

Blake Road Station TOD Early Implementation

2017



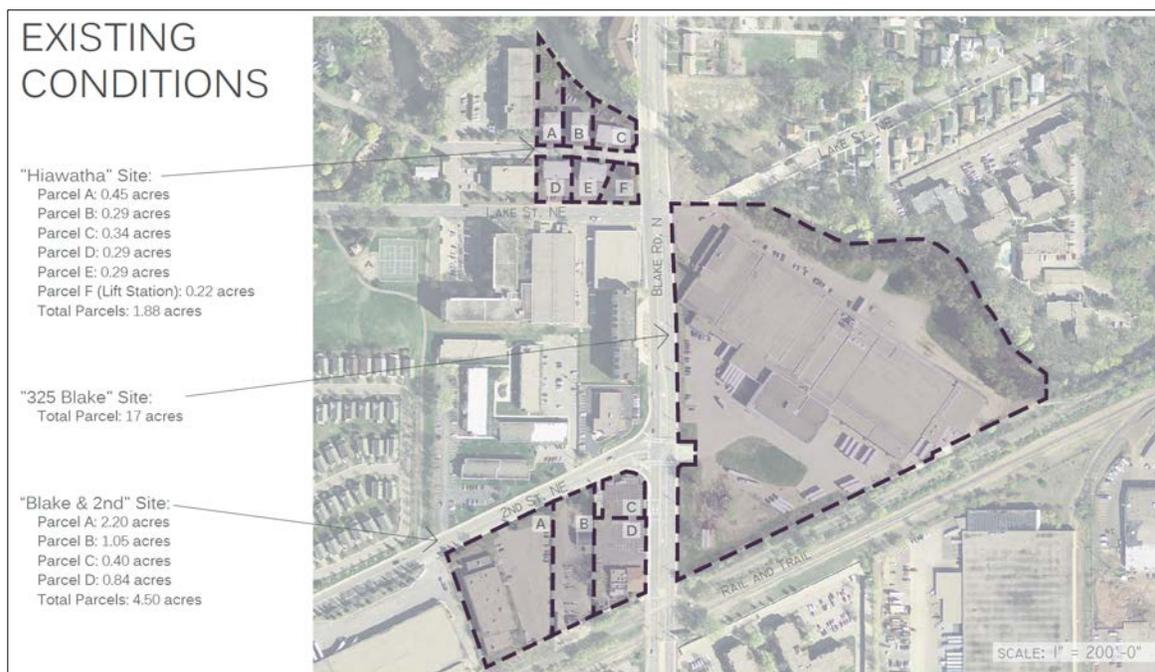
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Shaping the Blake Road Corridor

Blake Road, between Excelsior Boulevard and Highway 7, is currently poised for transformation. As the Green Line Extension (also known as Southwest LRT) Light Rail Transit project progresses, it is evident that this location, where Minnehaha Creek, the Cedar Lake Trail, Blake Road, and the SWLRT converge offers tremendous opportunity for redevelopment. With careful planning, this corridor could evolve from an underutilized mix of car-oriented uses, into a vibrant livable community with a healthy mix of housing, neighborhood retail, and office oriented around the creek as the neighborhood amenity and identity.

The Blake Road Station Transit Oriented Development (TOD) Early Implementation project explored three sites along this key corridor: the Hiawatha site at the intersection of Hiawatha Avenue and Blake Road, the Hennepin County Regional Railroad Authority (HCRRRA)-owned site just west of Blake and south of Second Street Northeast (labeled as Blake and 2nd in the graphic below), and the 325 Blake site (also known as Cold Storage) bordered by Minnehaha Creek, Blake Road and the HCRRRA rail line. The project developed a set of principles and goals for the corridor as a whole and for each site. It explored urban design ideas and market conditions that will shape these sites and was complemented by an analysis by an Urban Land Institute-Minnesota Technical Advisory Panel (ULI TAP). It also considered the phasing, financing, and regulatory conditions required to implement the proposed scenarios. This document summarizes those findings in order to provide a shared understanding for current and potential partners in implementation.



Guiding Principles

During this process, extensive time was spent developing goals for the corridor and for the sites. They were generated based on feedback from the community, obtained through a Local Initiative Support Corporation (LISC) Corridor Development Initiative (CDI) and through City staff and City Council. Key principles are highlighted below, but it is also useful to review the LISC CDI report for more detailed information on goals. The five most frequently cited guiding principles for the corridor as a whole were:

- Maximize the potential of Minnehaha Creek and associated trail system as an amenity and organizing element for the entire corridor, with improved water and environmental quality woven into the urban fabric.
- Create a healthy, livable, vibrant, walkable, and sustainable community by encouraging a mix of complementary uses connected by inviting public spaces and walkways.
- Increase both diversity and the sense of community in the corridor by providing a variety of housing types, including market rate, affordable, senior, for-sale and rental attached, designed to share common space.
- Enhance the vitality of the corridor by supporting neighborhood retail and office uses at key locations and consider incorporating creative maker spaces.
- Develop the corridor as a Transit Oriented Development (TOD) demonstration site, highlighting the benefits of strong non-vehicular connections, increased density, access to transit, diverse uses, and ecological amenities.

