



**SPECIAL CONCURRENT CITY COUNCIL, HOUSING AND REDEVELOPMENT AUTHORITY, AND
PLANNING COMMISSION WORKSESSION
RICHFIELD MUNICIPAL CENTER, BARTHOLOMEW ROOM
MARCH 26, 2019
5:45 PM**

Call to order

1. Discuss proposed development for City Garage South (301 77th Street West) site

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.

CITY OF RICHFIELD, MINNESOTA
Office of City Manager

March 21, 2019

Council Memorandum No. 17

HRA Memorandum No. 2

The Honorable Mayor
and
Members of the City Council

Housing and Redevelopment
Authority Commissioners
City of Richfield

Subject: Proposed Development for City Garage South Site

Council Members and HRA Commissioners:

On February 11, 2019, MWF Properties presented a proposed 55-unit workforce housing development for the City Garage South Site (301 77th Street West). At the work session on March 26, staff will present additional information to policymakers regarding the proposed development. Chris Stokka from MWF Properties will also be in attendance to answer questions.

Policymakers are asked to review the information provided in this memo, visit the site beforehand, and prepare any questions you may have. Staff is asking for direction from policymakers on the questions posed at the end of the memo.

Summary

Staff is bringing the development for your consideration for the following reasons:

1. The property is guided and zoned for multi-family housing. Staff has used this designation as a guide in seeking development for the property.
2. Under the Inclusionary Housing Policy, developments either provide affordable units or make a payment in lieu to the City. The proposed project offers an opportunity to create affordable units in place of the units that are forgone in favor of the in lieu payments.
3. An analysis of our existing housing stock, the City's affordable housing need allocation, and feedback from the community suggest that there is a need for accessible housing, housing with supportive services, and larger rental units for families. The proposal provides 15 three-bedroom units and four to six units of housing for people with disabilities, accompanied by supportive services.

Site Background

The property formerly housed the offices for the City garage. Following the construction of the new Public Works facility in 2007, this building was demolished and ownership of the site was transferred to the Housing and Redevelopment Authority (HRA) to develop the site. The I-494 Corridor Master Plan and related zoning amendments were adopted

during this same time frame and the property was guided for Medium Density Residential (MDR) based on its location. The I-494 Master Plan as a whole looked to create an urban, pedestrian-friendly, economically sustainable district that would be distinct and unique to Richfield. Sites farther from freeway access were designated for housing, while commercial uses were focused on areas with superior access.

On an interim basis, the site is being leased by Richfield-Bloomington Honda for employee parking. The HRA's lease with Richfield-Bloomington Honda allows for termination of the lease with at least 30 days' notice.

The proposal from MWF is the second housing development that has been proposed for the site. In 2017, Nicolai Apartments proposed 21 units of market-rate housing. The feedback provided by policymakers at that time was that the City/HRA would consider providing tax increment to develop the site, but that the building design needed to be improved. The developer decided not to move forward with the development.

The Proposed Development

MWF is proposing 55 units, with the following breakdown of unit sizes and rent and income limits:

Unit Size	Affordability	# of Units
1 BR	30% AMI	6
	50% AMI	7
2 BR	50% AMI	21
	70% AMI	6
3 BR	70% AMI	15

Note: The income for the 3BR units is 70%; however, rents will likely be less than the maximum allowed.

The proposed development would include four to six units for people with disabilities. Supportive services of approximately 30 hours per week would be provided for the households occupying those units.

The developer plans to apply for housing tax credits to provide equity for the project. The Low Income Housing Tax Credit Program (LIHTC) is a federal resource for housing in which an investor purchases tax credits and receives a 10-year reduction in their federal tax liability. The proceeds from the sale of the tax credits is invested in affordable housing that must then remain affordable for 30 years.

