EXECUTIVE SUMMARY

TITLE:  PLACE Development Update

RECOMMENDED ACTION:  Staff wishes to update and receive feedback on PLACE’s development plans, requests to purchase property, city private activity bonds and Tax Increment Financing (TIF) assistance.

POLICY CONSIDERATION:  Does the City Council support PLACE’s proposed mixed-use redevelopment north and south of the Wooddale SWLRT Station? Is the Council willing to consider selling property to the Developer, issuing private activity bonds, and providing tax increment financing for the development?

SUMMARY:  PLACE (“Developer”) proposes to develop property north and south of the Wooddale SWLRT Station with a mixed-use mixed-income, transit-oriented, and sustainable development. Proposed is a total of 300 residential units (200 affordable and 100 market rate), a 110-room hotel, a 15,000 SF e-generation/co-generation/greenhouse facility, approximately 25,000 SF of ground floor commercial/retail space, and a one acre “urban forest.”

In June 2016, the Council discussed this development occurring on both sides of the rail/trail corridor because of traffic limitations on the north side. The plans have been reworked and the concept plan is attached. At the meeting PLACE Developer Chris Velasco will present the site plan and describe the development components. PLACE envisions beginning construction of the project next spring and completing it during 2018.

Approvals Required:  Several city approvals are required and will be considered over the next several months, including: the sale of city property, a Comprehensive Plan land use map amendment to MX for the north side, a rezoning to a Planned Unit Development, Preliminary and Final Plats for each side of the development, issuance of private activity bonds, and Tax Increment Financing (TIF). Staff has been working closely with PLACE on a number of site development issues, including access and circulation, building placement, right-of-way needed, parking, stormwater, utilities, etc. Those items will be specifically addressed when the applications come forward for approvals.

FINANCIAL OR BUDGET CONSIDERATION: The development will require the City and Economic Development Authority to complete the sale of land to the developer. In order to offset a portion of the extraordinary redevelopment costs to make the project financially feasible, PLACE has requested the city issue private activity bonds for the project and has applied for TIF assistance.

VISION CONSIDERATION:  St. Louis Park is committed to providing a well-maintained and diverse housing stock.

SUPPORTING DOCUMENTS:  Discussion
Site Plans
Development Summary

Prepared by:  Meg McMonigal, Principal Planner
Greg Hunt, Economic Development Coordinator

Reviewed by:  Kevin Locke, Community Development Director

Approved by:  Tom Harmening, EDA Executive Director and City Manager
DISCUSSION

BACKGROUND: The proposed PLACE redevelopment site is located at the southeast quadrant of Highway 7 and Wooddale Ave and the northeast corner of W 36th Street and Wooddale Ave. The two sites surround both sides of the rail/trail corridor and the future Wooddale SWLRT Station. This area is close to Central Community Center, Park Spanish Immersion School and St. Louis Park High School. Nearby parks include Lilac Park to the east, Center Park to the south, and Jorvig Park to the west.

The development plans encompass approximately 5.3 acres in total - 3.5 AC on the north side and 1.8 AC on the south side. The Developer will have to acquire four properties at the southeast quadrant of Highway 7 and Wooddale Ave, and five properties at the northeast corner of W 36th Street and Wooddale Ave. from the City and EDA for the development. Also, two structurally substandard buildings will be razed and replaced.

PROPOSED DEVELOPMENT PROGRAM:
The proposed PLACE development consists of the following components (please see attached site plan):

North Side:
- **Residential/Commercial building 5-6 stories**; E-Generation building - 1 story plus greenhouse
  - 198 total dwellings
    - 142 apartments affordable to rent for families with incomes up to 60%AMI
    - 56 market rate apartments
- **Bike Shop**
  - Retail shop and repair, open to the public: 1,500-2,000 sf
- **Maker Space**
  - Shared workshop space for creatives: 3,000-3,300 sf
  - Anticipated monthly membership of 40
• **E-Generation with a Growing PLACE** for urban agriculture
  - Anaerobic digester and energy balancing equipment: 7,500 sf
  - Growing PLACE greenhouse: 10,000 sf

• **Urban Forest**

• **Parking**: 182 spaces including 5 car-share vehicles; underground, surface and on-street

**South Side**

• **Residential/Commercial 5-6 stories; Hotel 8-12 stories**
  - **102 dwellings**
    - 58 Live/work spaces affordable to rent for families with incomes up to 60%AMI
    - 44 Market rate live/work spaces
      - Of the 44 market rate live/work spaces, 8 are “Type II” having 250 square foot ground-level storefronts (total of 2,000 square feet of commercial-permitted micro retail)