ULI TAP Guidance

These guiding principles were supported by the recommendations of the ULI MN TAP in their "Southwest LRT Community Works; ULI MN Technical Assistance Panel for Blake & Beltline Station Areas" report, dated December 8-9, 2015. In particular, they noted the following:

- The corridor should be addressed as a whole, rather than pieces, from Excelsior Boulevard to Highway 7.
- Redevelopment in the corridor will be strengthened by a cohesive public realm building on the amenity of Minnehaha Creek, strong connections for walking and biking, and diverse uses organized in key locations along Blake Road (rather than mixed into every site)
- Thoughtful roadway design, emphasizing safe and inviting trails and sidewalks, complemented with on-street parking and ground-level uses, is key to realizing this vision.
- Concentrate neighborhood retail uses on the west side of Blake, towards the south end of the study area, while using the east side for a variety of residential and community spaces.
- Appropriate zoning is required to support this approach, to reduce sprawling and fragmented uses, and concentrate vibrant development in a carefully considered pattern.

General Market Considerations

Also supporting this approach, the market study suggested that multi-family housing is the most likely use in the majority of the corridor, with some opportunities for retail at key locations with adequate visibility and parking, including on-street spaces.

Attracting office uses will be more challenging, with the most likely users being destination offices such as doctor or insurance offices. This location is not a prime large scale multi-tenant office area due to a lack of direct highway access and visibility, generally key elements in suburban markets. As office sub-markets develop, they create a business hub with services and amenities that attract more office development. This submarket is more likely to develop uses compatible with existing housing in the neighborhood.

Development of the three parcels will occur separately as they offer opportunities that may be of interest to different types of developers based on size, type and complexity. For publically controlled sites, an RFQ process will provide the best indication of market strength, developer interest and land pricing. While some developers may not like bidding on publically controlled parcels, if the opportunity is compelling enough from a market perspective, there should be ample interest in the developer community. More detailed market considerations for each site are detailed in their respective sections below.

Removing site uncertainties is a primary way to maximize developer interest. Delivery of a site that is free of structures, has a well-defined vision and has a basic roadmap of any environmental hazards or other challenges, helps to remove uncertainty and heightens interest. Finding ways to fund demolition costs and perform environmental testing allows developers to remove uncertainty and bid more for a site.

Basic Financial Tools

In order to develop these sites with the level of density and amenities proposed, a public/private partnership, or at least solid cooperation between the private and public sector will be necessary.

The primary action that will support interest and accelerate development in this area is the approval of the Full-Funding Grant Agreement by the FTA, providing funding for the Green Line Extension with a stop at Blake Road. This planning document and supporting analysis are predicated on funding of the Green Line Extension by the FTA, anticipated June 2017. Any delay in funding for the LRT project could push back the estimated completion of proposed developments.

Through an RFQ process, it will be determined what level of land acquisition support is required for the HCRRA and 325 Blake Road sites. Proposed developments will be influenced in part, by the price of land. Finally, obtaining funding commitments for the greenway and other amenities prior to offering land for sale public is recommended in order to maximize value.

Tools such as Tax Increment Financing (TIF) or tax abatement might also be important to realize the level of development as proposed. That process is described in more detail in the applicable sections for each property, below.

Several funding sources may also be applicable for this set of projects, depending on the specific elements incorporated in the final design and in the environmental condition of the sites as determined during more detailed investigation. Funds could cover environmental remediation, innovative planning and design, affordable housing, and recreational facilities. This list is by no means exhaustive, but may be helpful as the projects move forward:

- Several funding sources are available to remediate environmental issues which may be present on this and other sites, including the following:
 - Hennepin County Environmental Response Fund (ERF) Grants
 - Minnesota Department of Employment and Economic Development (DEED) grants
 - Met Council Livable Communities Tax Base Revitalization Account (TBRA) grants
- Several funding sources are available to communities and organizations to support transit oriented design and affordable housing improvements, which may apply here, including the following:
 - Met Council Livable Communities Livable Communities Demonstration Account (LCDA)
 - Met Council Livable Communities Transit Oriented Development (TOD)
 - Met Council Livable Communities Local Housing Incentives Account (LHIA)
 - Hennepin County Transit Oriented Development (TOD) Program
 - Hennepin County Affordable Housing Incentive Fund
- Depending on the specific recreational facilities included with these projects, a number of grants may apply, including the following:
 - Hennepin County Youth Sports Program
 - MnDNR park and trail grants
 - Minnesota Parks Foundation grants

Hiawatha Site

The Hiawatha site, for the purposes of this exercise, consists of both a Met Council-owned lift station and privately-owned apartments. Public ownership offers an opportunity to influence redevelopment but the lift station site alone lacks enough square footage to support TOD development. The concepts explored suggest an interim treatment that will enhance the corridor near-term, with a longer-range vision based on market conditions and the private owner's interest in redevelopment.

