

1. Agenda And Packet

Documents:

[MARCH 14, 2022 SPECIAL WORK SESSION AGENDA.PDF](#)
[MARCH 14, 2022 SPECIAL WORK SESSION PACKET.PDF](#)

City of Excelsior
Notice of Special Work Session Meeting
of the Excelsior City Council

NOTICE IS HEREBY GIVEN that the City Council of the City of Excelsior will hold a Special Work Session on Monday, March 14, 2022 at 5:30 P.M. at Excelsior City Hall, 339 Third Street, Excelsior, MN 55331. The agenda for the meeting is attached hereto.

City of Excelsior
City Council Special Work Session

Agenda

Monday, March 14, 2022

5:30 P.M. - 6:30 P.M.

1. Call to Order/Roll Call
2. Agenda Approval
3. 339 Third Street Redevelopment
4. Adjournment

Note: The purpose of a Special Work Session is for the Council to discuss matters informally and in greater detail than is allowed at formal Council meetings. All meetings of the Council, including Special Work Sessions, are open to the public. While the privilege of participating in these discussions is generally limited to the Council, staff, and consultants, the Mayor may open a discussion from the floor.

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MEMORANDUM

Work Session Item 3 - 339 Third Street

Re: Redevelopment

Date: March 14, 2022

Kevin Staunton, City Attorney/Assistant

To: City Council

From: City Manager

Background

At your meeting on February 7, 2022, you approved an Exclusive Development Rights Agreement (EDRA) between the City and Red Leaf Partners, LLC (RLP). That Agreement included a Project Scoping Document designed to provide a list of items to be addressed as the project proceeds. At your work session on February 22, you met with RLP representatives to review the items on the Project Scoping Document in preparation for further discussions scheduled for the February 28 and March 14 work sessions. During that meeting, you confirmed agreement with RLP's vision on a number of the items listed on the Project Scoping Document.

The plan for the February 28 and March 14 work sessions was to focus on the remaining items in the Project Scoping Document. We divided the discussion of these remaining items into two categories - (1) Design-Focused issues; and (2) Economics-Focused issues. The February 28 work session examined the design-focused issues. I have attached an updated Scoping Document reflecting the progress made during those discussions.

The March 14 meeting will examine economics-focused issues (Item numbers 4, 17, and 18) and, since they have elements of both design and economics, Item numbers 7 and 10. Carl Runck from RLP has provided some documents as background for the discussion of the economics-focused items. He will walk us through the details and lead the economics-focused discussion.

Attachments:

Updated Project Scoping Document
Concept Metrics (Snow Kreilich)
Preliminary Proforma (Red Leaf)
Preliminary Parking Analysis (Red Leaf)