• **Hotel**: **110 Room Select Service** 62,000 sf

• **Cafe**: 5,500-6,000 sf

• **Coffee House**: 1,800-2,000 sf

• **Co-working Space** (South portion of Work Hub): 3,000-3,300 sf
  - Shared office space for creatives and startups
  - Anticipated monthly membership of 60 plus walk-ins from hotel and LRT
  - Includes mobility concierge available to the public

• **Parking**: 261 underground parking spaces including 5 car-share vehicles

**Housing Unit Mix**
The overall dwelling unit mix includes (subject to market study confirmation):

- 62 studios
- 96 one-bedrooms
- 70 two-bedrooms
- 60 three-bedrooms
- 12 four-bedrooms

300 total units

Both apartment buildings are mixed income with a total of 100 market rate units and 200 units affordable to households at 60% AMI ($51,500 per year in 2016 for a family of four). Of these 300 units, 102 are designated as live/work spaces for creatives (58 affordable and 44 market rate).

**Affordable Housing**
Affordable housing units will be for families with incomes up to 60% Area Median Income (AMI). (Median household income is the level at which half the households have lower incomes and half the households have higher incomes; it is not an average.) In 2015 the AMI for the metro area for a family of four was $86,600.
2016 Income limits by household size are:

<table>
<thead>
<tr>
<th>Household size</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% AMI</td>
<td>$36,050</td>
<td>$41,200</td>
<td>$46,400</td>
<td>$51,500</td>
<td>$55,600</td>
<td>$59,750</td>
</tr>
</tbody>
</table>

SITE PLAN COMPONENTS

**Circulation and Traffic** – The traffic review was completed last spring and presented to the City Council in June. It showed that the PLACE development program can work, with certain stipulations; these items have been incorporated into the site plan.

On the north side, access from Wooddale Avenue to the frontage road will include the ability to turn right-in, right-out and left-in; no left-out turns will be allowed. On the south side, driveway access over the property to the east to Yosemite Avenue is needed. For the driveway access to 36th Street, turning right-in/right-out will be the only access allowed; left turns from this intersection will not be allowed. Left turns will be accommodated at Xenwood Avenue, and a left-turn lane from 36th Street to Xenwood going north will be needed.

PLACE is working on how best to connect to Yosemite including reaching out to the adjacent property owners to coordinate development plans and establish improved vehicle access. A design for the driveway is not finalized.

Bus routes - The site is currently served by Metro Transit Bus Route 17 to downtown along 36th St and Route 615 to Ridgedale. These are not frequent routes at this time; Staff will be discussing future bus routes with Metro Transit.

**Parking** – PLACE is working on a “Mobility Plan” that includes car-free living, car sharing, bike sharing, transit passes, and a shuttle that will operate for their community members. A reduction in required parking will be proposed with the project applications. Staff is working with PLACE on the appropriate amount of reductions and a traffic consultant will be consulted to provide advice on parking reductions next to a LRT line.

**Site Plan Items** – Staff is working with PLACE on a number of site plan items, including the appropriate right-of-way widths, sidewalk placement and widths, setbacks for buildings, landscaping, building materials, etc. The entire project is being designed to achieve LEED certification and will exceed the City’s Green Building policy. Also included in the redevelopment will be a public art piece near the Wooddale and 36th Street corner.

**Land Use, Zoning, and Platting** - The Comprehensive Plan designates the south side of the site for Mixed-Use and the north side as a combination of Office and Business Park. The zoning on the south side is C-2 Commercial and General Industrial on the north side. The proposed PUD would create a new zoning district and zoning regulations for uses and dimensional standards that are unique to this site and the proposed site, uses and building plans.
Planning Applications/Approvals for proposed development:

<table>
<thead>
<tr>
<th>Planning Application</th>
<th>North side</th>
<th>South side</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive Plan amendment land use map</td>
<td>From Office and Business Park to Mixed Use</td>
<td>Not needed – site is designated for Mixed Use</td>
</tr>
<tr>
<td>Planned Unit Development (PUD)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Preliminary and Final Plats</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The Mixed Use land use designation and the City’s Livable Communities design principles are intended to create compact, pedestrian-scale, mixed-use buildings, typically with retail, service or other commercial uses on the ground floor and residential or office uses on upper floors. Mixed-use is intended to accommodate mixed-income housing, a mix of housing types on the same block, and higher density development. The Comprehensive Plan calls for an increase in the availability of neighborhood housing choices and a broader range of housing types. The proposed redevelopment provides higher density apartment housing and affordable units in buildings that complement the adjacent Cityscape, Tower Light, Village in the Park, and Hoigaard Village developments.

PLACE’s development plan is suitable for the site and also addresses many of the Elmwood Neighborhood Improvement Opportunities listed in the City’s Comprehensive Plan and meets many of the objectives for the Elmwood Area Land Use, Transit & Transportation Study. Also, the project will exceed the requirements specified within the City’s Green Building Policy and Inclusionary Housing Policy.