A limited amount of tax credits are made available per state. Points are awarded to projects based on a variety of factors as laid out in the State's Qualified Allocation Plan (QAP) (e.g., economic integration, access to high performing schools, access to transit). Tax credits are allocated to projects that score the highest, given the amount of funds available. The Program is highly competitive. In Minnesota, typically one in three projects is awarded funding. The site is one of relatively few areas in the City that receive a high number of points under the QAP priorities.

These websites provide additional information on the LIHTC Program:

- www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work
- www.mnhousing.gov/wcs/Satellite?cid=1358905254471&pagename=External%2FPage%2FEXTStandardLayout

Policies

The following policies provide guidance in making land use decisions for the property:

1. The **Comprehensive Plan** is the policy document that describes the community's vision for the future of Richfield. It is a roadmap that staff uses to direct developers to appropriate locations for particular projects. It is the document that is used to determine zoning districts. The zoning of a property is required by State Law to match its Comprehensive Plan designation.

In 2005-2006 the City amended the Comprehensive Plan and zoning designations along I-494. Based on anticipated changes to I-494 access and a desire to both take advantage of the I-494 visibility and to create a more livable corridor, the area was guided for a mix of commercial and higher density housing. This particular property and the surrounding properties were guided for medium-density residential housing (MDR), which allows densities between 8 and 34 units per acre. The City's Inclusionary Housing Policy offers a density bonus of up to 15% for projects that include affordable units, thereby allowing up to 39 units per acre. The developer is proposing a density of 59 units per acre, which will require the property to be re-guided to high density residential (HDR). All other parcels along I-494 that are guided for either multi-family housing or mixed use allow for higher densities – either 35-100 units per acre or 50-150 units per acre – which suggests that re-guiding to HDR would be consistent with the Plan.

A Comprehensive Plan amendment typically requires a super majority approval from the Council; however, in the case of an affordable housing development, a simple majority is all that is required.

NOTE: The adjacent properties at 301 77th Street West (LaMettry's) and 7600 Pillsbury (Havenwood) were formerly guided MDR but were re-guided to Community Commercial and HDR, respectively.

2. The City's **affordable housing need allocation**, as determined by the **Metropolitan Council** for the 2030 Comprehensive Plan time period, is as follows:

At or Below 30% AMI	66
From 31 to 50% AMI	29
From 51 to 80% AMI	26

TOTAL UNITS	121
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3. The **Housing Visioning policy**, adopted in 2013, recommends giving priority to projects that serve a mix of incomes. It is, however, unlikely the City will be able to meet the allocation of 66 units for households earning below 30% AMI through mixed-income housing alone. The proposed development would serve incomes between 30 and 70% of the AMI.
4. The City's **Inclusionary Housing Policy** commits the City to "building a community that is welcoming and affordable to a diverse population of individuals and families at all stages of their lives." It requires new developments receiving financial assistance from the HRA to reserve 20% of all units as affordable to households earning no more than 60% of the Area Median Income (AMI) or contribute 15% of the tax increment financing (TIF) (or the value of other types of assistance) in lieu of including the units.

In the past, in lieu contributions have been used for a variety of programs/projects currently funded by the Housing and Redevelopment Fund: Richfield Rediscovered, commercial acquisitions for redevelopment, apartment purchase assistance (e.g., Seasons Park), and New Home Program. At the time of approval of the Inclusionary Housing Policy, the HRA indicated that the in lieu payments should be used to create affordable housing elsewhere.

Zoning Considerations

The property is zoned Mixed-Use Neighborhood (MU-N). In this zoning district, apartments are a permitted use. The developer will be required to apply for Site Plan Approval.

At such time that the developer formally applies for Site Plan Approval, staff will review the plans for conformance with the Zoning Ordinance and provide guidance to the Planning Commission as to how it meets/does not meet the rules and standards.

Neighborhood Input

The City's current Comprehensive Plan was developed with significant community input over the course of nearly two years (2017-2018). A stated goal of the Plan is providing a full range of housing choices for all members of our community. A need for more affordable housing, especially housing at/or below 30% of AMI, is called out as a specific need. This site has been designated as a housing site for the past 12 years. The Council is allowed to re-guide property so long as a land use application has not been submitted and the new designation is compatible with the surrounding designations. An additional public process is required prior to any land use designation change. A site cannot be designated to allow only market rate housing vs. affordable housing.

