EXECUTIVE SUMMARY

TITLE: PLACE Property Acquisition Update and Potential EDA Involvement

RECOMMENDED ACTION: No action at this time. Staff desires direction on the policy question noted below.

POLICY CONSIDERATION: If the Council/EDA continues to support the PLACE proposed project, does the EDA wish to help secure the 5725 Highway 7 property (former McGarvey Coffee property) or provide the adjacent City and EDA land as a site for the PLACE project?

SUMMARY: In November 2013, PLACE, met with the City Council and proposed to redevelop the 5725 Highway 7 property (former McGarvey Coffee site) and the adjacent EDA/City land. The proposed project consisted of a landmark mixed-use, mixed-income community that integrated affordable housing, micro-business space, urban agriculture and aquaponics, and a mix of renewable energy sources including anaerobic digestion. The City has supported PLACE’s efforts to pursue the project including modifying our zoning ordinance to allow anaerobic digesters for energy generation, meeting with potential project funders and securing a Met Council Livable Communities Development Act Transit Oriented Development Grant to help with pre-development project expenses. The proposed PLACE Community concept is a work in progress, but currently includes approximately 300 housing units, consisting of a mix of market-rate, affordable, cooperative space and live-work units, as well as a GreenPark parking structure.

PLACE had secured the 5725 Hwy 7 property with a Master Lease/Option to Purchase in 2013. PLACE has been unsuccessful in its efforts to exercise its purchase rights and no longer controls the site. PLACE needs a site in order to pursue its project. The 5725 Hwy 7 owner is willing to entertain EDA purchase of the property if an acceptable agreement can be reached quickly.

FINANCIAL OR BUDGET CONSIDERATION: If the EDA wishes to secure the 5725 Highway 7 property, whether by an EDA purchase or City participation with other agencies, funds would be needed to enter into a Contract for Deed or Purchase Agreement.

VISION CONSIDERATION:
1. St. Louis Park is committed to being a leader in environmental stewardship. We will increase environmental consciousness and responsibility in all areas of city business.
2. St. Louis Park is committed to providing a well-maintained and diverse housing stock.
3. St. Louis Park is committed to promoting and integrating arts, culture and community aesthetics in all City initiatives, including implementation where appropriate.

SUPPORTING DOCUMENTS: Discussion
Map of Wooddale Station Area and TSAAP Plan

Prepared by: Ryan Kelley, Associate Planner
Reviewed by: Kevin Locke, Community Development Director
Approved by: Tom Harmening, EDA Executive Director and City Manager
DISCUSSION

PLACE Update

Evolution of the PLACE Concept. The PLACE project concept was introduced to the Council November 25, 2013 where it received a favorable reception. PLACE is proposing a sustainable, transit-oriented development on the former McGarvey Coffee property (5725 Highway 7) and adjacent EDA/City properties into a landmark mixed-use, mixed-income community that integrates affordable housing, micro-business space, urban agriculture and aquaponics, and a mix of renewable energy sources including anaerobic digestion. PLACE plans to construct the project to LEED standards.

The proposed PLACE Community concept has evolved since the concept that was discussed with the City Council in 2013. At the time PLACE proposed a total of approximately 200 housing units. Currently PLACE is proposing a total of approximately 300 housing units. About 200 of the units would be affordable and affordable live/work units at the 60% AMI standard. Ultimately, the project components and corresponding sizes will depend upon the development site, size, and performance standards under current and proposed zoning regulations.

The project buildings would be oriented towards the adjacent Cedar Lake Trail and future Wooddale SWLRT Station. Structures envisioned at this time include a high-rise (12 stories) building as well as low rise buildings for commercial, digester/aquaponics/energy generation and potential hotel and athlete training facility. The precise building program will be market tested and prepared through the pre-development work.

PLACE was recently awarded a $100,000 pre-development grant from the Metropolitan Council to further develop the project concept. The principal activities of the LCA-TOD grant include: project design work, market studies, and project impact analyses.

McGarvey/EDA/City potential site for PLACE. To proceed further with its project development process, PLACE needs to identify a site for the project. They would prefer the southeast quadrant of Highway 7 and Wooddale Ave. location (the McGarvey site and EDA land) that has been the intended site from the beginning. The site’s visibility along Highway 7 and its proximity to the future Wooddale SWLRT Station and its industrial past make it well suited to the PLACE concept. This site would require the assembly of three properties: 5725 Highway 7 (former McGarvey Coffee property) owned by DMD Properties, 5925 Highway 7 (remnant property left over from the Highway 7/Wooddale Ave interchange project) owned by the EDA, and 5815 Highway 7 (remnant property bisected by the Highway 7 Frontage Rd) owned by the City. Together these parcels would create a redevelopment site of approximately 3.5 acres. To assemble this site, the 5725 Hwy 7 parcel, the former McGarvey site, needs to be secured by someone. Most likely the only way that can happen at this point is if the City/EDA steps in to acquire the site. It should also be noted that the estimated 3.5 acres of developable land at this site is somewhat less than what was originally believed to be available. The size estimates have been adjusted down to reflect the land needed as right-of-way for the Hwy 7 on-ramp and the frontage road that cut through the City and EDA parcels. The smaller land area for development means an increasing challenge to accommodate the full PLACE development program on the site. Hence the density of development PLACE is proposing is greater and the buildings taller than what was anticipated when the project was discussed in 2013.
**EDA/HCRRA potential site for PLACE.** An alternative location for PLACE’s development would be the EDA, HCRRA and City parcels that front on Wooddale Ave and straddle the railroad/LRT/trail corridor. This scenario would also consist of several properties. The first would be the 5925 Highway 7 property owned by the EDA (same as above) on the north side of the tracks. The second property would be 3565 Wooddale Ave on which a small commercial building leased to Nash Frame Design is located. This .6 AC parcel located immediately south of the tracks is owned by the Hennepin County Regional Rail Authority (HCRRA). The third property would be 3565 Wooddale Ave which is a long narrow strip adjacent to the rail corridor also owned by HCRRRA. The fourth property is actually four parcels to the south of the HCRRA land that is owned by the City used as a public parking lot (corner of 36th and Wooddale). Upon assemblage, this alternative would provide approximately 3.25 acres for development - roughly 1.5 acre site to the north of the rail/LRT/trail corridor and a 1.75 acre redevelopment site to the south. Given the reduced acreage, this would result in a slightly smaller project. All of these sites are in public ownership; however the City/EDA would need to work cooperatively with Hennepin County possibly through a joint agreement to secure the HCRRA property.