Council Action: Discussion Only

Issue	RLP Vision	Work Group Reaction	Council Reaction
1. Project Uses	For-Rent Apartment Component, For-Sale or Rent Rowhome Component, Public Parking Component, possible civic spaces and public realm. Limited service or retail uses to be further studied on the corner of Third Street and West Drive, but unlikely to be included. Residential components to be market-rate and designed to appeal to a variety of resident ages and incomes.	AGREED	AGREED, remnant parcel may be candidate for future commercial. Consider some for-sale rowhomes to provide more attainable purchase options than single family new construction.
2. Scale and Height	Height to be determined by appropriate scale studies, project economics, and ability to construct underground parking that expands current public parking capacity. Anticipated to be 2 Story rowhomes on Third Street and along West Drive. Apartment building to be a terraced structure with setbacks, minimum with 3 Story, maximum height. -4 Story (only if scale impact is determined to be appropriate for site)	AGREED	AGREED
3. Unit Count	To be determined based on scale studies and market research, project economics, and TIF feasibility. Initially estimated at 10-15 rowhomes and 40-60 apartment units.	AGREED	AGREED, variety of unit sizes should be considered to appeal to different incomes, ages, etc.
4. Economics/Feasibility	Project financial feasibility conditioned upon TIF funding of the public components of the parking structure and other infrastructure and a unit count supportive of the Purchase Price.	Pending Review	REVIEW on 3/14
5. Design Drivers/Inspiration	To be led by the architect. Key inspiration includes the eclectic streetscape of the back side of Water Street, lush greenery of the adjacent hillside residential neighborhood, and creation of green pedestrian & auto boulevard along West Drive.	AGREED	AGREED, ensure design has appropriate setbacks in massing.
6. Public Spaces	Design to consider connections between the Lake Minnetonka Regional Bike Trail, West Drive, Excelsior Commons Park, local businesses, and creation of public spaces that spur new pedestrian friendly connections.	AGREED	AGREED
7. Public Parking Requirement net of Resident Parking	Parking Structure to accommodate resident parking + at least 125% of primary parcel's current parking capacity of West Lot + growth factor to be determined by Council (ie: of 125-150% of current capacity—, contingent on TIF capacity generated from the TIF district established residential components of the project).	AGREED, subject to review of TIF analysis on 3/14	AGREED, subject to review of TIF analysis on 3/14
8. Public Engagement Process	City-led neighborhood meetings, RLP/City/SK open houses at various stages of design to articulate project benefits and garner public feedback.	AGREED	AGREED, engagement should include business and resident engagement.
9. Commission Review Process	Project subject to Planning Commission and council review per Sketch Plan and PUD process. Project is not within boundaries of Downtown Historic District. Remnant parcel will require Heritage Preservation review.	AGREED	AGREED
10. City Hall Direction	Design will provide alternate visions to accommodate contingency plan for city hall location on-site, likely at location of 3rd St and West Drive to benefit from integration into the mixed-use project and proximity to designated surface parking provided by the Remnant Parcel.	AGREED, subject to review of economics on 3/14	AGREED, subject to review of economics on 3/14. Consider tradeoffs between less mass impact of city hall/more green space in design.
11. Remnant Site Direction	To be considered in design, Options include but expected to be retained as surface parking, at least initially, city hall location, retail, or conversion to siren park area.	AGREED	AGREED, consider green buffer along this area.
12. Whistle Location	Design will identify a location within the project for retention of the whistle. RLP also open to relocation of the whistle to other suitable location in city, if directed by Council.	AGREED	AGREED
13. Timing Objectives	Schedule in accordance with provided council decision dates, allowing construction to commence by the end of 2022.	AGREED	AGREED
14. Staging Plan	Any project construction will be staged to minimize impact on summer parking, residential streets and city hall functions.	AGREED	AGREED
15. Ownership Structure	City to own Public Parking Component and any civic spaces, if applicable. RLP to own apartments and rowhomes. Upon completion, the components shall be subdivided via vertical registered land survey (VRLS) and establishment of a reciprocal easement and operating agreement (REOA) between the components.	AGREED	AGREED, subject to further staff review on structure of subdivision.
16. Project Management	Project to be managed, financed, and delivered by RLP with a project advisory team including city staff and two council representatives.	AGREED	AGREED (Reflected in EDA)
17. TIF Analysis and District Boundaries	To be determined by TIF analysis and requirements to fund parking ramp.	Pending Review	REVIEW on 3/14
18. Acquisition Price	\$2M based on the scope identified. Subject to enhancement or reduction if project is modified to account for more or less housing and city hall location.	Pending Review	REVIEW on 3/14
19. Due Diligence & Development Costs	RLP to fund purchase price, due diligence costs, design, engineering, and construction costs. City to be responsible for costs related to updated survey & TIF Analysis. The parties to each be responsible for their legal costs. Any costs of environmental remediation and geotechnical impacts to be reviewed in the context of project viability once understood.	AGREED	AGREED (Reflected in EDA)
20. Traffic Impact	Consider any changes for traffic patterns to site and through a future traffic study requirements. Design to consider one-way traffic on West Drive to enhance the pedestrian experience and expand green boulevard.	AGREED	AGREED, continue to explore in design and traffic study. Preference to consider two-way traffic. Public engagement needed with residents and businesses on this issue. Delivery considerations with one way traffic?

GROSS AREA - BY LEVEL	
Description of Use	Area

LEVEL P2

ENTRY LOBBY	628 SF
PARKING	32311 SF
ROWHOUSE	3456 SF
	36395 SF

LEVEL P1

ENTRY LOBBY	778 SF
PARKING	41149 SF
ROWHOUSE	10256 SF
	52184 SF

LEVEL 1

APARTMENTS	18952 SF
ENTRY LOBBY	780 SF
LANDSCAPE-HARDSCAPE	5221 SF
LANDSCAPE-SOFTSCAPE	10610 SF
ROWHOUSE	10880 SF
TERRACE-HARDSCAPE	8104 SF
TERRACE-POOL	791 SF
TERRACE-SOFTSCAPE	8215 SF
	63552 SF

