

Agenda
Edina Housing and Redevelopment Authority
City of Edina, Minnesota
VIRTUAL MEETING
Thursday, March 25, 2021
7:30 AM

**Watch the meeting on cable TV or at EdinaMN.gov/LiveMeetings or
[Facebook.com/EdinaMN](https://www.facebook.com/EdinaMN).**

To participate in Community Comment:
Call 800-374-0221.

Enter Conference ID 3090935.

Give the operator your name, street address and telephone number.

Press *1 on your telephone keypad when you would like to get in the queue to speak.

A City staff member will introduce you when it is your turn.

- I. Call to Order
- II. Roll Call
- III. Pledge of Allegiance
- IV. Approval of Meeting Agenda
- V. 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.

- VI. 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. Draft Minutes of Regular Meeting March 11, 2021
- VII. Reports/Recommendations: (Favorable vote of majority of Commissioners present to approve except where noted)
 - A. Amendment to New Multi-Family Affordable Housing Policy
 - B. Affordable Housing Financing Tools
- 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.



Edina Housing and Redevelopment
Authority
Established 1974

CITY OF EDINA
HOUSING & REDEVELOPMENT
AUTHORITY
4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: March 25, 2021

Agenda Item #: VI.A.

To: Chair & Commissioners of the Edina HRA

Item Type:
Minutes

From: Liz Olson, Administrative Support Specialist

Item Activity:
Action

Subject: Draft Minutes of Regular Meeting March 11, 2021

ACTION REQUESTED:

Approve the regular minutes of March 11, 2021.

INTRODUCTION:

See attached meeting minutes of March 11, 2021.

ATTACHMENTS:

Draft Minutes of Regular Meeting March 11, 2021

**MINUTES
OF THE REGULAR MEETING OF THE
EDINA HOUSING AND REDEVELOPMENT AUTHORITY
MARCH 11, 2021
7:30 A.M.**

I. CALL TO ORDER

Chair Hovland called the meeting to order at 7:32 a.m. and noted the meeting was being held virtually to comply with the Governor's Stay at Home Order due to the COVID-19 pandemic then explained the processes created for public comment.

II. ROLL CALL

Answering rollcall were Commissioners Anderson, Jackson, Pierce, Staunton, and Chair Hovland.

Absent: None.

III. PLEDGE OF ALLEGIANCE

IV. MEETING AGENDA APPROVED – AS PRESENTED

Motion by Commissioner Staunton, seconded by Commissioner Jackson, approving the meeting agenda as presented.

Roll call:

Ayes: Commissioners Anderson, Jackson, Pierce, Staunton, and Chair Hovland

Motion carried.

V. COMMUNITY COMMENT

No one appeared.

VI. CONSENT AGENDA ADOPTED – AS PRESENTED

Member Anderson made a motion, seconded by Member Pierce, approving the consent agenda as presented:

VI.A. Approve minutes of the Regular Meeting of January 28, 2021

VI.B. Approve Payment of Claims, Check Register December 2021-February 2021 totaling \$366,193.33

Rollcall:

Ayes: Commissioners Anderson, Jackson, Pierce, Staunton, and Chair Hovland

Motion carried.

VII. REPORTS/RECOMMENDATIONS

VII.A. 5146 EDEN AVENUE – METHODOLOGY TO DETERMINE FAIR MARKET VALUE – RECEIVED

Economic Development Manager Neuendorf said this item pertained to the redevelopment of the vacant property at 5146 Eden Avenue. He shared the HRA had entered into a Memorandum of Understanding (MOU) with Frauenshuh and United Properties to explore redevelopment of the site for a combination of commercial and residential uses with public benefits. He shared a proposed concept that included medical offices, public plaza, and senior cooperative housing then commented on value determination that included highest value versus fair market value, the residential element that included affordable units, the medical office element and adjustment for extra-ordinary site conditions regarding environmental contamination. Mr. Neuendorf spoke about how land value would be impacted by unit sales revenue, development costs, and site conditions including the need for structured parking, steep grade changes, and unique infrastructure costs as well as the anticipated 10% of units deemed affordable. He said the MOU required the HRA Board consider a methodology on how "fair market value" would be determined for a potential sale to Frauenshuh and United

Properties then reviewed other potential uses that concluded general commercial likely would not fit on this site, such as retail café, etc. A methodology had been jointly prepared by City staff and the developers and he noted the methodology did not mandate that the HRA enter into a purchase agreement for any particular price but to identify pricing expectations up front so that both parties could work towards an agreement on price and terms.

The Commission confirmed this proposal for public plaza space would be no different than if accomplished through a private development, if the senior cooperative project on York Avenue was not a comparable property due to its age, if valuation of properties not used could be considered then asked for explanation on potential use of TIF on pricing. Mr. Neuendorf responded while the project called for public space it had not yet been defined and would be incorporated into the planning, similar to the Nolan Mains project. He said this would be a similar project as to approach but agreed it would not be comparable for land values. He stated use of TIF on this site would be challenging because it was not a rental housing project then added since the district expired later this summer staff was still exploring if TIF was the correct tool.

