EXECUTIVE SUMMARY

Community Development

763-512-2345 / 763-512-2344 (fax)

Golden Valley Housing and Redevelopment Authority Meeting

June 20, 2023

Agenda Item

6B. Approve Contract for Private Development with 640 Golden Valley, LLC (Sentinel Development)

Prepared By

Cherie Shoquist, Housing and Economic Development Manager
Alma Flores. Community Development Director

Summary

Background

On September 6, 2022 the Developer, 640 Golden Valley, LLC (Sentinel Development) submitted an application for Tax Increment Financing to the City. On May 9, 2023 the HRA reviewed the Preliminary Terms at a Work Session Meeting. On May 16, 2023 the Term Sheet was approved by the HRA at a Special Meeting.

Proposed Development

640 Golden Valley, LLC proposes an estimated $109 Million mixed use housing and commercial development at 8200 Golden Valley Road and 8250 Golden Valley Drive. The 303-unit mixed income multifamily rental development (Multi-Family Building, Phase 2) includes 46 units affordable at 60% of Area Median Income for a period of twenty years, and 257 market rate units. The units are a mix of studio,1, 2, and 3 bedroom apartments. The building will be wrapped around a 450 space parking ramp. The building will be five to six stories in height with ground level walk up units. Amenities will include a great room, wellness studio, entertainment suite, theatre, patio, rooftop deck, business center, hospitality suite, and guest suites. The commercial development will be the replacement and relocation of the Wells Fargo Bank on the southwest corner of the site (Wells Fargo Bank Building, Phase 1).

Mixed Income Housing Policy and Other Requirements

This is the first multifamily rental development proposed under the City's Mixed Income Housing Policy. The policy is triggered when the multifamily rental development will create ten or more units, receives approvals under a Zoning Map Amendment and Comprehensive Plan Map Amendment, and requests finance assistance from the City. The Developer has submitted the Affordable Housing Plan regarding the Minimum Improvements required under the City's Mixed Income Housing Policy. The Private Development Contract (Agreement) satisfies the requirement for an Affordable Housing Performance Agreement under the City's Mixed Income Housing Policy.

- The location, number, type, and size of affordable housing units to be constructed: The 46 units affordable at 60% Area Median Income ($70,380 for a household of four) include 5 studio units

($1,233 rent); 29 1-bedroom units ($1,320 rent) and 12 2-bedroom Units ($1,584 rent), with income as calculated by Minnesota Housing under the Low Income Housing Tax Credit program, and rents based on the Area Median Income for the metropolitan area that includes Golden Valley adjusted for bedroom size (2022). The affordable housing units range in size from 525-1,100 square feet, and are located on every level of the development.

- Rental terms and occupancy requirements: 15% of the units will be affordable at 60% of Area Median Income and include requirements to maintain affordability for 20 years.
- Timetable for completion of the units: Construction is expected to be complete within 18-24 months of construction start; to begin in the spring of 2024 and completed by summer 2026.
- Restrictions to be placed on the units to ensure their affordability: The affordability requirements will be incorporated into the Affordable Housing Performance Agreement and/or Tax Increment Financing Agreement and a Declaration of Affordable Housing Covenants will be recorded with the title.

Additionally, the developer must meet the requirements of the Agreement for the construction of minimum improvements and public improvements. The TIF note will not be issued until all the conditions precedent specified in the agreement have been satisfied and will not occur until all the improvements have been completed, which is anticipated to be mid-2026.

Financial or Budget Considerations

Tax Increment Financing Request

On September 6, 2022 the Developer, 640 Golden Valley, LLC submitted an application for Tax Increment Financing to the City. The Developer has estimated the total development cost applicable to the bank portion of the development is $4,869,480 and the multi-family building is $103,964,485, bringing the total cost of the combined development to $108,833,965. The Developer requests Tax Increment Financing to assist in providing 46 affordable units, acquiring the sites, demolishing the substandard structure, completing public improvements, and other eligible activities.

The HRA would invest in the project by approving a Renewal and Renovation Tax Increment Financing District and a TIF PAY-AS-YOU-GO note with a principal amount of up to $11,243,000, generated by the Project based on an interest rate of 6%. All of the assistance being offered to the developer is related to the residential portion of the project.

The Developer will be responsible for initially incurring the $11,243,000 in TIF eligible expenditures, and the PAYGO note will be payable from 90% of the tax increment generated from the Multi-Family Building and Wells Fargo Building, on a PAY-AS-YOU-GO basis until the principal amount of the TIF has been satisfied as determined by the HRA, or the District has reached its statutory maximum duration.

The maximum duration of TIF District is 15 years from the first payment of increment received from Hennepin County.

Legal Considerations

The Agreement was prepared by Kennedy & Graven, the City's TIF and Bond Counsel and reviewed by our City Attorney.

Equity Considerations

This development meets the City's goals to preserve and promote economically diverse housing options in our community by creating high quality housing in Golden Valley for households with a

variety of income levels, ages, and sizes.

By linking this incentive to affordable housing development provides much needed housing to economically disadvantaged people and households and provides an opportunity for the mixing of incomes to further future residents' access to social networks and opportunities.

Recommended Action
Motion to Approve Contract for Private Development with 640 Golden Valley, LLC (Sentinel Development).

Supporting Documents

- 06-20-23 GVHRA Contract for Development