



A Tale of Three Cities

TIF & Development Case Studies

A Tale of Two Cities: As Told By...



Greg Hunt
Economic Development
Coordinator



Julie Wischnack
Community
Development Director



...and moderated by:



Stacie Kvilvang
Senior Municipal Advisor
skvilvang@ehlers-inc.com
(651) 697-8506

Beltline Station Development **the saga continues...**

Ehlers Conference

February 2, 2024

Greg Hunt, Economic Development Manager



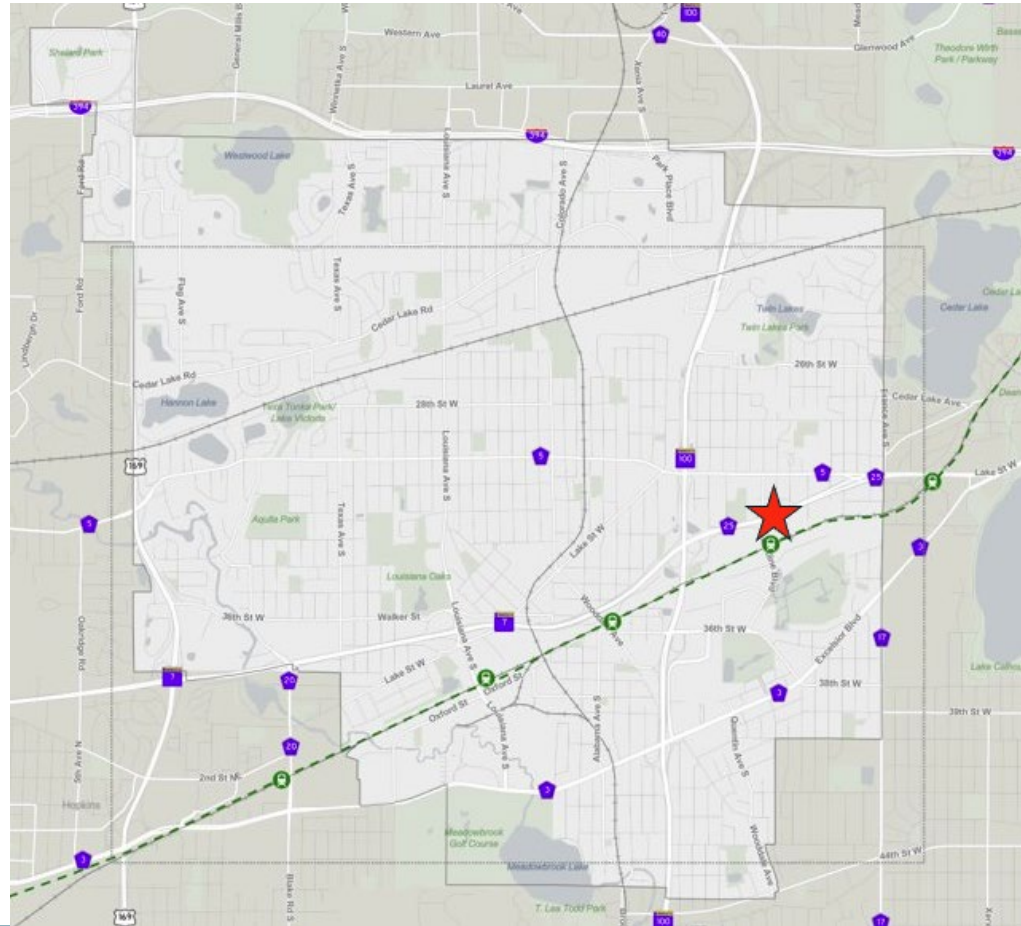
Beltline Station Development

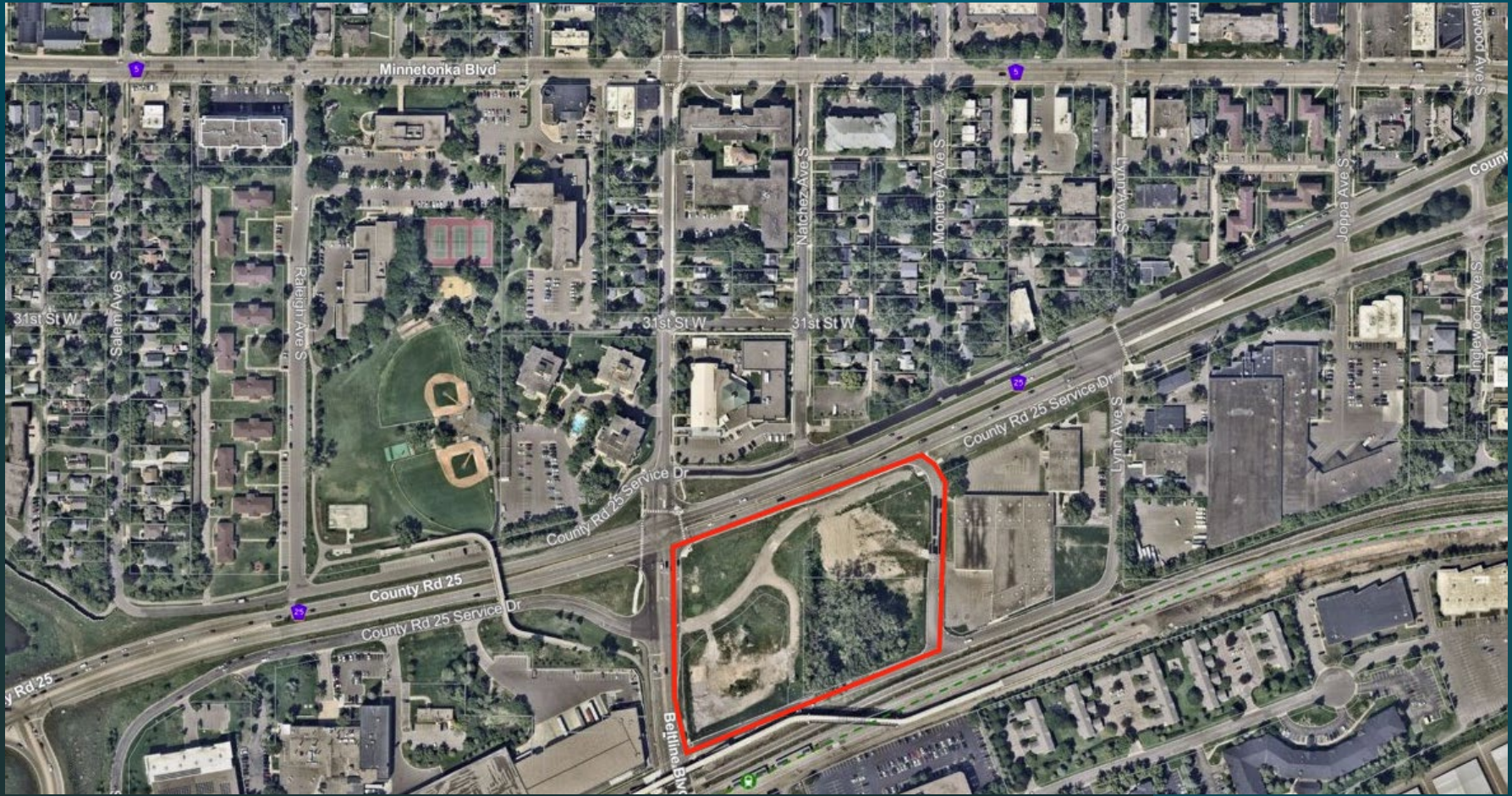
4725 Highway 7, 4601 Highway 7, 3130 Monterey Avenue S
(southeast corner CSAH 25 and Beltline Boulevard)