The Commission noted this was not a sketch plan but an agreement on approach should a purchase agreement come forward then asked about impact of valuation and making decisions that protected cooperative homeowners' property values. The Commission asked about environmental cleanup and DEED grants and how that would be reflected in the purchase price then thanked staff for the direction but said they would prefer to make the valuation determination once a project was fully identified. City Attorney Kendall responded the MOA did not require the HRA to approve methodology but merely consider one and felt the development team heard the Commission's direction and had satisfied the requirements of receiving the MOA.

Motion by Commissioner Jackson, seconded by Commission Staunton, to receive the methodology to be used when determining a fair market price for the potential sale of property at 5146 Eden Avenue for redevelopment purposes.

Roll call:

Ayes: Commissioners Anderson, Jackson, Pierce, Staunton, and Chair Hovland

Motion carried.

VII.B. HOUSING REHABILITATION LOAN PROGRAM – APPROVED

Affordable Housing Development Manager Hawkinson stated the City had relied on the CDBG program for the financing of home rehabilitation loans for low- and moderate-income homeowners. This program was administered by Hennepin County and must comply with HUD guidelines with regards to eligibility of borrowers. She said the proposed pilot program served two purposes by allowing for higher income borrowers and higher valued homes than the CDBG program and provided loan forgiveness provision if the house was sold to the HRA. She shared program criteria comparison in detail then shared funding for the pilot program would come from the Affordable Housing Trust Fund sources and uses and requested allocation of \$250,000 for the pilot program for marketing.

The Commission asked about the proposed interest rate as simple interest rate with no amortization paid annually and why only one contractor bid was received. Ms. Hawkinson replied all interest would be deferred and accumulated with the principal and not compounded if sold to the Land Trust. She explained if not the principal balance would become the responsibility of the homeowner as part of the sale proceeds of the home as they did not want to impose an undue burden on a homeowner then added with the intense increase in construction projects it was difficult to receive multiple bids.

The Commission said they wanted the ability to allow a homeowner to pay interest annually if chosen then complimented staff for the creative program that preserved smaller homes in the community.

They inquired more about funding sources and fees for the loan servicer or administrator and applauded Ms. Hawkinson on finding creative ways to retain housing with sustainability in the City. They supported the pilot program but cautioned about how to evaluate the program for its success and the need to identify metrics for evaluation.

Motion by Commissioner Staunton, seconded by Commission Jackson, to approve a pilot Home Rehabilitation Loan program in the amount of \$250,000 and authorization to engage City Attorney to draft loan documents and contracts with Center for Energy and the Environment to administer the program and Community Reinvestment Fund to service the loans.

Roll call:

Ayes: Commissioners Anderson, Jackson, Pierce, Staunton, and Chair Hovland

Motion carried.

VII.C. APPROVE AMENDED PARTNERSHIP WITH METRO HRA TO EXPAND THE FAMILY AFFORDABLE HOUSING PROGRAM AND AUTHORIZE STAFF TO ENGAGE AN ATTORNEY TO DRAFT LEGAL AGREEMENTS – DISCUSSED

Ms. Hawkinson stated on November 12, 2020, the HRA approved \$2,000,000 to expand the Metro HRA's Family Affordable Housing Program. The basics of the approved program included acquiring single family houses to lease to the Metro HRA for \$1.00 each and how the Metro HRA would maintain and manage the houses and make available to families who qualified for their program. She said after further consideration and in consultation with the City attorney and financial advisor staff proposed amending the approved program to instead provide the Metro HRA with a \$2,000,000 forgivable loan whereby they acquired the single-family houses to own, maintain and manage. She said this action would streamline the process as Edina already had an agreement with Metro HRA rather than creating a brand-new program.

The Commission asked how we would ensure equity stayed in Edina and would not result in subsidizing homes in another city such as a right of first refusal. Ms. Hawkinson explained the differences in other ways to address affordability such as gap financing. The Commission discussed the process and the importance of maintaining title and their reluctance to give up control and while the public hearing process provided transparency these were significant funds to potentially lose control over.

Consensus was to direct staff to return with an amended program with Metro HRA for further consideration.

VIII. CORRESPONDENCE – Received

IX. HRA COMMISSIONERS' COMMENTS – Received

IX.A. PROJECT UPDATE – 4917 EDEN AVENUE – RECEIVED

Mr. Neuendorf shared staff had been in communication with Reuter Walton Development regarding their redevelopment concept for the Perkins restaurant site at 4917 Eden Avenue. The developers had requested the HRA explore use of Tax Increment Financing on this site to help redevelop the site. He explained how the Grandview Framework and Transportation plans envisioned several roadway improvements in this area and that TIF could be an effective mechanism to achieve this community benefit. He spoke about the need to retain space for a future off-ramp and roadway improvements at Wilson and Eden and that staff would be working to identify if TIF was appropriate for this site and would provide the Commission with updates once options were identified.

