Quality:</td>
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<td>On River:</td>
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</table>

## Building Detail

| Name                             | 7200 On France                                                        |
|----------------------------------|                                                                      |
| Quality                          |                                                                         |
| Partial Construction (%)         |                                                                         |
| Overall Quality:                 |                                                                         |
| Architectural Appeal:            | Average                                                                |
| Construction Quality:            | Average                                                                |
| Construction Type:               | Masonry                                                                |
| Walls and Roof                   |                                                                         |
| Primary Exterior Walls:          | Concrete                                                               |
| Secondary Exterior Walls:        | Brick                                                                  |
| Roof Construction:               | Concrete                                                               |
| Roof Type:                       | Flat                                                                   |
| Model Codes                      |                                                                         |
| Code 1:                          | 344 - Office Building                                                 | 100 |
| Code 2:                          | -                                                                      | 0    |
| Code 3:                          | -                                                                      | 0    |
| Code 4:                          | -                                                                      | 0    |
| Depreciation and Age             |                                                                         |
| Functional %:                    |                                                                         |
| Economic %:                      |                                                                         |
| Physical %:                      |                                                                         |
| Renovated Age:                   |                                                                         |

## Building Miscellaneous

| Garages and Parking              |                                                                         |
| Type                             | Type                      | Spaces | Area | Rental $ |
| Type 1:                          | Parking-Surface           |        |      |          |
| Type 2:                          |                           |        |      |          |
| Type 3:                          |                           |        |      |          |
| Type 4:                          |                           |        |      |          |
| Type 5:                          |                           |        |      |          |

## Basements

| Basement Basics                  |                                                                         |
| Area (SqFt):                     |                                                                         |
| Basement Area Percent:           |                                                                         |
| Bsmt. Model Code:                |                                                                         |
| Bsmt. Model Code Suffix:         |                                                                         |
| Elevator(s):                     |                                                                         |
| Mechanicals                      |                                                                         |
| Electrical Service:              | Average                                                                |
| Plumbing:                        | Average                                                                |
| Sprinkler Type / Percent:        |                                                                         |
| Heating (Type/Percent):          |                                                                         |
| Heating 1:                       | HVAC / 100                                                             |
| Heating 2:                       |                                                                         |
| Heating 3:                       |                                                                         |
| Air Cond. (Type/Percent):        |                                                                         |
| A/C 1:                           | Central / 100                                                         |
| A/C 2:                           |                                                                         |
| A/C 3:                           |                                                                         |

## Building Areas

| Building Areas                   |                                                                         |
| First Floor Area:               | 13,250                                                                 |
| Gross Building Area:            | 39,750                                                                 |
| Net Rentable Area:              |                                                                         |
| Mezzanine Area:                 |                                                                         |
| Total Floor Area:               | 39,750                                                                 |

## Building Ratios and Perimeter

| Building Ratios                   |                                                                         |
| Land Building Percent:            | 384.3                                                                  |
| Floor Area Percent:              | 26.0                                                                   |
| Perimeter Length:                | 634                                                                    |
| Office Area:                     |                                                                         |
| Gross Office Area Percent:       |                                                                         |

## Income Information

| Gross Income                      |                                                                         |
| Vacancy Percent:                  |                                                                         |
| Effective Gross Income:           |                                                                         |
| Operating Expense:                |                                                                         |
| Net Income:                       |                                                                         |
| Capitalization Rate:              |                                                                         |
| Gross Rent Multiplier:            |                                                                         |
| Rent / Square Feet:               |                                                                         |

## Last Sale

| Date:                            | 09/28/2018                                                             |
| Price:                           | $3,300,000                                                            |
| Code:                            | 04                                                                    |
| Desc:                            | Partial Int. Sale                                                     |

## Last Inspection

| Appraiser ID:                    | SMS                                                                   |
| Appraisal Date:                  | 09/13/2017                                                           |
| Reason:                          | Quintile Review                                                      |
| Result:                          | Exterior                                                             |

## Current Inspection

| Appraiser ID:                    |                                                                         |
| Appraisal Date:                  |                                                                         |
| Reason:                          |                                                                         |
| Result:                          |                                                                         |

## Flat Value

| Value:                           |                                                                         |
| Desc:                            |                                                                         |

## Comments

3 STORY MULTI-TENANT OFFICE BLDG, UNEXCAVATED. ENTRY ON 1ST FLR FROM WEST PARKING LOT WHICH IS BELOW STREET GRADE AND A 2ND FLOOR LOBBY ENTRY FROM FRANCE AVE AT THE EAST SIDE AT STREET GRADE. Original 22,893 SF building was built in 1966. There was a 16,857 SF addition built in 1968. The weighted average year built for the building is 1967.
PARCEL ID: 3102824140015

