

Bystrom Bros. Redevelopment Site

Progress Report

Access to transit is important to any forward-thinking community these days. Transit is particularly important to Seward and Ventura Village as communities with many families of modest means striving to stay at work despite escalating transportation costs. **While these neighborhoods have some of the highest transit ridership rates in the Metro Area, access to the light rail station in their midst is minimal.** The station is located in a virtual no-mans land accessed through a maze of intersections, freeway underpasses and industrial uses.

The neighborhoods and the City of Minneapolis, Hennepin County and the Metropolitan Council have worked tirelessly to address this issue. **Redevelopment in the station area has been widely seen as the best means of populating the station area to make it safer and more accessible.** But, development is hampered by grade changes, limited access, power line obstructions and out-dated infrastructure, and unrealistic expectations of property owners. All studies of the station area have acknowledged that development will occur only with significant impetus from the public sector, even before the current downturn in the housing market and the economy.

After several years of work, Redesign is positioned to acquire the 4-acre Bystrom site. Only a block from the Franklin LRT Station, the site has direct access to the station platform along the pedestrian bike path without the need to cross intermediate streets and has high visibility from Hiawatha and Cedar Avenues. This site includes land critical to major infrastructure changes. **This first redevelopment project will provide the catalyst needed for further development throughout the station area.**

\$2.25 of the \$5 million needed for land acquisition has been committed. Nearly \$3 million in Federal funding is committed for road and other infrastructure improvements. Detailed site planning is underway.

There is a clear path to getting this first redevelopment off the ground.

The purpose of this report is to:

- Review the development strategy for the Franklin Station Area and the Bystrom Redevelopment Site
- Provide an Understanding of the Master Developer Approach
- Summarize Current Status and Next Steps
- Provide Background Information and Documents

The Franklin LRT Station Area is an opportunity to realize the potential of Transit Oriented Development as a location adjacent to transit where the higher densities needed for economic viability can be achieved while creating a mix of destinations and enhancing and embracing the adjacent neighborhood.

There is plenty of potential:

- The Franklin Station is within a mile of the largest concentration of educational and health care facilities in the Metropolitan area.
- Seward and Ventura Village are within walking distance of downtown.
- East Franklin Avenue has a well established mix of services and retail.
- Use of the Hiawatha LRT has far exceeded expectations.

Realizing that potential requires correction of the underlying conditions that make development impossible.

- Access to the station must be safe, secure and inviting
- Serious soil pollution problems must be corrected
- New road and utility infrastructure must be in place.

This is not a project—it is a series of projects that must happen over time in order to realize the potential of a mix of uses, types and destinations. It is an approach that requires patient development over time and, consequently, patient and flexible financing.

The concept behind the Franklin Station Area redevelopment is for Seward Redesign to act as Master Developer to acquire the Bystrom Site and:

- Maintain interim uses to reduce carrying costs;
- Complete master planning to establish building sites and criteria for phased development;
- Design the sustainable/green development framework;
- Work with Minneapolis CPED and Hennepin County to complete infrastructure improvements;
- Remediate polluted soils;
- Solicit participation from other developers to complete individual projects;
- Acquire additional parcels and repeat the process.

This approach is compelled by a number of circumstances:

- The pattern of development in light rail corridors around the country caters almost exclusively to people with higher incomes; only by obtaining site control will significant levels of affordable housing development be assured.

- Government no longer has the tools to play a lead role in site assembly and control; resources are more limited; and, condemnation authority has been severely curtailed.
- Transit-Oriented Development (TOD) or Smart Growth can occur if a complex mix of uses can be developed over time; shorter development timelines require developers to respond only to today's market and result in homogenous developments that do not encourage transit use, over-respond to the market and are frequently segregated from the community;
- Non-profit organizations are uniquely suited to pursue a balanced approach to development that responds to the long-term public interest as well as the market;
- A longer-term approach to development requires that carrying costs be carefully managed through a mix of approaches, including cash flow from interim uses of the property, securing government subsidy of the cost of acquisition and securing low-interest financing for the balance.
- Site assembly is complex and requires a sustained effort in order to capture the impact of development for subsequent phases.