LEVEL 2

APARTMENTS	18952 SF
ENTRY LOBBY	780 SF
ROWHOUSE	4256 SF
TERRACE-HARDSCAPE	2080 SF
TERRACE-SOFTSCAPE	4544 SF
	30612 SF

LEVEL 3

ROWHOUSE	360 SF
TERRACE-HARDSCAPE	1040 SF
TERRACE-SOFTSCAPE	2136 SF
	3536 SF
	186278 SF

GROSS AREA - BY USE TYPE	
Level	Area

APARTMENTS

LEVEL 1	18952 SF
LEVEL 2	18952 SF
	37903 SF

ENTRY LOBBY

LEVEL P2	628 SF
LEVEL P1	778 SF
LEVEL 1	780 SF
LEVEL 2	780 SF
	2966 SF

LANDSCAPE-HARDSCAPE

LEVEL 1	5221 SF
	5221 SF

LANDSCAPE-SOFTSCAPE

LEVEL 1	10610 SF
	10610 SF

PARKING

LEVEL P2	32311 SF
LEVEL P1	41149 SF
	73460 SF

ROWHOUSE

LEVEL P2	3456 SF
LEVEL P1	10256 SF
LEVEL 1	10880 SF
LEVEL 2	4256 SF
LEVEL 3	360 SF
	29208 SF

TERRACE-HARDSCAPE

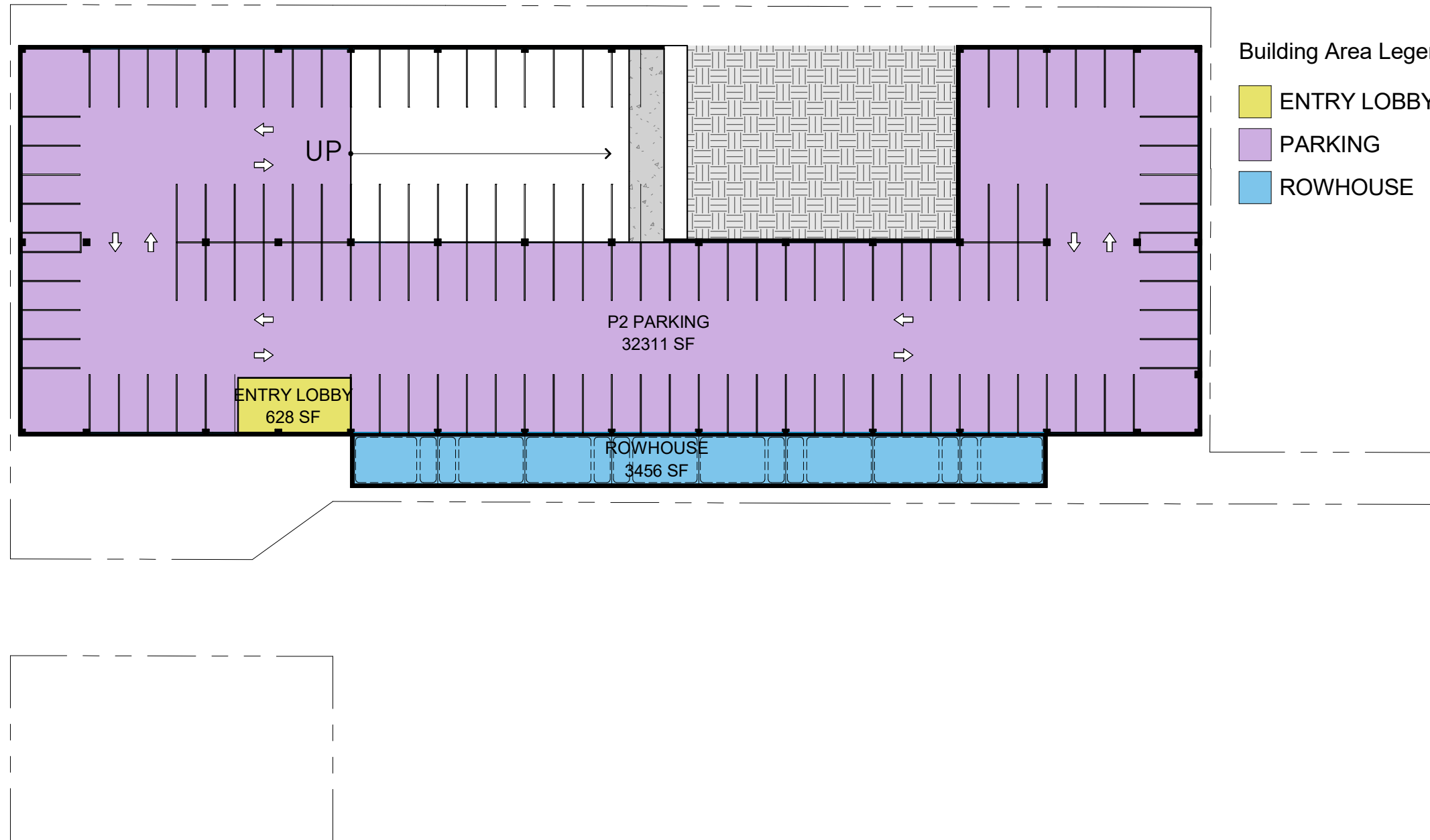
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LEVEL 2	2080 SF
LEVEL 3	1040 SF
	11224 SF