X. ADJOURNMENT

Motion made by Commissioner Jackson, seconded by Commissioner Anderson, to adjourn the meeting at 8:47 a.m.

Minutes/HRA/March 11, 2021

Roll call:

Ayes: Commissioners Anderson, Jackson, Pierce, Staunton, and Chair Hovland

Motion carried.

Respectfully submitted,

Scott Neal, Executive Director



Edina Housing and Redevelopment
Authority
Established 1974

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HOUSING & REDEVELOPMENT
AUTHORITY
4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: March 25, 2021

Agenda Item #: VII.A.

To: Chair & Commissioners of the Edina HRA

Item Type:
Report / Recommendation

From: Stephanie Hawkinson, Affordable Housing
Development Manager

Item Activity:

Subject: Amendment to New Multi-Family Affordable Housing
Policy

Action

ACTION REQUESTED:

Approved proposed changes to the New Multi-Family Affordable Housing Policy.

INTRODUCTION:

The For-Sale requirements for the New Multi-Family Affordable Housing Policy indicate that the maximum sale price is \$425,000. Although this is the cap for the Come Home to Edina program, that is to allow for single family home acquisition. As this policy covers multi-family ownership, \$425,000 does not meet the threshold for being affordable per the Metropolitan Council or Minnesota Housing. In order to count towards our goal of creating 992 new affordable units, Staff proposes decreasing the ownership sales cap to serve households with incomes at 80% of AMI, which equals a housing value of \$293,500, adjusted annually.

With construction costs increasing, the cost to develop an affordable unit within either a Market Rate development or on it's own is also increasing. Therefore Staff is proposed that the Buy-In fee increases to \$125,000 per affordable unit not being included in a Market Rate development. The Buy-In fee has not been increased such first introduced in 2018.

ATTACHMENTS:

Revised Affordable Housing Policy



- ☐ City Council
- ☒ City-Wide
- ☐ Department

Approved: 11/1/2015
Revised: 12/10/2020

NEW MULTI-FAMILY AFFORDABLE HOUSING

The City and Housing and Redevelopment Authority recognize the need to provide a range of affordable housing choices for those who live or work in the City. Since the land appropriate for new multi-family 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 New Multi-Family Affordable Housing 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.
2. "Financial Assistance" provided 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.
3. Any specific projects requesting exemptions to the affordable housing requirements of this policy must seek recommendation from the Edina HRA and approval from the Edina City Council based on alternative public purpose.
4. All new multi-family developments of 20 units or more must adhere to this policy and must be zoned PUD Planned Unit Development.
5. Affordable Rental Housing Income and Rents are defined as both gross incomes (adjusted for family size) and gross rental rates (adjusted for bedroom count and include utility allowance and any fees that are a requirement of occupancy as per Section 42 of the Internal Revenue Service Code.) that are updated annually by the Minnesota Housing Finance Agency (MHFA) and published at www.mnhousing.gov. 2020 income and rental limits can be found at the end of this policy.
6. Affordable Ownership Housing Income and Sales Price are affordable to and initially sold to persons whose income is at or below **80% of Area median Income** ~~the levels set in the MHFA's "Startup Program" (first-time homebuyer). This program has a sales price limit of \$340,000, adjusted annually. The Edina Housing Foundation has set this limit at \$425,000 in consideration of the high prices in Edina. A table showing sales prices that will be used as the acquisition limit in this definition can be found at the end of this policy.~~

THIS POLICY APPLIES TO ALL NEW MULTI-FAMILY DEVELOPMENTS THAT:

1. Include 20 units or more.
2. Require rezoning or a Comprehensive Plan Amendment.
3. Receive financial assistance from the City of Edina and/or the Edina Housing and Redevelopment Authority.

4. Are developed on property purchased from the City of Edina even if no financial assistance is being provided by the City unless the waiver is recommended by the Edina HRA and approved by the Edina City Council.