Sherman Associates & St. Louis Park EDA

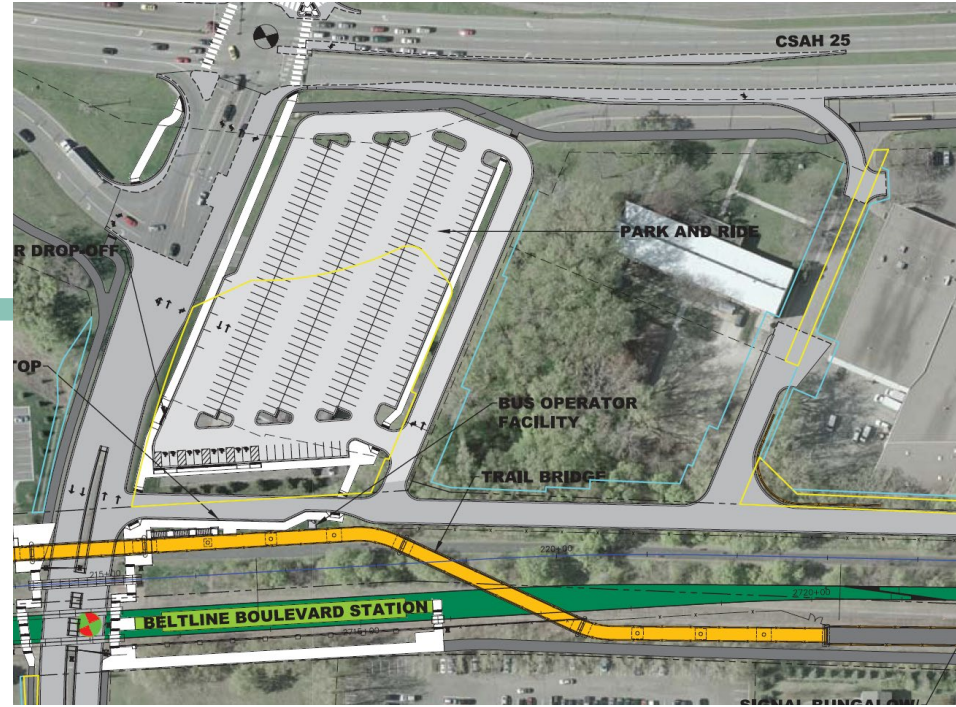
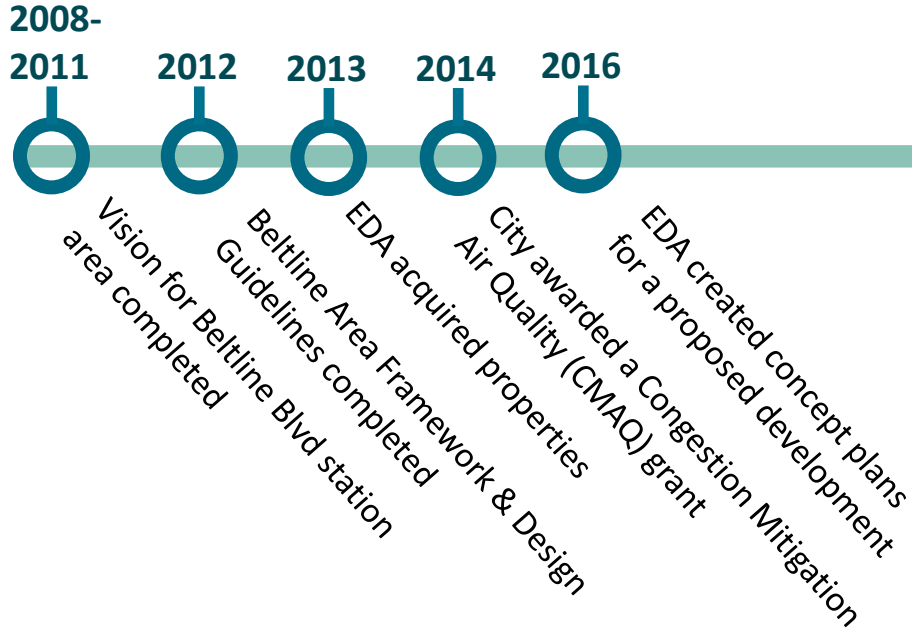
Beltline Station Development

- SE corner Beltline Blvd. and Highway 7
- East of Nordic Ware
- Adjacent to the Beltline Blvd. LRT Station