Site Specific Guiding Principles

- Consider a phased approach to redevelopment, based on real estate opportunity and market conditions, which incorporates the vacation of Hiawatha Avenue and a new access from Lake Street NE.
- Create a visual connection to Cottageville Park and greenspace along creek
- Provide wayfinding and amenity space for Greenway users crossing Blake Road, tying the two sides of the road together through similar design, materials, or furnishings.
- Enhance and highlight natural features along Minnehaha Creek.
- Use storm water amenities to create a sense of an interlaced system over all three sites.
- Maximize relationship to Cottageville Park by orienting redevelopment to increase value through views and connectivity and increase park security by providing additional "eyes on the park."
- Anticipated time frame: Lift station to be removed in 2018, other parcels may redevelop in the longer term.

ULI TAP Guidance

- Consider closing Hiawatha Avenue and building on the west side of the site.
- Provide public access to Minnehaha Creek with a clear visual and physical connection; consider an active programmed use.

Market Considerations

The site is well suited to continue use as multi-family housing. Through redevelopment, increased unit density is possible while still maintaining access to the Minnehaha Creek amenity. Smaller unit sizes might help to accommodate a higher density use. This site may offer opportunities for senior and affordable housing.

At this time, market conditions suggest that vertical mixed-use is unlikely. However, if housing over retail is desired, small stores or professional offices may be challenged to provide ample and highly visible parking on the site.

Phasing

Phasing on this site is fairly simple and relies on the already planned removal of the lift station and then the natural evolution of the existing housing. The most likely phasing scenario for this site is as follows:

1. Lift station is removed in 2018 by the Met Council
2. Former lift station is converted into a temporary pocket park in 2018/2019
3. As existing housing near the lift station site becomes less viable or market conditions warrant redevelopment, there is a phased or complete replacement, possibly in two to five years or more. Project phasing offers the ability to match market supply and demand, and may allow some existing buildings to remain occupied to generate cash flow for the developer.



Hiawatha site short-term concept

Financial Tools and Analysis

A number of grants are available for park projects through various governmental and non-profit organizations, but the temporary nature of the pocket park may limit funders' interest in the project. There may be opportunities for interagency or public-private partnerships for both the pocket park and the potential trailhead or creek access point if all involved are agreeable and understand the value of such an amenity.



Hiawatha site long term concept

It is most likely that housing redevelopment will rely on more conventional financing models for market rate housing, and possible public supported financing for affordable or workforce housing. Likely lenders will typically be local banks for market rate housing developments. Interest in lending will be tied to supply and demand fundamentals in the market and the progress of LRT completion. Affordable or work force housing development may have access to other funding sources including LIHTC, Hennepin County Affordable Housing Incentive Fund, and/or Met Council Livable Communities grant programs. Affordable housing developments often require multiple funding sources and as a result, can take several years to get to construction.

Preliminary financial analysis confirmed that multi-family housing development will likely be feasible on this site. This analysis assumes the delivery of a cleared shovel-ready site. The delivery of cleared

building sites will enhance the estimated sales price of the land. The price of the land is a critical factor in the site redevelopment pro-forma.

This site may be purchased by an investor or held by the existing owner who could operate the existing apartments until there is increased certainty that rents are high enough to support new construction. Successful development will be contingent on achieving estimated market rents at the project completion. Minneapolis has been the local area leader in new multifamily development, with much of the new product being built on sites adjacent to the Green Line between Minneapolis and St. Paul. This bodes well for expected demand leading up to and following LRT completion and also support for expected rents.

A commitment to complete the Green Line LRT extension will reinforce the neighborhood's desirability for multi-family housing. Above-market rent premiums may be possible due to the walkable distance to the proposed Blake Road transit station. Additional amenities that will reinforce rent premiums include the development of the northern edge of the site along Minnehaha Creek and the larger proposed creek side redevelopment on the north edge of the 325 Blake Road site across Blake Road.

TIF financing would likely be a viable tool at this location depending on the code deficiencies and condition of the existing buildings at the time that TIF is established. The buildings were not evaluated as part of this study. Especially in the case that affordable housing remains a component of this site, a Housing TIF district may be available.

