

  
**ROSEVILLE**  
**REQUEST FOR COUNCIL ACTION**

Date: July 26, 2010  
Item No.: 12 . c

Department Approval



City Manager Approval



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Item Description: Discuss United Properties' Request for the Creation of an Economic Development Tax Increment Financing District for Applewood Pointe at Langton Lake and Set Public Hearing Date

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1 **BACKGROUND**

2 On June 10, 2010, United Properties, the developers of the Applewood Pointe senior cooperative  
3 project at 3008 and 3010 Cleveland Avenue, submitted a formal application to the City  
4 requesting the creation of an economic development tax increment financing (TIF) district to  
5 catalyze the development of the cooperative project. The purpose of this request is to create a  
6 funding source to fill the projected financial gap of this project. As proposed, United Properties  
7 would construct a new 94-unit cooperative building constructed over two phases with 50 units  
8 built in Phase 1 and 44 units built in Phase 2. The developer would like to begin construction of  
9 Phase 1 in fall 2010 with construction of Phase 2 commencing approximately two years later.  
10 Attachment B is the cover letter from United Properties' application, which summarizes its  
11 financial assistance request. Please note that this report focuses only on the applicant's request  
12 regarding the creation of a TIF district and does not discuss the developer's request for reduced  
13 park dedication fees.

14 This project is located within the Twin Lakes redevelopment area, and thus, eligibility for  
15 financial assistance is predicated on the project's ability to meet the requirements identified in  
16 the Twin Lakes Financial Participation Framework. Adopted by the City Council on March 3,  
17 2008, this framework sets forward eight objectives and twenty-two scoring criteria. To be  
18 eligible for assistance, the project must be able to demonstrate that it meets one-third (eight  
19 criteria) of the scoring criteria within at least four objective categories. The developer has  
20 provided the City with a narrative as to how they believe their project meets these requirements,  
21 which is provided in this report at Attachment C. Staff has reviewed this document and concurs  
22 with the developer's analysis—this project meets eleven criteria in five categories.

23 In spring 2010, the state legislature approved temporary modifications to the laws governing  
24 economic development tax increment financing districts. Between now and June 30, 2011, cities  
25 are allowed to create economic development districts for any type of project with a demonstrated  
26 gap that "creates or retains jobs in this state, including construction jobs, and that construction of  
27 the project would not have commenced before July 1, 2011, without the authority providing  
28 assistance." Based on the developer's application package, Phase 1 of this project has a  
29 significant final gap and without TIF assistance this project would not commence until after July

30 1, 2011. By state statute, cities are allowed to collect increment from economic development TIF  
31 districts for up to nine years.

32 In order to create a TIF district, the City must follow the process that is prescribed in Minnesota  
33 Statute 469.175. For an economic development TIF district, cities must provide the county and  
34 school district a copy of the proposed tax increment financing plan 30 days prior to the public  
35 hearing. See Attachment D: Process Timeline to review the required tasks and milestones.

36 The setting of the public hearing date is the first step in this process and does not obligate the  
37 City Council to approve the creation of a TIF district. Upon setting the public hearing date,  
38 significant staff and consultant time will be needed to meet all of the requirements to create a  
39 TIF district.

#### 40 **POLICY OBJECTIVE**

41 The City's 2030 Comprehensive Plan advocates for redevelopment that helps to achieve the  
42 City's goals. Goal 1 in the Economic Development and Redevelopment Chapter of this plan  
43 states: "Foster economic development and redevelopment in order to achieve Roseville's vision,  
44 create sustainable development, and anticipate long-term economic and social changes." Further,  
45 Policy 1.5 suggests creating public-private partnerships to achieve the City's goals, when  
46 appropriate. Roseville is an aging community and as the population ages the need for additional  
47 senior living opportunities will increase. The City's Housing and Redevelopment Authority  
48 completed a multi-family housing market study in 2009, which identified a need for additional  
49 senior units in Roseville. With this project, United Properties is working to fill this market need.  
50 By supporting the creation of a TIF district to assist this project, the City and United Properties  
51 would be forming a public-private financial project to bring this project to fruition.

#### 52 **BUDGET IMPLICATIONS**

53 The City has received the required TIF application fee from United Properties to pay for staff  
54 and consulting costs associated with the analysis and planning required to create a TIF district. If  
55 costs exceed the initial fee, staff will request an additional deposit to complete the work. Please  
56 note that there will be costs incurred in staff time and consultant and attorney fees in moving  
57 forward with the public hearing process and development of the TIF plan.