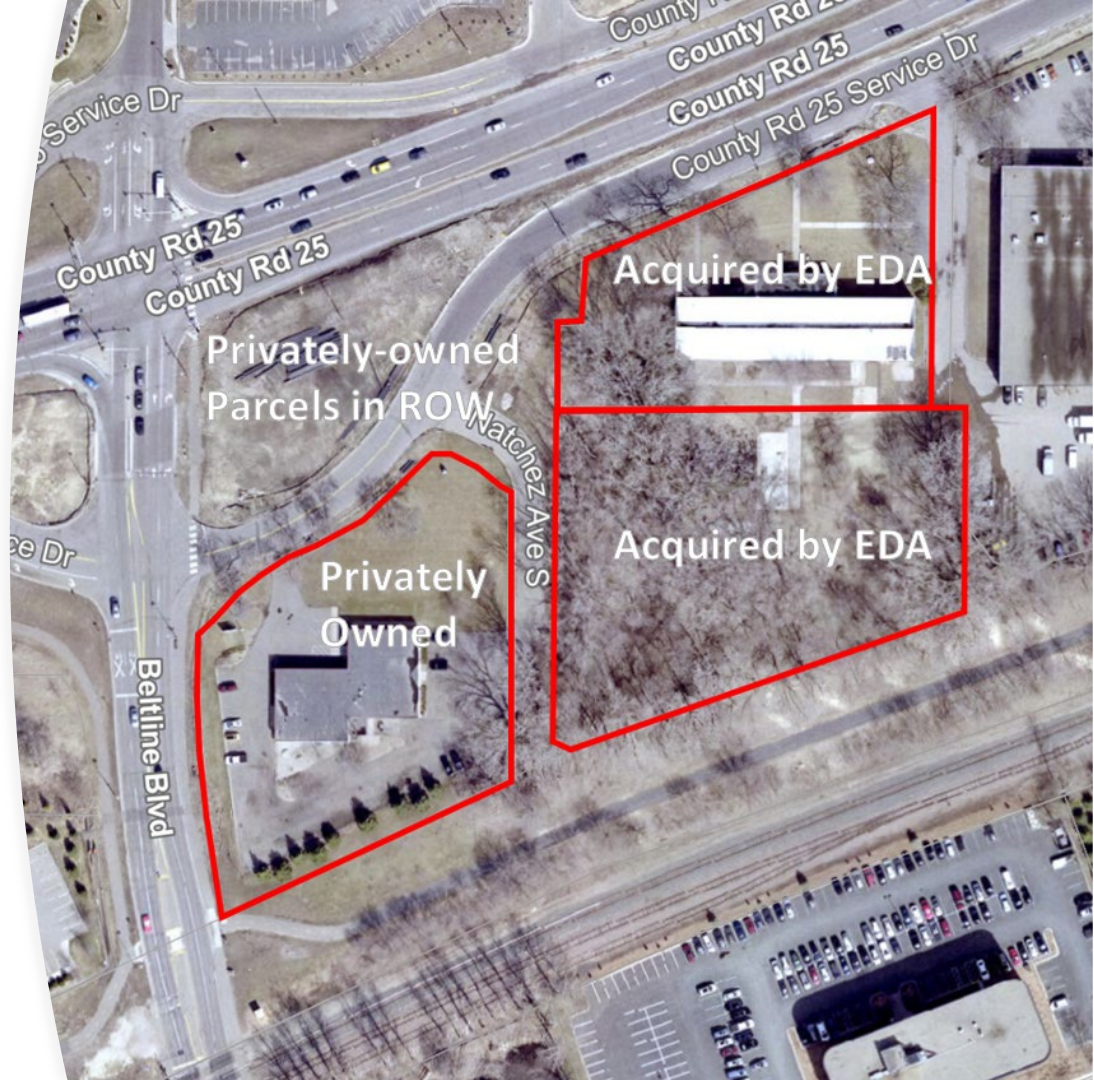


Timeline



Land assemblage & financial assistance

- EDA purchased two properties in 2013
- Blight study performed and had the former building formally designated as structurally substandard.
- Anticipated providing financial assistance through a Redevelopment TIF District
- Had to research properties underlying the ROW and obtain quit claim deeds from the heirs of former property owners.
- Go to court to obtain quiet title to ROW parcels.





CMAQ Grant & LRT Parking requirements

- Original LRT plans and CMAQ grant application contemplated 500+ park and ride spaces at Beltline.
- Worked with LRT staff and federal govt to reduce the stalls to 268 park and ride spaces.
 - Required an amendment to the CMAQ grant, reducing overall grant award to \$6.45 million.
 - Took 1+ years to process this change request

2016 Community Vision Study

- A high-density, mixed use, mixed-income, transit-oriented development adjacent to the Beltline LRT Station.



EDA Request for proposals for the site

- TOD – mixed use with housing
- Mixed income (market rate and affordable)
- Integrate with SWLRT station and surrounding uses
- Parking structure with 268 park and ride spaces
- High standards for environmental sustainability





Timeline

- 2017** EDA distributed RPF to Prospective developers
- 2018**
 - Entered into Preliminary Development Agreement with Sherman Associates
 - Demo'd building in Dec. 2018
- 2019**
 - Began development/contract negotiations with developer
 - Determined all affordable in 1 building
 - EDA provided bridge loan to purchase former bank site
- 2020** COVID 19 Pandemic – further contract negotiations

SWLRT Beltline Blvd. Station Redevelopment Site

Request for Redevelopment Proposals

A Premier SWLRT Transit-Oriented Development Opportunity

EQUAL HOUSING OPPORTUNITY



Beltline Boulevard
Development

- 7-story mixed-use building
 - 152 market rate units
 - 20,000 sf commercial
- 4-story affordable building
 - 77 units affordable at 60% AMI
 - 5 units affordable at 30% AMI
- 5-story market rate building
 - 146 market rate units
- 6.5-story parking ramp
 - 322 residential stalls
 - 268 park & ride stalls
 - 1,800 sf commercial

