Regular Workshop Meeting of the
Vadnais Heights City Council
Tuesday, February 5, 2019 - 5:30 pm
Lakes Conference Room at City Hall

AGENDA

1. Open Meeting - (5:30 p.m.)

2. History of Garceau Property Acquisition
   Documents:
   GARCEAU DISCUSSION.PDF

3. Other Staff Items

4. Future City Council Requests

5. Adjourn
Memorandum:

TO: Mayor Gunderson and City Council Members

FROM: Nolan Wall, Planning/Community Development Director

DATE: February 5, 2019

SUBJECT: Garceau Corner Redevelopment – Next Steps

Recommended Council Action
Staff recommends the City Council provide direction on the redevelopment process for the Garceau Corner site.

Background
In order to inform future decision-making regarding this process, the following background information from previous reports is included.

Subject Properties
The “Garceau Corner” includes the following properties (see attached map and ALTA Survey):

<table>
<thead>
<tr>
<th>Address</th>
<th>Acreage</th>
<th>Zoning</th>
<th>Future Land Use</th>
<th>Property Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A (drainage parcel)</td>
<td>0.29</td>
<td>R-1</td>
<td>Low Density Residential</td>
<td>City of Vadnais Heights</td>
</tr>
<tr>
<td>3429 Centerville Road</td>
<td>2.38</td>
<td>C-1</td>
<td>Commercial</td>
<td>City of Vadnais Heights</td>
</tr>
<tr>
<td>3437 Centerville Road</td>
<td>0.46</td>
<td>C-1</td>
<td>Commercial</td>
<td>City of Vadnais Heights</td>
</tr>
</tbody>
</table>

The property owner at 3447 Centerville Road (Paul Houck), which contains a single-family dwelling directly to the north/east of the Market site, has indicated an interest in being included with a future redevelopment project. In total, including the Houck property, the redevelopment site is 3.54 acres. Without the Houck property, the site is 3.13 acres.

History of City Involvement
The history of the City’s involvement with the properties is as follows:

- Spring 2013: City approached by a senior housing developer for the Market site.
- Summer 2013: City approached by a funeral home use for the Garceau site.
- Fall 2013: City facilitated a meeting with all property owners – no agreement was reached.
- Spring 2014: City approached by Dave Garceau (property owner) for assistance and paid for Phase I Environmental Assessment on the Garceau site.
- Summer 2014: City approached by a monument/gravestone company for the Garceau site.
- Fall 2014: City entered into first right of refusal agreement on the Garceau site and Phase II conducted.
• Spring 2015: City approached by another senior housing developer for the Garceau site.
• Winter 2015: Market site foreclosed on by the bank and purchased by the City along with the Garceau site, exercising the first-right-of-refusal option.

The City has invested approximately $850,000 on the purchase, consultant fees, and staff time of the subject properties. When deciding to purchase the properties, the City Council had the following financial objectives:
  • Combine the lots.
  • Find a reuse for the site that is feasible from a market perspective.
  • Reuse alternative should help recover City investment and pay for clean-up.
  • Project should be of high quality and enhance the City’s tax base long-term.

Furthermore, the decision to purchase the properties was also based, in part, on the assumption that the private sector alone would not be able to deliver a viable re-use or redevelopment project that cleaned-up the site and provided the highest-and-best use on the properties. Due to the contamination issues, it is assumed that the City would eventually get involved in redevelopment of the site at some point in the future. The opportunity presented itself to gain site control of both properties at the same time and the City Council took action. It was believed the Garceau site was more likely for redevelopment if combined with the Market site and vice-versa.

Whether the City should purchase the properties was a policy decision that the City Council determined, at the time, was in the best interest of the community. Local governments are often the catalyst for undertaking challenging redevelopment projects that the market cannot develop on its own, which often comes with risk and difficult policy decisions. Only a few undeveloped parcels remain in the community, so redevelopment of undervalued/underutilized property is the likeliest form of future economic development in order to ensure a growing tax base. As the property owner, the City is charged with finding a solution that facilitates the necessary clean-up activities and revitalizes an important area in the community.

Site Contamination

The Phase I Environmental Site Assessment (2014) determined that soil/groundwater contamination was likely due to buried fuel tanks on the Market site and that demolition debris was buried on the western half of the Garceau hardware site. The Phase II (2014) included a building materials analysis, digging test pits, and taking soil borings to further analyze soil and groundwater conditions. In summary, the contamination issues include:
  • Demolition debris to 17’ deep along west side, buried on top of wetlands.
  • Asbestos present within the buried demolition debris.
  • Elevated organic hydrocarbons associated with debris (PAHs, BAP-equivalent).
  • Elevated arsenic in groundwater on site.
  • Petroleum contamination in groundwater around old gas station.
  • Elevated petroleum volatile organic compounds in soil gas near old gas station.
  • Solvent compounds in soil gas over entire site.