OWNER NAME: France Equities Llc

PARCEL ADDRESS: 7250 France Ave S, Edina MN 55435

PARCEL AREA: 1.68 acres, 73,079 sq ft

A-T-B: Torrens

SALE PRICE: $6,350,000

SALE DATA: 05/2007

SALE CODE: Warranty Deed

ASSESSED 2017, PAYABLE 2018
PROPERTY TYPE: Commercial-Preferred
HOMESTEAD: Non-Homestead
MARKET VALUE: $4,161,700
TAX TOTAL: $145,822.03

ASSESSED 2018, PAYABLE 2019
PROPERTY TYPE: Commercial-preferred
HOMESTEAD: Non-homestead
MARKET VALUE: $4,381,000

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**Property Information**

- **PID:** 31-028-14-0015
- **Property Address:** 7250 France Ave S
- **Lot / Block:** 044 / 001
- **Addition:** Oscar Roberts First Addition
- **District:** 55
- **Neighborhood:** 1020
- **Watershed:** 01
- **School District:** 0273
- **Property Type:** C - Commercial
- **Zoning:** POD-1
- **Owner(s):** France Equities, LLC

**Income Information**

- **Gross Income:**
- **Vacancy Percent:**
- **Effective Gross Income:**
- **Operating Expense:**
- **Net Income:**
- **Capitalization Rate:**
- **Gross Rent Multiplier:**
- **Rent / Square Feet:**

**Last Sale**

- **Date:** 05/18/2007
- **Price:** $6,350,000
- **Code:** 00
- **Desc:** Good Sale

**Last Inspection**

- **Appraiser ID:** SMS
- **Appraisal Date:** 11/27/2012
- **Reason:** Quintile Review
- **Result:** Interior

**Current Inspection**

- **Appraiser ID:**
- **Appraisal Date:**
- **Reason:**
- **Result:**

**Flat Value**

- **Value:**
- **Desc:**

**Comments**

4 STORY OFFICE BLDG OVER 3 LEVEL RAMP; TOP DECK OF RAMP IS AT STREET GRADE AND 1ST FLR OF OFFICE BLDG; The second parking level has 3,889 SF of finished space with a lunch room, conference room and storage/mechanical rooms. Each floor is 12,672 SF
PID: 31-028-24-14-0015
Property Address: 7250 France Ave S
Lot / Block: 044 / 001
Addition: Oscar Roberts First Addition
District: 55
Neighborhood: 1020
Watershed: 01
School District: 0273

Property Type: C - Commercial
Zoning: POD-1
Owner(s): France Equities, LLC

Printed: 1/22/2019
Assessment Year: 2019
Version: 1
Building: 1
CITY OF EDINA
PROPOSED EDINA HRA TIF DISTRICT
BUILDING CONDITION AND CODE DEFICIENCIES REPORT

February 6, 2019

Property ID No.: 3102824140001 7200 France Avenue South
Inspection Date(s) and Time(s): 1-23-19, 8:00 a.m.
Inspection Type: Interior and exterior.
General Description of Property: 3 Story Commercial Multi-Tenant Office Building
Type of Construction: Exterior masonry foundation and bearing walls, slab on grade at first floor, precast concrete floor and roof planks with concrete topping at second and third floors.
Date of Construction: Original building constructed in 1966; addition constructed in 1968.
Structure Size(s): 22,893 SF original building; 16,857 SF addition

Summary of Deficiencies: It is our professional opinion that this building is **structurally substandard** because:
- Estimated cost to correct building code deficiencies is more than 15% of the estimated replacement cost.

Estimated Replacement Cost: $7,870,500.00
Estimated Cost to Correct Building Code Deficiencies: $2,109,720.00
Percentage of Replacement Cost for Building Code Deficiencies: 26.8%

Description of Condition Deficiencies:
- Replace deteriorated masonry retaining wall at east side of building before it fails
- Current code requires all outswinging exit doors to have a structural stoop with frost footings to prevent heaving which could restrict the door swing and access/egress capability.
- Sidewalks to both first floor exterior entrance doors are in need of replacement due to spalling and missing concrete.
- Stair riser heights do not comply with current codes. Handrails and guardrails do not comply with current codes.
- Restrooms are not in compliance with ADA guidelines.
- All exterior windows are single-glazed.
- All exterior walls are under-uninsulated.
- Dead level built-up roofing system, where visible, shows signs of blistering, indicating roofing system is at end of its useful life.
- The existing roof is under-insulated.
- The existing lighting system does not comply with current codes for daylight harvesting and energy-efficiency.
- The existing mechanical system does not comply with current codes for ventilation.
CITY OF EDINA
PROPOSED EDINA HRA TIF DISTRICT
BUILDING CONDITION AND CODE DEFICIENCIES REPORT

