



City of Blaine Anoka County, Minnesota

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WORKSHOP ITEM - *Erik Thorvig, Community Development Director*

COALITION DEVELOPMENT APARTMENT PROPOSAL ON EDA LAND LOCATED AT 255 89TH AVE NE.

Since 2005, the Blaine EDA has been active in acquiring blighted properties around the former K-Mart building on 89th Ave in an effort to redevelop the area. A map is attached showing the two areas where properties are owned by the EDA.

The EDA owns 2.15 acres along University Ave and 2.88 acres along 89th Ave. The EDA has been holding the land in hopes of it being part of a larger redevelopment for the K-Mart property. The former K-Mart site is going through a substantial internal and external remodel and will have Auto-Zone and Xperience Fitness as tenants. Another 20,000 sf. of space is also available for lease.

In January, the city council discussed what should occur with the two EDA/city owned properties now that the former K-Mart site has been improved. At that time, there were no specific interest from developers and the direction was to wait on both areas.

Staff have been approached by a developer that is interested in the 2.88 acre site to the east of Auto Zone and Xperience Fitness. This site is the former Frank's Nursery that the EDA purchased in 2005 for \$1.2 million. The property is zoned B-2 (Community Commercial) and has a land use designation of High Density Residential/Planned Commercial. The developer likes this particular site because of its access to walkable amenities and services.

The developer is proposing a 4-story (one-story parking, three-story residential), 90-unit apartment building with 74 underground stalls and 107 surface stalls. The parking ratio doesn't meet our current parking standards; however, given the number of studio and one-bedroom units, there could be flexibility in the requirement. A site plan is included that shows the general layout of the area with a minimum 35-foot setback to the east property line. Also attached are sample building elevations of what the building could look like. Amenities in the building would include a fitness center, community center, in-unit washer and dryer, balconies plus outdoor amenities.

The developer is proposing to construct 61 studio units and 29 one-bedroom units. The attached plan varies slightly as it shows two-bedroom units. These were removed in favor of additional studio units. The two recent market rate apartment projects in Blaine (Emberwood and Berkshire Off Central) saw a high demand for studio and one-bedroom units. Rent would range from \$875-\$1,090 for a studio and \$1,280 for a one-bedroom. These rates are similar to the above referenced apartment buildings.

At the August 5 workshop, the general development plan was presented to the city council and direction was given to staff to continue to work with the developer on the project. Since the August 5 workshop staff and the developer have been discussing whether income restricted units are part of the project, a potential asking price for the land and whether a financial request in the form of TIF would occur.

The developer is proposing to have rental restrictions where 20% of the units (18 total units) will be made available to persons that make no more than 50% of the area median income. For example, for a one person household that income is \$35,000 and for a two person household that income is \$40,000, rents for those units would be \$875 for a studio unit versus \$1,090 for a non-income restricted studio unit. Given that only studio units have rental restrictions, it's unlikely to have more than a two-person household occupying the unit.

The developer is proposing to offer the EDA \$1.2 million for the land. This is the same price the EDA purchased the land for in 2005 and within a market rate price for multi-family land.

Because 18 units have reduced rent, there is a financial request in the form of tax increment financing (TIF) from the developer to make up for the gap in reduced rental revenue. The developer has requested \$1.9 million in TIF. Staff will provide further information at the meeting detailing the reason for the request, different financing structures (and potential amount) and how the request compares to other housing projects that have received assistance.

Discuss the proposal and provide staff direction on the following:

- 1) Building/site design
- 2) Asking price of \$1.2 million

- 3) TIF assistance
- 4) Overall project guidance