A representative from AET, the City’s environmental consultant who conducted the assessment, will be present at the workshop to answer any questions.
Redevelopment Discussion/Grant Funds

Shortly after acquiring the properties, the City hosted a Developer Roundtable to get feedback from real estate professionals on various redevelopment sites in the community. In general, they provided the following comments on the Garceau Corner properties:

- Site’s size and setting make it an attractive opportunity for redevelopment for a highly-valued project.
- Most feasible use for property is housing – particularly well-suited for multi-family senior housing.
- For general occupancy multi-family housing, it may be a bit too far from the “action” and is not walkable to many amenities – both of which are desired by general occupancy renters.
- Low traffic counts and visibility mean the property is not a feasible commercial site.
- Developers agreed that site is very unlikely to develop as a restaurant citing challenges related to low traffic counts and visibility.
- Environmental clean-up isn’t a deterrent from redevelopment (will need City assistance).

Based on this information, and in cooperation with an interested development partner, the City Council decided to pursue a senior housing project on the site. In order to make a viable project, funding was necessary to offset the environmental remediation costs and federal tax credits would need to be obtained by the developer. The City then applied for and secured approximately $950,000 in grant awards to clean-up the site based on the estimated clean-up/demolition costs for a 145-unit, market-rate, four-story senior housing development. These particular grant funds are highly competitive and awarded largely based on the tax base revitalization potential. Pursuing lesser-valued projects, like townhomes or a small commercial development would have required the City to return the grant awards.

After the grant funds were obtained, the City Council became concerned that the senior housing market was becoming saturated based on projects under construction in the surrounding area. As a result, they directed staff to pursue a market-rate apartment project since that housing stock was lacking in the community and would still qualify under the funding award requirements, as the tax base benefits would be comparable. A capable developer surfaced that was interested in developing a 105-unit, three-story apartment building on the site.

Based on positive feedback from the City Council on the new concept, staff initiated the public process to amend the Comprehensive Plan to allow a high-density residential use. The Planning Commission ultimately tabled action on the proposed amendment, due in large part to significant pushback from the surrounding neighborhood. Prior to continuing the process, the developer withdrew their proposal and the City was left without a project partner.

In an effort to inform the public and present information concerning the site, staff conducted a public open house in March 2017. In addition, a webpage was established with information on the site and planning process: https://www.cityvadnaisheights.com/624/Garceau-Redevelopment.

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is a tool that allows for capture and use of increased taxes from new development within a defined geographic area to finance construction costs. There are several types of TIF, including redevelopment, housing, soils, and hazardous substance districts, that may be utilized for a potential project on the Garceau Corner properties. Pooled TIF funds were used to purchase the properties and, as a result, the funds are committed to a redevelopment project that adds to the tax base. If not utilized for that purpose, the City is required to pay the fund back.
Whether a potential project is an apartment building, townhouses, or a commercial development, a new TIF District will likely be a significant piece of the financial puzzle. Ehlers, the City’s financial consultant, has analyzed several redevelopment scenarios in order to ensure that TIF can be utilized for a variety of future projects. In summary, their past analysis concluded that a townhouse or commercial development on the subject properties is not likely to recover the City’s investment AND complete the necessary environmental clean-up, which is based primarily on the following factors:

- Single-family, townhouse, and commercial developers cannot pay as much for the land.
- Grant funds were awarded for a larger high-density project and would not be available for single-family, townhouse, or small commercial uses.
- Total potential tax increment collections are significantly less with the single-family, townhouse, and commercial scenarios.

The City also completed a TIF Blight Analysis to determine the existing condition’s ability to qualify for a future Redevelopment TIF District. The analysis included the following points for further consideration:

- The Hardware, Market, and Houck buildings are all likely to be defined as substandard upon completion of the blight analysis.
- The accessory garage and dilapidated pole barn are not considered buildings in the TIF Analysis and can be removed without any negative impacts.
- City has a full range of options under the TIF Statutes, including Redevelopment and Renewal/Renovation Districts.
- TIF funds would need to be paid back if the property were to be used as a “social, recreational, or conferences purposes.”
- Improvements to the Hardware building could be pursued since the other buildings within the project area are likely “blighted” – this assumes the Houck property will be part of a future redevelopment project, which is not a guarantee.

The City can pursue several potential TIF options based on a viable redevelopment project. However, maintaining the ability to utilize a Redevelopment TIF district provides the City the greatest financial flexibility for future redevelopment of the site. Preemptively removing the main buildings within the potential project area would put the City on-the-clock (3-5 years) to establish a new TIF district. Given the complexities of the site, due diligence and negotiations with a developer would consume a majority of that time-period. Staff recommends against removal of any of the remaining buildings until a long-term solution and redevelopment partner are in place.

