

Executive summary

Title: Update on Sherman Associates' proposed Beltline Blvd. Station Redevelopment

Recommended action: Staff and the developer would like feedback on Sherman's updated conceptual site plan and project program for the Beltline Station Redevelopment Site at the southeast corner of CSAH 25 and Beltline Blvd, as well as the project's need for financial assistance.

Policy consideration: Is the proposed project in alignment with the council's/EDA's goals and policies related to the SWLRT Beltline Blvd Station area and is the EDA willing to consider providing financial assistance to facilitate its feasibility?

Summary: Sherman is proposing to construct the following building components on the 6.6-acre site at the southeast corner of CSAH 25 and Beltline Blvd:

- Two, 6-story apartment buildings, each with 121 units of which 20% would be affordable to households at 50% AMI.
- A 6-story mixed use/mixed income building with 159 apartment units, (of which 20% would be affordable to households at 50% AMI) as well as approximately 24,000 SF of neighborhood commercial space, potentially anchored by a grocer.
 - Altogether, the redevelopment will have approximately 400 apartment units of which 80 would be affordable.
- A 362-stall parking ramp, which is proposed to include 268 park& ride stalls, 94 commercial parking stalls and retail/commercial space.
- Green space, plazas, and public art incorporated throughout the development.

The Sherman team has been invited to discuss its proposed project, conceptual site plan and initial request for financial assistance. The developer and staff would like council/EDA input regarding the proposed concept plan and the project's need for financial assistance.

Financial or budget consideration: There will be considerable extraordinary costs including utility relocations, wetland mitigation, environmental remediation and structured parking associated with redeveloping the subject site at the envisioned scale and density with the preferred program elements. In order for the project to achieve financial feasibility (defray a portion of the above costs and reach a reasonable market rate of return), the developer will be making a comparable request for financial assistance in the form of tax increment financing, loans and grants.

Strategic priority consideration: St. Louis Park is committed to providing a broad range of housing and neighborhood oriented development.

Supporting documents: Discussion
Conceptual site plan

Prepared by: Greg Hunt, economic development coordinator

Reviewed by: Karen Barton, community development director

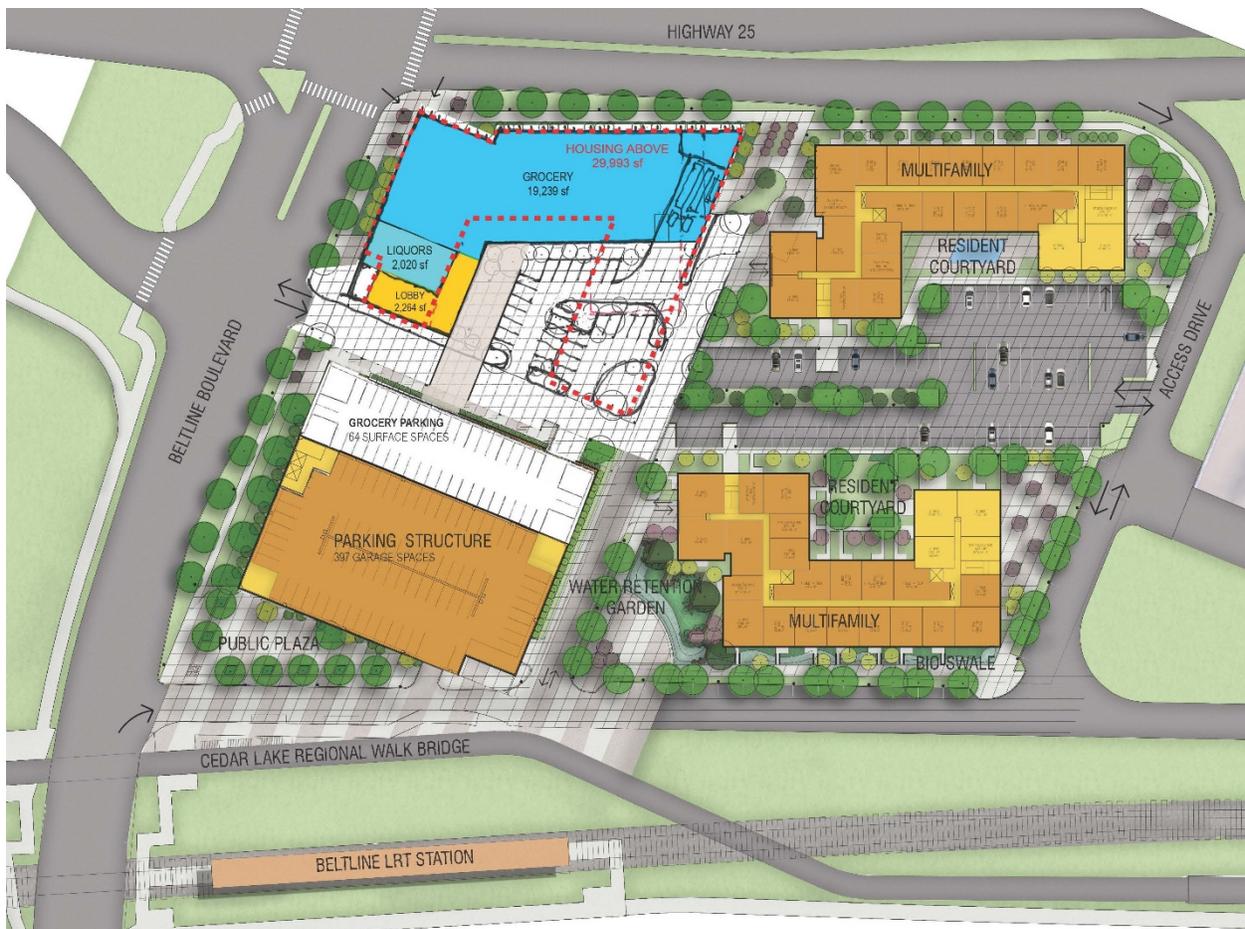
Approved by: Tom Harmening, EDA executive director and city manager