The community may provide feedback to the HRA regarding whether or not it is appropriate to sell the property to the developer for the proposed use and/or whether it would be appropriate to use TIF to repay the City for the cost of the land.

Adjacent neighbors include the auto body shop, storage facility, miscellaneous commercial uses, and Havenwood Senior Living. New Orleans Court Apartments and Townhomes are one block to the east.

The developer plans an open house for the neighbors and interested community members to ask questions about the proposal and offer feedback on the proposed design and project features in April.

Environmental Considerations

Underground storage tanks were removed from the property in 1999, and clean-up of contaminated soil from the tanks was completed in 2000. A Phase II environmental report was completed in 2007. Sporadic detections of petroleum-related contamination were identified in soil samples, but no significant soil or groundwater contamination patterns or “hot-spot” areas were identified.

Questions were raised about the impact of the railroad tracks on the development. The developer has spoken with staff from Minnesota Housing. They have stated that the low traffic volume and speed make the railroad’s impact negligible and do not disqualify the proposed site for consideration for the LIHTC program. A significant amount of both single and multi-family housing is currently located all along the railroad tracks. The long-term plan for the tracks is for it to become a trail.

The LaMettry’s auto body shop is located just to the east of the development. While the building is new and was constructed with an up-to-date ventilation system, additional analysis will be required to determine the potential for negative air quality on the site. Staff is currently working to identify the appropriate manner in which to evaluate any air quality issues related to LaMettry’s.

Timing

Applications for 2020 tax credits are due to Minnesota Housing on June 3, 2019. The developer must provide evidence of site control and City financial participation with the application so they need a purchase agreement (or development agreement) for the site by this date. Consideration of this request would come before the HRA in April or May. The developer plans to apply for land use approvals during the summer. A final decision on the allocation of tax credits would occur in November. Construction would take place during 2020, and the development would open in 2021.

City (HRA) Financial Participation

Control of the site and City financial participation is required for the tax credit application. Staff is recommending that the City’s financial participation be provided by the HRA through a land write-down. This method has the benefit of lowering development costs, which improves the project’s score. The HRA would repay itself

through tax increment over a period of time. The site is currently in a tax increment district. Sales proceeds will be used to pay down the bond debt for the Public Works facility.

The estimated appraised value of the property is between \$400,000 and \$500,000. A write-down of this amount would equal a subsidy of between \$7,300 and \$9,000/unit. If approved, this subsidy would be far less (on a per-unit basis) than the HRA typically provides as a subsidy.

An analysis of need and of the tax increment generated will be conducted before the proposal is brought before the HRA. The estimated end-value of the development is \$7.5 million.

Questions to Consider

The proposal raises the following questions for policymakers to consider:

City Council/Planning Commission

- Is the site appropriately guided for housing?
- If it is, should it remain guided for medium density or should it be re-guided for high density?
- If not housing, what designation would be most appropriate?

City Council/HRA

- Is the proposal consistent with the Inclusionary Housing Policy?
- Are the Council and HRA in support of affordable housing that is not in mixed-income developments? If not, how should any in lieu payments be used?
- How does the Council/HRA envision providing the City's allocation of housing affordable at 30% of the AMI?

HRA

- Does the proposed work force housing warrant a reduced land price? Are the proposed terms, to pay ourselves back with tax increment over time, acceptable to the HRA?