THE POLICY

1. New rental multi-family developments subject to this policy shall provide a minimum of 10% residential units at 50% affordable rental rates or 20% residential units at 60% affordable rental rates as defined below. The units shall be occupied by households at or below 60% of the Multi-Family Tax Subsidy Income Limits (MTSP).
2. New for-sale developments shall provide a minimum of 10% of residential units at affordable sales prices as defined below.
3. The affordable unit mix must be approximately proportional to the market rate unit mix.
4. Rental and for-sale/owner occupied affordable units shall provide the following:
 - a. on-site parking (either surface or enclosed) for affordable units and the cost related to parking must be included affordable sales price or affordable rental rate. At least one enclosed parking space shall be included in the purchase price of a for-sale unit in the same manner offered to buyers of market rate units.
 - b. 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.
 - c. Exterior appearance of affordable units shall be visually comparable with market rate units in the development.
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 requirement will be memorialized by a Land Use Restrictive Covenant. The Land Use Restrictive Covenant will contain a provision providing the Housing and Redevelopment Authority or Edina Housing Foundation the right of first refusal to purchase affordable units.
7. The owners of multi-family 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 of the 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 multi-family housing providers subject to this policy 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 and/or Housing and Redevelopment Authority 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 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 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. 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.
 - c. 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 payment of a Total Buy In (TBI) fee, a cash payment to the City in lieu of providing affordable housing units. The TBI shall be equal to ~~\$100,000~~ **\$125,000** per unit rounding up to the next whole unit. The TBI would be due in cash or certified funds in full to the City at the time of issuance of the building permit. A building permit will not be issued unless the TBI is paid in full. The City Council may allow the housing developer to pre-pay the TBI to satisfy a future Affordable Housing Opportunity on a case-by-case basis. TBI will be deposited into the 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 Policy Program Guide.

2020 INCOME AND RENTAL LIMITS

	GROSS INCOMES			GROSS RENTS	
	60%	50%		60%	50%
1 Person	\$43,440	\$36,200	Studio	\$1,086	\$905
2 Persons	\$49,680	\$41,400	1 Bedroom	\$1,164	\$970
3 Persons	\$55,860	\$46,550	2 Bedroom	\$1,396	\$1,163
4 Person	\$62,040	\$51,700	3 Bedroom	\$1,613	\$1,344
5 Persons	\$67,020	\$55,850	4 Bedroom	\$1,800	\$1,500
6 Persons	\$72,000	\$60,000			

2018 OWNERSHIP HOUSING INCOME AND SALES PRICE

Acquisition Limit in this policy definition: ~~\$425,000~~ **\$293,500**

2020 income limits as published on the ~~MHFA~~ **Metropolitan Council** website are as follows: **80% of AMI (\$78,500)**

1-2 person household	\$103,400
3+ person household	\$118,900

Income limits and maximum sales prices are updated annually. See www.mnhousing.gov and <https://metro council.org/Communities/Services/Livable-Communities-Grants/Ownership-and-Rent-Affordability-Limits.aspx>

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: March 5, 2019

Income/Rent Limits Adjusted: December 10, 2020

As Amended:



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Date: March 25, 2021

Agenda Item #: VII.B.

To: Chair & Commissioners of the Edina HRA

Item Type:
Advisory Communication

From: Stephanie Hawkinson, Affordable Housing
Development Manager

Item Activity:

Subject: Affordable Housing Financing Tools

Information

ACTION REQUESTED:

No action requested.

INTRODUCTION:

Nick Anhut from Ehlers will present various financing tools available to the HRA to support affordable housing development.

ATTACHMENTS:

Affordable Housing Finance Presentation



Local Funding for Affordable Housing

Edina HRA Board Meeting

Discussion Topics

- Affordable Housing and the Need for Public Financing
- Local Roles
- Menu of City/HRA Tools Available
- Examples of Public Assistance

Why a Need for Public Funding?

- Private financing is limited
 - ✓ Banks have underwriting and loan to value (LTV) maximums
- Private developers have market-based return on investment (ROI) expectations
- Example financing for typical Market Rate Project
 - ✓ Mortgage: 60% to 80% of total project costs
 - ✓ Equity: 20% to 40%
 - ✓ Other Financial Assistance: 0% to 10%



Why a Need for Public Funding?

- Affordable Housing Project
 - ✓ Less rental income but similar construction/operating costs, means:
 - Lower Mortgage Potential
 - Less attractive returns on equity
- Result is referred to as Gap
- Public Assistance options:
 - ✓ Fill up front – new source(s) of funds
 - ✓ Fill over time – cashflow supplement; backstop

Why a Need for Public Funding?