Additional Discussions/Scenarios

Since the market-rate apartment concept plan was withdrawn, the City Council has discussed the possibility of a 10-15 lot single-family residential development and re-use of the Garceau hardware building; neither option seemed viable and no action was taken. Staff has advised any interested party that direction is required from the City Council in order to determine the viability of any future use of the property. In addition, the following actions have been taken on-site:

- Contracted with a professional to investigate potential termite infestation – no evidence was found.
- Removed dilapidated outbuilding.
- Additional security improvements.
- Cleared brush and cleaned-up remaining interior spaces.

For discussion purposes, the following table includes potential city tax revenue from several potential uses. This analysis includes assumptions that are not necessarily based on the market realities and are only meant to guide discussion on potential redevelopment scenarios.
<table>
<thead>
<tr>
<th>Use</th>
<th>Estimated Tax Value</th>
<th>Estimated Annual City Tax Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-family homes</td>
<td>$250,000</td>
<td>$580</td>
</tr>
<tr>
<td></td>
<td>$400,000</td>
<td>$950</td>
</tr>
<tr>
<td></td>
<td>$550,000</td>
<td>$1,300</td>
</tr>
<tr>
<td></td>
<td>$700,000</td>
<td>$1,900</td>
</tr>
<tr>
<td>Townhomes</td>
<td>$175,000</td>
<td>$370</td>
</tr>
<tr>
<td></td>
<td>$350,000</td>
<td>$800</td>
</tr>
<tr>
<td></td>
<td>$400,000</td>
<td>$950</td>
</tr>
<tr>
<td>Multi-family</td>
<td>$15,000,000</td>
<td>$46,500</td>
</tr>
<tr>
<td></td>
<td>$20,000,000</td>
<td>$62,000</td>
</tr>
<tr>
<td></td>
<td>$25,000,000</td>
<td>$77,800</td>
</tr>
</tbody>
</table>

The actual value of the city-owned properties is unknown and a potential sale price is dependent on a number of factors. According to the 2017 financial analysis conducted by Ehlers, the City’s financial consultant, the following land prices were assumed based on the market at that time:

- Townhouses = $15,000/unit
- Single-family residential = $25,000/unit
- Commercial = $8/SF

**Council Options**

Staff feels strongly that consensus direction from the City Council is paramount to implementing a successful redevelopment process, in order to allow staff to respond to inquiries from the development community. For discussion purposes, staff proposes the Council consider the following options:

<table>
<thead>
<tr>
<th>Option</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do Nothing</td>
<td>• Allow time for market changes&lt;br&gt;• Neighborhood changes</td>
<td>• Continued costs to secure site&lt;br&gt;• Remains an eye-sore&lt;br&gt;• Lack of direction</td>
</tr>
<tr>
<td>Hire a broker and sell as-is</td>
<td>• Professional marketing/brokering services&lt;br&gt;• Potential to make money back on the sale&lt;br&gt;• Potential to reduce sale price based on potential future uses</td>
<td>• Less control over the end-use of the properties&lt;br&gt;• Lost opportunity to require clean-up&lt;br&gt;• May not end up with highest-and-best use(s)&lt;br&gt;• May lose “blight” designation</td>
</tr>
<tr>
<td>Explore building re-use options</td>
<td>• Could allow for interim uses&lt;br&gt;• Interim uses may turn into permanent uses&lt;br&gt;• Opportunity to raise awareness of the site to encourage redevelopment</td>
<td>• May delay full redevelopment projects&lt;br&gt;• May require additional city investment&lt;br&gt;• Does not maximize use of the entire site&lt;br&gt;• Does not clean-up the site</td>
</tr>
<tr>
<td>Task Force</td>
<td>• Inform the public&lt;br&gt;• Build consensus toward a shared vision&lt;br&gt;• Opportunity to informally vet redevelopment scenarios</td>
<td>• Delays any action 6-12 months</td>
</tr>
</tbody>
</table>
Staff Recommendation

Staff recommends the City Council consider establishing a Task Force to advise the City Council on potential redevelopment scenarios for the Garceau Corner properties. There is no potential project looming, so staff feels it is the opportune time to engage with the public in an attempt to build community support for the future use of the properties.

A Task Force made up of 7-10 stakeholders from the community would work with staff to evaluate various redevelopment scenarios in an effort to build broad support based on the realities of the market, existing site conditions, and neighborhood concerns. Ideally, the group would include residents from the neighborhood and city at-large, local business owner(s), and real estate professionals. Liaisons from the City Council and Planning Commission should also be appointed.