Respectfully submitted,



Katie Rodriguez
City Manager

KR:ju

Attachments

Email: Department Directors
Planning Commission

ATTACHMENTS

City Garage South Site



**Tax Credit Income/Rent Limits
Hennepin
4/1/2018**

Income limits by household size

	1	2	3	4	5	6	7	8
30%	19,830	22,650	25,470	28,290	30,570	32,820	35,100	37,350
35%	23,135	26,425	29,715	33,005	35,665	38,290	40,950	43,575
40%	26,440	30,200	33,960	37,720	40,760	43,760	46,800	49,800
45%	29,745	33,975	38,205	42,435	45,855	49,230	52,650	56,025
50%	33,050	37,750	42,450	47,150	50,950	54,700	58,500	62,250
55%	36,355	41,525	46,695	51,865	56,045	60,170	64,350	68,475
60%	39,660	45,300	50,940	56,580	61,140	65,640	70,200	74,700
70%	46,270	52,850	59,430	66,010	71,330	76,580	81,900	87,150

---- Maximum Gross Rents By Bedroom Size(Post 1989) ----

	0	1	2	3	4	5	6
30%	495	531	636	735	820	905	990
35%	578	619	742	858	957	1,056	1,155
40%	661	708	849	981	1,094	1,207	1,320
45%	743	796	955	1,103	1,230	1,358	1,485
50%	826	885	1,061	1,226	1,367	1,509	1,650
55%	908	973	1,167	1,348	1,504	1,660	1,815
60%	991	1,062	1,273	1,471	1,641	1,811	1,980
70%	1,157	1,321	1,486	1,650	1,783	1,915	2,048

City of Richfield Workforce Housing Proposal



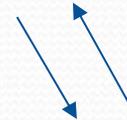
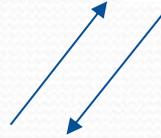
February 11th, 2019

Outline

- Development Team
 - Developer - MWF Properties
 - Builder - Eagle Building Company
 - Management Company - Velair Property Management
- Development Summary
 - Location
 - Job demographics example
 - Project features
 - Site Plan
 - Rendering
- Q&A

Development Team

DEVELOPER



Builder



Property Manager



- Established in 1999
- 1,249 units developed. 342 under construction. 250 units breaking ground in 2019.
- Long term owners – Have never sold a property.
- Company philosophy:
 - Build and maintain relationships
 - Maintain positive reputation
 - Curb appeal
 - Strong management
 - Community Relations
- Headquarters in Richfield

Repeat business

- Rochester – 11 properties
- Forest Lake – 2 properties
- Vadnais Heights – 2 properties*
- Shakopee – 2 properties*
- Waconia – 2 properties*

*Approved but not completed

EAGLE BUILDING COMPANY

- Built 14 of MWF's properties (all since 2012)
- Headquarters in Richfield
- "It's always nice to work with professionals. My hats off to [Eagle Building]."
 - Building official, City of Eagan



Recent Projects



Forest Oak Apartments II
Forest Lake, MN
Opened May 2016



Lafayette Square
Davenport, IA
Opened February 2017

Recent Projects

1st Avenue Flats
Rochester, MN
Opened April 2017



Red Rock Square
Newport, MN
Opened August 2017

*Visit www.mwfproperties.com for further details.

Recent Projects



Sarazin Flats
Shakopee, MN
Opening Fall 2019



108 Place
Bloomington MN
Construction Start April 2019



Boulevard
Mounds View, MN
Opening Fall 2019



Thomas Avenue Flats
Saint Paul, MN
Opening March 2019

Interior Photos



Interior Photos



Interior Photos



Interior Photos





- Manages all of MWF's properties.
- Corporate leadership – 84 years of combined experience
- Heavy focus on:
 - Curb appeal
 - Applicant screening
 - Community Relations
 - Responsiveness
- Headquarters in Richfield

Community Relations



Richfield

Development Summary

- Four stories over underground parking
- Mix of 1, 2, and 3 bedroom units.
- Income limits between 50% and 70% of Area Median Income
 - Income (\$56,560 for family of four).
- Five to six 30% units set aside for residents with disabilities.
- Universal Design.
- On site manager, caretaker, maintenance.