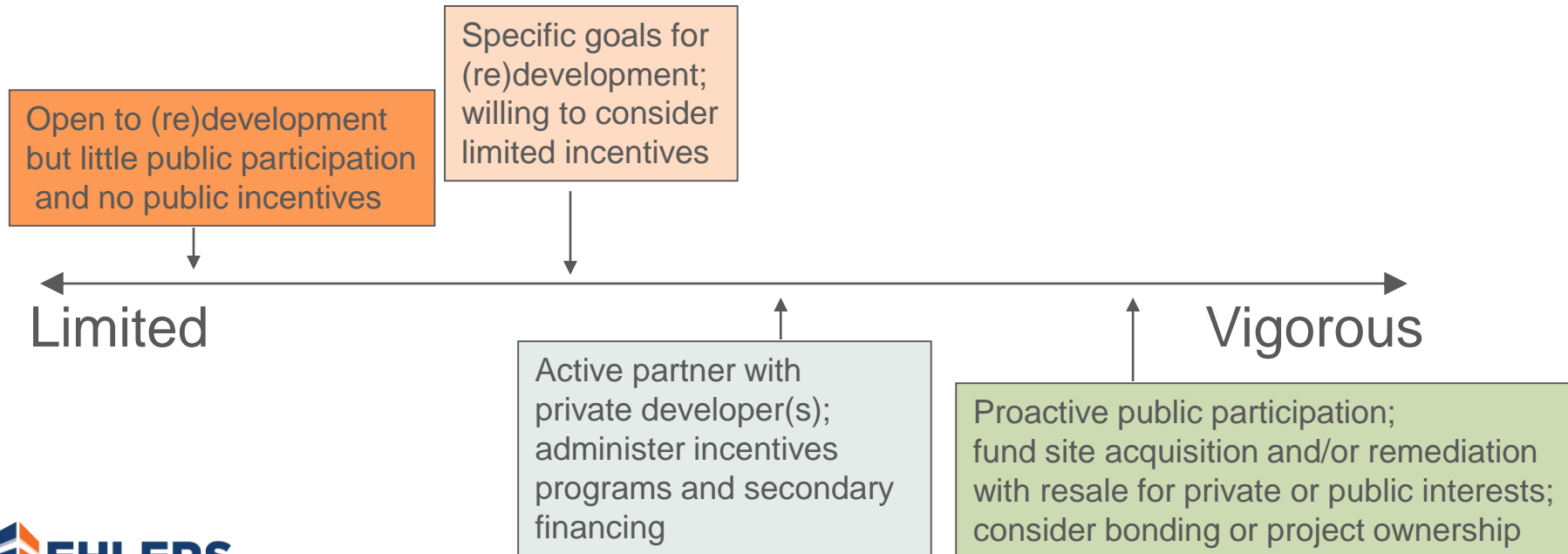
	100 Unit Apartment Building	
Affordability Scenario	Market Rate	60% AMI
Rental Income	\$1,924,000	\$1,392,000
Operating Expenses	(\$550,000)	(\$550,000)
Net Operating Income	\$1,374,000	\$842,000
Project Cost	\$22,000,000	\$22,000,000
Maximum Mortgage*	\$17,600,000	\$10,791,000
Private Equity*		
(20% of Project Cost)	<u>\$4,400,000</u>	<u>\$4,400,000</u>
GAP	\$0	\$6,809,000



* Simplified for Discussion: mortgage and equity funding levels will vary based on project / NOI potential

Local Housing Development Role

- Many potential approaches – just a few examples:



Menu of Local Housing Development Tools

- Tax Increment Financing / Tax Abatement
- HRA Levy
- Revolving Loan Funds
- Housing Improvement Areas
- Public Project Bonding
- Regulatory Incentives

Tool: Tax Increment Financing (TIF)

- Minnesota Statutes 469.174 – 469.1794
- Working Definition: ability to capture and use most of the **increase in** local property tax revenues **from new development or redevelopment** within a defined geographic area

Tool: Tax Abatement

- Minnesota Statutes 469.1813 – 469.1815
- Working Definition: ability **for a city, county or school district** to capture and use **all or a portion of its** ~~the increase in~~ local property tax revenues from ~~new development or redevelopment~~ within a defined geographic area

TIF / Abatement Mechanics

Original Tax Capacity

- Prior to TIF or abatement assistance, properties have a “base value” with tax revenues funding operations of local units of government
 - ✓ TIF: base continues to support operations
 - ✓ Abatement: may be reduced to 0 if desired