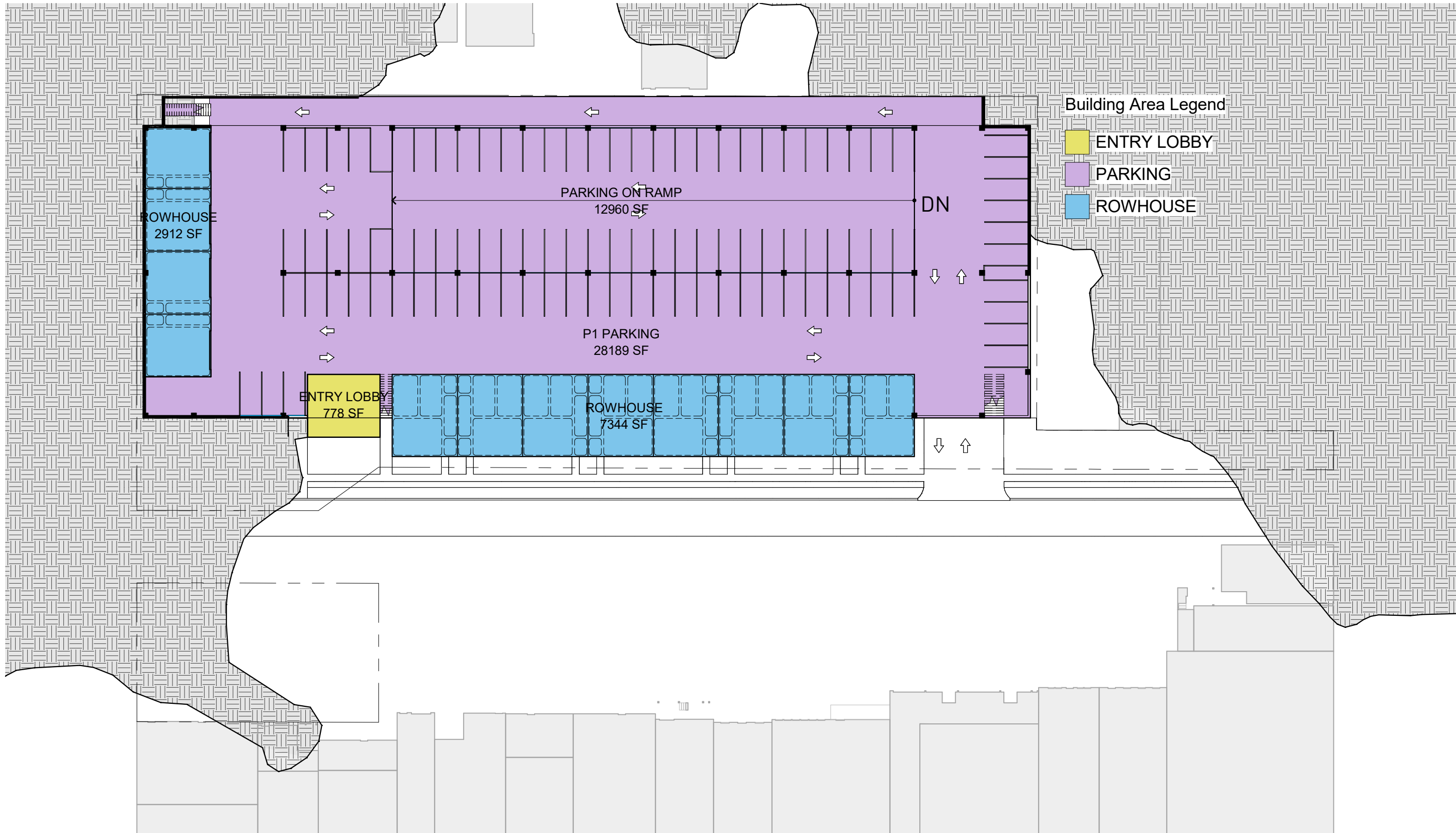
TERRACE-POOL

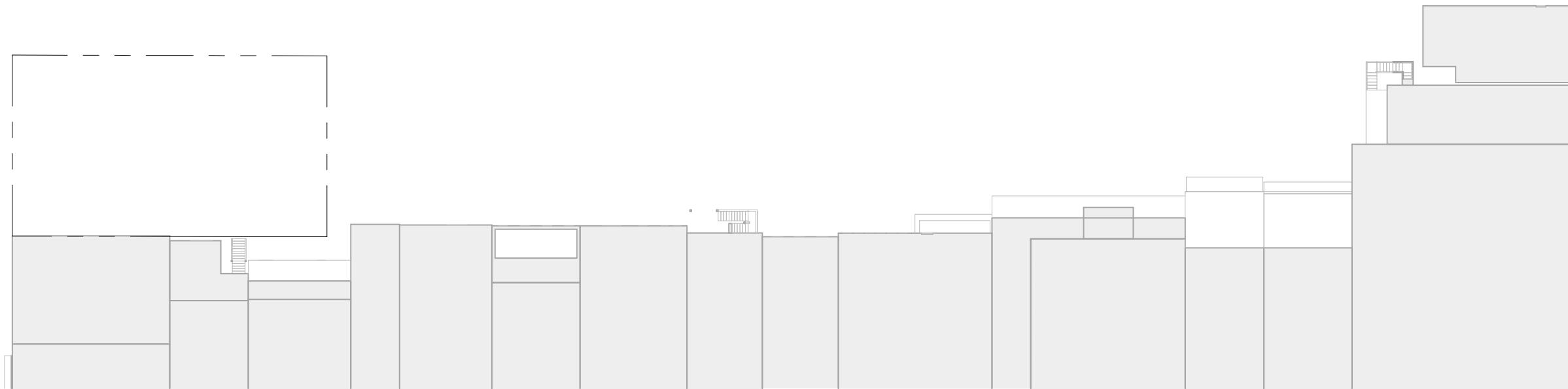