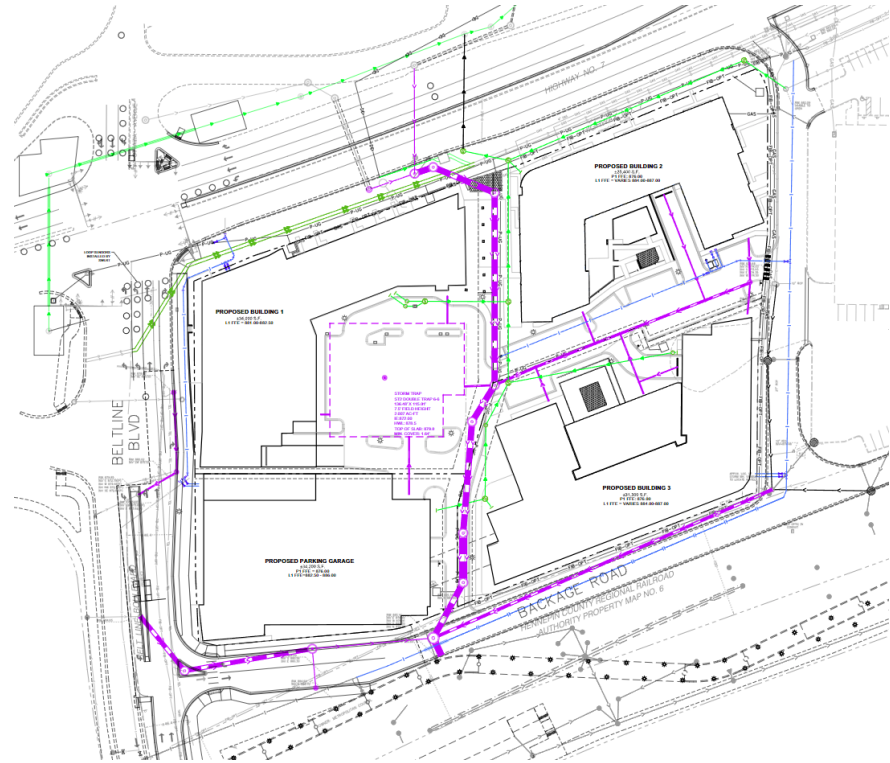
Issues

- Determine how to fund the public parking components
 - Required local match
- Exceed city's Inclusionary Housing Policy requirements
 - +20% of the units affordable at 60% AMI or below, including units at 30% AMI
 - Located in 1 building
- Two TIF districts for one development
 - Housing TIF District
 - Redevelopment TIF District



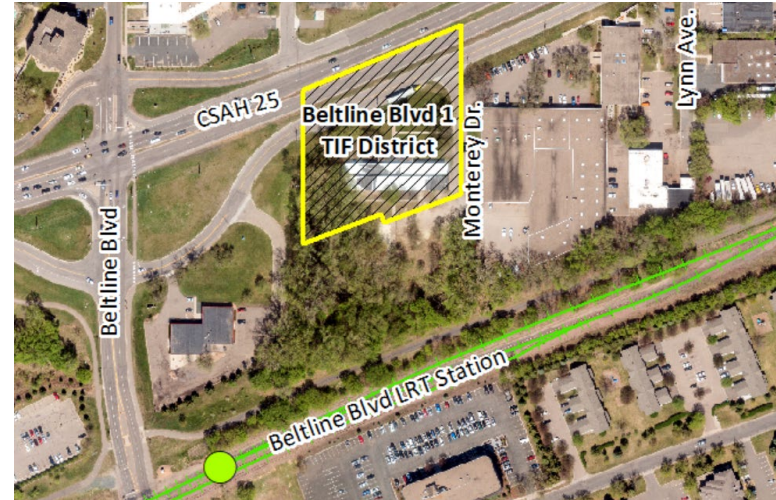
Issues

- Significant public infrastructure and cleanup costs
 - Contaminated site
 - High water table and wetland relocation
 - New water and sewer infrastructure
 - Relocation of a 66" storm sewer pipe
 - Relocation of dual force sewer mains
- COVID-19 Pandemic
 - Increased construction & labor costs
 - Interest rate hikes



Original Deal

- Creative design of the TIF districts
 - Housing TIF District to fund the affordable building
 - Redevelopment TIF District with two Pay-Go notes to fund market rate housing and parking ramp
- Utilization of city's Affordable Housing Trust Fund
 - Fund 5 deeply affordable units at 30% AMI
 - Long-term, low-interest loan
- Sale of EDA-owned property for \$6.015 million, paid at closing



Timeline

- 2021** Sherman Associates applied for Low Income Housing Tax Credits (LIHTC) for the affordable building
- 2022**
 - Sherman Associates awarded LIHTC funding in January
 - Applied for and received zoning entitlements
 - Deadline for establishing a Redevelopment TIF District had passed so had to find a creative solution
 - Established 2 TIF districts in June 2022
 - Housing district & renewal and renovation district
- 2023**
 - Further negotiated separate purchase and redevelopment contracts.
 - Updated lender appraisal reflected significant reduction of land value
 - High construction costs & interest rates hikes increased gap created need for continued negotiations
 - Final approval of redevelopment contracts July 2023

Final Deal

Site component	TIF Note amount	Pooled tax increment	AHTF	Bridge loan forgiveness	Land price reduction	Total city assistance	CMAQ & Other Grants
Housing TIF District (affordable component)							
Affordable building	\$1.44 million 26 years		\$618,238			\$2.06 million	DEED: \$418,000
Renewal & Renovation TIF District (mixed-use, market rate & parking components)							
Mixed-use building	\$5.75 million 16 years	\$1,554,000		\$997,000	\$3,015,000	\$16.41 million	CMAQ: \$6.45 million ERF: \$25,000
Market rate building & parking ramp	\$2.19 million \$2.90 million 16 years						
Total financial assistance	\$12.30 million*	\$1.55 million	\$618,238	\$997,000*	\$3.015 million*	\$18.47 million	\$25.58 million

Redesign & rebidding the parking ramp

- August 2023, one bid received for construction of ramp - \$5.7 million over budget
- Fall 2023 - Ramp redesigned & rebid
- January 2024 – bid opening
- March 2024 – Plat extension & contract amendments



The saga continues....