HCRRA Site

Hennepin County Regional Rail Authority owns the site currently leased by 43 Hoops. For the purposes of this exercise, adjacent properties were also considered as possible acquisitions, thereby creating more redevelopment opportunities and enhanced transit-oriented development. Actual site boundaries are subject to the property owners being interested in development of their property.

Site Specific Guiding Principles

- Allow for phasing demolition and construction on the site.
- Support the long-term viability of Pizza Lucé and complimentary uses along Blake Road.
- Create a strong connection to the trail.
- Reduce the number of vehicular entrances to the site.
- Buffer new development from adjacent uses.

ULI TAP Guidance

- Allow 43 Hoops to remain as an active business to draw other activities.
- Park-and-ride south of the LRT station is an obstacle to future development (Note: the location of the park and ride is set and will not be changed)
- Capitalize on the activity generated by 43 Hoops with complementary recreational and community activities
- Support destination retail at this site
- Create frontage and activity on the street
- Housing between Pizza Lucé and 43 Hoops will be difficult to market

Market Considerations

The extension of retail north along the west side of Blake Road is a natural fit with the adjacent Pizza Lucé use. If adequate and visible parking is designed into the project plan, the location is appropriate for convenience retail that can service the existing and proposed residential uses around the site.

The HCRRA site is a more difficult redevelopment if 43 Hoops wants to stay on-site, as depicted in Concept 1. This type of facility is usually accommodated by installing basketball flooring within an existing industrial facility with high ceilings. The current structure does not have an ideal layout to accommodate basketball courts, so remodeling in-place is unsatisfactory and difficult. Building on the current parking lot would create a parking problem during construction and be difficult to execute with the existing building in operation.

Demolishing and moving 43 Hoops while a new facility is constructed, possibly with housing above, is costly from a business perspective and would create more expensive housing due the need to span the basketball courts. From an operational viewpoint, it is not likely that 43 Hoops would move off-site to a temporary location for 12 to 24 months and then return to new facilities at the site. Costs of a double move, leasing temporary space with adequate facilities and paying for a newly constructed building would be very high for this type of business.

Concept 2, an alternative plan, eliminates 43 Hoops and assumes the construction of a multi-family housing development. This option accommodates both the housing and underground parking. Difficult design issues from a marketing perspective include the large wall of a major warehouse structure on the west and an existing gas station or future parking lot on the east. Designs will need to create attractive interior public spaces to mitigate the visual impact of bordering uses. This site may offer opportunities for senior and affordable housing.



HCRRRA site concepts 1A and 1B

Phasing

The redevelopment of this site is made easier if the gas station can be acquired. It will also depend on whether or not all parties involved see 43 Hoops remaining in its current location in the long term. Pizza Lucé's parking and vehicular site access need to be considered as part of any alternative. As a successful neighborhood retail anchor with sole control of the site, the owner's needs and concerns will need to be met.

If redevelopment does occur as shown, the most likely phasing scenario for this site is as follows:

1. The gas station site is acquired and redeveloped for parking.
2. A new retail building is constructed along Blake Road north of Pizza Lucé.
3. A determination is made about the future of 43 Hoops at this site, with three options:
 - a. 43 Hoops remains on site, as-is (Concept 1A)
 - b. 43 Hoops rebuilds a new building on site incorporating housing (Concept 1B)
 - c. Multi-family housing replaces 43 Hoops (Concept 2)



HCRRA site concept 2

Financial Tools and Analysis

It is most likely that both commercial and housing redevelopment will rely on more conventional financing models, with possible public support for affordable housing, especially given its ownership by Hennepin County.

Likely lenders will typically be local banks. Financial interests will require that site assemblage issues and any environmental concerns are addressed. Interest in lending will be tied to supply and demand fundamentals in the market and the progress of LRT completion.

Preliminary financial analysis confirmed that multi-family housing development will likely be feasible on the HCRRA site. This analysis assumes the delivery of a cleared shovel-ready site. The delivery of cleared building sites will enhance the estimated sales price of the land. That said, development will be sensitive to the cost of land. Concept 1 was not modeled as the cost of moving 43 Hoops off-site while a new facility is built is not likely to be financially feasible for the business. The higher structural costs required to build housing over a new recreational facility, to create a higher density of use, are not supported by the proposed housing and gym rents that are very price sensitive and more reflective of market rate construction.

Market rent targets are critical to the success of the development. Successful developments along the Green Line LRT in Minneapolis indicate that market demand will be driven, in part, by the easy access to employment in downtown Minneapolis and nearby suburban hubs via the LRT. This proximity should give this location an advantage in achieving projected and even premium rents over other suburban projects.