This is a new approach to development. Cities are no longer financially, politically or legally empowered to undertake site assembly for redevelopment. Private developers cannot invest the time that is required for phased development that spans market cycles.

These are new roles for all of the parties—government, community developers, lenders and the foundation community. It is a collaborative approach that can realize the potential of higher density development near transit while creating opportunities for lower-income families to live more affordably. It is about creating together the tools needed to build the neighborhoods of the future.

The Bystrom site is the first project in this redevelopment process.

Redesign's plan is to develop nearly 200 units of mixed-income housing on the site along with commercial/light industrial uses that will expand the job base.

- Development will happen in phases over 5 years in order to address market and financial conditions and achieve the desired mix of uses.
- Sustainable systems such as district heat, stormwater recycling and other criteria for green development will be established at the Master Developer level by Redesign.
- Individual developments will be undertaken by other developers, such as Project for Pride in Living, either alone or in partnership with Redesign.

Accomplishments and Current Status

\$2.25 million is committed for financing of site acquisition.

- Metropolitan Council Hiawatha LRT Land Assembly funding (\$800,000)
- Hennepin County Transit Oriented Development Grant (\$950,000)
- Minnesota Housing Finance Agency CRV Program (\$500,000)
- Applications for additional financing are under consideration by the Metropolitan Council under their LAAND Program and Local Community Development Account (LCDA).
- Minneapolis CPED has stated that the Bystrom Site is a priority for the City and is considering a \$1.4 million application to finance acquisition.
- Redesign has opened discussions with a group of banks and foundations to create a \$2 million revolving, low-interest first mortgage pool to fund site assembly and acquisition in the Franklin LRT Station Area.

Federal funding of \$2.75 million has been committed for the road and infrastructure improvements that are integral to station area redevelopment.

The realignment of 22nd Street to connect with Cedar Avenue is a necessary pre-condition to the other street and intersection improvements in the Station Area. The land needed for the reconstruction of East 22nd Street is part of the Bystrom site.

Redesign and Hillcrest are prepared to proceed with a purchase and sale of the site.

- The structure of the purchase from Hillcrest Development has been negotiated.
- Hillcrest has leased over 50% of the space for interim uses.
- Hillcrest and Redesign are prepared to close when there is certainty about the City's financing commitment and commitment to complete construction of a realigned East 22nd Street.
- The income from interim uses on the site produce sufficient income to paying operating costs and the interest on necessary first mortgage financing for an indefinite period, despite turmoil in the real estate and financial markets.

Necessary site and infrastructure planning is currently underway, funded by Hennepin County and the City of Minneapolis.

- LHB Architects and Engineers have been selected by Redesign to lead a site planning process in collaboration with Minneapolis CPED, Public Works and Hennepin County Community Works, Hillcrest Development and PPL.
- The initial scope of LHB planning will look at the feasibility of relocating East 22nd Street, while Public Works reviews traffic impacts.
- LHB will also explore development phasing, massing, building types, storm water retention and recycling and area-wide sustainable systems.
- Redesign is leading a team of residents and business people providing community input to the Bystrom site planning and to the design of the street.

Phase I and Phase II Environmental Assessments and preliminary geotechnical exploration for the Bystrom site have been completed.

- The extent and nature of soil and groundwater pollution has been identified.
- Redesign has obtained an ERF grant from Hennepin County for supplemental environmental work associated with realignment for East 22nd Street, which will proceed with the site planning.
- A Development Response Action Plan (DRAP) for interim uses has been approved by MPCA, specifying actions needed to continue interim use of existing buildings.
- Strategy for the DRAP for redevelopment has been outlined in preparation for application to DEED and Met Council for remediation funding.

A first phase project has been proposed, consistent with the site configuration and public funding deadlines.

- An initial affordable housing project has been proposed by PPL and Redesign has submitted applications for 2008 Affordable Housing Trust Funds, MHFA funds and Low Income Housing Tax Credits.
- A second phase commercial development project is being explored for the south portion of the site.
- Both projects are located at the southern edge of the site, currently a vacant parking lot and two vacant buildings that have not been leased for interim uses and are not directly involved in the reconfiguration of East 22nd Street.