Lessons learned

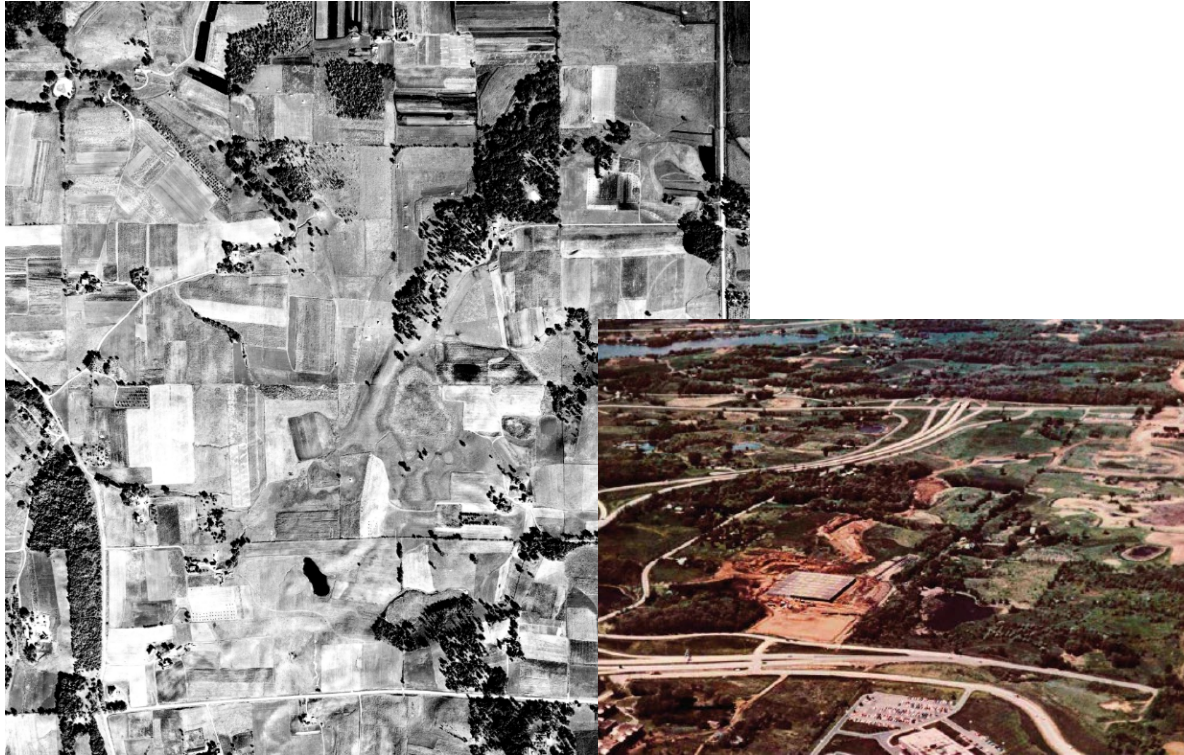
- Identify project “must haves” at the outset
- Relationships are important
 - EDA and developer are partners in this project
- Public/private partnerships involving multiple govt. agencies (HC, MC, DEED and FTA) to obtain a variety of formal approvals.
- Transparency with policy makers
 - Keep them informed - share the pain

Lessons learned

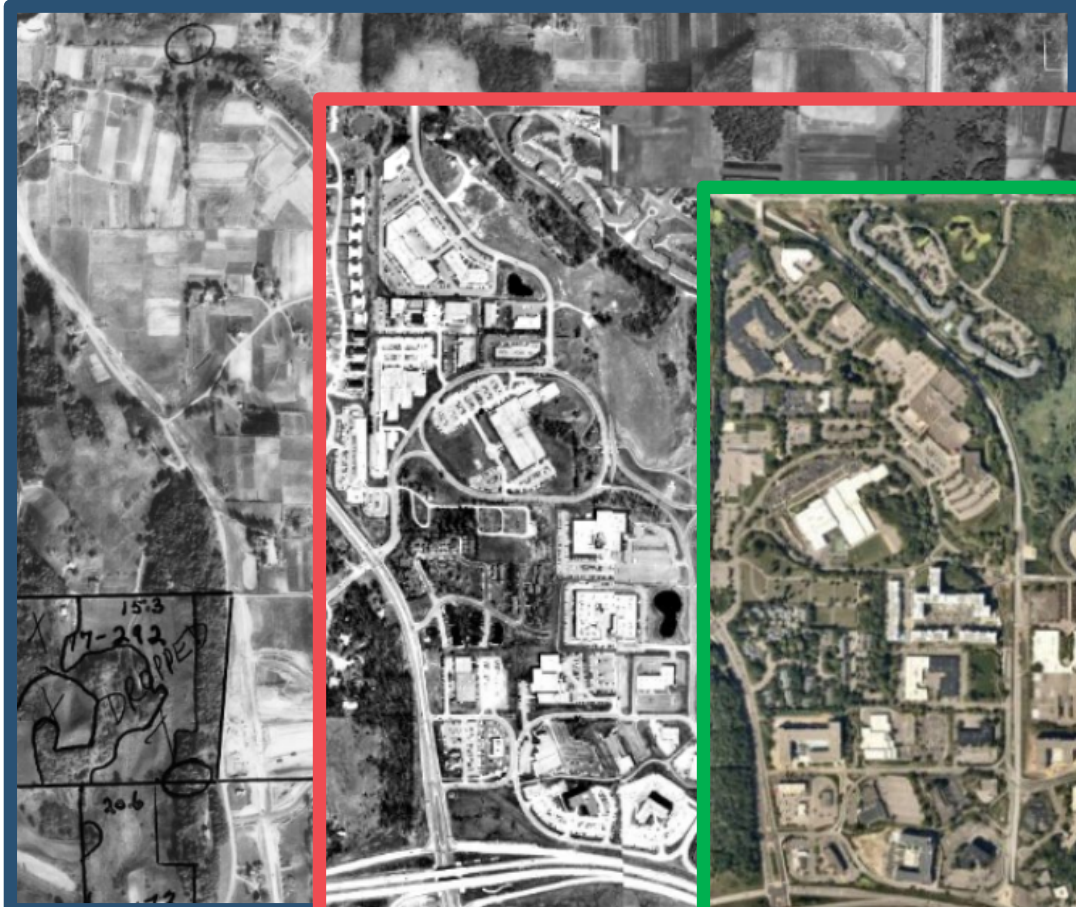
- Federal funding is complex and will require significantly more time than anticipated.
- Flexibility critical for all parties.
- Keep the vision in mind.
- “Just keep swimming.....”