If acceptable to the City Council, staff would bring back a formal recommendation, including a scope and timeline for action, at an upcoming regular meeting. A recommendation from the Task Force should be timely and consensus-driven. Staff recommends starting the recruiting and interviewing process immediately, with the Task Force convening in this spring.

Attachments:
- Aerial map
- ALTA Survey (2015)
- March 29, 2017 Open House PowerPoint
PRESENTATION OUTLINE

1. Welcome/Introductions
2. Background – City of Vadnais Heights
5. Traffic Impacts – SEH, Inc.
6. Public Safety Impacts – Vadnais Heights Fire and Ramsey County Sheriff’s Departments
7. Planning Process – City of Vadnais Heights
8. Question and Answer
BACKGROUND – SUBJECT PROPERTIES

<table>
<thead>
<tr>
<th>Address</th>
<th>Zoning</th>
<th>Future Land Use</th>
<th>Property Owner</th>
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<tr>
<td>N/A</td>
<td>R-1</td>
<td>Low Density Res.</td>
<td>City of VH</td>
</tr>
<tr>
<td>3429 Centerville Rd.</td>
<td>C-1</td>
<td>Comm.</td>
<td>City of VH</td>
</tr>
<tr>
<td>3437 Centerville Rd.</td>
<td>C-1</td>
<td>Comm.</td>
<td>City of VH</td>
</tr>
<tr>
<td>3447 Centerville Rd.</td>
<td>R-1</td>
<td>Low Density Res.</td>
<td>Paul Houck</td>
</tr>
</tbody>
</table>

- 3.54 acres
- NE Quadrant of Centerville Road/Edgerton Street intersection (County Roads)
BACKGROUND – PROPERTY HISTORY

- Spring 2013: City was approached by developer to build a senior housing project on the site
  - Ecumen Developer worked for former owner of Vadnais Market site
  - Needed to acquire Garceau site
  - Agreement couldn’t be made between two property owners

- Summer 2013: Dave Garceau approached City with funeral home proposal as potential suitor for site
  - Required zoning change
  - Concerns about lack of parking
  - Development didn’t consider long-term contamination issues
  - City Council denied request

- Fall 2013: City facilitated a conversation between property owners, including Paul Houck property
  - Parties agreed development more viable together
  - Agreement to partner couldn’t be reached

- Spring 2014: Dave Garceau approached City about assistance with selling the property
  - Contamination concerns have eliminated viable buyers
  - City agreed to pay for Phase 1 Environmental Assessment
  - SEH conducted phase 1, oral history and research of past
Summer 2014: Laurentian Monument pursued purchase of the Garceau building
  - Would require zoning district change, variance to outdoor storage
  - Neighbors concerned about twice weekly deliveries
  - Laurentian backed off the purchase

Fall 2014: City and Dave Garceau agreed to first right of refusal agreement
  - City conducted Phase II Environmental Analysis in Spring 2015
  - Allowed Garceau to continue try to market the site for sale
  - First Right of Refusal gave City ability to buy if not satisfied with development

Spring 2015: Garceau received offer from Prelude Homes to build Senior Housing Project for $685,000
  - Require zoning change and comp. plan amendment
  - Residents would sell home items to subsidize rent
  - Concerns remained about contamination

Winter 2015: Vadnais Market foreclosed on
  - Offered to City, but City Council declined due to high price
  - Bank pursued purchase from Prelude homes, but fell through
  - Bank offered to City for $97,000
BACKGROUND – PROPERTY PURCHASE

- Both properties available at same time
  - Enact first right of refusal with Garceau
  - City Council concerned contamination not addressed with Prelude Development
  - City countered bank with $50,000 offer – accepted

- City purchased Garceau Hardware and Market properties in late 2015

- Redevelopment/clean-up viable if the City could acquire both properties
  - Market unlikely to redevelop site
  - City stepped in to fix problem

- Purchase, consultant fees, and staff time price = $835,000 investment (approx.)

- Caveat: City would recover the investment and site would be cleaned up
BACKGROUND – GARCEAU’S HARDWARE

- 2.38 acres
- Originally constructed in 1960 (closed 2013)
- Two-level retail/service building
  - Addition was added after original construction
- Two accessory buildings
  - Both are dilapidated
- City received $2,350 in property taxes from the site in 2015
BACKGROUND – MARKET BUILDING

- 0.46 acres
- Constructed in 1934
- Three-level multi-use building
- Most recently used as:
  - Auto repair/service station (Closed 2012/13)
  - Take-out restaurant (Closed 2014)
  - Market/convenience store (Closed prior to 2006)
- Auto repair shop no longer permitted use
- City received $550 in property taxes from the site in 2015
BACKGROUND – HOUCK PROPERTY