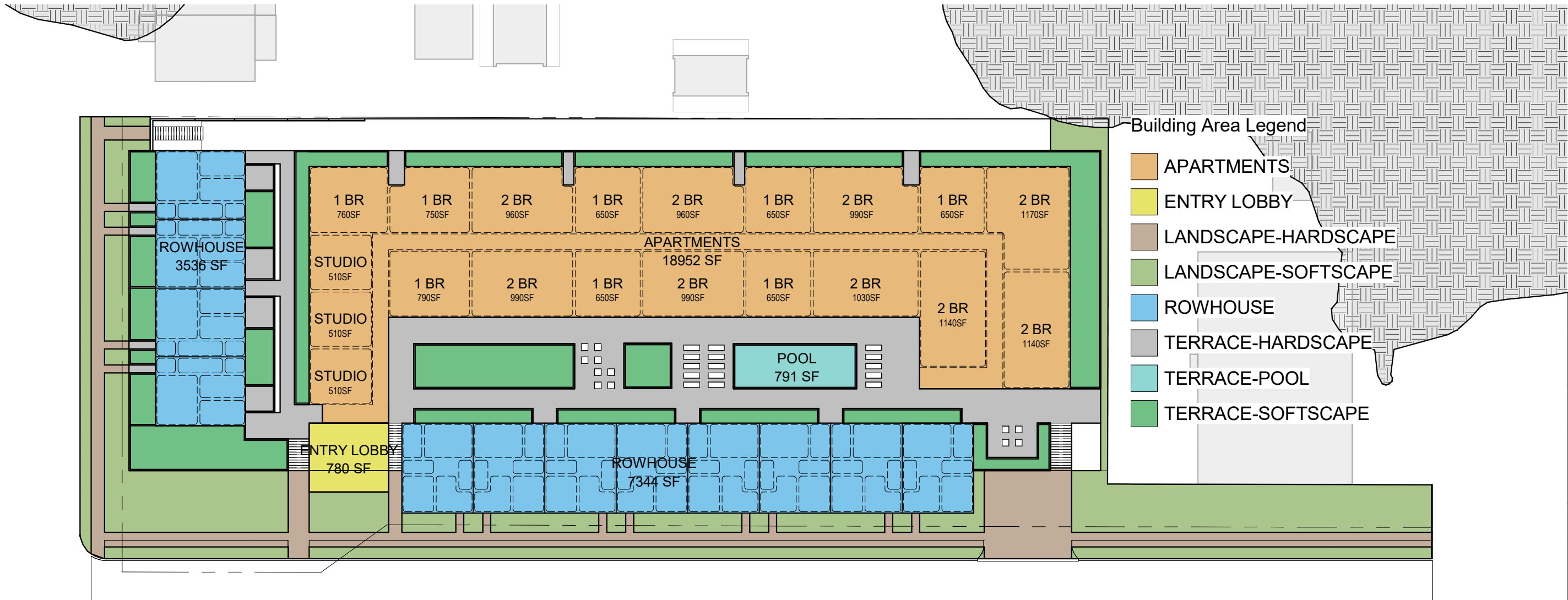
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	791 SF