Julie Wischnack, AICP
Community Development Director
City of Minnetonka

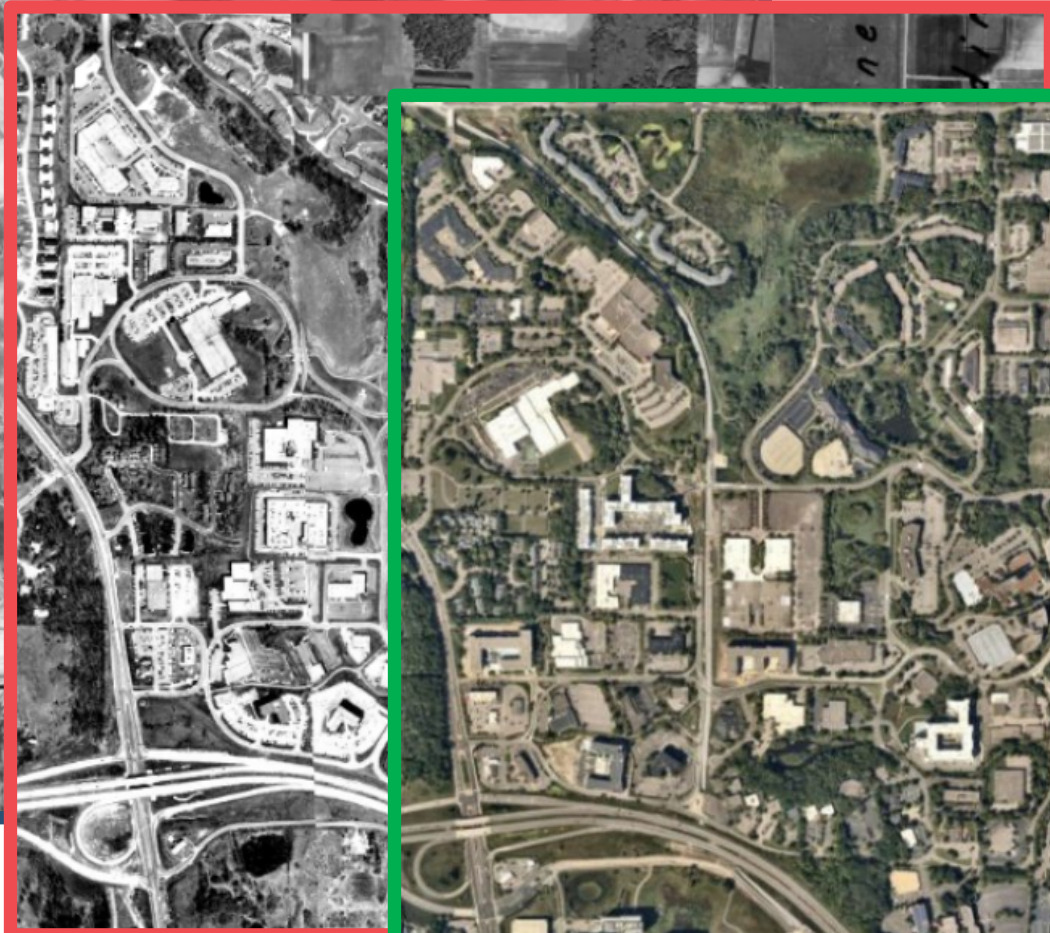
History of the Opus Area



- Agricultural use upon European settlement
- Construction of highway & freeway system in the 1960's
- Developed into office park beginning in the 1970's



1969



1989



2024

Original Vision for the Opus Office Park



- Envisioned as a walkable live/work community
- Intended to meet personal and professional lifecycle needs
- Ecologically oriented
- Curvilinear, separated road & trail network

Opus 2 Business Park

- Issues and Forces
 - Opus business park was transforming due to light rail
 - The age of Opus makes it ripe for redevelopment
 - Office market softening, including prior to pandemic
 - Property sizes make redevelopment attractive

Opus Tax Increment Financing District



Tax Increment Renewal and Renovation District

TIF R&R Goals:

- Assist with financing for affordable housing for the four proposed projects (flexibility to meet and exceed housing policy goals)
- Establish the mechanism to pay for necessary road improvements (without imposing assessments on individual projects) Without imposing assessments on individual properties or utilizing city-wide tax levy dollars
- Utilize future pooling increment for housing, future road improvements, and admin.

Minnetonka Station

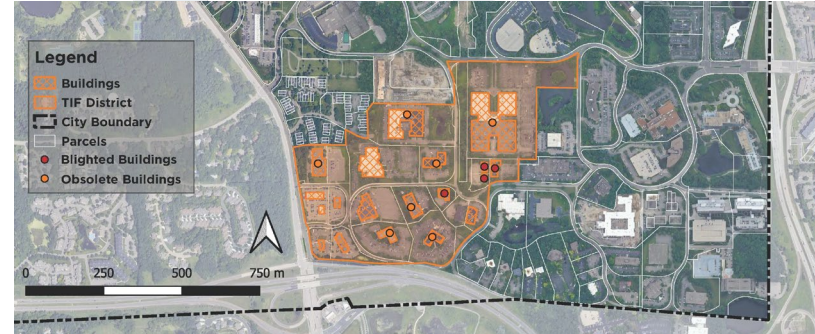


Tax Incremental Renewal and Renovation District

Term Length: 16 Years

Establishment Parameters:

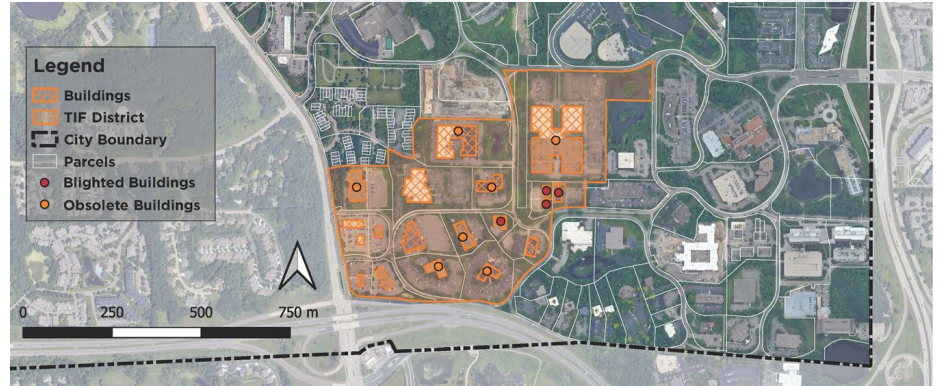
- 70% of the area within the TIF district must be occupied by buildings, streets, utilities or paved or gravel parking lots (just like a redevelopment TIF district)
- 20% of the buildings must be structurally substandard
- 30% of the other buildings must require substantial renovation or clearance to remove an existing condition
 - Inadequate street layout
 - Incompatible uses or land use relationships
 - Overcrowding of buildings
 - Excessive dwelling density
 - Obsolete buildings not suitable for improvement or conversion



Tax Incremental Renewal and Renovation District

Opus TIF R/R district:

- District to include 23 parcels
 - 19 parcels with a building
 - 4 parcels are vacant/parking lot
 - Area occupied by buildings, streets, utilities, parking (94.7%)
 - 4 buildings structurally substandard (21.1%)
 - 7 buildings require renovation or clearance due to obsolescence (36.8%)



Housing Mix and Current Redevelopment Proposals

Existing

Overall mix of existing affordable ownership and rental housing in Opus:

- 0-30% AMI = 0% units
- 30%-50% AMI = 2% of units
- 50%-60% AMI = 57% of units
- 60%-80% AMI = 28% of units
- Market Rate = 14% units

Total of 2,183 housing units

Proposals

Total housing units for 4 new development proposed in Opus.

