



**CITY COUNCIL, HRA AND PLANNING COMMISSION WORK SESSION
RICHFIELD MUNICIPAL CENTER, BARTHOLOMEW ROOM
SEPTEMBER 16, 2019
5:45 PM**

Call to order

1. Consideration of two potential development proposals for 6501 Penn Avenue South.

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



STAFF REPORT NO. 9
WORK SESSION
9/16/2019

REPORT PREPARED BY: Julie Urban, Housing Manager

DEPARTMENT DIRECTOR REVIEW: John Stark, Executive Director
9/10/2019

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
9/12/2019

ITEM FOR WORK SESSION:

Consideration of two potential development proposals for 6501 Penn Avenue South.

EXECUTIVE SUMMARY:

The Housing and Redevelopment Authority (HRA) owns the property at 6501 Penn Avenue South and is currently seeking a developer to redevelop the property. Staff have been meeting with two potential development teams in the past several months to discuss the site and have invited both to present their concept proposals to policymakers at the work session.

The property is approximately half an acre in size, a corner property, and is adjacent to retail commercial to the south (Canine College) and two single-family residences and a duplex to the east. The entire area is zoned and guided for Mixed Use Community with the Penn Avenue Overlay. Commercial and multi-family are both permitted uses. The maximum allowed height is eight stories.

Broadway Investors - preliminary concept

- Up to 150 units of rental housing
- Four stories
- Proposed concept includes the properties to the east and south (not owned by the HRA)
- Exploring mixed-income housing, mix of unit sizes
- Financial assistance through tax increment financing would be explored
- First floor retail
- Parking ratio = 1.25 spaces per unit
- Construction start in third quarter of 2020

NHH Properties and Locus Architects - preliminary concept

- Up to 40 units of rental housing
- Five stories
- 5,000-6,000 sf of first floor, lease-able commercial space
- Looking at all options for incorporating affordability, mix of unit sizes
- Exploring creative options for the commercial space
- Parking ratio = 1.5 spaces per unit

- Anticipate grant applications to Hennepin County and Met Council
- Additional financial assistance through tax increment financing would be explored
- Late 2020 construction start-date
- Design allows for future phases to the south and east, consistent with the mixed use zoning

The bios of both developments teams are attached.

DIRECTION NEEDED:

Staff and the development teams are asking for policymaker feedback and questions on the proposed developments.

At the end of the work session, policymakers may elect to:

1. Indicate one preferred development proposal/development team for staff to pursue a formal proposal.
2. Direct staff and the development teams to return to a future work session with additional information.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

The property at 6501 Penn Avenue South has been a Bumper to Bumper auto parts store for many years. The second building on the property has been occupied by a variety of auto-related uses over the years, but mostly vacant in recent years. The property had been for sale off and on in the past couple of years. In 2018, the owner reached out to staff about purchasing the property, and the HRA purchased it in January 2019.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- The property is zoned and guided for Mixed Use with the Penn Avenue Overlay. The goal of the Penn Avenue Corridor District is to provide for a balanced mix of commercial, office and residential uses that together create a cohesive and pedestrian-friendly area.

C. CRITICAL TIMING ISSUES:

- Direction from policymakers is needed before a development team can move forward.
- For redevelopment to begin in 2020, a developer should be selected this Fall.
- The sooner new development proceeds, the sooner the substandard buildings can be removed from the site.
- Next Steps:
 - If a development team is selected, staff will begin negotiating a pre-development agreement and the development team may begin conversations with the neighborhood.
 - Once a pre-development agreement is signed and a deposit submitted, work with HRA consultants on a development agreement and financial feasibility can begin.
 - If policymakers determine that additional information is needed before making a decision, a second work session will be scheduled, most likely in November.

D. FINANCIAL IMPACT:

- The HRA purchased the property in January 2019 for \$480,700.
- Once a single development team is selected, a pre-development agreement can be negotiated, and a deposit will be required to cover HRA staff and consultant costs. Until that time, the HRA absorbs staff costs and any work by legal and financial consultants is limited.