A commitment to complete the LRT extension will reinforce the market for multi-family housing. The 43 Hoops property proximity to the Blake Road station is its primary asset. This site is closer to the Blake Road than the Hiawatha site and most of the proposed development on the 325 Blake site.

As it appears today, the 43 Hoops building would not likely be eligible for Renewal and Renovation or a Redevelopment TIF district because it does not appear to be substandard. TIF funding may be possible if it were incorporated into a larger TIF district if there are enough other substandard buildings in the district or if the proposed redevelopment qualified under a Housing or Economic Development TIF district.

Depending on the condition of the gas station site in particular, the environmental cleanup funding sources described above might apply to assist with exploration of and remediation of this site.

Successful development will be contingent on achieving estimated market rents at the project completion. Minneapolis has been the local area leader in new multifamily development, with much of the new product being built on sites adjacent to the Green Line between Minneapolis and St. Paul. This bodes well for expected demand and therefore price support for rents.

Above-market rent premiums may be possible due to the walkable distance to the proposed Blake Road transit station.

325 Blake Site

With Minnehaha Creek flowing along its northeast edge, the potential for significant investment in storm water amenities and trails, and prominent frontage on both Blake and the SWLRT Rail and trail corridor—not to mention the largest single parcel size on the corridor - the 325 Blake site offers tremendous opportunity. The MCWD, owner of the site, has begun capitalizing on this with investments in the creek area and storm water infrastructure, but the plans developed in this process continue to expand on that foundation. This opportunity should be met with creativity and a progressive approach—looking beyond traditional market models and a high standard for amenities, community spaces, and development types.

Site Specific Guiding Principles

- Encourage sustainable development.
- Feature Minnehaha Creek, the Greenway, and storm water elements as central to the identity and organization of the site.
- Allow the public access to and through the site so that the creek becomes a community amenity. Consider a community gathering space in a first-floor area that may not be suitable for retail.
- Minimize office and retail use, and orient these uses towards Blake Road and Cottageville Park.
- Enhance physical and visual connections across Blake Road and to the Greenway, trail, and park.
- Provide a mix of housing types, income levels and ownership. If mixed-income development cannot be accomplished within a particular development, shared common areas and amenity spaces between developments should be the goal.
- Maximize relationship to Cottageville Park by orienting redevelopment to increase value through views and connectivity and increase park security by providing additional “eyes on the park.”

ULI TAP Guidance

- This is the best site for housing.
- High-density, urban townhomes would be particularly marketable. To create the most value, maximize the creek as an amenity and for views.
- Explore mixed income, family, and senior housing (mix between, not within, buildings).
- Water features are great.
- Parking expenses will be high and banks will require one space per unit even if TOD ordinances require less.

- First floor retail along Blake Road will not be viable unless there is on-street parking, possibly supplemented with district parking. Consider community amenity spaces instead, especially at north and south ends of property frontage.
- Consider an alternative with walk-up residential units and green space along Blake Road.
- Simplify the plan with fewer development sites and roads.
- Hotel use is not viable.

Market Considerations

Market interest for a site with pedestrian/bike trails, Minnehaha Creek access and close proximity to the LRT is very high. That said, it is a large site and accommodating market fluctuations for both timing of development and mix of product type will be important. A Master Developer will be looking to negotiate opportunities for phasing the takedown of parcels including the phasing of payments. Cash flow is critical to a successful project. Flexibility by product type will enable developers to provide housing that meets current demand.

A critical factor is the level of rent that developers are able to achieve. This is considered a middle income market today, and affordable housing is likely to be included in the goals for the site. Construction costs and level of amenities depend on the achievable net operating income that is projected for the project. Success in early project phases will accelerate the development of the entire site. Preliminary financial analysis has indicated feasibility at \$1.85/SF/Month, but the model inputs are all subject to change either up or down by the time construction begins.

Phasing

The MCWD has expressed the intention to bring on a Master Developer as a partner via a Request for Proposals (RFP) or Request for Qualifications (RFQ) process in 2017. The ULI TAP panel supported the RFQ approach in particular due to the complexity of phasing and implementing the site as a whole and the belief that developers are less likely to respond to an expensive RFP process. The ULI TAP panel made several key recommendations about how that process should be considered:



325 Blake site concept 1

- Develop a framework for the water management and amenities prior to the RFQ process so that developers understand what to expect.
- Use a Planned Unit Development (PUD) process.
- Remain flexible about changing markets for housing, including multi-family, affordable, and senior.
- Consider subsidizing parking.
- Recognize that three-story housing is more financeable than four-to-six-story if the parking is not subsidized.