February 6, 2019

Property ID No.: 3102824140015  7250 France Avenue South
Inspection Date(s) and Time(s): 1-23-19, 7:00 a.m.
Inspection Type: Interior and exterior.
General Description of Property: 4 Story Commercial Multi-Tenant Office Building over 3 level parking ramp. Top deck of ramp is at street level and first floor of building.
Type of Construction: Exterior masonry foundation and bearing walls, slab on grade at first floor, precast concrete floor and roof planks with concrete topping at second and third floors.
Date of Construction: Building constructed in 1972.
Structure Size(s):

| Sub-basement/first parking level | 49,100 GSF |
| Basement/second parking level     | 49,100 GSF |
| First floor/street parking level  | 24,500 GSF 12,672 GSF |
| Second Floor                     | 12,672 GSF |
| Third Floor                      | 12,672 GSF |
| Fourth Floor                     | 12,672 GSF |
| Penthouse                        | 773 GSF |
| Totals                           | 122,700 GSF 51,461 GSF |

Summary of Deficiencies: It is our professional opinion that this building is **Structurally substandard** because:

- Estimated cost to correct building code deficiencies is more than 15% of the estimated replacement cost.

Estimated Replacement Cost:

| Parking Ramp                  | $11,901,900.00 |
| Office Building               | $10,189,278.00 |

Estimated Cost to Correct Building Code Deficiencies: $14,041,457.00

Percentage of Replacement Cost for Building Code Deficiencies:

| Parking Ramp | 100% |
| Building     | 20.9% |

Description of Condition Deficiencies

- Parking ramp has been condemned by the City of Edina and requires total replacement.
- Restrooms are not in compliance with ADA guidelines.
- Existing stairs are not in compliance with current codes for tread depth and riser heights. Handrails and guardrails at stairs do not comply with current codes for height or extension beyond top and bottom of stair runs.
- All exterior walls are under-insulated.
- The existing fully-adhered EPDM roofing system is under-insulated.
- The existing lighting system does not comply with current codes for daylight harvesting and energy-efficiency.
- The existing mechanical system does not comply with current codes for ventilation.
CITY OF EDINA
PROPOSED EDINA HRA TIF DISTRICT
ESTIMATED REPLACEMENT COSTS

Property ID No. & Property Address: 3102824140001 7200 France Avenue South

Replace exterior masonry retaining wall at east side of building - 156’ x 8’ high x $55/SF $68,640.00
Replace aluminum guardrail at retaining wall 156LF x $125/LF $19,500.00

Replace exterior doors (4)
Remove existing doors and frames - 9 @ $500/EA $4,500.00
New 3’ wide aluminum entrance door and frame 9 @ $3,050/EA $27,450.00

West front entrance stoop upgrade
Demo existing sidewalk - 3 CY @ $385/CY $1,155.00
New concrete footing - 2 CY @ $410/CY $820.00
New 8” CMU walls - 56 SF @ $12.75/SF $714.00
New concrete stoop/ramp - 2.5 CY @ $385/CY $963.00
Replace sidewalk to parking lot - 5 CY @ $300/CY $1,500.00

South front entrance stoop upgrade
Demo existing sidewalk - 3 CY @ $385/CY $1,155.00
New concrete footing - 2 CY @ $410/CY $820.00
New 8” CMU walls - 56 SF @ $12.75/SF $714.00
New concrete stoop/ramp - 2.5 CY @ $385/CY $963.00
Replace sidewalk to parking lot - 2.5 CY @ $300/CY $750.00

Upgrade three (3) stairs - 126 Risers @ $685/riser $86,310.00
Replace handrails at stairs - 293 LF @ $37/LF $10,841.00

Restroom upgrade - demolition and new construction
Male Restrooms - 2 water closets, 2 urinals, 2 lavatories
180 SF @ $450/SF x 3 $243,000.00
Female Restrooms - 3 water closets, 3 lavatories
180 SF @ $450/SF x 3 $243,000.00

Replace existing single-glazed windows with new thermally-improved frames and insulating glass - 1,988 SF @ $93/SF $184,884.00
Insulate exterior masonry walls - 17,500 SF @ $15/SF $262,500.00
Replace built-up roofing system with new fully adhered TPO roofing system with R-31.25 insulation
12,912 SF @ $13.00/SF $167,856.00

Replace lighting system - 35,775 SF @ $8.50/SF $304,088.00
HVAC System upgrade - 35,775 SF @ $7.85/SF $280,834.00
Ventilation System upgrade - 37,775 SF @ $5.50/SF $196,763.00

Estimated Cost to Correct Building Code Deficiencies: $2,109,720.00
## Proposed Edina HRA TIF District