58 By setting a public hearing date for the establishment of TIF District 19, the City Council is not  
59 obligating itself to either create a TIF district for this project or agree to any future financing for  
60 United Properties' project. As required by statute, the TIF plan will provide a discussion on the  
61 economic and fiscal impacts of the proposed TIF district.

#### 62 **STAFF RECOMMENDATION**

63 Although setting a public hearing date for the creation of this proposed TIF district does not  
64 obligate the City to create the district, staff recommends that the Council discuss the public  
65 purpose and merits of this proposal prior to setting the public hearing date. Staff has identified  
66 the following public purposes that, if constructed, the Applewood Pointe project helps to fulfill  
67 within the City.

68 Implementation of the Twin Lakes Master Plan: Over the last two decades, the City has  
69 been working to facilitate redevelopment in the Twin Lakes redevelopment area. The  
70 Twin Lakes Master Plan calls for multi-family housing to be developed in those parcels  
71 adjacent to existing residential areas. Construction of this senior cooperative project will

72 advance the recommendations made in that plan.

73 Connection to Langton Lake Park: As part of the land use approvals for this project, the  
74 City required that United Properties construct a road through its property connecting  
75 Cleveland Avenue to Langton Lake Park. Currently this park's only direct access point is  
76 from Athur Street off of County Road D.

77 If there is Council support for the creation of a TIF district in concept, staff recommends that the  
78 City Council set a public hearing date of September 13, 2010. However, if the Council does not  
79 support the TIF in concept, staff recommends that the Council does not set a public hearing date.  
80 Setting the public hearing date triggers a significant undertaking by staff and the City's  
81 consultant in order to follow the State-required process and draft a TIF plan, and will require the  
82 developer to incur additional costs.