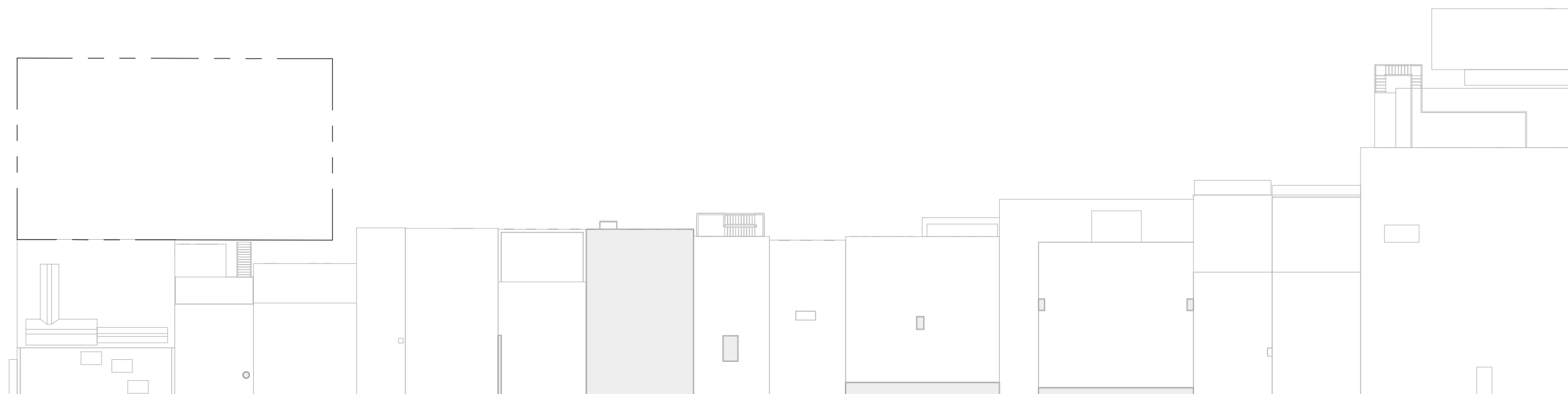
TERRACE-SOFTSCAPE

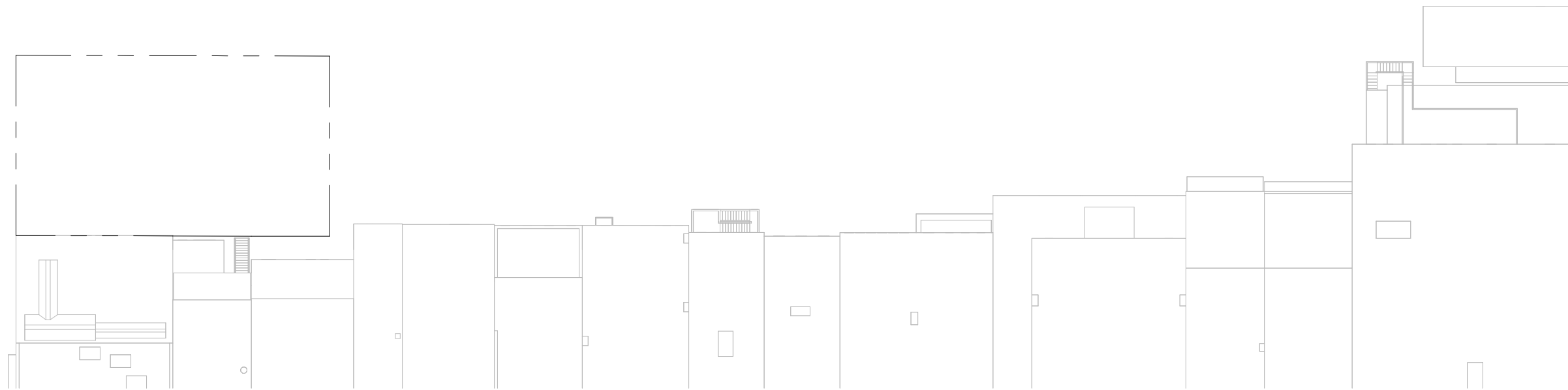
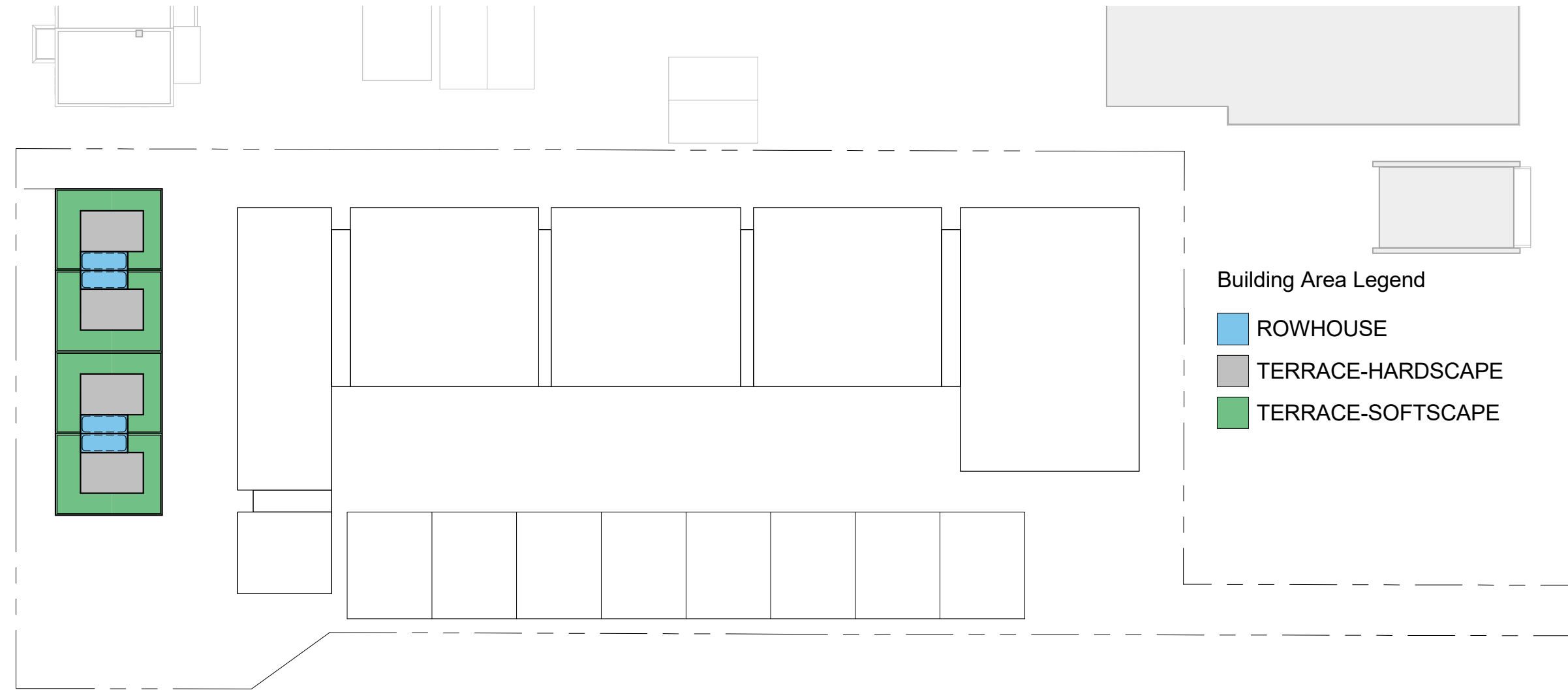
LEVEL 1	8215 SF
LEVEL 2	4544 SF
LEVEL 3	2136 SF
	14895 SF
	186278 SF