- 0.41 acres
- Constructed in 1900 (according to County)
- Single-family residence w/ detached garage
  - Rental property
- Property owner is a willing participant in any potential redevelopment project
- Property owner will pay $335 to the City in property taxes in 2017
BACKGROUND – DRAINAGE PROPERTY

- 0.29 acres
- Undeveloped parcel
- Northern boundary of redevelopment site
- Serves as drainage channel
- Any redevelopment would accommodate existing drainage pattern
The City recently purchased the vacant Garceau Hardware and Vadnais Market sites, located at the intersection of Centerville Road and Edgerton Avenue. For each of the following types of development, please tell me if you would strongly support it, support, oppose or strongly oppose it on this site. (ROTATE)

29. High-density residential, such as townhouses or apartments? 16% 51% 22% 10% 2%
30. Neighborhood commercial and Retail shops? 34% 44% 16% 6% 1%
31. Senior housing? 25% 45% 20% 7% 4%
32. Are there any other types of development you would like to see on this site? (IF “YES,” ASK:) What would that be? UNSURE, 2%; NO, 87%; AFFORDABLE HOUSING, 2%; RESTAURANT, 3%; GROCERY STORE, 2%; SHOPS, 2%; SCATTERED, 3%.
BACKGROUND – DEVELOPER ROUNDTABLE

- City hosted Developer Roundtable to give opinion on many sites in Vadnais Heights
  - Dominium – Specializes in Senior/Market Rate Housing (The Legends in SA, Schmidt Brewery in STP)
  - Doran Companies – Commercial Developer specializing in commercial properties and MF housing
  - United Properties – Retail Development experts

- Roundtable thoughts on Garceau site:
  - Site’s size and setting make it an attractive opportunity for redevelopment
  - Most feasible use for property is housing – particularly well-suited for multi-family senior housing
  - For general occupancy multi-family housing, it may be a bit too far from the “action” and is not walkable to many amenities – both of which are desired by general occupancy renters
  - Low traffic counts and visibility mean the property is not a feasible commercial site
  - Developers agreed that site is very unlikely to develop as a restaurant citing challenges related to low traffic counts and visibility
  - Environmental clean-up isn’t a deterrent from redevelopment (will need City assistance)
BACKGROUND - RESTAURANT IDEA

- City solicited feedback from established restaurateur
  - Significant public interest in concept

- Tony Patterson, Restaurateur
  - Clive’s Roadhouse (Champlain, Burnsville, Blaine)

- Restaurant will be challenged to succeed
  - No immediate lunch crowd in area M-F
  - Need to market hard to get business crowd to skip Saks, Mad Jacks and Jimmy’s
  - Traffic counts don’t suggest large dinner crowd
  - Likely a repeat crowd given low traffic counts so only 1 or 2 shots to win over customers before they move on
  - Late night noise conflicts with neighborhood complaints
  - Operator needs deep pockets to survive lull in getting word out about business
  - Diverse neighborhood makes it difficult to set price points

- Better suited for residential development
BACKGROUND – SENIOR HOUSING

- City initially considered affordable senior housing project on the site – based on developer feedback

- Two developers were eager to pursue a project on the site:
  - Dominium
  - Blackhawk Development

- Both projects needed to pursue federal tax credits and need City Council approval to move forward
  - Tax credits allow developer to build higher quality development that will attract quality tenants

- City Council members visited the Legends in St. Anthony, Dominium Project
  - Used similar tax credits
  - 55+ residential housing, 145 units, 4-story facility
  - High quality amenities and features

- City Council became concerned with over saturation of senior housing market
  - Gable Pines in Vadnais Heights, Little Canada (Rice/694), Shoreview (Hodgson/Tanglewood), Two White Bear Lake projects (96/Centerville; Hwy 61/Cedar)

- City Council was also concerned about 4 stories and preferred 3-story option if available
BACKGROUND – LUXURY APARTMENT

- City Council decided to pursue a higher-end apartment project
- Vadnais Heights has zero luxury apartment options in community
  - Only luxury option nearby is Boatworks Commons in WBL
- Beard Group liked the site (has since withdrawn project)
  - Built similar projects in Osseo, Hopkins and Victoria
  - 106-unit, 3-story building
  - Rents in the $950 for studio – $2,300 for two-bedroom range
  - 40% baby boomers, 40% millennials, 20% everyone else
  - In-Unit Amenities include: stainless steel appliances, granite countertops, open floor plans, front loading W/D, walk-in closets, HVAC controls, balconies
  - Building Amenities include: heated underground garage, club quality exercise room, business center with fireplace and free wifi, hotel style lobby, coffee bar, dog park, dog wash station, bike repair station, wall mounted bike racks in underground parking, outside recreation area with fire pits, gas grills, outdoor patio seating
  - Extensive landscaping plan to ensure buffering and contrast on site
  - Provide lakeside trail from intersection up Edgerton to Park and sidewalk along Centerville Road
BACKGROUND – GRANT AWARDS

- City obtained approximately $950,000 in clean-up/demolition grant awards
  - Minnesota Department of Employment and Economic Development (DEED) – Contamination Cleanup Grant
  - Metropolitan Council – Tax Base Revitalization Account
  - Ramsey County – Environment Relief Fund

- DEED/Met Council grants awarded based on high-density residential concept plan
  - 145-unit, 4-story senior housing development – based on developer interest at the time
  - In order to apply for grants, a project needed to be identified. Developers agreed senior housing was likely the best use for the site.