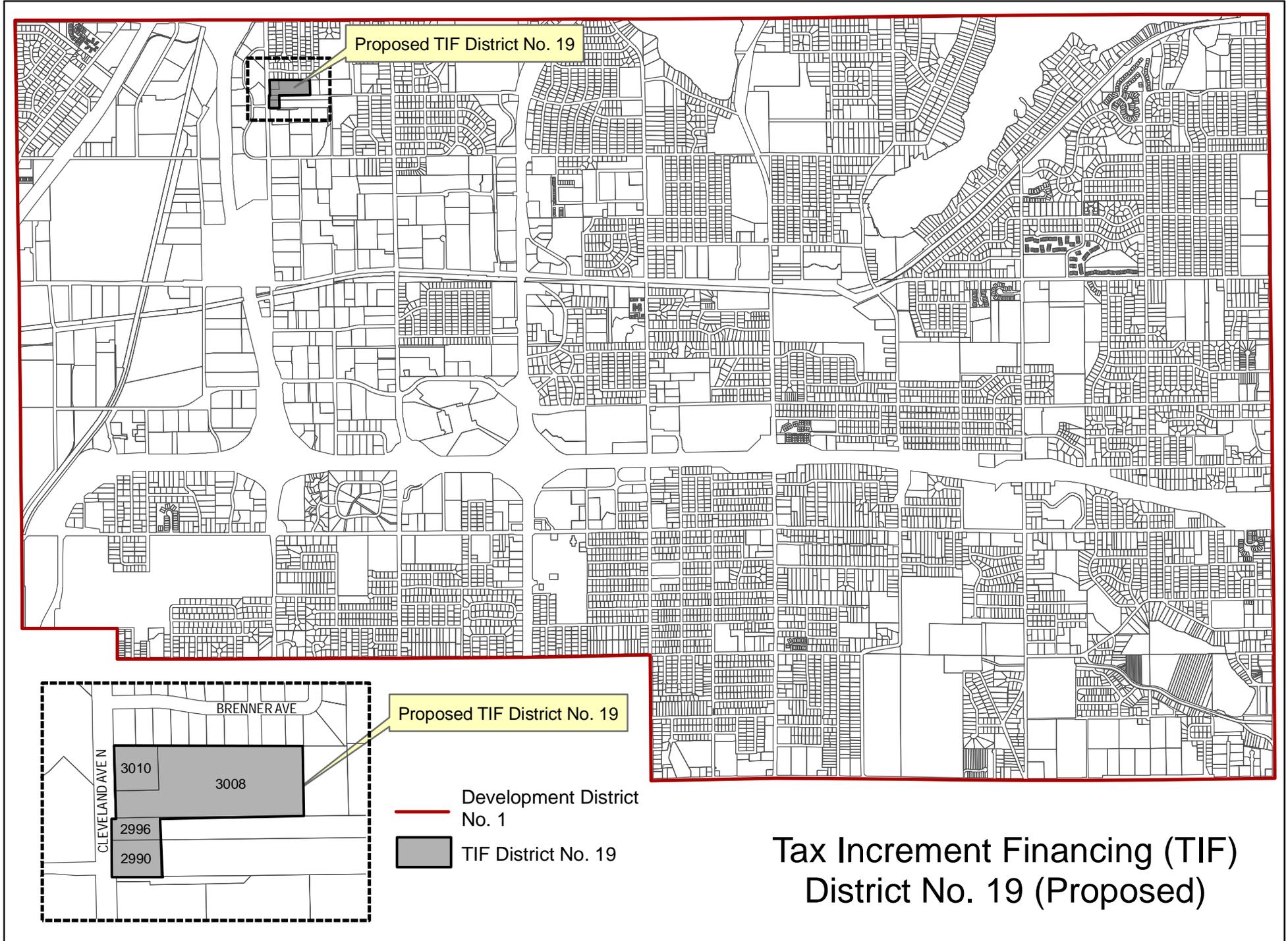
83 **REQUESTED COUNCIL ACTION**

84 Discuss the public purpose of creating an economic development TIF district to assist with the  
85 development of Applewood Pointe at Langton Lake.

86 By resolution, set September 13, 2010, as the public hearing date for proposed Tax Increment  
87 Financing District No. 19.

Prepared by: Jamie Radel, Economic Development Associate

Attachments: A: Proposed TIF district  
B: Letter from United Properties dated June 10, 2010  
C: United Properties' narrative related to Twin Lakes Financial Participation Framework  
D: Proposed process timeline  
E: Draft resolution





June 10, 2010

Jamie Radel  
City of Roseville  
Economic Development Associate  
2660 Civic Center Drive  
Roseville, MN 55113-1899

RE: Applewood Pointe of Roseville at Langton Lake TIF Application

Dear Jamie:

I have attached a completed Tax Increment Financing Application form as well as the completed Community Objectives and Criteria Scoring Summary which is part of the Twin Lakes Master Plan and Public Financial Participation Framework.

As demonstrated in the attached material, we feel very strongly that this project will greatly benefit the City of Roseville and its citizens. In addition, it will provide a crucial connection to Langton Lake Park which is currently only accessible through an industrial property with very little visibility. In addition to the many benefits highlighted, it will also be clearly evident that without Tax Increment Financing, the project cannot proceed as currently planned. Even after factoring in potential TIF and a \$1,000 per unit reduction in Park Dedication Fees, the remaining negative gap assuming both Phases I and II are completed and sold out is \$731,374. It would be our intent to address this gap through a variety of means including reducing construction costs and ultimately reducing our development revenue. It should be further noted that we are only able to achieve this gap once Phase II is completed. As indicated on the Phase I analysis, there will basically be no return on this initial Phase of the project even after assuming Tax Increment Financing. I am confident that the analysis will demonstrate the necessity of not only TIF, but also any other assistance the City can provide including a Park Dedication Fee compromise.

This project clearly is consistent and contributes to the overall use mix outlined in the Twin Lakes Master Plan. In addition, it provides value to the City of Roseville in excess of \$600,000 after considering the land dedicated to the City for the Park connection road, the cost of constructing this road, and the potential Park Dedication Fees associated with the 94 unit community. This does not even include increased tax revenue once the TIF payments end, or other fees associated with the construction of the project.

In addition to the Tax Increment Financing Application form, we have completed the Objectives and Scoring Criteria used in evaluating requests for financial assistance. This was developed as part of the

Jamie Radel  
June 10, 2010  
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Twin Lakes Master Plan. In order for the City to consider financial assistance, the project must achieve one-third, or eight criteria within at least four of the objective categories. We feel that our Applewood Pointe Cooperative achieves eleven scoring criteria within five of the objective categories, exceeding this target.

Finally, it should be noted that this project, including the phased approach, has been approved by the City Council. We are very close to achieving the presale level set by HUD of 60%, and are optimistic that with several additional sales and obtaining financial assistance from the City of Roseville, we would be able to break ground on Phase I later this year. Should you have any questions regarding any of this material or need additional information, please feel free to contact me directly at 952-820-8725.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alex Hall', written in a cursive style.