----- Income Limits By Household Size -----

	1	2	3	4	5	6	7	8
20%	13,220	15,100	16,980	18,860	20,380	21,880	23,400	24,900
30%	19,830	22,650	25,470	28,290	30,570	32,820	35,100	37,350
40%	26,440	30,200	33,960	37,720	40,760	43,760	46,800	49,800
50%	33,050	37,750	42,450	47,150	50,950	54,700	58,500	62,250
60%	39,660	45,300	50,940	56,580	61,140	65,640	70,200	74,700
70%	46,270	52,850	59,430	66,010	71,330	76,580	81,900	87,150
80%	52,880	60,400	67,920	75,440	81,520	87,520	93,600	99,600

---- Maximum Gross Rents By Bedroom Size(Post 1989) ----

	0	1	2	3	4	5	6
20%	330	354	424	490	547	603	660
30%	495	531	636	735	820	905	990
40%	661	708	849	981	1,094	1,207	1,320
50%	826	885	1,061	1,226	1,367	1,509	1,650
60%	991	1,062	1,273	1,471	1,641	1,811	1,980
70%	1,156	1,239	1,485	1,716	1,914	2,113	2,310
80%	1,322	1,416	1,698	1,962	2,188	2,415	2,640

Resident Occupations (example)

<u>Occupations - Interlaken Place - 10/2018</u>		
Realtor		
Delivery Driver		Bank Teller
Documentation Specialist		Retired
Retired		Property Manager
Nursing Home Aide		Teacher Assistant
LTS Teacher & Retail Assistant		DJ
County Worker		Machinist
Store Clerk		Sales
US Postal Worker		Registered Nurse
Teacher		Retired
Splicer		Store Clerk
Spa Specialist		Entertainer
House Cleaner		Property Caretaker
PCA		Retired
Southdale Pediatric Associates		Retired
Hair Stylist		Waitress
Store Clerk		Massage Therapist
Commoscope Sales		Business Development Manager
Service Representative		Equipment Technician
Horse Show Groomer and Stable Management		
Driver		