- Grants awards are focused on economic development and redevelopment
  - Expectation is that a highly-valued project will be constructed
  - Granting agencies indicated a change to smaller 106-unit luxury apartment would not be an issue.

- DEED grant award requires an eligible project be near final approval by December 31, 2017
  - Approximately $700,000
  - With no project moving forward, the tight timeline makes it’s unlikely we can keep the grants

- Redevelopment w/out the grants will be challenging
  - Due to the high cost of clean-up – dependent on building locations
  - Requires additional city funds or longer TIF subsidy (maybe)
  - Grants can always be resubmitted but no guarantee we will be successful or funding will be available
SITE CONTAMINATION – INVESTIGATION

- **Phase I Environmental Site Assessment**
  - Closed petroleum release at former Vadnais Heights Muffler Shop
    - Soil and groundwater impacted by gasoline release
  - Western 1/3 of site was filled with demolition debris

- **Phase II Environmental Site Assessment**
  - Test pits – visual observations of buried debris
  - Soil borings – soil and groundwater sampled and analyzed
  - Soil gas samples collected and analyzed

- **Asbestos/Regulated Materials Inspection**
  - Asbestos in floor tile in Vadnais Market, miscellaneous regulated materials in all buildings

- **Response Action Plan (RAP)**
  - Limit impacted soil/fill removal to extent possible, leaving debris buried on site
  - Removed materials would need to be hauled from site and disposed
  - Groundwater needs to be treated/disposed if dewatering necessary during construction
  - Vapor mitigation necessary under building
  - Storm water not allowed to infiltrate at site
SITE CONTAMINATION – SOILS

- Demolition debris to 17’ deep along west side
- Elevated organic hydrocarbons associated with debris (PAHs, BAP-equivalent)
- Asbestos present within the demolition debris
- Petroleum impacts to soil around old gas station
SITE CONTAMINATION – GROUNDWATER

- Elevated organic hydrocarbons associated with debris (PAHs, BAP-equivalent)
- Elevated arsenic in groundwater on site
- Petroleum contamination in groundwater around old gas station
SITE CONTAMINATION – SOIL VAPORS

- Elevated petroleum volatile organic compounds in soil gas near old gas station
- Solvent compounds in soil gas over entire site
FINANCIAL CONSIDERATIONS

- Financial Objectives:
  - Find a reuse for the site this is feasible from a market perspective
  - Reuse alternative should help recover City investment and pay for clean-up
  - Project should be of high quality and enhance the City’s tax base long-term

- Conclusion: Luxury Rental Housing Best Meets the Objectives
  - Developers feel there is a market for this product type
  - Maximizes the potential Tax Increment Financing (TIF) – Major City Tool
  - Yields the highest potential resale price for the property
  - Provides for access to the $950,000 grant award for clean-up
  - Best long-term tax base growth
  - Would produce $65,000 annually in property taxes to the City after TIF expiration
FINANCIAL CONSIDERATIONS, cont...

- Tax Increment Financing (TIF)
  - Tool that allows for **capture and use of increased taxes** from new development
  - Within a defined geographic area
  - No approval from other taxing jurisdictions
  - 2015 taxes put base at $46,000
  - $314,000 is new development
  - Captured tax capacity is $268,000 to pay for costs associated with project and land
**FINANCIAL CONSIDERATIONS, cont...**

- **TIF Potential – Garceau/Market**

<table>
<thead>
<tr>
<th>End Use</th>
<th>Units / Sq. ft.</th>
<th>Total TIF Capture (Present Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Townhouses</td>
<td>25</td>
<td>$580,849</td>
</tr>
<tr>
<td>Luxury Rental</td>
<td>106</td>
<td>$3,187,605</td>
</tr>
<tr>
<td>Commercial</td>
<td>15,000</td>
<td>$283,958</td>
</tr>
</tbody>
</table>

![Graph showing Captured Tax Capacity for TIF - Garceau Redevelopment Options](chart.png)
## FINANCIAL CONSIDERATIONS, cont...