Alex Hall  
Vice President  
Development

Attachments

C: Mikaela Huot, Springsted Incorporated  
AH/bls

## Objectives and Scoring Criteria

### 1. Mix of Uses

- Overall Use Mix: Contributes toward the desired mix of uses within the project area described in the Twin Lakes Master Plan
- Needed Services: Provides a needed service in Roseville.
- Community Spaces: Incorporates community spaces, such as plazas and greenspaces, into the project that are open for use by the general public

### 2. Enhanced Aesthetics

- Blight Elimination: Removes, prevents, or reduces blight or other adverse conditions of the property
- Urban Design: Achieves a walkable, pedestrian friendly environment, creates a strong “public realm,” and internalizes parking to the project as indicated in the Twin Lakes Design Principles
- Building Quality: Uses high quality, long-lasting building and construction materials
- Structured Parking: Replaces large, surface-parking lots with parking structures integrated into the overall project design

### 3. Environmental Quality and Sustainability

- Environmental Remediation: Cleans up existing soil and groundwater contamination
- Green Building: Is designed to a LEED-Silver rating or higher
- Green Infrastructure: Uses innovative stormwater management techniques, such as rain gardens/bioretention, porous pavement, or underground holding chambers
- Environmental Preservation: Preserves or improves quality of wetlands, wildlife habitats, or other natural areas inside or outside of parks.

### 4. Relationship to Parks

- Park Connections: Provides connectivity to the neighboring parks
- Buffers: Offers a buffer between the adjacent park and the new land uses
- Mitigates Environmental Impacts: Addresses environmental impacts related to park resources

### 5. Transit and Transportation Options

- Multimodal Transportation: Integrates bus, bicycle, and pedestrian connections into the project
- Transportation Demand Management: Works to reduce the number of trips to the project area by implementing various transportation demand options

### 6. Diverse Employment Opportunities

- Job Creation: Creates or retains a wide-range of professional-level, family-sustaining jobs
- Businesses Attraction/Retention: Attracts or retains competitive and financially strong businesses to Roseville

### 7. Diverse Tax Base

- Tax Base: Diversifies the overall tax base of the City
- Enhanced Tax Base: Maximizes tax-base potential within the redevelopment area

### 8. Diverse Housing Choices

- Unmet Housing Markets: Provides housing options not currently realized in the Roseville market (e.g. market-rate apartments, mid-sized single-family homes)
- Affordable Housing: Provides affordable housing opportunities.

# **Twin Lakes Community Objectives and Criteria for the Proposed Applewood Pointe of Roseville at Langton Lake Senior Cooperative**

## **1. Mix of Uses**

Overall Use Mix: The Applewood Pointe site is located in the northern most quadrant of the 275 acre Twin Lakes Redevelopment Area. The Master Plan calls for a variety of office, retail and residential uses. Looking specifically at the Twin Lakes Master Plan, the Plan includes several options all of which call for ownership or rental housing in this quadrant. The Applewood Pointe Cooperative therefore clearly contributes toward the desired mix of uses within the Twin Lakes Master Plan.

Needed Services: Although senior housing for independent seniors exists in the City of Roseville, we hired Maxfield Research Inc. to conduct a market feasibility study for senior housing in the City of Roseville. The report, completed in May 2008, indicated excess demand for an additional 189 owner occupied units increasing to about 241 units of demand in 2012. "This substantial base of demand will support the proposed cooperative, and would support additional owner occupied housing beyond the proposed cooperative without having a significant impact on the existing housing supply". In addition, we currently have a waiting list of over 30 people at our existing Applewood Pointe of Roseville community.

## **2. Enhance Aesthetics**

Urban Design: Referencing the site plan, we have incorporated a sidewalk along Cleveland Avenue as well as interior trails on both the south and north side of the senior cooperative building. In addition, we are providing a trail connection from the Mt. Ridge Road Easement off Brenner Avenue. This path connection will connect to Langton Lake Park. In addition, we are continuing to have discussions with the Parks and Recreation Department about bringing trails south into the City owned land east of the current wetland area. In addition, surface parking will be minimized as a result of providing parking underneath the building. We are providing one parking space per home allowing us to provide limited surface parking on the north side of the building. This parking area will be buffered by the Park road and landscaping along the northern property line to the homes along Brenner Avenue. The parking will also be screened from Langton Lake Park to the east and Cleveland Avenue to the west.

Building Quality: Consistent with our existing five Applewood Pointe Senior Cooperative communities, we will continue to provide a high quality, low maintenance building. High quality construction materials will include maintenance free siding, exterior decks trimmed with cement board, use of stone and/or brick at key areas of the building including the ends of the building

and at the building entrance. In addition, the architecture includes a mix of exterior materials including lap siding, stucco and stone.