Discussion

Background: On February 5, 2018, the EDA and city council approved a Preliminary Development Agreement (PDA) between the EDA, city and Sherman Associates in which the parties pledged to work cooperatively together toward a mutually acceptable mixed-use redevelopment plan for the Beltline Blvd Station Redevelopment Site. Over the past year and a half, the parties have been working collaboratively on a joint development vision for the site. However, the necessity to obtain full fee title to the city's parcel at the southeast quadrant of Highway 7 and Beltline Blvd and the 4725 Highway 7 property (former Vision Bank) took precedence as without them the development potential of the entire site would have been severely limited. Those title issues have been resolved and Sherman now owns the 4725 Highway 7 property. The parties are currently preparing a more definitive site plan and development program for the redevelopment site. On June 17, 2019 the EDA and city approved a First Amendment to the Preliminary Development Agreement extending the agreement to June 30, 2020 by which point the parties hope to reach a mutually acceptable Purchase and Redevelopment Contract.

Additionally, the parties are negotiating a Subrecipient Agreement with the Metropolitan Council relative to the \$6.4 million Federal Congestion Mitigation Air Quality (CMAQ) grant for the park & ride ramp to be constructed on the 4725 Highway 7 property.

Present considerations: Sherman is proposing two, 6-story apartment buildings on the eastern side of the site (currently owned by the EDA) each with 121 units of which 20% would be affordable to households at 50% AMI. It is also proposing a 6-story mixed use/mixed income building to anchor the corner of the Beltline Blvd & CSAH 25 intersection (owned by the city). This building is proposed to have 159 apartment units, of which 20% would be affordable to households at 50% AM, as well as approximately 24,000 SF of neighborhood commercial, likely anchored by a grocer. Underground parking will be provided for each building along with shared surface parking. Altogether, the redevelopment will have approximately 400 apartment units of which 80 would be affordable. Additionally, a 362-stall parking garage would be constructed on the former Vision Bank property immediately north of the future SWLRT Beltline Station. Incorporated within the ramp would be approximately 6,000 SF of commercial space to make it more multi-functional and to take advantage to its proximity to the station and is proposed to be constructed in a manner that would allow future reuse should it no longer be needed for parking in the future. The ramp will accommodate the 268 public park & ride stalls required by the SWLRT project, as well as an additional 94 parking stalls to serve the commercial tenants. The concept site plan also includes a variety of multi-purpose green spaces and public gathering areas throughout the redevelopment site, including one across from the station that feature native landscaping as well as public art. The redevelopment will require the vacation and removal of the existing frontage road. Additionally, Sherman Associates' off-site 4-megawatt solar garden is expected to offset nearly all of the redevelopment's energy impact. Preliminary estimates put the total development cost of the multi-phase TOD project at approximately \$125.4 million.



Concept Beltline Blvd Station Redevelopment site plan

Extraordinary site development costs: It has long been assumed that any project at this location would likely require a sizable amount of assistance given numerous known site challenges. This assumption has been borne out through due diligence which verified that there are considerable extraordinary costs associated with redeveloping the subject site. These extraordinary costs include but, are not limited to, over \$3.5 million in utility relocations, wetland mitigation, environmental remediation and other site work; all of which need to be completed at the outset to make the site construction-ready. More significantly, constructing the proposed multi-functional ramp to federal and local requirements and including desired commercial space as well as construction in a manner to facilitate future reuse, is projected to exceed \$13 million. A large portion of that cost would be offset by a \$6.4 million federal CMAQ grant obtained by the city and a \$2.5 million park & ride commitment from the SWLRT project, leaving a balance of approximately \$4.2 million. The 80 affordable units with below market rents further impact the project's financial performance.

The above costs will create a significant financial gap in the development's sources and uses statement preventing the project from achieving a market rate of return. To offset a sufficient portion of these costs to enable the project to proceed, Sherman is expected to make a sizeable request for financial assistance in the form of tax increment financing, loans and grants.

Sherman is currently in the process of preparing its TIF application. The developer's sources and uses statement, cash flow projections, and investor rate of return (ROR) will be reviewed by staff and Ehlers to determine the recommended amount of tax increment and any other assistance that should be provided.

Next steps: Staff would like feedback on Sherman's conceptual site plan for the Beltline Station Redevelopment Site, as well as the EDA's willingness to consider the provision of the necessary financial assistance to realize the proposed project.

Anticipated discretionary approvals from the council/EDA for the Beltline project include:

1. EAW distribution, findings, and declaration
2. Formal financial assistance request
3. Utility and right-of-way vacations including vacation of the frontage road
4. Preliminary and final plat
5. Preliminary and final PUD
6. Purchase and Redevelopment Contract (including tax increment financing)

Sherman plans to work through the first two items above this fall/winter and hopes to apply for final planning and redevelopment contract approvals by late spring next year.