### Estimated Replacement Costs

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<th>Property ID No. &amp; Property Address:</th>
<th>3102824140015 7250 France Avenue South</th>
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<tbody>
<tr>
<td>Replace parking ramp – 122,700 SF x $97/SF</td>
<td>$11,901,900.00</td>
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<tr>
<td>Upgrade two (2) stairs – 190 Risers @ $685/riser</td>
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<td>Replace handrails at stairs - 301 LF @ $37/LF</td>
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<td>Restroom upgrade - demolition and new construction</td>
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<td>Male Restroom – 1 water closet, 1 urinal, 1 lavatory (basement)</td>
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<td>Female Restroom – 1 water closet, 1 lavatory (basement)</td>
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<td>Male Restrooms – 2 water closets, 1 urinal, 2 lavatories</td>
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<td>120 SF @ $450/SF x 4</td>
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<td>Insulate exterior walls (35% glazed) – 13,674 SF @ $15/SF</td>
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</tr>
<tr>
<td>Replace lighting system – 51.461 SF @ $8.50/SF</td>
<td>$437,419.00</td>
</tr>
<tr>
<td>HVAC System upgrade – 51,461 SF @ $7.85/SF</td>
<td>$403,969.00</td>
</tr>
<tr>
<td>Ventilation System upgrade – 51,461 SF @ $5.50/SF</td>
<td>$283,036.00</td>
</tr>
</tbody>
</table>

**Estimated Cost to Correct Building Code Deficiencies:** $14,041,457.00
Photo 1: South entrance/exit door at 7200 does not have structural stoop with frost footings

Photo 2: West entrance/exit doors at 7200 does not have structural stoop with frost footings – sidewalk is also damaged

Photo 3: Damaged sidewalk to south entrance/exit door at 7200

Photo 4: Stair treads/risers and handrails at 7200 do not comply with current does
Photo 5: Stair handrails and guardrails at 7200 to not comply with current codes

Photo 6: Restrooms at 7200 are not ADA compliant

Photo 7: Restrooms at 7200 are not ADA compliant

Photo 8: Single-glazed windows at 7200
Photo 9: Single-glazed windows at 7200

Photo 10: Single-glazed windows at 7200

Photo 11: Built-up roofing system at 7200 is under-insulated

Photo 12: Built-up roofing system at 7200 is under-insulated
Photo 13: Built-up roofing system at 7200 is under-insulated

Photo 14: Built-up roofing system at 7200 is under-insulated

Photo 15: Built-up roofing system at 7200 is under-insulated

Photo 16: Built-up roofing system at 7200 is under-insulated
Photo 17: Interior lighting at 7200

Photo 18: Interior lighting at 7200

Photo 19: Interior lighting at 7200

Photo 20: Mechanical roof-top equipment at 7200
Photo 21: Mechanical roof-top equipment at 7200

Photo 22: Mechanical roof-top equipment at 7200

Photo 23: Mechanical roof-top equipment at 7200

Photo 24: Mechanical roof-top equipment at 7200
Photo 25: West elevation at 7200

Photo 26: South elevation at 7200

Photo 27: East elevation at 7200

Photo 28: North elevation at 7200
Photo 29: Deteriorated masonry retaining wall at 7200

Photo 30: Deteriorated masonry retaining wall at 7200

Photo 31: Deteriorated masonry retaining wall at 7200

Photo 32: Deteriorated masonry retaining wall at 7200
Photo 33: 7250 Parking ramp deteriorated precast concrete

Photo 34: 7250 Parking ramp structural steel shoring

Photo 35: 7250 Parking ramp deterioration at bearing wall and steel angles and plates added to support deck above

Photo 36: 7250 Parking ramp temporary shoring
Photo 37: 7250 Parking ramp structural steel shoring

Photo 38: 7250 Parking ramp deteriorated concrete beam

Photo 39: 7250 Parking ramp deteriorated concrete deck planks

Photo 40: 7250 Parking ramp deteriorated concrete beam
Photo 41: 7250 Parking ramp hole in ramp plank

Photo 42: 7250 Parking ramp temporary shoring

Photo 43: 7250 restrooms not ADA compliant

Photo 44: 7250 restrooms not ADA compliant
Photo 45: 7250 stairs, handrails and guardrails not code compliant

Photo 46: 7250 stairs, handrails and guardrails not code compliant

Photo 47: 7250 roof under-insulated-insulation fasteners show heat transfer-melted snow

Photo 48: 7250 roof under-insulated-insulation fasteners show heat transfer-melted snow
Photo 49: 7250 roof under-insulated-insulation fasteners show heat transfer-melted snow

Photo 50: 7250 roof under-insulated-insulation fasteners show heat transfer-melted snow

Photo 51: 7250 interior

Photo 52: 7250 interior
PROPOSED EDINA TIF DISTRICT STUDY

EXISTING CONDITIONS PHOTOS

Photo 53: 7250 interior

Photo 54: 7250 interior

Photo 55: 7250 interior

Photo 56: 7250 interior
Photo 59: 7250 roof-top mechanical equipment

Photo 60: 7250 roof-top mechanical equipment
ACTION REQUESTED:
Motion approving Resolution 2019-06 requesting a public hearing on the proposed establishment of the 72nd and France Tax Increment Financing District.