- 0-30% AMI = 1% units (12 units proposed)
- 30%-50% AMI = 8% of units
- 50%-60% AMI = 1% of units
- 60%-80% AMI = 6% of units
- Market Rate = 84% units

Total of 1,408 housing units

End Result

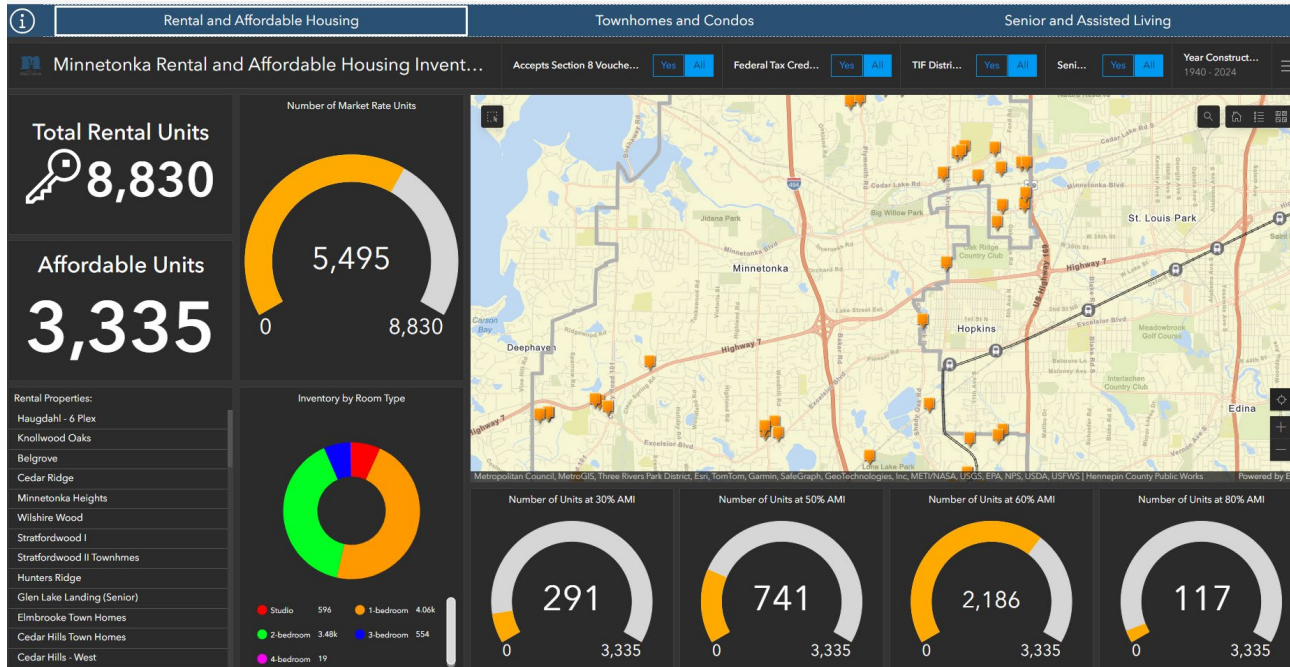
Increase mix at 50% AMI and up to 80% AMI.

- 0-30% AMI = 0% units (12 units)
- 30%-50% AMI = 4% of units
- 50%-60% AMI = 35% of units
- 60%-80% AMI = 19% of units
- Market Rate = 41% units

Total of 3,591 combined housing units

Housing Dashboard

- [Minnetonka Housing Maps \(arcgis.com\)](https://arcgis.com)



Opus Housing Proposals

Minnetonka Station/Linden Street Partners (10400, 10500, and 10550 Bren Road East)

Seven story, 275-unit apartment building, 10% total affordable
Developer requested \$9 M, received \$553,000 in assistance to provide

10% of units affordable at 50% AMI (compensating the developer for the extra 5% at 50% AMI instead of 60% as provided in the city policy).

Summer 2021 – Building demolition – opened 2023

Shady Oak Office Center/Wellington Management (10901 Red Circle Drive)

5 story, 223 unit building (phase 1), 30% affordable
The developer requested \$9.5 received \$2.4 in paygo TIF in assistance to provide affordable units

23 units at 50% AMI and 45 units at 80% AMI

3-4 story, 70 unit building (future phase 2)

Opened 2023



Opus Housing Proposals, cont.

Doran Apartments (5959 Shady Oak Road)

Six-story, 375-unit apartment building, 15% affordable (total units)

5% of the units at 50% AMI (19 units) and 5% of the units at 60% AMI (16 units), and 5% at 80% AMI (19 units).

*The developer is requested and received \$280,000 in assistance
Opened Fall of 2023*



Bren Road Development, KA/AEON (10701 Bren Road East) first project

14-story, market-rate apartment with 294 units (20% of total units of the two buildings)

4-story, affordable housing apartment building with 75 units

Affordable housing project includes a mix of 30%, 50%, and 60% AMI units

Developer was seeking financing assistance up to \$8.13 million

Developer withdrew project application



Opus Housing Proposals, cont.

Bren Road Development, Greystar (10701 Bren Road East)

5-story, 275 unit multi unit housing development.

Developer requested \$7.1M, city approved \$3.3M paygo TIF.