325 Blake site concept 2

Once selected, phasing on this site will depend on the philosophy of the MCWD and the master developer they select as a partner. One philosophy would be to begin with the highest value portions of the site as a catalytic first step. This is likely to be a parcel with optimum proximity to both the creek (to serve as a key amenity) and Blake Road (to provide maximum visibility and access), possibly the northwest corner of the site. Such a development would need to be progressive and even iconic. From there, development could proceed across the site as infrastructure was extended, or could take advantage of one of the other high-value portions of the site, such as the southwest corner.

The alternative would be to begin with lower value portions of the site (areas further from the creek or from the key intersections along Blake Road) in order to suggest a direction of the site and allow more time for the apparent value of the more key portions of the site to increase. As the LRT and other development occurs, it is likely that this corridor will become more marketable and therefore provide increased opportunities to develop the key parts of the site in exciting ways. As an example, one scenario for Concept 2 could construct the townhome units in the center of the site in 2018/2019, the residential units at the north corner of the project along Blake in 2020/2021, the central part of the Blake units in 2022, and the units along the trail on the south side of the property in 2024. Additional development scenarios also exist for this site.

Financial Tools and Analysis

The TAP, as well as the design team, noted the high cost burden for both road and parking infrastructure on this site. The MCWD and City of Hopkins will need to work closely to optimize public

value on the site while realizing the redevelopment goals of all parties, including shared amenity and community spaces, diverse housing types, and other major goals.

In order to achieve the desired densities represented on the current plans, it may be necessary for the City to consider flexibility in zoning regulations, such as height limitations currently capped at four stories for residential buildings. It might also be desirable for the site to go through a Planned Unit Development (PUD) process, rather than relying on the underlying Mixed Use zoning designation, to achieve the desired outcomes.

The City of Hopkins, Hennepin County and the Minnehaha Creek Watershed District should identify grants and other funding sources that will assist in best preparing the site for redevelopment, such as funds for demolition, contamination remediation and other necessary preparatory work to clear the site, minimizing developer risks and encouraging / maximizing competition for the site. A sample list of funding sources was included under the "Financial Tools" section of this report.

A site of this size and density will require a street network, utilities (sewer, water, etc.) and ongoing operations and maintenance, amongst other things. The costs of road network, utilities, and ongoing maintenance and operations was raised repeatedly throughout the planning process, including by the ULI TAP. Public/private partnerships and creative financing strategies are likely to be necessary. The key partners (City, County and Watershed District) should develop a strategy for building and maximizing the long-term value of the infrastructure. This strategy must be effectively communicated with potential developers to set expectations for delivery of the site – e.g. what utilities will be present, how streets will be financed and constructed, and will the City own and operate, etc. This is a critical component in development of the RFQ as well as assuring delivery of the site to a standard that meets the vision and goals of the community. Removing ambiguity in the RFQ process will attract more high quality development partners.

Preliminary financial analysis confirmed that multi-family housing development will likely be feasible on this site. This analysis assumes the delivery of a cleared shovel-ready site, which will enhance the estimated sales price of the land. Demolition costs and major site infrastructure improvements will be high for this property. Through an RFQ approach, local government entities should be prepared for discussions concerning site improvement costs.

The Minnehaha Creek amenity will provide support for achieving higher rents than similar properties in the surrounding rental submarket. Successful development will be contingent on achieving estimated market rents at the project completion. The level of support provided by local government entities for street, environmental, land cost and infrastructure improvement will be subject to negotiation with interested developers, as they are a large upfront cost and will directly impact project profitability.

One of the sources of financial support would likely be Tax Increment Financing (TIF). After conducting a preliminary interior and exterior evaluation of the cold storage building, and conducting follow-up conversations with the people responsible for maintaining the building and its mechanical systems, it appears that the building has significant accessibility issues and enough visible structural deficiencies to make it a candidate for the creation of a Redevelopment TIF District, which allows up to 26 years of capturing incremental tax revenue.

Unfortunately, the massive scale of the building, configured mostly in large open rooms, makes it difficult to ascertain with 100 percent certainty that the building will meet the code deficiency standard required by Minnesota State Statutes. We recommend a complete TIF analysis of the building before the RFQ is prepared.

The RFQ should be very clear about the city of Hopkins's intention for the use of TIF. Hopkins has successfully utilized TIF as a tool to facilitate redevelopment in the downtown area. One of the reasons it will be important for the City to indicate the level of TIF support it will provide is that TIF can be controversial, and every city varies on the level of TIF acceptance. Developers will want to know the likelihood of the City of Hopkins contribution of TIF to the project, and under what terms.

In a discussion with public finance companies working with the City of Hopkins and other cities throughout the Midwest, we learned that suburban communities are routinely being asked to provide TIF assistance for market rate housing projects. In most cases, a simple three-story market rate apartment building over one below-grade level of parking does not require assistance. However, developers have been struggling with making the financials work on the higher density projects where the housing units are built over larger parking decks, such as depicted on the 325 Blake site plans.