INTRODUCTION:
This item pertains to the redevelopment of property located at 7200 and 7250 France Avenue.

Staff has evaluated the existing conditions of the property and discussed the possible use of Tax Increment Financing (TIF) with the property owner/developer to fill a financing gap.

Staff recommends that this Resolution be approved and that a Public Hearing be scheduled for March 19, 2019 to consider the creation of a new TIF District.

ATTACHMENTS:
Resolution No. 2019-06 Requesting Public Hearing for 72nd & France TIF District
RESOLUTION NO. 2019-06
REQUESTING A PUBLIC HEARING ON THE PROPOSED ESTABLISHMENT OF THE 72nd AND FRANCE TAX INCREMENT FINANCING DISTRICT

BE IT RESOLVED, by the Board of Commissioners (the "Board") of the Edina Housing and Redevelopment Authority (the "HRA") as follows:

WHEREAS, the HRA and City Council ("Council") of the City of Edina, Minnesota ("City") previously established the Southeast Edina Redevelopment Project Area pursuant to Minnesota Statutes, Sections 469.001 through 469.047, inclusive, as amended, in an effort to encourage the development and redevelopment of certain designated areas within the City; and

WHEREAS, the HRA is proposing the modification to the Redevelopment Plan for the Southeast Edina Redevelopment Project Area (the "Redevelopment Plan Modification") and the establishment of the 72nd and France Tax Increment Financing District (the "TIF District"), all pursuant to and in accordance with Minnesota Statutes, Sections 469.174 through 469.1794 and Sections 469.001 to 469.047, and Minnesota Session Laws 2017, Chapter 1, Sections 11 and 16, inclusive, as amended; and

NOW, THEREFORE BE IT RESOLVED by the Board as follows:

1. The HRA hereby requests that the Council call for a public hearing on March 19, 2019, to consider the proposed Redevelopment Plan Modification, the proposed establishment of the TIF District, and adoption of a Tax Increment Financing Plan ("TIF Plan") therefor, (the Redevelopment Plan Modification and the TIF Plan are referred to collectively herein as the "Plans"), and cause notice of said public hearing to be given as required by law.

2. The HRA directs the Executive Director to transmit copies of the Plans to the Planning Commission of the City and requests the Planning Commission's written opinion indicating whether the proposed development and land use within the Plans are in accordance with the Comprehensive Plan of the City, prior to the date of the public hearing.

3. The Executive Director of the HRA is hereby directed to submit a copy of the Plans to the Council for its approval.

4. The HRA affirms the transmission of the draft Plans to Hennepin County and Independent School District No. 273 in which the TIF District is located no later than February 15, 2019.

5. Staff and consultants are authorized and directed to take all steps necessary to prepare the Plans and related documents and to undertake other actions necessary to bring the Plans before the Council.
Approved by the Board on February 14, 2019.

ATTEST: _______________________________  ______________________
        Michael Fischer, Secretary      James B. Hovland, Chair

STATE OF MINNESOTA)
COUNTY OF HENNEPIN)   SS
CITY OF EDINA               )

CERTIFICATE OF EXECUTIVE DIRECTOR
I, the undersigned duly appointed and acting Executive Director for the Edina Housing and Redevelopment Authority do hereby certify that the attached and foregoing Resolution is a true and correct copy of the Resolution duly adopted by the Edina Housing and Redevelopment Authority at its Regular Meeting of February 14, 2019, and as recorded in the Minutes of said Regular Meeting.

WITNESS my hand and seal of said City this ______________ day of __________________, 2019.

______________________________
Executive Director
**ACTION REQUESTED:**
Motion approving the revised Affordable Housing Policy.

**INTRODUCTION:**
The revised Affordable Housing Policy is based on comments, questions and feedback expressed during the last few months by the HRA, developers, and residents. The proposed changes include the following:

- The policy will be applied when a PUD and/or City/HRA funding is requested.
- The revision requires that a percentage of units, rather than square feet, be affordable and the unit mix shall reflect the unit mix of the whole.
- The affordability period increases to 20-years.
- The policy now includes language reflecting the recently approved Fair Housing policy.
- The Buy-In amount increases to $125,000.

Please refer to the Amended Affordable Housing Policy for additional proposed changes.

**ATTACHMENTS:**

February 2019 Proposed Affordable Housing Policy - Clean
February 2019 Proposed Affordable Housing Policy - Redline Changes
The City recognizes the need to provide affordable housing in order to create and maintain a diverse population and to provide housing for those who live or work in the City. Since the remaining land appropriate for new residential development is limited, it is essential that a reasonable proportion of such land be developed into affordable housing units. As such, the City of Edina adopts the following Affordable Housing Policy.