GRANTS
PLACE has received a Livable Communities Act (LCA) Transit Oriented Development (TOD) Predevelopment grant in the amount of $100,000 for design activities, market analysis and a pro-forma to analyze the development mix. This work has been completed.

PLACE also received a $2 million Livable Communities Demonstration Account (LCDA) grant for site acquisition, storm water and renewable energy.

Hennepin County TOD– Hennepin County has awarded a $750,000 grant to the City for the PLACE development. The grant is for acquisition, demolition, area infrastructure improvements and other site improvements. This grant will run through the city, and the city will forward the funds to PLACE as the eligible items are completed.

COMMUNITY MEETINGS
PLACE has held six community meetings and the City held one meeting to present the results of the traffic study for PLACE. The meetings have been well attended and have reached a broad audience. Addition meetings will be held prior to a public hearing on the development plans.

REDEVELOPER’S REQUEST FOR PUBLIC FINANCING ASSISTANCE
The City anticipates receiving an application from PLACE for conduit financing in the form of private activity revenue bonds. In the past the City has issued private activity revenue bonds for numerous projects, most recently in 2016 for Mount Olivet. The City has also issued Housing Revenue Bonds for the Shoreham development. The City has no liability regarding the repayment of these bonds, and the administrative fee that it charges goes to the housing rehabilitation fund. Provided that the applicant meets all the criteria in the application process, the question is if the Council is generally supportive of issuing these bonds. If so, PLACE would like the City to prepare a letter of support to PLACE in order to obtain additional financing.
The cost to construct the proposed *PLACE* project exceeds $152 million. However due to nearly $14 million of extraordinary costs associated with redeveloping the subject site (primarily structured parking) *PLACE* maintains the project is not financially feasible. In order to offset a portion of these costs so as to allow the project to proceed, *PLACE* has applied for $8 million in pay-as-you-go tax increment generated by the project. The amount of assistance along with *PLACE*’s preliminary sources and uses statements, cash flow projections, investor rate of return (ROR) related to the proposed redevelopment are currently being reviewed by staff and Ehlers, the city’s financial consultant. Such assistance would represent approximately 5.26% of total project costs which is at the lower end of the range of TIF as a percentage of total project cost for other redevelopments the EDA has previously facilitated. According to a projection from Ehlers, it would require approximately 21 years for the proposed project to generate the requested amount of assistance. This would be at the upper end of years of assistance the EDA has previously provided. The proposed project is expected to score highly according to the criteria for the provision of tax increment as outline in the City’s TIF policy.

**PROPERTY:**

**Pre-Development Agreement**

On May 18, 2015 the EDA and City entered into a Pre-Development Agreement with *PLACE*. The agreement includes an outline for applying for land use and zoning changes as well as tax increment financing, and provides *PLACE* with exclusive rights to negotiate acquisition of the subject properties with the EDA and the City. The agreement was recently extended until February 28, 2017, and now includes the City/County properties on the south side of the Wooddale LRT station.

Topographically both sides of the development property are relatively flat. The proposed redevelopment site requires the assemblage of nine parcels. The north side of the proposed redevelopment includes the following four properties:

- 5925 Highway 7 is a vacant, 1.16 AC remnant site. The EDA purchased the property in 2004 as part of the land assemblage for the future Highway 7 & Wooddale interchange. The EDA retained ownership of the property with the expectation that an acceptable redevelopment encompassing the parcels to the east would eventually emerge.
- 5815 Highway 7 is a vacant .18 AC remnant site. It was acquired by the City for purposes of constructing the Highway 7 Service Drive.
- 5725 Highway 7 is the former McGarvey Coffee manufacturing property. The EDA acquired the 1.76 AC property in 2015 for redevelopment purposes. The property is occupied by a vacant 29,218 SF industrial building. The building is in rough condition and was determined structurally substandard according to an analysis by LHB. Originally constructed in 1947, the structure is dated from an aesthetic perspective. Additionally, it is functionally obsolete in terms of design.
- 3520 Yosemite is a vacant, .4 AC remnant, rail siding acquired by the Hennepin County Regional Rail Authority (HCCRA) from the railroad. The EDA is working with the County to acquire the property as part of the land assemblage for the proposed project or future redevelopment.

The south side of the proposed redevelopment includes the following five properties:

- 3565 Wooddale is a .065 AC parcel owned by HCCRA. It is occupied by a 16,739 SF commercial building that was leased to *Nash Frame*. The structure was also originally
constructed in 1947 and is dated from an aesthetic perspective as well as functionally obsolete in terms of design. The building was also determined structurally substandard according to an analysis by LHB. The EDA is working with the County to acquire the property as part of the land assemblage for the proposed project or future redevelopment.