Original Tax Capacity = 1,729



TIF / Abatement Mechanics

New Tax Capacity

Total Tax Capacity = 31,907



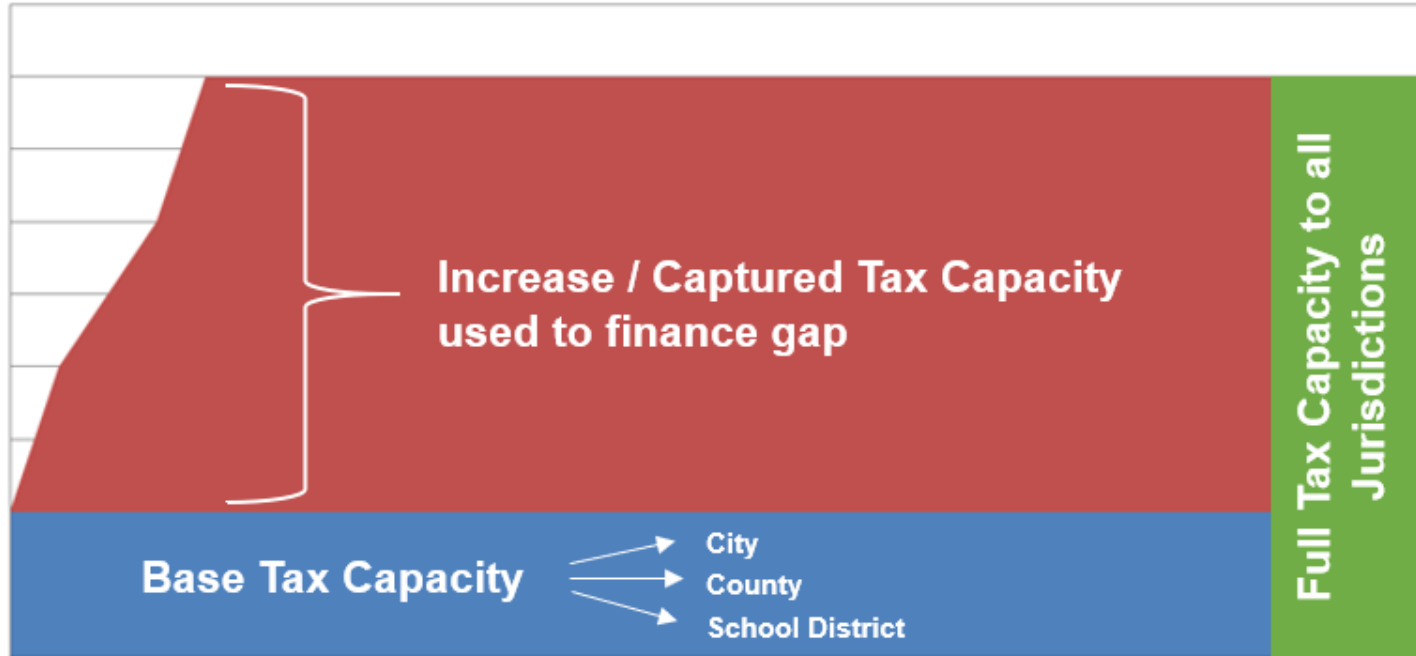
Original Tax Capacity = 1,729

New development
increases
“Total Tax Capacity”

Supports general tax rolls

TIF / Abatement Mechanics

- TIF Revenue example



TIF / Abatement Mechanics

- Property pays same Total Property Taxes as other like property

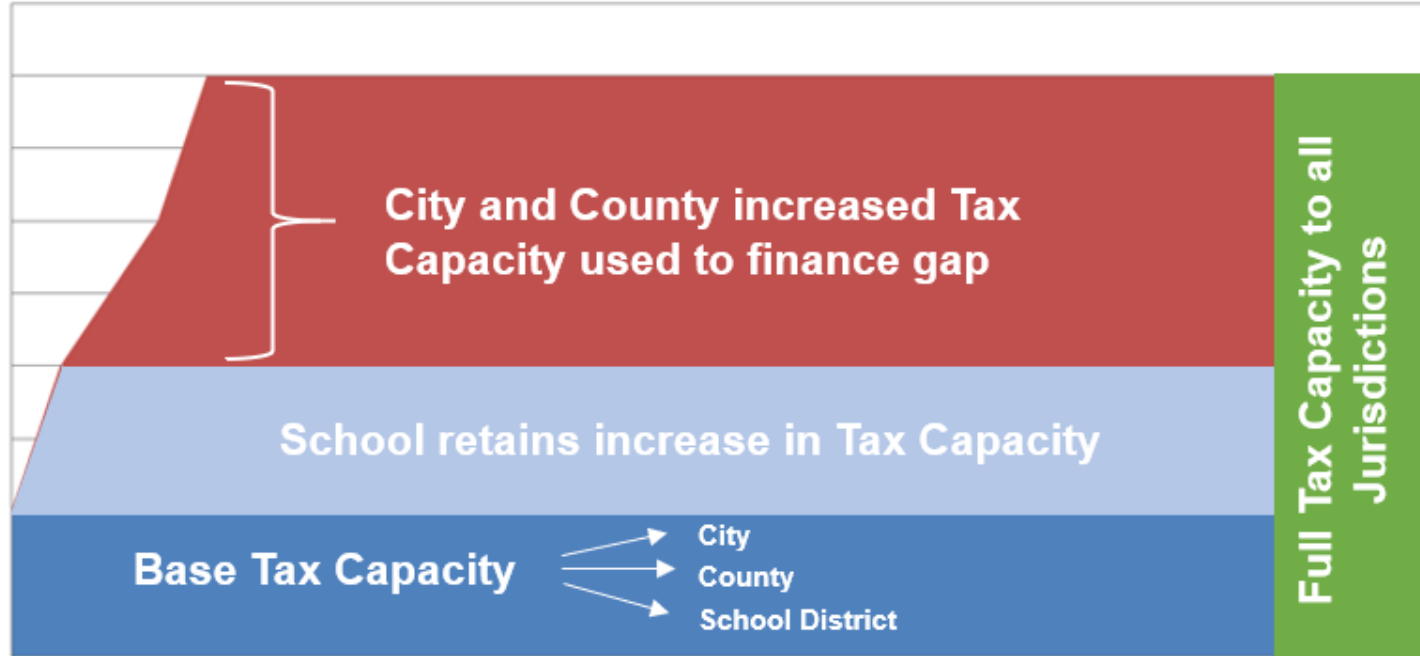
W H A T I S E X C L U D E D ?	
Total Property Taxes	48,249
less State-wide Taxes	0
less Fiscal Disparities Adj.	0
less Market Value Taxes	(7,029)
less Base Value Taxes	(2,234)
Annual Gross TIF / Abatement	38,986
less State Auditor Fee (TIF only)	(140)