This policy applies to all new multi-family developments of 20 or more units that:

a) Require a re-zoning or a Comprehensive Plan amendment. All new multi-family developments requiring a rezoning to PUD, Planned Unit Development.

b) Receive financial assistance from the City; or

c) Are developed on property purchased from the City (even if no financial assistance is being provided by the City) unless the City Council approves a waiver of this policy.

For the purposes of this Policy, 1) “unit” means either a for-sale dwelling or a rental dwelling in which a lease is signed prior to occupancy; and 2) “financial assistance” provided by the City includes, but is not limited to, tax increment financing, land write downs, pass-through funding for purposes other than environmental remediation, and other forms of direct subsidy. Any specific projects requesting exemptions to the affordable housing requirements must seek City Council approval on the basis of alternative public purpose.

The Policy

1. New rental developments shall provide a minimum of 10% of residential housing units at 50% affordable rental rates or 20% of residential housing units at 60% affordable rental rates as defined below. The units shall be occupied by households at or below 60% of the Multifamily Tax Subsidy Income Limits (MTSP).

2. New for-sale developments shall provide a minimum of 10% of residential housing units at affordable sales prices as defined below.

3. The affordable unit mix must be proportional to the market rate unit mix.

4. Rental and for-sale/owner-occupied affordable units shall include the following:
   a. On-site parking will be provided (either surface or enclosed) for affordable units, and will be included within the affordable sales price and/or affordable rent. At least one enclosed parking stall shall be included in the purchase price of an affordable for-sale unit in the same manner as offered to buyers of market rate units.
   b. Affordable rents include the utility allowance and any fees that are a requirement...
of occupancy as per Section 42.

c. Affordable and market rate residents will have equal access to all entries, lobbies, elevators, parking and amenities.
d. Exterior appearance of affordable units shall be visually comparable with market rate units in the development. Amenities and access provided with market rate units shall also be provided with the affordable units. Examples of “amenities” include storage lockers, balconies, roof decks, outdoor patios, pools, fitness facilities, and similar unit and project features.

5. New rental housing will remain affordable for a minimum of 20 years, and this requirement will be memorialized by a Land Use Restrictive Covenant.

6. New for-sale or owner-occupied developments will remain affordable for a minimum of 30 years, and this will be memorialized by a Land Use Restrictive Covenant. The Land Use Restrictive Covenant will contain a provision providing the Edina Housing Foundation the right of first refusal to purchase affordable units.

7. The owners of rental housing projects subject to this Policy by receiving financial assistance shall accept tenant-based rental housing assistance, including, but not limited to, Section 8 Housing Choice Vouchers, HOME tenant-based assistance, and Housing Support. Tenants with rental assistance may occupy an affordable dwelling unit with the rent charged not exceeding the maximum allowed by Metro HRA or the assistance provider. Furthermore, the rent charged may not exceed the maximum allowed by the most restrictive funding source. This requirement will be enforced through a contract between the City and project owner, pursuant to which the owner will be required to adopt business practices that promote fair housing and provide documentation of compliance with these requirements to the City. This requirement will be further enforced through the City’s monitoring policies and procedures.

8. Owners of City-assisted housing projects shall affirmatively market affordable housing opportunities. All rental housing providers must submit an Affirmative Fair Housing Marketing Plan (AFHMP) at least every 5 years, and a Survey and Certification regarding AFHMP outcomes annually. Owners must advertise housing opportunities on HousingLink or another medium acceptable to the City concurrent with any other public or private advertising.

9. Recognizing that affordable housing is created through a partnership between the City and developers, the City will consider the following incentives for developments that provide affordable housing:
   a. Density bonuses
   b. Parking requirement reductions
   c. Tax-increment financing for projects that exceed the minimum requirement
   d. Deferred low-interest loans from the Housing and Redevelopment Authority and/or Edina Housing Foundation
   e. Property Tax Abatement

10. It is the strong preference of the City that each new qualifying development provide its proportionate share of affordable housing on site. However, the City recognizes that it may not be economically feasible or practical in all circumstances to do so. As such, the City reserves the right to waive this policy (only if circumstances so dictate, as determined by the
In lieu of providing affordable housing in each new qualifying development, the City may consider the following:

a. Dedication of existing units within the City of Edina equal to 110% of what would have been provided in the proposed new development. These units need to be of an equivalent quality, as determined by the City.

b. Financial risk and participation in the construction of affordable dwelling units of an equivalent quality by the same or another developer on a different site within the City.

c. An alternative proposed by a developer and approved by the City that directly or indirectly provides or enables provision of an equivalent amount of affordable housing elsewhere within the City. An alternative could be a cash payment to the City in lieu of providing affordable housing units, or a “Total Buy In” (TBI) fee. The TBI shall be $125,000 per unit, rounding up to a whole unit. The TBI is due in cash or certified funds in full to the City before the building permit is issued. A building permit will not be issued unless the TBI is paid in full. TBI will be deposited in City’s Affordable Housing Trust Fund to be used for the development and preservation of affordable housing.

