



City of Blaine Anoka County, Minnesota

Blaine City Hall
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Legislation Text

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WORKSHOP ITEM *Bryan Schafer, Community Development Director*

REDEVELOPMENT OF 102ND AND UNIVERSITY AVENUE

Last summer the City Council reviewed three separate proposals for redevelopment of the site at 102nd and University (see attached map). All three proposals included the removal of the three walk-up office buildings and the construction of some type of higher density housing to replace the offices and detached garages. All three submittals outlined the need for financial assistance in the \$850,000-\$900,000 range

The three different housing options that were reviewed were:

- 32 Unit For Sale Townhomes**
- 60 Market Rate Apartments**
- 118 Unit Senior Building**

Representatives from all three projects were present and made a presentation to the City Council. At the end of the discussion the City Council consensus was to prefer the 32 unit townhome project from Shade Tree Construction. Staff has been in communication with the developer over the past 8-9 months. He has prepared a new concept for site design and type of townhome model for the site. The developer, before he shoulders the expense of formal applications and plans, wants to be sure the City Council is still supportive of the project and the revised townhome model and that the City still recognizes the need to support the project financially.

Currently the project, with the revised townhome models, is expected to generate 40-43 for sale townhomes. The actual unit count will depend on storm water requirements and final storm water design. The preliminary site plan and model architecture is also attached for your review. The project would contain both single loaded and back to back style units in 4 to 6 unit buildings. The expected sales price of the units would be \$250,000-\$300,000 which is slightly higher than the County's estimated market values of the neighborhood just to the east of this development.

The site is two minutes from the Oak Park plaza shopping area and 5 minutes from the Northtown area. Adding 40+ for sale units in this location with the annual incomes necessary to cover \$200,000+ mortgages will benefit both of these commercial areas.

Financial Assistance

The developer is seeking \$850,000 in financial assistance from the EDA. The purpose of the request is to bring the cost to purchase the properties and demolish the buildings to a market rate price for vacant land. The proposed purchase price is \$1,350,000 and approximately \$215,000 in demolition costs; bring the total cost to \$1,565,000. In general, 3.09 acres of vacant multi-family land would sell for approximately \$538,000. As such there is an approximately \$1,027,000 gap between what the developer will be paying versus what vacant, market rate land would cost if the developer were to do this project elsewhere. The \$850,000 in assistance helps bring the cost to the developer closer to a market rate transaction.

Staff is proposing to fund the \$850,000 through establishment of a new redevelopment TIF district. Typically this option is structured where the developer (or their lender) is paid back the \$850,000 through a promissory note with annual TIF revenue from the district over a defined period of time not to exceed 26 years (Also known as Pay-As-You-GO TIF). This scenario works well for commercial/industrial or multi-family rental projects where you have long-term owners and lenders involved.

For this development, once the units are sold the developer and lender are no longer involved in the project. Therefore the pay-as-you-go option doesn't work. Minnesota Statute 469.357 does allow for a city to internally borrow funds to provide money up front to the developer in one lump sum and pay themselves back. Staff would propose to internally borrow from the EDA general fund which has a balance of \$4.3 million. This option would reduce the EDA general fund balance; however the fund is paid back over time, with interest, from TIF revenue. The initial \$850,000 investment would earn, at 4% interest, \$677,717. The benefit to this option is that it leaves existing pooled TIF funds for other projects that may not have other funding options, unlike this project.

Staff would recommend that the \$850,000 be paid out to the developer on a reimbursement basis once the site is cleared and initial permit has been issued for new units (partial payment) with the balance paid out once the final units have been completed.

Area map

Narrative/Summary Slides

Development Concept

Provide direction to staff and Developer as to whether the City Council is supportive of the revised development concepts as well as the strategy for the EDA to assist in the redevelopment.