- 3548 Xenwood Ave is a vacant .8 AC remnant, former rail siding acquired by HCCRA from the railroad. The EDA is working with the County to acquire the property as part of the land assemblage for the proposed project or future redevelopment.

- 3575 Wooddale is an approximately .37 AC parcel owned by the City. It is part of a municipal parking lot constructed in 1976 for commercial parking purposes.

- 5816 36th Street is approximately an approximately .36 AC parcel owned by the City. It is part of a municipal parking lot constructed in 1976 for commercial parking purposes.

- 5814 36th Street is approximately an approximately .25 AC parcel owned by the City. It is part of a municipal parking lot constructed in 1976 for commercial parking purposes.

Overall, the current site exhibits low density and is underutilized from a market value perspective given its proximity to the Highway 7 & Wooddale interchange and the multi-story buildings to the south and east. The site has been of keen interest to redevelopers which has become more intense now that plans for SWLRT have become clear.

It is proposed that the three properties owned by HCRRA would be acquired by the EDA and then subsequently sold to PLACE. Staff is currently in discussion with Hennepin County staff over potential business terms of that acquisition. Such terms will likely be brought to the EDA for discussion before the end of the year. A formal purchase agreement would likely be presented to the EDA for consideration in the first quarter of 2017. Regardless of whether the proposed PLACE project proceeds, the EDA would likely have a strong interest in acquiring these properties so as to assemble a larger site to better facilitate future redevelopment.

The south side of the site is currently served by Metro Transit Bus Route 17 to downtown along 36th St and Route 615 to Ridgedale. These are not frequent routes at this time.
PLACE proposes to acquire the subject properties from the City and EDA via a Purchase & Redevelopment Contract, raze the former McGarvey Coffee manufacturing facility and Nash Frame building, and replace them with a transit-oriented, mixed-use, mixed income, sustainable development. Current plans (attached) depict four buildings on either side of the Wooddale SWLRT station.

**NEXT STEPS:**

**Site Plan**
Staff is continuing to work with PLACE on the site plan, access requirements, and other planning and development items over the next several months. When applications are complete (expected before the end of the year), Planning Staff will schedule a neighborhood meeting on the proposal.

**Private Activity Bonds**
If the Council is generally supportive of issuing these bonds, PLACE would proceed with an application. Provided that the applicant meets all the criteria in the application process, a formal public hearing and approval of a resolution by the City Council will be required to issue the bonds.

**Tax Increment Financing**
As with all such TIF applications, it is at the EDA’s discretion as to whether it wishes to provide the project financial assistance at the proposed level. If the EDA supports the idea of providing tax increment to the *PLACE* project, staff would continue its review of the application and begin negotiating business terms for the provision of the assistance. Such terms would be brought back to the EDA for its review at a subsequent study session.
North

Residential/Commercial 5-6 stories over podium; E-Generation 1 story plus greenhouse

198 dwellings
- 142 apartments affordable to rent for families with incomes up to 60%AMI
- 56 market rate apartments
- 342 bedrooms anticipated, subject to design finalization

Bike Shop
- retail shop and repair, open to the public: 1,500-2,000 sf

Maker Space
- shared workshop space for creatives (North portion of Work Hub): 3,000-3,300 sf
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E-Generation with a Growing PLACE for urban agriculture
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Urban Forest
Parking: 182 spaces including 5 car-share vehicles
South

Residential/Commercial 5-6 stories over podium; Hotel 8-12 stories

102 dwellings
- 58 live/work spaces affordable to rent for families with incomes up to 60%AMI
- 44 market rate live/work spaces
  - of the 44 market rate live/work spaces, 8 are “Type II” having 250 square foot ground-level storefronts (total of 2,000 square feet of commercial-permitted micro retail)
- 184 bedrooms anticipated, subject to design finalization

110 Room Select Service Hotel: 62,000 sf
Cafe: 5,500-6,000 sf
Coffee House: 1,800-2,000 sf
Co-working Space (South portion of Work Hub): 3,000-3,300 sf
- shared office space for creatives and startups
- anticipated monthly membership of 60 plus walk-ins from hotel and LRT
- includes mobility concierge available to the public
Parking: 261 parking spaces including 5 car-share vehicles
Overall Features

• ground-level green space of approximately one acre, including Urban Forest, open to the public
• split site embraces the station, providing improved public station area experience
• LEED Certified, green roofs, car-free perks, car sharing and bike sharing fleet
• 443 parking spaces with car sharing/bike sharing hub
• each residential building for the 300 apartments is mixed-income, mixed-age (no segregation by income or senior status)
• anticipated overall dwelling mix: 62 studios, 96 one-bedrooms, 70 two-bedrooms, 60 three-bedrooms, 12 four-bedrooms for a total of 526 bedrooms (subject to design finalization)