EXECUTIVE SUMMARY

Community Development

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Golden Valley Housing and Redevelopment Authority Meeting

June 20, 2023

Agenda Item

6A. Adopt HRA Resolution No. 23-06 Approving a Tax Increment Financing Plan for Tax Increment Financing District within Valley Square Redevelopment Project Area

Prepared By

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Summary

The HRA is requested to consider adopting, and to recommend the City Council consider adopting, the proposed Tax Increment Financing Plan for (Renovation and Renewal) Tax Increment Financing District within Valley Square Redevelopment Project Area to assist with financing a portion of the costs associated with the development of a multifamily rental project. The 303 unit project will provide 46 units affordable to occupants with incomes no greater than 60% of the area median income for 20 years under the City's Mixed Income Housing Policy. 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. In addition to the multifamily development, a new commercial bank building will be constructed on the southwest corner of the site.

Minnesota Statutes, Section 469.001 through 469.047 and Minnesota Statutes, Section 469. 174 through 469. 1794, require the HRA and the City to consider the findings below:

- The TIF District qualifies as a renovation and renewal district;
- The TIF Plan conforms to general plans for development of the City as a whole; and
- The objectives of encouraging development and redevelopment within the Valley Square Redevelopment Project Area will be advanced by adoption of the TIF Plan.

Multiple steps need to be followed in order to establish a tax increment financing district, including notifications to the County and School District provided on May 19, 2023, publication of a public hearing notice in the Sun Post June 8, 2023, and the holding of a public hearing June 20, 2023. The TIF Project Area and the TIF District were found consistent with the City's Comprehensive Plan by the Planning Commission on May 22, 2023.

The TIF District was found to qualify as a renovation and renewal district based on the report prepared by LHB dated March 31, 2023. LHB found that the parcels consisting of 100 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 and 50 percent of the buildings were determined to be in need of substantial renovation or clearance to remove existing conditions. LHB also found that the substandard buildings are reasonably distributed.

A TIF District must be established within a Project Area. The boundaries of the Tax Increment Financing Renewal and Redevelopment District are within the Valley Square Redevelopment Project Area. Tax increment revenues of the TIF District are generated from incremental growth within the district and are allowed to be spent within the boundaries of the TIF District and Project Area.

There are significant costs associated with acquisition of the property and development of the project, including maintaining long-term affordability of the 46 housing units. The use of tax increment revenues to finance eligible costs associated with development of the project site may include acquisition, site improvements, parking, utilities and other necessary housing and public improvements, as well as related administrative expenses. Demolition of the existing blighted building is expected to start immediately after closing on the property in July 2023 and construction of the Wells Fargo Bank building will be substantially complete on June 30, 2024. The multifamily development will commence construction on July 1, 2024 and construction will be substantially complete on or around June 30, 2026. The project is expected to be fully constructed and assessed in 2026 for revenue in 2027.

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 Tax Increment Financing Plan for Tax Increment Financing District was prepared by Baker Tilly, the City's Municipal Advisor and reviewed by the City Attorney and Kennedy & Graven, the City's TIF Counsel.

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.

Under Fair Housing Law, future residents will not face housing discrimination. The law is intended to prevent discrimination of the protected classes--race, color, creed, religion, national origin, sex, marital status, disability, public assistance, sexual orientation, gender identity or familial status.

Lastly, 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 Adopt HRA Resolution No. 23-06 Approving a Tax Increment Financing Plan for Tax Increment Financing District within Valley Square Redevelopment Project Area.

Supporting Documents
- 06-20-23 GVHRA TIF Plan
- 06-20-23 GVHRA TIF Memo
- HRA Resolution No. 23-06 - TIF Plan