EXECUTIVE SUMMARY

TITLE: Update on Proposed EDA Property Acquisition from Hennepin County

RECOMMENDED ACTION: Staff wishes to inform the EDA of action taken to initiate the process to acquire remnant parcels from Hennepin County adjacent to the future Wooddale SWLRT Station

POLICY CONSIDERATION: Does the EDA continue to support the acquisition of remnant parcels from Hennepin County to facilitate redevelopment adjacent to the future Wooddale SWLRT Station?

SUMMARY: As discussed at the June 6 and October 10, 2016 Study Sessions, PLACE proposes to redevelop approximately 3.5 acres on the north side and 1.7 acres on the south side of the future Wooddale SWLRT Station with a mixed-use, mixed-income, transit-oriented, and sustainable development. The proposed redevelopment sites require the assemblage of nine properties; three of which are remnant parcels (3520 Yosemite, 3565 Wooddale and the western portion of 3548 Xenwood Ave.) currently owned by the Hennepin County Regional Rail Authority (HCRRA). HCRRA has indicated a willingness to sell the parcels to the EDA so as to facilitate development on the subject sites consistent with that proposed by PLACE. HCRRA would also convey a fourth remnant parcel, 3524 Yosemite, which the city would retain for right-of-way purposes. To initiate the formal acquisition process, Hennepin County requested a letter from the EDA indicating its intent to purchase the four remnant parcels. To that end, staff recently sent the attached letter drafted by Kennedy & Graven which outlines general terms for a proposed purchase agreement with Hennepin County.

Staff is currently in discussion with Hennepin County staff over specific business terms of that property acquisition. Such terms will be brought to the EDA for its review. A formal purchase agreement would then 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 the subject parcels so as to assemble sites large enough to spur redevelopment on either side of the future Wooddale SWLRT Station.

FINANCIAL OR BUDGET CONSIDERATION: Hennepin County is required to sell the subject parcels at estimated fair market value which it determined to be $1.1 million. The City Assessor examined this value and concurs that the proposed purchase price is easily supported. It is proposed that three of the four parcels acquired by the EDA would subsequently be sold to PLACE as part of the property assemblage for its proposed project. The 3524 Yosemite parcel would be retained for right-of-way purposes and the eastern portion of 3548 Xenwood Ave. would be held by the EDA for future redevelopment purposes.

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

SUPPORTING DOCUMENTS: Map: Properties to be Purchased from Hennepin County
Letter of Intent

Prepared by: Greg Hunt, Economic Development Coordinator
Reviewed by: Kevin Locke, Community Development Director
Approved by: Nancy Deno, Deputy Executive Director of the EDA and Deputy City Manager
November 7, 2016

Ms. Patricia Fitzgerald
Manager, Community & Economic Development
Community Works | Hennepin County Public Works
701 4th Avenue S, Suite 400 | Minneapolis, MN 55415

RE: Intent to Purchase Hennepin County Regional Rail Authority-owned Surplus Properties: 3520 Yosemite Avenue, a portion of 3524 Yosemite Avenue, 3565 Wooddale Avenue, and 3548 Xenwood Avenue

Dear Ms. Fitzgerald:

The St. Louis Park Economic Development Authority, a public body corporate and politic under the laws of the State of Minnesota (the “Authority”) and the City of St. Louis Park, a Minnesota municipal corporation (the “City”), desire to promote the development of certain property within the Authority’s Redevelopment Project No. 1 (the “Project”) in the City, pursuant to the Redevelopment Plan for the Project adopted by the City on March 19, 1990, as amended. Specifically, the City and Authority contemplate development of property owned by the Authority and City and located at 5725, 5925 and 5815 Highway 7; 3575 Wooddale Avenue; and 5814 and 5816 36th Street (the “Municipal Property”) as well as property owned by the Hennepin County Regional Rail Authority (the “Rail Authority”) and located at 3520 Yosemite Avenue, a portion of 3524 Yosemite Avenue, 3565 Wooddale Avenue, and 3548 Xenwood Avenue (the “Rail Property”, and together with the Municipal Property, the “Property”). PLACE, a Minnesota nonprofit corporation (the “Developer”), has proposed a mixed-use, mixed-income, transit-oriented development on the Property. The development is proposed to include 300 apartments, affordable and market rate, along with space for local businesses, a hotel, and live/work space designed for creatives. Although no formal project approvals have been provided, both the City Council and the Authority Board are supportive of PLACE’s proposed redevelopment of the Property and have taken steps to assist the development, particularly in light of the fact that it furthers many of the redevelopment objectives outlined in the Redevelopment Plan for the Project.

The Developer has completed an application to the Authority and City for tax increment financing or other public financial assistance to offset a portion of the public costs of the development. The Authority, the City and the Developer have executed a Preliminary Development Agreement, dated May 18, 2015, as amended, which designates PLACE as the sole developer of the Property. The Authority, the City, and the Developer are ready to commence negotiating the terms of a final development agreement related to the Developer’s redevelopment
of the Property. The Authority and the City are willing to provide tax increment financing to help the Developer finance the public costs of the development, subject to the negotiation of a final development agreement (the “Development Agreement”), the City Council holding a public hearing on the tax increment district and plan, the Authority holding a public hearing on any subsidy provided to the Developer and on the sale of property to the Developer, and the approval of the tax increment district and tax increment plan by the Authority Board and the City Council.

We understand that the Rail Authority intends to transfer title to the Rail Property to the Hennepin County Housing and Redevelopment Authority (the “County HRA”). In order to fulfill its obligations under the proposed Development Agreement, the Authority intends to purchase the Rail Property from the County HRA in order to convey such property, along with the Municipal Property, to the Developer so that the Developer’s proposed redevelopment of the Property that is consistent with the Redevelopment Plan for the area may move forward. The Authority intends to make an offer for the purchase of the Rail Property based on the estimated fair market value of the Rail Property and subject to mutually acceptable terms and conditions.

We further understand that some parcels of the Rail Property will be subject to temporary construction easements in favor of Metro Transit’s SWLRT Project Office, and agree to accept title to the Rail Property subject to such temporary easements, subject to review and approval by our legal counsel.

The Authority intends to enter into a purchase agreement reflecting these basic terms with the County HRA, and is willing to incorporate the following additional terms, subject to the mutual agreement of the parties: (i) negotiation and execution of a declaration of restrictive covenants reflecting the shared vision of the City, Authority, and County for transit-oriented development; and (ii) a mutually agreeable development timeline, which would include provisions for a right of reverter in favor of the Authority in the event of the Developer’s failure to perform under the Development Agreement, subject to remarketing of the Property for a purpose that conforms to the transit-oriented development and other development goals of the parties, and to the Redevelopment Plan. The Authority would also be willing to negotiate a right of repurchase of the Rail Property by the County in the event of failure by the Developer to fulfill its obligations under the Development Agreement.

Sincerely,

Nancy Deno
Deputy Executive Director
St. Louis Park Economic Development Authority