Tax increment has typically been used to help pay down the cost of land acquisition, demolition, site clean-up and parking infrastructure, with approximately 15 years of "pay-as-you-go" assistance (putting the risk on the developer) being the average. Some communities are choosing to use a Renewal and Renovation TIF District which has a 16-year term and is often seen as more palatable to the tax payers. Of course, this site will have above average development costs, so may not fall under the typical suburban model.

There are many variables that could affect the amount of TIF revenue available for any given project, and the analysis of how much TIF could be generated cannot be known until the developer has a specific design in hand. The amount of assistance is then negotiated based on the need of the development and how closely the proposed project meets the City's goals.

At a minimum, we would suggest that the City conduct a TIF analysis of the cold storage building to verify that it will meet all of the requirements for a Redevelopment TIF District which has the highest threshold of requirements. The RFQ should indicate that the site meets the standards for TIF and the City could potentially be a partner in negotiating an appropriate amount of assistance if the development project fits the City goals for the area and the Developer proves a need.

Project phasing, including a phased take-down of land, will help developers with project financing. Primary local banks are a common source of financing for similar projects. Completion of the LRT Green Line Extension is a key driver that will gain the attention of an attractive pool of prospective developers. While state funding has been secured, any delay in FTA funding that causes delays in the LRT construction start-up, will affect developer interest, as the benefit of a nearby transit stop is a major driver of higher initial rents and future sustained rent growth.

The RFQ must contain adequate instructions concerning expectations, phasing, funding, and infrastructure specifications to provide developers with an opportunity to address the improvements. A key element then rests on the evaluation process and RFQ reviewers to ensure that a detailed process

and evaluation matrix will identify the best firm(s) capable of project execution and completion. These criteria include experience, financial strength and supporting references.

Summary and Next Steps for 325 Blake Site

In summary, it is recommended that a meeting between the project partners be held in order to resolve the following uncertainties before the RFQ for the 325 Blake site is issued. This will substantially increase the marketability of this, and all the Blake Road sites.

Design and Character of Blake Road

- *Intent:* To create a strong spine for redevelopment, the Blake Road Corridor should be designed and reconstructed to become an active street that supports multiple modes of travel and complements complementary, mixed-use redevelopment, while expressing local character and celebrating connections to Minnehaha Creek, trail systems, and the LRT. Principles of complete streets and traffic calming should be considered.
- *Primary decision makers:* City of Hopkins, Hennepin County, with input from multiple stakeholders, including the MCWD.
- *Process for making a decision:* Because this project is in final design, most substantive decisions have been established. Minor adjustments may be possible during the review of final design if needed to meet the goals.
- *Timeline:* The final design process just began as of fall 2016. Construction is scheduled for 2018/2019.

Presence of LRT

- *Intent:* Connectivity to transit is a key factor in the desirability of property in this area. Supporting implementation of the LRT is crucial.
- *Primary decision makers:* Federal Transportation Administration (FTA)
- *Process for making a decision:* The Full-Funding Grant Agreement (FFGA) is expected June 2017.
- *Timeline:* Construction of the Green Line Extension is planned to begin in 2017. The line should be operational by 2021.

Public vs. Private Infrastructure

- *Intent:* Roads, utility connections, environmental remediation, storm water treatment and public amenities set the tone for redevelopment of this site and therefore may require investment beyond that of a typical project in order to meet the high expectations of the City, County, and the MCWD. Clear decisions need to be made about the availability of public support for these elements.
- *Primary decision makers:* City of Hopkins and the MCWD.
- *Process for making a decision:*

- Conduct a complete TIF analysis of the cold storage building to determine the potential of a TIF Redevelopment District on this site.
- Discuss what portions of the demolition and infrastructure (if any) could be financed publically to encourage the preferred site development solutions. (Note: the demolition of the cold storage building should not take place until a development partner is on board and ready to proceed with a project, in order to preserve the maximum TIF timelines).
- Evaluate all funding options to determine the extent TIF would be necessary to achieve the stated goals for this site.
- Execute an agreement or memorandum of understanding between public partners.
- Begin process for acquiring funds.
- *Timeline:* Initial conversations are underway. An agreement should be complete before an RFQ is issued.

Parking (District vs. Development-Specific)

- *Intent:* Parking is both a regulatory requirement and a market imperative. In order to meet the density and aesthetic goals expressed during this process, most off-street parking should be structured and district parking solutions should be considered. The additional cost for these kinds of parking infrastructure must be considered, similarly to the other infrastructure costs.
- *Primary decision makers:* City of Hopkins, with input from the MCWD.
- *Process for making a decision:*
 - Evaluate funding options
 - Begin process for acquiring funds
 - Execute an agreement or memorandum of understanding.
- *Timeline:* Initial conversations are underway. An agreement should be complete before an RFQ is issued.