- Some Property Tax Revenues Excluded from Capture

**Abatement only applies to participating entities tax revenues*

TIF / Abatement Mechanics

- Abatement Revenue Example (if City and County participate)



TIF Vs. Tax Abatement for Housing

	Tax Increment	Tax Abatement
Property Use	Affordability restrictions by TIF District Type	Must be “Public Benefit”; NO minimum affordability restrictions
Revenue	Captures only revenues from increased value; base value property taxes still paid to all local jurisdictions	May capture all revenues from the jurisdiction approving the abatement
Limits	No maximum on annual increment or number of TIF districts	Annual revenue may not exceed 10% of jurisdiction’s net tax capacity (Edina - \$16.4 million)
Term	26-year Maximum	15-year Maximum if full participation; 20-year if school or county “opt out”
Management	Funds remitted directly by County; requires separate accounting fund and OSA reporting	Must include as part of annual City levy; managed internally and NO reporting

TIF Housing Restrictions

- Rental Housing - applied to each building in District
 - ✓ 20% of units restricted to occupancy at 50% of median income; or
 - ✓ 40% of units restricted to occupancy at 60% of median income
- Owner-Occupied Housing – Income limits applied to 1st owner
 - ✓ 2 or less persons at 100% of median income / 3+ at 115%
- *Redevelopment, Renewal, or Soils TIF Districts*
 - ✓ *Can be used for projects with redevelopment or contamination needs*
 - ✓ *Affordability negotiated as part of assistance agreement*

TIF / Abatement Financing Options

- Pay-as-you-go Note
 - ✓ Developer funds eligible expenses and is repaid with interest, over time, from available tax increment / abatement revenues
 - Limits risk to public authority if term expires before note is retired
- Bonds / Interfund Loan
 - ✓ Authority issues bonds or uses cash to fund eligible expenses
 - ✓ Repayment comes from anticipated tax increment / abatement revenues
 - ✓ Bonds can carry General Obligation pledge to lower interest costs
 - Higher Risk: can be mitigated (but not eliminated) with developer guarantees

TIF Pooling

- Ability to use increment to assist projects outside of its TIF district
 - ✓ No limitation for pooling originating from Housing TIF Districts
 - ✓ Can fund direct project expenses of the HRA for eligible projects
 - Land Assembly / Write Down, infrastructure, grant, repay bonds
 - ✓ Can use as developer's financing for project
 - Issue a Loan / Cash Flow Note repaid from project revenues / deferral
- Projects and expenditure must qualify under terms of original district
 - ✓ Use from a non-Housing TIF District is limited

Tool: HRA Levy

- Flexible Revenues:
 - ✓ Can fund staff, capital outlay, studies and operations of HRA
 - ✓ Pay debt service (obligate levy as security or supplement City debt)
 - ✓ Source revolving loan funds
- Maximum HRA Levy: 0.0185% of City's estimated market value
 - ✓ \$13,471,921,000 EMV = \$2,492,305 statutory HRA levy limit
 - ✓ Tax Impact: added to total levies that are spread across the tax base
 - Current 2021 HRA Levy is \$230,400

Tool: Revolving Loan Funds

- Gap/bridge loans for new (re)development or preservation
- Potential to offer a subsidized interest rate or more favorable payment terms than commercial lending market
- Needs a source of initial or continued funding (capitalization)
 - ✓ HRA Levy
 - ✓ TIF Pooling (with restrictions)
 - ✓ Others
- Policy sets parameters for size, duration, application and review



Tool: Local Housing Trust Fund

- Dedicate revenues in “trust” for housing uses in community
 - ✓ Grants, loans, guarantees
 - ✓ Matching funds
 - ✓ Payment/rental assistance
 - ✓ Counseling services
- Partner with nonprofit or joint powers entity
- Each trust specifies targets for housing type / programming

Tool: Housing Improvement Areas (HIA)

- HIA is a tool to provide financing for improvements needed to maintain/preserve existing housing units
- City-funding to private owners / Associations for common area improvements when conventional financing not available
 - ✓ Eligible Improvements - defined by local policy / enabling ordinance
- Repayment through Fee collected with property tax payments
 - ✓ Mechanism similar to “special assessments”
 - ✓ Fee may be imposed based on unit’s tax capacity, sq. footage or fair alternative
- *HRA can serve as “implementing entity” and may appoint Advisory Board*

Housing Improvement Areas (HIA)