Location



Location Benefits

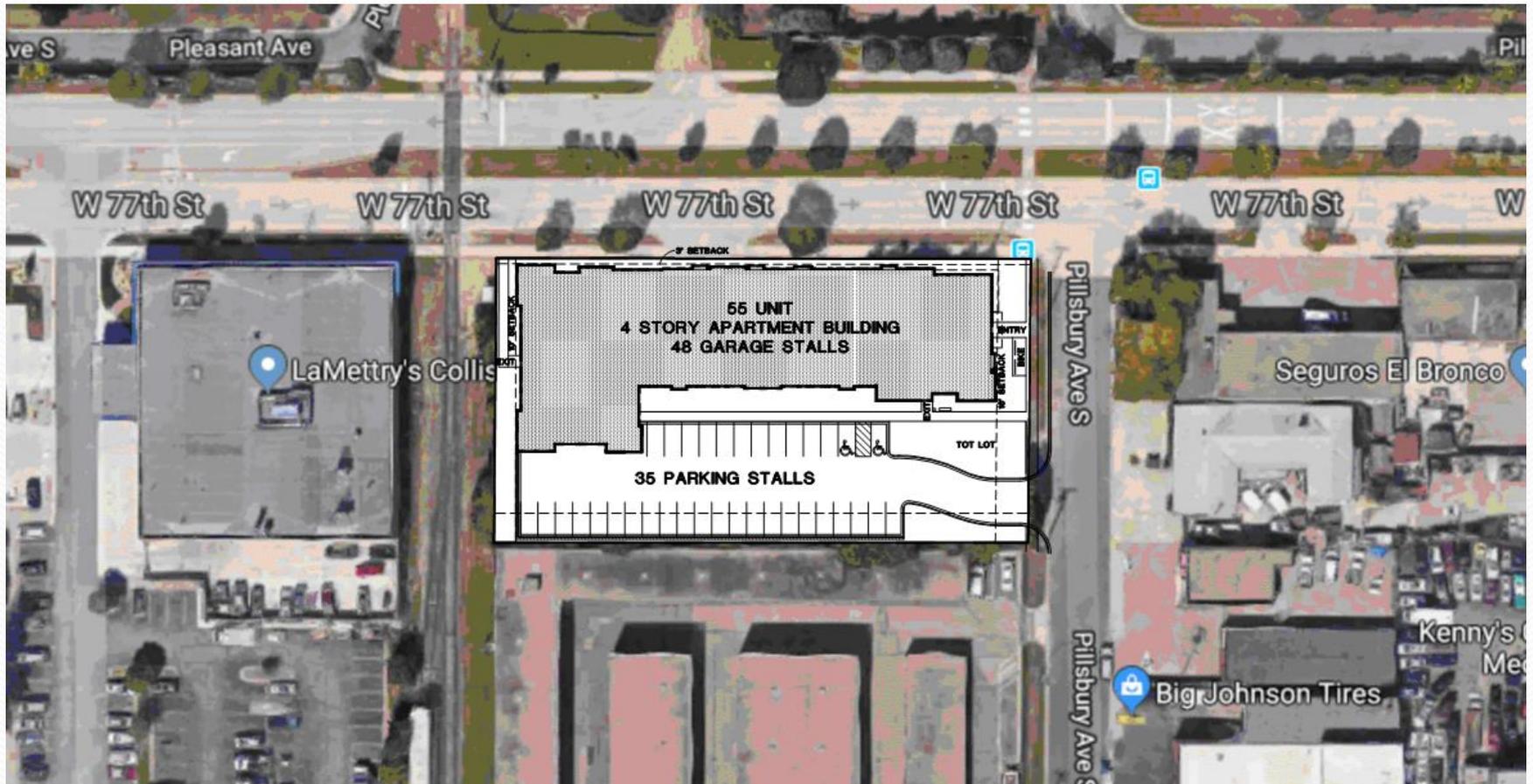
- High Demand:
 - Help replace 698 NOAH units lost in 2017.
- Access to transit – Local bus line is only 10 feet from property.
- Adjacent to multiple roadways and freeways.
- Within walking distance of many “workforce” employers.
- Within walking distance of a multiple public parks.
- Two blocks from management headquarters

Project Features

- On site management
- Community Room
- Fitness Center
- Secure Access (fob system)
- 24 hour surveillance
- Secure package room
- Bike Friendly – Hanging Bike Racks, Fix it
- Underground Parking – Included in rent
- Green Features: LED lighting, low flow fixtures, recy receptacles throughout building.
- In unit laundry



Preliminary Site Plan



Similar project rendering



Project Financing

- Utilize Section 42 tax credits to help fill gap created by lower rents.
- Annual submission to Minnesota Housing (June 3rd)
- Highly competitive, 1 of every 3 applications approved.
- Important Scoring Factors:
 - Transit
 - Economic Integration
 - Schools
 - Cost Containment
 - Local Participation

City Participation

- Necessary to help fill funding gap
- Necessary to make proposal competitive for funding.
- Recent examples of local financial support for tax credit housing projects:
 - Shakopee: \$296K in fee waivers
 - Bloomington: \$527K in land write down
 - Mounds View: \$570K in TIF & Land write down
 - Rochester: \$600K in TIF

City Participation

- MWF requesting land write down.
- Would help the project by:
 - Helping fill the financing gap
 - Make the project more competitive – points for:
 - Cost containment
 - City participation
- City would get paid back via higher property taxes of completed project (win/win).

Preliminary Development Schedule

- | | |
|-----------------------------|--|
| April 2019 | - Execute development agreement. |
| June 3 rd , 2019 | – Apply for financing |
| Nov 2019 | – Begin closing process and develop full drawings. |
| April 2020 | – Close on financing. Construction commences. |
| Dec 2020 | – Construction Completion. Leasing Period begins. |
| April 2021 | - Lease-up complete. |



THANK YOU

Questions?