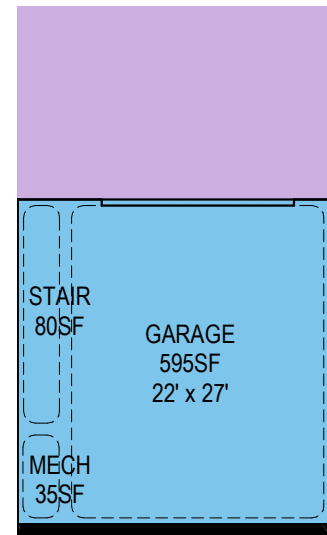




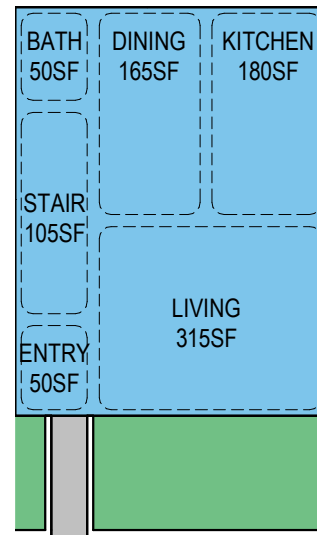




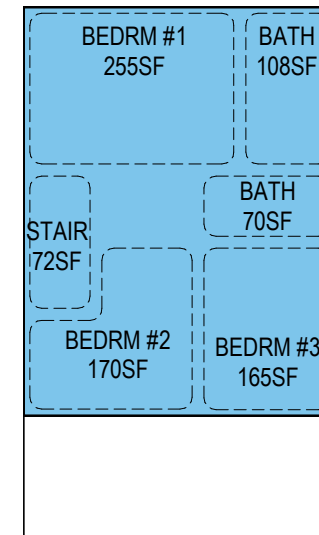




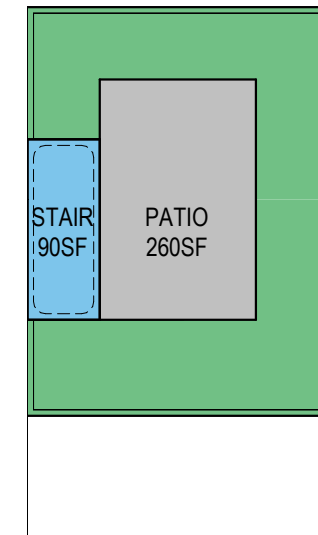
LEVEL P1



LEVEL 1

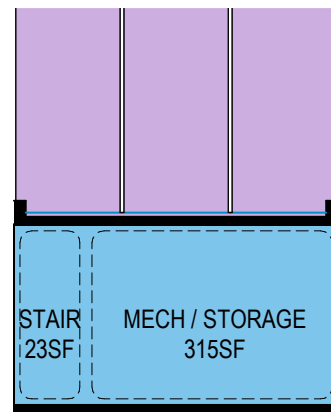


LEVEL 2

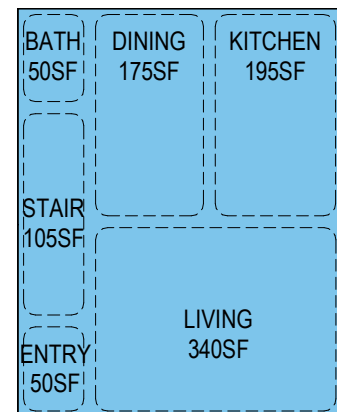


LEVEL 3

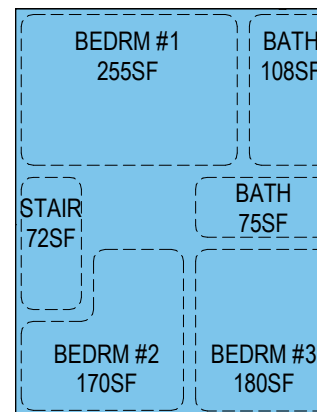
3RD STREET ROWHOUSE



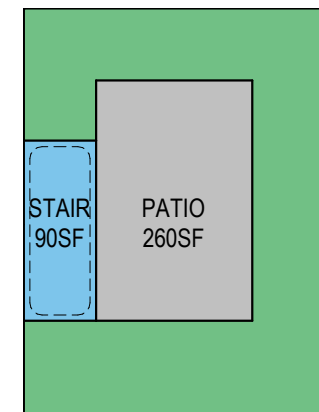
LEVEL P2



LEVEL P1



LEVEL 1



LEVEL 2

WEST DRIVE ROWHOUSE

Red Leaf Partners
339 Third Street, Excelsior - Executive Summary

DRAFT: PRELIMINARY AND SUBJECT TO CHANGE

Property Summary					
Land Size				1.40 acres	
No. of Unit				52	
Average Unit Size (SF/Apt)				1,085	
Project GSF				143,668	
Residential NSF				56,444	
No. of Stories				3	
Parking Count - Residential				64 stalls	
Stabilized Occupancy				95.00%	
Development Summary					
Project Timeline					
Closing Date				10/31/2022	
Construction Start				12/1/2022	
Construction Period				14 months	
Delivery Date				2/1/2024	
Begin Leasing				11/1/2023	
Months to Stabilization (since operation)				5 Months	
Stabilized on (since project start date)				Month 20	
Development Budget		Total Costs	Per Unit	Per NSF	
Land Costs		\$2,000,000	\$38,462	\$35.43	
Hard Costs		\$18,456,332	\$354,929	\$326.98	
Soft Costs		\$5,050,503	\$97,125	\$89.48	
Total Project Costs		\$25,506,835	\$490,516	\$451.90	
Capital Structure		Percentage	Amount	Per Unit	Per NSF
Construction Debt		65.0%	\$16,579,443	\$318,835	\$293.73
Equity		35.0%	\$8,927,392	\$171,681	\$158.16
Total		100.0%	\$25,506,835	\$490,516	\$451.90
Return on Costs					
Untrended NOI at Closing				\$1,412,683	