- Owners submit petition for public hearing (> 50% owners signed)
- Owners / Association determines needed improvements
 - ✓ Third-party financial plan to address operations and maintenance submitted prior to approval
- HIA is established by City ordinance following hearing
 - ✓ Notice published and mailed to each owner
 - ✓ Prior to adoption, an owner may file objection if property would not benefit (determination to exclude property made within 60 days)
- Fee established by resolution after additional public hearing
- Veto process prior to effective dates of ordinance and resolution

Housing Improvement Areas (HIA)

- Best Practices:
 - ✓ Establish HIA policy to govern program for multiple HIAs
 - Impose higher petition requirements, refine goals
 - ✓ Establish Application process
 - Request evidence of project scope and public financing need
 - ✓ Discuss process for requiring competitive bids, submitting costs
 - ✓ Require Development or Financing Agreement for each project
 - Set terms for disbursement of funds, schedule for construction
 - Require project and property management, additional security

HIA Financing Options

- Advance City Funds
 - ✓ “Loan” repaid through HIA Fee revenue
- Taxable Bonds
 - ✓ Can carry General Obligation pledge to lower interest costs
 - HIA Fees set to provide 105% coverage for term of debt
- Consideration given for HIA Fee prepayment
- Can include administration charge within HIA Fee amount

Tool: Public Project Bonding

- Municipal Bonds - debt instrument for public purpose
- Interest can be tax-exempt to the bond purchaser for certain projects
- Bond Security: General Obligation or Revenue
 - ✓ General Obligation is backed by the full faith and credit
 - “AAA” credit rating carries most favorable terms and financing costs
 - ✓ Revenue Bond limits the specific repayment source
 - Project revenue, TIF, mortgage on property, etc.
- Conduit or Pass-Through Bonding (discussed later)

Public Project Bonding

- Repayment Term can be 1 to 40 years
- Up to 100% financing
- Subject to underwriting and negotiated terms based on security and potential purchaser
 - ✓ Revenue bonds – more limited based on source of repayment / collateral
- Term and size of bonds dictates buyer
 - ✓ Publicly offered securities – bought and sold in the marketplace
 - ✓ Private placement – placed direct to financial institution or other

Public Project Bonding

- HRA can issue “revenue bonds”
 - ✓ Lease revenue bonds for land / public facilities
 - ✓ Section 8 Bonds for public housing
 - ✓ TIF Bonds for qualifying project
- HRA can obligate levy as a source of repayment for projects
 - ✓ Limited tax revenue bond of the HRA
- HRA can issue revenue bonds backed by City’s G.O.
 - ✓ Only for HRA owned senior or affordable housing – M.S. 469.034

Funding Partner – Tax Exempt Bonds (TEB)

- Tax Code and MN Statute allow municipalities to act as “Conduit Issuer” of bonds for benefit of certain types of borrowers
- Provides tax-advantaged interest to the purchaser
 - ✓ Sold at lower interest rates / lower overall cost of financing
- Borrower agrees to indemnify Conduit Issuer for costs, expenses, liabilities
 - ✓ Conduit issuer not responsible for payment - no credit impact
 - ✓ Borrower incurs time and costs for bond structuring and placement
 - ✓ Conduit issuers typically charge administrative fee for issuance

Funding Partner – Tax Exempt Bonds (TEB)

- Conduit bonds issued on behalf of for-profit developers requires bond allocation from State of MN
 - ✓ “Volume Cap” allocation given annually to:
 - Entitlement Issuers (MHFA, Minneapolis, St. Paul and Dakota County)
 - Pools Administered by MMB (Housing, Small Issue and Public Facilities)
 - New allocation each January, additional potentially available from unused pool in July
 - ✓ Volume Cap bonds will not negatively impact conduit issuer’s ability to issue its own “bank-qualified” bonds
- Process involves sponsoring application to State and public hearing(s)
- *4% Tax Credit Project – 50% of project basis must be financed by TEB*

Funding Partner – Tax Exempt Bonds (TEB)

- Technically not a debt or obligation of the municipality...so no concerns?
 - ✓ Non-volume cap bonds can impact City's "bank qualification"
 - ✓ IRS inquiry goes to (through) the Issuer
 - ✓ Issuers have been sued – actual risk depends on role in project
 - ✓ Name Association or perception of unfair competition
 - ✓ Administration
- Best Practice: establish local policy and review with bond counsel / advisors

Other Tools: Regulatory Incentives

- Ambassador Services – POC to navigate regulatory environment / sponsor
- Zoning Incentives
 - ✓ Typically allows for greater density in exchange for some public benefit (e.g. affordable housing or project enhancements)
- Fee Reductions or Waivers
 - ✓ Sewer, Water or other Infrastructure Fees / Park Dedication
 - ✓ Can use public funding source to offset infrastructure burden
 - HRA Levy / Loan Funds or TIF Pooling
- “4d” Property Classification and PILOT tax reduction programs



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