E. LEGAL CONSIDERATION:

None at this time.

ALTERNATIVE(S):

Policymakers may determine that neither development proposal is appropriate for the site and direct staff to seek other development proposals.

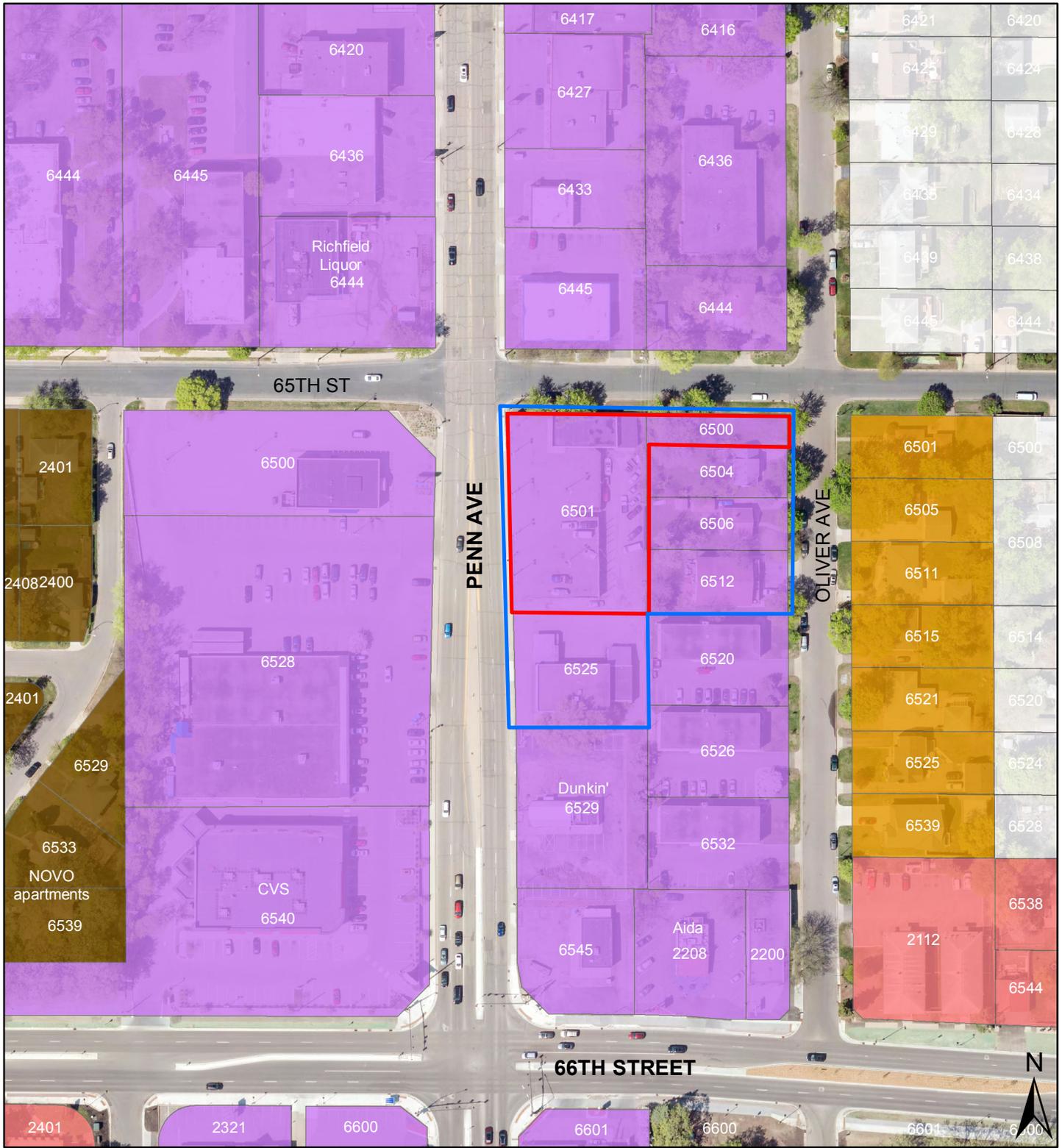
PRINCIPAL PARTIES EXPECTED AT MEETING:

Representatives from Broadway Investors and Representatives from NHH Properties and Locus Architects

ATTACHMENTS:

Description	Type
☐ Comp Plan/Site Context Map	Backup Material
☐ Site Photos	Backup Material
☐ Broadway Investors Bios	Backup Material
☐ Locus/NHH Bios	Backup Material

6501 Penn Ave - Site Context & Comp Plan



Future Land Use

- | | | |
|--|--|---|
|  Mixed Use |  High Density Residential |  HRA-owned property |
|  Community Commercial |  Medium Density Residential |  Potential extent of development |
|  Neighborhood Commercial |  Low Density Residential | |

6501 Penn Avenue



View from Penn Avenue – looking East



View looking Southeast

Broadway Investors

Erik Winegarden has over 18 years of rental property experience, beginning in 2001 while he was playing for the Philadelphia Phillies, buying property in the off seasons. He owned and managed rental properties in Minneapolis/St. Paul between 2001 and 2006. Once done playing baseball, He purchased a home in Richfield which he still owns today and obtained his Real Estate license in 2006. Erik has specialized in residential and apartment sales, having sold 1,200 residential homes across the MSP metro, totaling over \$300,000,000 in total sales volume. Family is important to Erik, he spends time outside of real estate coaching his three boys in baseball and football! He also has a passion for helping others through the struggles of addiction. He currently serves on the board of Life Rebuilders, a nonprofit based in the Twin Cities that houses and helps transition those with addictions back into life so they can give back to those who are working through the same issues.

David Lundy has over 22 years of real estate and banking experience, with an emphasis on property acquisition & development, commercial lending and real estate portfolio management. His current endeavors include developing a large apartment project, managing several construction companies and operating a 30,000 sq. ft. coworking facility. Personally, David enjoys time spent with his wife and five daughters exploring the outdoors and all things soccer. He currently serves on the board of Hubbell Realty Company, Des Moines premier full service real estate development company.

ADAM SERAPHINE

Principal and Founder of NHH Properties

Adam Seraphine is the Principal and Founder of NHH Properties. With more than 15 years of experience in real estate development and finance, Adam has been involved in numerous housing, office, retail and mixed-use projects throughout the Minneapolis area. Under the direction of Adam, NHH handles property development and transactions from concept to delivery. With a formal education in Human Resource Development at the University of Minnesota and experience in residential and commercial finance and fundraising, Adam has successfully grown NHH into a key investor focused real estate company that has a strong footprint on value driven client service offerings in the Twin Cities Metro area.

Initially, NHH operated as a full-service real estate company, assisting its clients and investors in every step of the real estate life cycle, from concept to disposition and everything in-between. In 2011, the company strategically shifted focus by expanding back into the wholly-owned commercial real estate business. The company takes a lead role in the acquisition, development, stabilization and delivery of the properties that it owns. Adam and NHH started building the portfolio by focusing in the niche of “adaptive re-use projects” or simply, “bringing new life to old properties.” This niche was very successful for the company and allowed NHH to grow and become very involved in the new construction development arena. NHH Properties maintains a strong view on investing in the development of not only the property but the surrounding community, as well. The company is rarely involved with just a single property in a given community and believes in long-term value in every development and project plan.