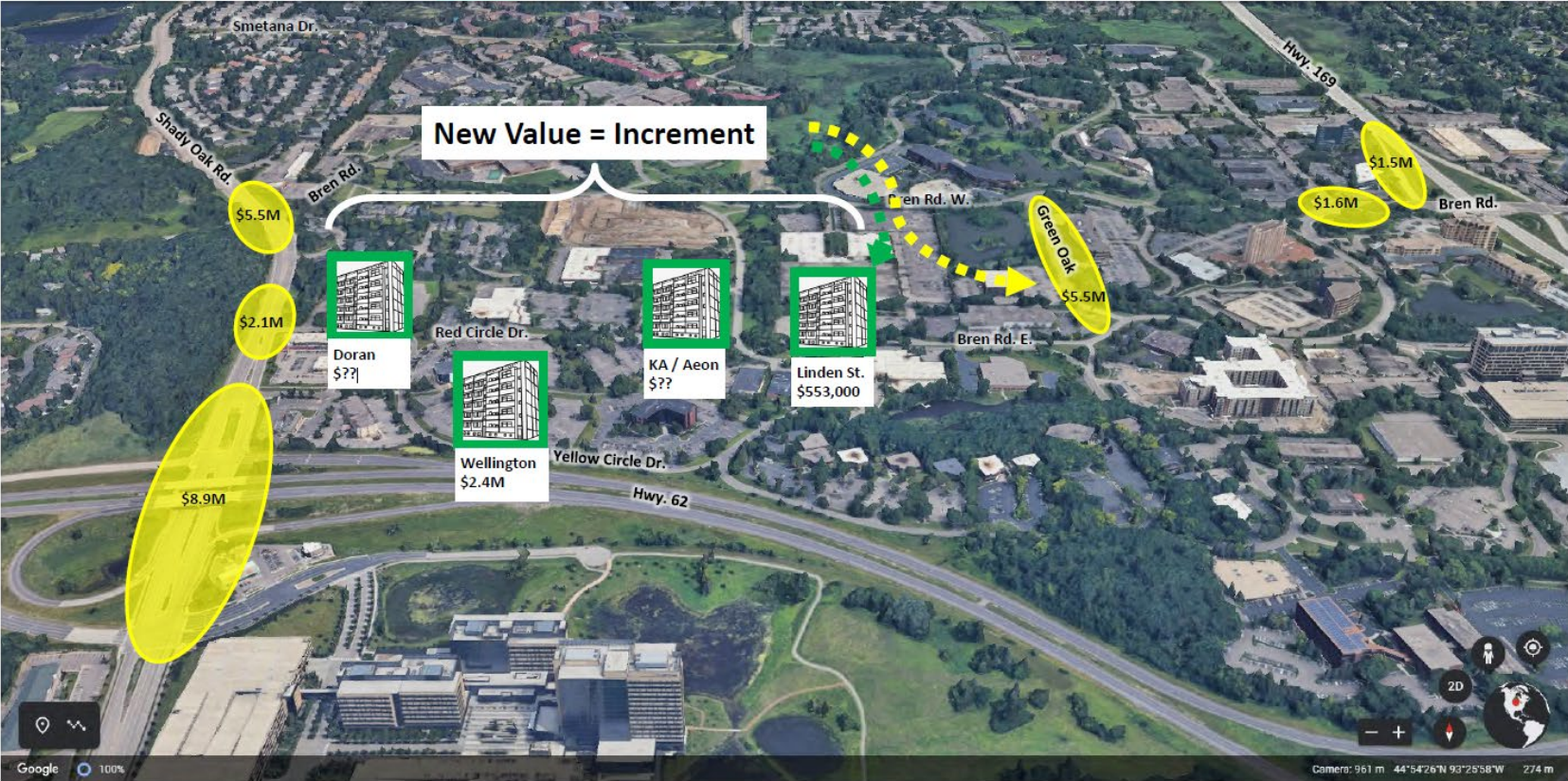
5% at 40; 5% at 80% - total of 27 units

Project has not started construction.



TIF District could generate \$54 million over 16 years (4 redevelopment projects)

- Assist with road projects total \$25M
- Assist with affordable housing \$3+M



TIF Plan Budget

TIF Budget Represents the maximum amount of TIF over the term of the district.

- Cannot exceed what is noted for total project costs for all 23 parcels

Proposed current uses:

- Road projects = \$25M
- Housing = \$9.2M
- Admin/affordable housing = \$15.73M

Total potential TIF from 23 parcels = \$194M

USES	
Land/Building Acquisition	\$ 30,000,000
Site Improvements/Preparation	25,000,000
Affordable Housing	53,087,332
Utilities	5,000,000
Other Qualifying Improvements	57,342,269
Administrative Costs (up to 10%)	24,130,605
PROJECT COSTS TOTAL	\$ 194,560,207
Interest	70,876,453
PROJECT AND INTEREST COSTS TOTAL	\$ 265,436,660


TIF Commitments

- **Linden Street Partners**: *\$553,000 Up-Front Grant from EDA Funds*. The EDA has agreed to provide an up-front grant for this project. The EDA will reimburse itself through future tax increment generated from the District at an interest rate of 4%.
- **Wellington Management**: *\$2,400,000 Pay-As-You-Go Note at 3.75%*. Upon project completion and verification of qualified expenses, the EDA has proposed to issue a PAYGO Note payable from 85% of the tax increment collected from the project over an anticipated term of 6 years.
- **Kraus Anderson**: *\$8,130,000 Pay-As-You-Go Note at 4.50%*. Upon project completion and verification of qualified expenses, the EDA is considering issuing a PAYGO Note payable from 90% of the tax increment collected from the project over an anticipated term of 12.5 years.
- **Doran Development**: *\$280,000 Up-Front Grant from EDA Funds*. The EDA is considering providing an up-front grant for this project. The EDA will reimburse itself through future tax increment generated from the District at an interest rate of 4%.
- **Minnetonka EDA**: *Interfund Loan, Series A (IFL) for up to \$1,000,000 at 4%*. The EDA approved this IFL on March 8, 2021. It is intended to cover any capital cost and engineering costs for the roadway improvements until such time there is adequate tax increment generated from within the District.

Current/Proposed TIF Commitments

- Minnetonka EDA: Interfund Loan, Series B for up to \$50,000 at 4%. This IFL will be considered by the EDA for approval at the same time of the District. It is intended to cover any future administrative costs associated with the District that are not covered by the developers until such time there is adequate tax increment generated from within the District.
- City of Minnetonka: G.O. Tax Increment Financing Bonds. In the future, the City may issue bonds secured by tax increment generated from within the District to finance the critical infrastructure improvements identified in the Opus AUAR Plan. In total, it is estimated to be approximately \$25.1 million of which \$12.65 million is considered an in-district expenditure while \$12.45 million would be a pooling expenditure since these improvements are located outside of the District's boundaries. Based upon the proposed development projects noted above, there would be enough cashflow from tax increment to finance the in-district expenditures, however further analysis will need to be completed to determine how much cashflow would be available to finance the pooling expenditures since they're limited to being paid from 20 percent of the tax increment (net of any tax increment used for admin costs).

Lessons Learned

- Prior to district creation, an AUAR was completed for the entire area and worst case scenarios were analyzed.
 - Don't underestimate the complexity and try to simplify how you explain it to others.
 - There are regular reminder meetings and check ins with other staff members to remind them of uses, flow of TIF and uses.
 - Regular check ins with financial advisor – especially as new projects are proposed.
 - Likely going to extend the 5 year limit, because some of the road projects are not happening immediately.
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