### Gap Analysis

<table>
<thead>
<tr>
<th>End Use</th>
<th>Units / Sq. ft</th>
<th>Land Assembly (City's Cost)</th>
<th>Environmental Clean Up</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Townhouses</td>
<td>25</td>
<td>$830,000</td>
<td>$950,000</td>
<td>$1,780,000</td>
</tr>
<tr>
<td>Luxury Rental</td>
<td>106</td>
<td>$830,000</td>
<td>$950,000</td>
<td>$1,780,000</td>
</tr>
<tr>
<td>Commercial</td>
<td>15,000</td>
<td>$830,000</td>
<td>$950,000</td>
<td>$1,780,000</td>
</tr>
</tbody>
</table>

### Sources

<table>
<thead>
<tr>
<th>End Use</th>
<th>Total Developer Price for Land</th>
<th>Grants</th>
<th>Total TIF Capture (Present Value)</th>
<th>(Less) TIF for Project</th>
<th>Total</th>
<th>Excess or (Gap)</th>
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</thead>
<tbody>
<tr>
<td>Townhouses</td>
<td>$250,000</td>
<td>$0</td>
<td>$580,849</td>
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<td>$830,849</td>
<td>($949,151)</td>
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<tr>
<td>Luxury Rental</td>
<td>$1,272,000</td>
<td>$950,000</td>
<td>$3,187,605</td>
<td>($2,724,129)</td>
<td>$2,685,476</td>
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<td>$989,683</td>
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<td>$0</td>
<td>$1,273,641</td>
<td>($506,359)</td>
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## FINANCIAL CONSIDERATIONS, cont...

### Long-term Tax Base Growth

<table>
<thead>
<tr>
<th>End Use</th>
<th>Units / Sq. ft.</th>
<th>Total Valuation</th>
<th>Base Value</th>
<th>% Increase in Property Value</th>
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</thead>
<tbody>
<tr>
<td>Townhouses</td>
<td>25</td>
<td>$6,250,000</td>
<td>$981,100</td>
<td>537%</td>
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<tr>
<td>Luxury Rental</td>
<td>106</td>
<td>$19,080,000</td>
<td>$981,100</td>
<td>1845%</td>
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<tr>
<td>Commercial</td>
<td>15,000</td>
<td>$3,000,000</td>
<td>$981,100</td>
<td>206%</td>
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</table>

1. Per county website
2. Assuming preliminary pay 2017 tax rate

### Annual Property Taxes

<table>
<thead>
<tr>
<th>End Use</th>
<th>Units / Sq. ft.</th>
<th>Total</th>
<th>City Portion</th>
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<tbody>
<tr>
<td>Townhouses</td>
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<td>$80,075</td>
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<tr>
<td>Commercial</td>
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<td>$109,580</td>
<td>$10,374</td>
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</table>
TRAFFIC

- Existing daily traffic volume
  - Centerville Road = 4,250
  - Edgerton Street = 2,600

- Daily traffic volume limits for a 2-lane road
  - 9,000 – 12,000

- Estimated traffic volume for 106 apartments
  - Daily = 705 (353 in/352 out)
  - AM peak hour = 54 (11 in/43 out)
  - PM peak hour = 66 (43 in/23 out)

- Developments generating less than 100 vehicle peak hour trips entering or exiting, generally do not require a traffic study
### Traffic Generation Comparison

<table>
<thead>
<tr>
<th>Use</th>
<th>Units</th>
<th>Size</th>
<th>Trips</th>
<th>AM Peak</th>
<th>PM Peak</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Daily</td>
<td>In</td>
<td>Out</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td>Total</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apartments</td>
<td>Dwelling Units</td>
<td>106</td>
<td>705</td>
<td>11</td>
<td>43</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>54</td>
<td></td>
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<tr>
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<td>43</td>
<td>23</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Single Family Houses*</td>
<td>Dwelling Units</td>
<td>15</td>
<td>143</td>
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<td>11</td>
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<td></td>
<td></td>
<td>10</td>
<td>5</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Townhomes**</td>
<td>Dwelling Units</td>
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<td>163</td>
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<td>5</td>
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<tr>
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<td>15</td>
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<tr>
<td>Senior Housing</td>
<td>Dwelling Units</td>
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<td>365</td>
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<td>12</td>
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<tr>
<td></td>
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<td></td>
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<td>27</td>
<td></td>
</tr>
<tr>
<td>Medical/Dental Office***</td>
<td>1,000 Square Feet</td>
<td>45</td>
<td>1,626</td>
<td>85</td>
<td>23</td>
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<td>108</td>
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<td></td>
<td>161</td>
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<tr>
<td>General Office***</td>
<td>1,000 Square Feet</td>
<td>45</td>
<td>496</td>
<td>62</td>
<td>8</td>
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<td>56</td>
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<td>67</td>
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</tr>
<tr>
<td>General Office</td>
<td>1,000 Square Feet</td>
<td>15</td>
<td>165</td>
<td>20</td>
<td>3</td>
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<td></td>
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<td>22</td>
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<tr>
<td>Quality Restaurant****</td>
<td>1,000 Square Feet</td>
<td>9</td>
<td>810</td>
<td>6</td>
<td>1</td>
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<td>7</td>
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<td></td>
<td></td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>Shopping Center***</td>
<td>1,000 Square Feet</td>
<td>45</td>
<td>1,922</td>
<td>27</td>
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<td>43</td>
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<td></td>
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<td></td>
<td></td>
<td>167</td>
<td></td>
</tr>
</tbody>
</table>
PUBLIC SAFETY – VHFD