NHH PROPERTIES

REPRESENTATIVE PROJECT LIST

PROPERTY	DESCRIPTION	LOCATION
Amorce II	86 Multi-Family Units	New Hope & Robbinsdale, MN
Edina Office Building	21,000 SF of Class B Office <ul style="list-style-type: none"> Multi-Tenant Office Space 	Edina, MN
Elbow Lake Lodge	Rehab and Stabilization of Landmark Resort on Elbow Lake <ul style="list-style-type: none"> Full Service Resort On-site Lodge, Restaurant and Marina 	Cook, MN
Great Plains Center	10,000 SF of Class A Retail <ul style="list-style-type: none"> New Construction, Built 2015 Multiple National Tenants 	Chanhassen, MN
France Ave. Redevelopment	33,000 SF Class C Office Building <ul style="list-style-type: none"> Located in the Main Artery of Edina Pending Redevelopment <ul style="list-style-type: none"> Mixed-Use Retail and Apartments 	Edina, MN
311 Kenwood Condos	32 Multifamily Units <ul style="list-style-type: none"> Re-stabilization of Property 	Minneapolis, MN
Lake Drive Center	12,000 SF of Class C Retail <ul style="list-style-type: none"> Including a Marathon Gas Station Preliminary plans for Redevelopment	Chanhassen, MN
Phalen Village	Phase I – 28,000 SF Grocery & Retail <ul style="list-style-type: none"> Ground Breaking - Spring 2019 Phase II – 79,000 SF Senior Living <ul style="list-style-type: none"> Pending Redevelopment 	St. Paul, MN
Olson Memorial Building	82,000 SF Charter School <ul style="list-style-type: none"> Redevelopment of Former Warehouse Opened Fall 2017 	Minneapolis, MN



PROPERTY	DESCRIPTION	LOCATION
Reprise	110 Senior Units and 60 Multifamily Units	Brooklyn Park, MN
RF64	<p>Multifamily Redevelopment. Construction begins Spring 2019</p> <ul style="list-style-type: none"> ▪ 218 Multi-Family Units ▪ 72 For-sale Affordable Townhome 	Richfield, MN
Venture Academy	<p>32,000 SF Mixed-Use Commercial Building</p> <ul style="list-style-type: none"> ▪ Redevelopment of Former Printing Shop ▪ New Home to Venture Academy and Retail Tenants 	Minneapolis, MN
William McGee Building	<p>88,000 SF Historic Office Building</p> <ul style="list-style-type: none"> ▪ Interior Renovation ▪ Multi-tenant; Executive Suites to Full Floor Spaces 	Minneapolis, MN

MIKE BARNETT is a Real Estate Broker with hands on experience (20+ years) in commercial and residential finance, sales and leasing; all within the Minneapolis/St. Paul Metro area. I thrive in situations that require problem solving and enjoy finding the hidden gems that provide opportunity for my clients and strategic partnerships. My success has been predicated on honest, ethical business practices and truly loving what I do. I manage a private portfolio of real estate, a franchise real estate brokerage and co-develop projects with my partners. While working is something I enjoy, I believe it is equally important to spend time with family (and we do love our vacations). Looking for the right partner to navigate the financing of your project, while working with the neighborhood and vendors, I have the experience and drive to get the job done.

LOCUS ARCHITECTURE

Design Thinking for Creative Pioneers

Since its founding in 1995, Locus Architecture has undertaken a diverse body of work: public, commercial, institutional, and residential. We craft meaningful architecture for clients who care about their spaces and what they represent. We're true to our passions - human participation, innovative construction, and beautiful spaces - without being beholden to restrictions of style or trend. We're probably the only firm within a 4-hour drive of the Twin Cities with partners who designed *and* built their own homes. We practiced sustainability 10 years before LEED, led clients to create visioning exercises specifically tailored to them, and climbed through junk yards with clients searching for the perfect patina. We camped with students while building structures for kids in Katrina-ravaged Biloxi, compiled 50 years-worth of traditional and alternative building experience, and organized free lectures on relationship based creativity. With a wall of design awards to give us credibility, why trust us to create better experiences for you? Because we excel in creating them ourselves.