**Access and Traffic Considerations.** With anticipated increases in traffic on Wooddale Ave and the surrounding area streets due to SWLRT, it is contemplated that access to the Highway 7 Frontage Rd from Wooddale Ave will need to convert to a right-in/ right-out only configuration to reduce traffic congestion. This would restrict access to the proposed redevelopment site and to the current Cityscape Apartments. To restore full access to these properties it has been contemplated that Xenwood Ave (currently south of these properties) would be extended under the rail/LRT/trail corridor to the Highway 7 Frontage Rd. This project will entail reconstruction of significant portions of the Highway 7 Frontage Rd in addition to the Xenwood extension itself. The cost of these road improvements will be substantial and will require multiple funding sources. The primary source of funds is anticipated to be the tax increment generated from the PLACE project itself. In order to generate the necessary tax increment there would need to be significant value generated from the PLACE project. Therefore whatever redevelopment is envisioned on the McGarvey/EDA/City property assemblage needs to be of considerable market value in order to offset the infrastructure costs necessary to provide access to the project and the Cityscape property. More detailed background information and discussion of the traffic issues, costs and solutions is scheduled for a future City Council Study session later this year.

**PLACE Efforts to Secure the 5725 Hwy 7 Property.** Below is a summary of PLACE’s efforts to acquire the McGarvey site

1. Master Lease w/ Option to Purchase (2013). — PLACE executed a 7-year master lease with a three year option to buy. The master lease was conditional on PLACE securing an organics contract with Hennepin County. When an organics contract could not be secured with either the county or the City of St. Louis Park, the master lease expired in April of 2014.
3. Allianz Loan Agreement. — PLACE got preliminary lender approval from Allianz for 80% of appraised value. An appraisal for the combined site (McGarvey and EDA sites) indicated an “as is” value of $3,900,000. Appraisal indicated future value of $5.9 million if rezoned and made a contiguous site.
4. Twin Cities Community Land Bank Purchase Agreement — The Land Bank said it would be interested in purchasing the site on PLACE’s behalf. The Land Bank made an offer of $1.8 million which was immediately rejected.
5. Allianz Loan Too Low. — Allianz said that they could not loan on combined site value, and were required to loan on the appraised value of each site as is. McGarvey site “as is” appraised value was estimated at $1,650,000. Allianz agreed to loan PLACE $1.32 million for 100% security in the site. PLACE had no source for the additional unsecured funds to purchase the site.

6. Once PLACE has its project funding in place it can purchase the site. That won’t occur until the pre-development work is complete including finalizing the redevelopment plans and securing the projects entitlement approvals (zoning approval, executed redevelopment contracts, etc).

Options for Securing the 5725 Hwy 7 Property

Staff has met or spoken with the current owner of the former McGarvey property (Don Kasbohm with DMD Properties, LLC) several times. He is supportive of the PLACE project and would like to see it proceed on his property; however he can no longer allow PLACE to control the property without financial consideration. Recently, Mr. Kasbohm received an offer to purchase from CPM Company, a Minneapolis multi-family developer and management firm. As a result of several discussions with Staff in mid-October, Mr. Kasbohm has agreed to delay acting on the purchase agreement from CPM and allow the City approximately 30 days to determine if it wishes to actively pursue the property in some fashion. Potential acquisition options include:

Outright Purchase: The EDA could negotiate a purchase agreement with the current property owner. Such an agreement would require a purchase price of approximately $2.75 million. On a unit per acre basis this appears to be a reasonable asking price and is comparable to other current and pending projects in the marketplace. This approach would allow the EDA total control over the property and provide the flexibility to work with PLACE or some other developer that share’s the City’s vision for the property.

Contract for Deed: Under a Contract for Deed, the EDA would be required to put roughly 10-20% down ($275,000 - $550,000) and make agreed upon regular monthly payments (approx. $21,200 per month) with the balance due in a balloon payment at the end of a specified term such as 4 to 5 years. The benefit of this approach is a lower upfront cash outlay from the EDA and it would provide the time necessary for the EDA/City to secure potential funding commitments from other agencies and for PLACE (or another developer with a similar redevelopment plan) to assemble a financially viable project. Prior to the end of the contract term, the EDA could be made financially whole by the proposed PLACE project or it would have to choose whether to purchase the property or find another developer to assume its obligations.

Not Pursue Acquisition: There are developers interested in the former McGarvey site for market rate residential projects. All indications to date are that the interested developers would pursue a project similar to what Don Kasbohm originally proposed for the site which was a four story approximately 130 unit apartment building. For any residential or mixed-use project to occur on the former McGarvey site the property would need to be re-guided on the Comprehensive Plan Land Use map and rezoned. Both actions are fully at the discretion of the City Council.

Should the EDA choose to pursue the property, it is possible that other entities such as Allianz, Hennepin County, Metropolitan Council and/or others would contribute or provide grants toward the property acquisition under certain conditions. PLACE has stated that it could purchase the site with project financing.
Map of Wooddale Station Area and TSAAP Plan