Density and Use Goals

- *Intent:* Currently, it appears that the market for housing in this area favors lower densities and that there is less market for commercial redevelopment than the goals expressed by some stakeholders, it is crucial that developers understand the specific density and use requirements for their approval processes. If required densities will be higher than those supported by financial analyses, clear decisions will need to be made about the availability of public support for the added costs of that density, especially structured/district parking and building type.
- *Primary decision makers:* City of Hopkins, with input from the MCWD.
- *Process for making a decision:*

- Internal/staff discussion regarding need to adjust density requirements.
 - Potential public process for setting specific density and/or use requirements, if staff feels a change is needed from current code.
- *Timeline*: Initial conversations are underway. A clear expectation should be set before an RFQ is issued.

Complementary Properties

- *Intent*: While 325 Blake is seen as a catalyst for redevelopment throughout the corridor, other properties may be changed before it. In addition, it is likely that many properties will redevelop during the lifespan of a potential project. To the degree possible, clear expectations should be set for all redevelopment projects in the corridor so that a potential developer can have insight into the likely long-term evolution of the entire area.
- *Primary decision makers*: City of Hopkins, with input from Hennepin County and the MCWD.
- *Process for making a decision*:
 - Internal/staff discussion regarding need to set expectations
 - Potential public process for setting specific expectations, if staff feels a change is needed from current code.
- *Timeline*: Initial conversations are underway. A clear expectation should be set before an RFQ is issued.

Summary and Next Steps

Today, the Blake Road corridor lacks cohesion although progress towards that end has been made with investments in Cottageville Park, as well as through private investment in developments like Pizza Luce, Five Guys and PPL's Oxford Village (currently under construction). In order to reflect a unified appearance and maximize visibility to Minnehaha Creek, the design standards, development patterns, and uses should be examined from Highway 7 to Excelsior Boulevard, and the zoning should be modified to set the stage for long-range changes. This would complement the redesign and reconstruction of Blake Road, scheduled for 2018/2019, which sets the stage for redevelopment. Efforts should continue towards improving the pedestrian and bike infrastructure and overall aesthetics of the corridor.

Redevelopment of the 325 Blake site represents a rare opportunity to set expectations for future redevelopment in the corridor. It could serve as a demonstration of best practices, but that would need to be articulated upfront to developers and may require public investment. Without that objective identified, the market will respond with traditional development. If clear communication is present from the earliest stages of a potential project, this site will be a catalyst for positive change that will influence the other two sites in this study and the entire Blake Road corridor.

Next Steps

The following are next steps for each of the three sites studied during the Blake Road TOD Early Implementation project.

Hiawatha Site

- Meet with Metropolitan Council staff to present the findings for the Hiawatha Site and discuss potential improvements. (City of Hopkins/Hennepin County)

HCRRRA Site

- Determine the appropriate zoning for the property (City of Hopkins)
- Determine the future ownership of the site and the schedule for disposition (Hennepin County)

325 Blake Site

- Determine what zoning the property will need to conform to and if there is any flexibility in zoning through the use of a PUD. (City of Hopkins)
- Identify the expectations for the necessary infrastructure investments in terms of scope, construction and ownership. (City of Hopkins)
- Determine what grant programs the City of Hopkins is willing to apply to for environmental remediation and/or housing development funds. Work with MCWD to develop a schedule and

process for administering the grant program application(s) and subsequent contracts. (City of Hopkins)

- Determine other financial incentives the City of Hopkins is willing to consider, including the use of TIF. Identify the minimum development requirements for TIF eligibility including densities, housing types, common space, design criteria and parking. (City of Hopkins)
- Consider undertaking a building conditions survey for determining eligibility for a TIF Redevelopment District. (City of Hopkins/MCWD)
- Develop a project timeline and term sheet as a basis for a preliminary development agreement or MOU between the two parties that would identify key points including the use of TIF and the developer selection process. (City of Hopkins/MCWD)
- Determine infrastructure investments that the MCWD will undertake including completion of the Greenway and storm water treatment. (MCWD)
- Determine the District's willingness to hold land, allowing for a phased takedown of the land cost by the developer. (MCWD)

Contact information

Hennepin County Community Works
701 Fourth Avenue S., Suite 400
Minneapolis, MN 55416
612-348-4191
www.hennepin.us

City of Hopkins
1010 1st Street S.
Hopkins, MN 55343
952-935-8474
www.hopkinsmn.com

Minnehaha Creek Watershed District
15320 Minnetonka Boulevard
Minnetonka, MN 55345
952-471-0590
www.minnehahacreek.org