Untrended Return on Cost at Closing				5.54%	
Financing Summary					
Construction Loan Amount				\$16,579,443	
Term (IO only period)				20 Months	
Construction Loan Interest Rate				4.50%	
Permanent Loan Amount				\$16,579,443	
Term				120 Months	
Amortization				30 Years	
Interest Rate				5.00%	
Annual Debt Service (Stabilized)				\$1,068,024	
Debt Service Coverage Ratio (Stabilized)				1.50x	
Stabilized Debt Yield				9.72%	

1. Public Parking (capacity based on 3.3.22 Snow Kreilich concept plans)

	Public Parking Stalls	Resident Parking Stalls
Level P1 Parking Capacity (Grade Level at West Drive)	98	8
Level P2 Parking Capacity (Below Grade at West Drive)	46	56
Total Parking Capacity	144 (33% increase over existing surface lot capacity)	64
Total Est. Gross Sq Ft (Parking areas)	50,857	22,603
Total Est. Costs (Hard + Soft Costs)	\$4,320,000 - \$5,040,000	\$1,920,000 - \$2,240,000
Source of Funds	TIF Note	Red Leaf Debt/Equity

2. TIF capacity analysis (based on 3.11.22 Baker Tilly estimate)

	2022 (current)	2024 (stabilized)
Est. Base Value	\$0.00 (tax-exempt)	\$2,000,000 (Land Purchase Price)
Est. Assessed Value	\$0.00 (tax-exempt)	\$20,600,000* (Apartments/Rowhomes)
Est. Annual Tax	\$0.00 (tax-exempt)	\$321,160* (Apartments/Rowhomes)
Est. Gross Tax Increment (26 years)		\$8,027,313
Est. Total City Admin Retainage + State Auditor Deduction (3.36%)		(\$268,846)
Est. Total Net Increment		\$7,758,467
Est. Net Present Value (at 4.0% interest rate)		\$4,139,951
Est. Red Leaf financed TIF Note proceeds (at 85% of TIF face value)		\$3,518,958
Est. Gap to Fund Public Parking Costs		(\$801,042 - \$1,521,042)