II. Guidelines for implementing this Affordable Housing Policy can be found in the “Inclusionary Housing Program Guide.”

Definitions

Rental Housing

Both gross incomes (adjusted for family size) and gross rental rates (adjusted for bedroom count and including utilities) are updated annually by the Minnesota Housing Finance Agency (MHFA) and published at www.mnhousing.gov. 2018 income and rental limits are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Gross Incomes</th>
<th>Gross Rents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>1 Person</td>
<td>$39,660</td>
<td>$33,050</td>
</tr>
<tr>
<td>2 Persons</td>
<td>$45,300</td>
<td>$37,750</td>
</tr>
<tr>
<td>3 Persons</td>
<td>$50,940</td>
<td>$42,450</td>
</tr>
<tr>
<td>4 Persons</td>
<td>$56,580</td>
<td>$47,150</td>
</tr>
<tr>
<td>5 Persons</td>
<td>$61,140</td>
<td>$50,950</td>
</tr>
<tr>
<td>6 Persons</td>
<td>$65,640</td>
<td>$54,700</td>
</tr>
</tbody>
</table>
Ownership Housing

10% or more of residential housing units are affordable to and initially sold to persons whose income is at or below the levels set in the MHFA’s “Startup Program” (first time homebuyer). This program has a sales price limit of $328,200, adjusted annually. Within Edina this limit is set at $350,000 in consideration of the high prices in Edina. The following sales prices will be used as the acquisition limit in this definition:

<table>
<thead>
<tr>
<th>Bedroom Type</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom</td>
<td>$250,000</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>$300,000</td>
</tr>
<tr>
<td>3+ bedrooms</td>
<td>$350,000</td>
</tr>
</tbody>
</table>

Utilities and other fees are in addition to this price limits.

The 2018 income limits as published on the MHFA website are as follows:

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Income Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 person household</td>
<td>$94,300</td>
</tr>
<tr>
<td>3+ person household</td>
<td>$108,400</td>
</tr>
</tbody>
</table>

Income limits and maximum sales prices are updated annually. See [www.mnhousing.gov](http://www.mnhousing.gov).

Originally adopted: November 1, 2015
Income/Rent Limits Adjusted: April 13, 2016
As amended: February 7, 2018
As amended: April 3, 2018
As amended: October 2, 2018
As amended:
Background

The City recognizes the need to provide affordable housing in order to create and maintain a diverse population and to provide housing for those who live or work in the City. Since the remaining land appropriate for new residential development is limited, it is essential that a reasonable proportion of such land be developed into affordable housing units. As such, the City of Edina adopts the following Affordable Housing Policy.

This policy applies to all new multi-family developments of 20 or more units that:

- a) Require a re-zoning or a Comprehensive Plan amendment. All new multi-family developments requiring a rezoning to PUD, Planned Unit Development.
- b) Receive financial assistance from the City; or
- c) Are developed on property purchased from the City (even if no financial assistance is being provided by the City) unless the City Council approves a waiver of this policy.

For the purposes of this Policy, 1) “unit” means either a for-sale dwelling or a rental dwelling in which a lease is signed prior to occupancy; and 2) “financial assistance” provided by the City includes, but is not limited to, tax increment financing, land write downs, pass-through funding for purposes other than environmental remediation, and other forms of direct subsidy. Any specific projects requesting exemptions to the affordable housing requirements must seek City Council approval on the basis of alternative public purpose.

The Policy

1. This policy applies to all new multi-family developments of 20 or more units that require a re-zoning or a Comprehensive Plan amendment. All new multi-family developments requiring a rezoning shall be required to be re-zoned to PUD, Planned Unit Development.

2. New rental developments will shall provide a minimum of 10% of all rentable area residential units at 50% affordable rental rates or 20% residential housing units at 60% affordable rental rates as defined below. The units shall be occupied by households at or below 60% of the Multifamily Tax Subsidy Income Limits (MTSP).

3. New for-sale developments will shall provide a minimum of 10% of all livable area residential housing units at affordable sales prices as defined below.