### **3. Environmental Quality and Sustainability**

Environmental Remediation: A Phase I was conducted by Braun Intertec in October 2007. The report identified a 250 gallon above ground storage tank (AST), rusted metal drums and other debris. In addition, it was assumed that buildings that may have been on the site including the two homes along Cleveland Avenue may have used fuel oil as a heating source, and as a result, the site may contain underground storage tanks (UST). As a result, Braun conducted a Phase II Environmental Site Assessment in December 2007. The Phase II Study confirmed fill and debris identified in the Phase I Report, including concrete, metal, wood, metal drums, etc. at several locations. In addition, laboratory analysis of soil samples identified limited amounts of diesel – range organics (DRO) and volatile organic compounds (VOC). In response to the Phase II, Braun prepared a Development Response Action Plan for the site dated May 2008. This Development Response Action Plan (DRAP) was sent to and approved by the Minnesota Pollution Control Agency. These reports have also been sent to HUD, and they have found the reports acceptable. To summarize, we will be cleaning up contaminated soil per the Development Response Action Plan.

Green Infrastructure: The site utilizes traditional stormwater ponds to first treat the stormwater prior to leaving the site. After water is discharged from the ponds it is run through vegetated swales and filtration/ infiltration swales to further filter and remove TSS and Phosphorus from the stormwater prior to discharging into the existing wetlands onsite.

Environmental Preservation: The site preserves over 50% of the native features of the site. The existing wetlands on site are not disturbed and the hydrology they receive is increased improving their overall quality. All runoff from the stormwater system is routed through the wetlands prior to leaving the site through the existing public infrastructure. Previous development to the north and west had diverted runoff away from these wetlands. A buffer around the wetlands is also provided to maintain a healthy wetland complex. The wooded area south of the development has been preserved and the only disturbance is for a walking trail through it.

### **4. Relationship to Parks**

Park Connections: The development clearly plays a significant role in improving access to Langton Lake Park. Currently, the parking lot located southeast of our site can only be accessed through the industrial property south of our project and the existing wetland area. Basically, visitors need to drive through the industrial property's parking lot in order to access the City parking lot. The lot is located south of an existing soccer field and two baseball fields, as well as a trailhead leading to Langton Lake. Both signage and visibility off of Cleveland Avenue is very poor. Our plan includes an access road which will link directly to the City parking lot. Signage

along Cleveland will identify both the Langton Lake Park access as well as our Applewood Pointe Cooperative community. Specifically, we are dedicating approximately 2.5 of our 6.5 acres to the City of Roseville, and we will pay for this Park connection road. The value of both the land dedication and Park road is approximately \$450,000. It should be noted that these contributions are in addition to the City's request for Park Dedication Fees.

## **7. Diverse Tax Base**

Tax Base: The property is currently vacant and produces minimal taxes. Construction of a 94 unit senior cooperative will increase the tax base approximately 10 fold and as noted earlier, the project is consistent with the Twin Lakes Master Plan.

Enhanced Tax Base: The original Park Master Plan showed a road connecting north/south from Mt. Ridge Road cutting off or isolating the eastern most third of the site. Following this plan and required setbacks would have greatly reduced the density on this site to approximately 40 homes. We were able to work with the architect and Parks and Recreation Department to rework the location and access point of the Park connection road thereby significantly increasing the density on the site. We feel the increased density has maximized the tax base potential for this site within the Twin Lakes Redevelopment Area. Again, it should be noted that this parcel was designated as housing.

City of Roseville, Minnesota  
 Timeline for  
 Creation of Proposed Tax Increment  
 Financing (Economic Development) District No. 19  
 Proposed Time Schedule

June-July 2010	Review of project components	City/Atty/Springsted
Monday, July 26, 2010 @ 6:00 pm	Council calls for public hearing to be held September 13 (resolution provided by Briggs & Morgan)	City/Atty
On/Before Wednesday, August 11, 2010	County and School District <u>receive</u> impact letters & draft TIF plan <b>30 days prior to public hearing</b> (arrangements made by Springsted)	Atty/Springsted
Monday, August 30 Deadline: Fri., Aug. 20	Publication of Notice of Public Hearing in Roseville Review (arrangements made by Springsted) <b>10-30 days prior to public hearing</b>	Springsted
Monday, September 13, 2010 @ 6:00 pm	City Council holds public hearing, and adopts resolution establishing TIF District and approving Development Agreement (TIF documents provided by Springsted) (Resolution and Development Agreement provided by Briggs & Morgan)	City/Atty/Springsted
After September 13	Request for District Certification and State Filing	Springsted