- VHFD compiled emergency response data from 4 multi-family complexes in the City for 2016
- Collected data from other cities on high-end multi-family buildings for comparison
  - Low call volumes are associated with high-end, well-maintained buildings
- Modern multi-family buildings built using the latest building/fire codes are safer
- Fire sprinkler/alarm systems aid in the early notification and control of any potential fire
- High-end multi-family buildings that are well maintained and managed can be an asset to the community
- Tenant demographics are factors in low call volumes

<table>
<thead>
<tr>
<th>Complex/Address</th>
<th>Units</th>
<th>Total Calls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willow Ridge 1255 Co. Rd. D</td>
<td>47</td>
<td>4</td>
</tr>
<tr>
<td>Shadowlawn Estates 1175 Co. Rd. D</td>
<td>113</td>
<td>20</td>
</tr>
<tr>
<td>Northwood Villa Apts. 801 Co. Rd. D</td>
<td>204</td>
<td>23</td>
</tr>
<tr>
<td>Highcrest Apts. 1053 Co. Rd. D</td>
<td>102</td>
<td>42</td>
</tr>
</tbody>
</table>
Sheriff’s Department provided calls for service to the same complexes

- Size of the complex does not always have a direct correlation to calls for service
  - Driven by internal and external factors

- External factors include:
  - Crimes of opportunity due to building design
  - Location
  - Engineered crime prevention implementation

- Internal factors include:
  - Rental and background policies
  - Property management engagement

<table>
<thead>
<tr>
<th>Complex/Address</th>
<th>Units</th>
<th>Total Calls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willow Ridge 1255 Co. Rd. D Cir. E.</td>
<td>47</td>
<td>29</td>
</tr>
<tr>
<td>Shadowlawn Estates 1175 Co. Rd. D</td>
<td>113</td>
<td>89</td>
</tr>
<tr>
<td>Northwood Villa Apts. 801 Co. Rd. D</td>
<td>204</td>
<td>127</td>
</tr>
<tr>
<td>Highcrest Apts. 1053 Co. Rd. D</td>
<td>102</td>
<td>305</td>
</tr>
</tbody>
</table>

*removed assist fire/medical, traffic, and generic calls
PLANNING PROCESS

- Approval of proposed Comprehensive Plan amendment does not approve any potential development
  - Comprehensive Plan can be amended at any time depending on a potential development scenario

- Amendment is required for further consideration of any high-density residential development

- If the City and Metropolitan Council approve the proposed amendment, the approval process for any potential high-density residential development will include:
  - Open House
  - Preliminary Development Agreement
  - Business Subsidy Application and negotiation
  - Tax Increment Financing Plan
  - Preliminary/Final Plat, Rezoning, Site Plan, Special Use Permit
  - Property Purchase Agreement
  - Development Agreement

- Stakeholder engagement and public input/feedback will be required
Complicated site with many constraints for future redevelopment

Redevelopment is challenging
- Process comes with risk and difficult policy decisions

Few undeveloped properties remain in the community
- Redevelopment is likeliest form of future economic development to ensure growing tax base

The City is the property owner
- Charged with finding a solution that facilitates clean-up and revitalizes the site

Successful outcome requires:
- Collective vision for the site based on market factors
- Capable development partner
MOVING FORWARD

- City continues to believe the real estate market will never redevelop this site on its own
  - Certainly not a development that meets the standards of the community
  - The buildings are in severe disrepair and something will eventually need to happen on the site

- If the City were to make the site a park with amenities, the funding used to purchase the site will need to be repaid. The site could be demoed and left, but we would lose the ability to utilize a Redevelopment TIF district, a valuable/flexible tool in redevelopment.

- City will actively engage neighbors moving forward

- City set up webpage to communicate history and new information regarding Garceau Corner site
  - [www.cityvadnaishights.com/garceau](http://www.cityvadnaishights.com/garceau)

- If you know potential project partners who might have ideas for the site – send them our way

- What ideas do you as the neighbors have for the site?
QUESTIONS