4. The affordable unit mix must be approximately proportional to the market rate unit mix.

5. Rental and for-sale/owner occupied affordable units shall include the following:
   - On-site parking will be provided (either surface or enclosed) for affordable units, and will be included within the affordable sales price and/or affordable rent. At least one enclosed parking...
A car stall shall be included in the purchase price of an affordable for-sale unit in the same manner as offered to buyers of market rate units. Adequate surface parking shall be provided at no additional charge.

b. Affordable rents include the utility allowance and any fees that are a requirement of occupancy as per Section 42.

c. Affordable and market rate residents will have equal access to all entries, lobbies, elevators, parking and amenities. Examples of “amenities” include storage lockers, balconies, roof decks, outdoor patios, pools, fitness facilities, and similar unit and project features.

d. Exterior appearance of affordable units shall be visually comparable with market rate units in the development. Examples of “amenities” include storage lockers, balconies, roof decks, outdoor patios, pools, fitness facilities, and similar unit and project features.

5. New rental housing will remain affordable for a minimum of 15-20 years, and this requirement will be memorialized by a Land Use Restrictive Covenant.

6. New for sale or owner occupied developments will remain affordable for a minimum of 30 years, and this will be memorialized by a Land Use Restrictive Covenant. The Land Use Restrictive Covenant will contain a provision providing the Edina Housing Foundation the right of first refusal to purchase affordable units.

7. The owners of rental housing projects subject to this Policy by receiving financial assistance shall accept tenant based rental housing assistance, including, but not limited to, Section 8 Housing Choice Vouchers, HOME tenant-based assistance, and Housing Support. Tenants with rental assistance may occupy an affordable dwelling unit with the rent charged not exceeding the maximum allowed by Metro HRA or the assistance provider. Furthermore, the rent charged may not exceed the maximum allowed by the most restrictive funding source. This requirement will be enforced through a contract between the City and project owner, pursuant to which the owner will be required to adopt business practices that promote fair housing and provide documentation of compliance with these requirements to the City. This requirement will be further enforced through the City’s monitoring policies and procedures.

8. Owners of City-assisted housing projects shall affirmatively market affordable housing opportunities. All rental housing providers must submit an Affirmative Fair Housing Marketing Plan (AFHMP) at least every 5 years, and a Survey and Certification regarding AFHMP outcomes annually. Owners must advertise housing opportunities on HousingLink or another medium acceptable to the City concurrent with any other public or private advertising.

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10. It is the strong preference of the City that each new qualifying development provide its proportionate share of affordable housing on site. However, the City recognizes that it may not be economically feasible or practical in all circumstances to do so. As such, the City reserves the right to waive this policy (only if circumstances so dictate, as determined by the City). In lieu of providing affordable housing in each new qualifying development, the City may consider the following:

   a. Dedication of existing units in Edina equal to 110% of what would have been provided in a proposed new development. These units would need to be of an equivalent quality, within the determination of the City.

   b. New construction of units of an equivalent quality within the City at a different site, at the discretion of the City.

   c. Financial risk and participation in the construction of affordable dwelling units of an equivalent quality by another developer on a different site within the City.

   d. An alternative proposed by a developer that directly or indirectly provides or enables provision of an equivalent amount of affordable housing within the City. An alternative could be a cash payment to the City in lieu of providing affordable housing units, or a “Total Buy In” (TBI) fee. The TBI shall be $100,000-$125,000 per unit, rounding up to the whole unit. The TBI is due in cash or certified funds in full to the City at the time of the issuance of the building permit. A building permit will not be issued unless the TBI is paid in full. The City Council may allow housing developer to pre-pay a TBI to satisfy a future AHO, on a case-by-case basis. TBI will be deposited in City’s Affordable Housing Trust Fund to be used for the development and preservation of affordable housing.

11. Guidelines for implementing this Affordable Housing Policy can be found in the “Inclusionary Housing Program Guide.”

Definitions

Rental Housing

Either 10% of all rentable area is both rent restricted and occupied by persons whose income is 50% or less of area median gross income,

Or 20% of all rentable area is both rent restricted and occupied by persons whose income is 60% or less of area median gross income.

Both gross incomes (adjusted for family size) and gross rental rates (adjusted for bedroom count and including utilities) are updated annually by the Minnesota Housing Finance Agency (MHFA) and published at www.mnhousing.gov. 2017-2018 income and rental limits are as follows:
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| 1 bedroom | $250,000 |
| 2 bedrooms | $300,000 |
| 3+ bedrooms | $350,000 |

The 2018 income limits as published on the MHFA website are as follows:

| 1-2 person household | $90,400–$94,300 |
| 3+ person household | $103,900–$108,400 |

Income limits and maximum sales prices are updated annually. See [www.mnhousing.gov](http://www.mnhousing.gov).

Originally adopted: November 1, 2015

Income/Rent Limits Adjusted: April 14-13, 2016

As amended: February 7, 2018

As amended: April 3, 2018

As amended: October 2, 2018

As amended:
Date: February 14, 2019

To: Chair & Commissioners of the Edina HRA

From: Jennifer Garske, Executive Assistant

Subject: Correspondence

ACTION REQUESTED:

None.

INTRODUCTION:

There have been no correspondences since the last meeting.