

October 2, 2017

Mayor Faust & Council Members
c/o Mark Casey
CITY OF SAINT ANTHONY VILLAGE
3301 Silver Lake Road
Saint Anthony, Minnesota 55418

VIA EMAIL ONLY
(*mark.casey@savmn.com*)

RE: The Village, LLC's Applications for Rezoning, Preliminary PUD, Preliminary Plat, and Comp Plan Amendments.

Dear Mayor Faust and Council Members:

This letter is jointly submitted by The Village, LLC ("**The Village**"), Aeon, and the Lowry Grove Resident Association (the "**LGRA**") (the "**Parties**") about the proposed redevelopment (the "**Project**") at 2501 and 2401 Lowry Avenue NE, Saint Anthony Village, Minnesota 55418.

This letter's purpose is threefold. To:

- (i) advise the City that The Village has reduced the density on 2501 Lowry to 40 units per acre and has withdrawn its application to amend the Comp Plan as it relates to 2501 Lowry (while the affordable portion remains at 51.32 units per acre);
- (ii) summarize key updates; and
- (iii) summarize the Parties' responses to City Staff's comments. We have also attached exhibits to provide additional information for those interested in more detail.

BACKGROUND OF PROJECT DEVELOPMENT

To understand the current Project proposal, the Parties want to share highlights from its history. We provide greater detail in the memorandum attached as Exhibit A, but, briefly, here is how the Project has evolved:

- In early 2016, The Village met City Staff to advise them it had signed a Letter of Intent to purchase the property and to discuss development options. City Staff advised The Village that the City wanted the developer to have maximum flexibility and would not place any limitations on the proposal. Regarding density, staff expressly noted that more density was better.
- During early meetings, City Staff requested that The Village determine the maximum density it could foresee so that the City could run feasibility reports. There was no discussion of a 40 unit per acre limit whatsoever. In response, The Village prepared a preliminary sketch to determine maximum density, and City Staff ran a preliminary report that concluded its infrastructure had capacity for

1,000 units of development. A copy of that report is attached as Exhibit A1. The Village never formally proposed to develop the site with 1,000 units. The concept was designed strictly for infrastructure capacity feasibility assessments.

- Working with City Staff, The Village refined its plan to meet its needs and what it had been led to believe was the City's vision. That work resulted in a concept plan, which City Staff then used to prepare an Environmental Assessment Worksheet (EAW). The unit count used for the EAW was 54 units per acre.
- In February 2017, City Staff raised questions about storm-water management and explained the limits of the City's storm-water system. The Village responded by significantly redesigning the Project to include a park and significantly greater storm-water infrastructure. In turn—to accommodate the proposed park and the storm-water infrastructure—the revised plan called for Building D to be 14 stories. The proposed height received significant negative feedback and was quickly abandoned.
- The Village looked for additional ways to revise its plan and entered into a purchase agreement to acquire 2401 Lowry. With the additional land providing space for additional creativity, the Project was revised again to include a separate building to provide affordable housing, which The Village had committed to providing from its earliest concepts. This is the design set forth in the Applications.
- After submitting the Applications and after considerable negotiation, the Parties agreed on terms of a Settlement Agreement, which—among other things—put Aeon in control of the affordable housing building. Detail about how the Settlement Agreement was reached is attached as Exhibit B.

This timeline shows that City Staff had consistently supported the Project at vastly higher densities. The Village has never simply demanded that the City accept its vision; it has consistently worked to revise plans to respond to comments. Still, as with any developer, The Village must balance many inputs, including its own need for a viable and financeable project. Until recently, The Village thought that the City fully supported the proposed density. Nevertheless, based on recently-aired concerns, the Parties have looked at all ways to further refine the project. In that regard, the Parties have agreed to explore all aspects of the Project and found additional refinements. The proposed revisions are set out in the revised Site Plan, attached as Exhibit C, and the building elevations, attached as Exhibit D. The Parties have worked to refine the project. We trust the City will work in good faith with us to complete this important redevelopment.

PROJECT REFINEMENTS

The Parties have made several revisions to the Project, including the following highlights:

- The total number of units on 2501 Lowry Avenue has been reduced from 723 units to 615, or 40 units per acre.¹ Of the 386 rental units, 84 units are affordable at 80% AMI;
- The affordable building on 2401 Lowry has been reduced to 97 units to replace exactly the number of affordable units in the Lowry Grove Mobile Home Park;
- Buildings A and E have been reduced to 4 stories, and Building C has been reduced to five stories;
- The bio-filtration area between Buildings E and D has been revised to be an underground storage vault. With the revisions, the combined Property can store more than 2,000,000 gallons of rainwater during a 100-year storm event. More detail on storm-water is attached as Exhibit E;
- Internal roads and trails have been revised to increase connectivity and to ensure the Project incorporates public safety features that exceed state Fire Code; and
- Building A (senior continuum of care) was reoriented and a drop-off/surface parking area was added. Parking ratios have increased for each building and the Parties are proposing locations for proof of parking if the existing parking were to prove inadequate.

AFFORDABLE HOUSING ON THE 2401 LOWRY SITE

As it relates to 2401 Lowry, Staff recommended approval of the proposed change in designation from commercial to high-density residential. The Planning Commission passed a motion to approve that change 3 to 2. Staff believed (incorrectly, as it turns out) that the motion required a supermajority vote to pass. (The state statute requiring a supermajority vote to amend a comp plan applies only to governing body votes. Significantly, the statute provides that the requirement does not apply to changes to permit development of affordable housing.)²

The current Comp Plan provides that the City will “ensure” that replacement housing is provided for the Lowry Grove units lost to the redevelopment, “preferably in St. Anthony.” The Metro Council statute requires every city’s Comp Plan describe specific actions that “will provide” the City’s share of affordable housing. The Comp Plan acknowledges the

¹ The Parties recognize that they previously proposed density should be measured across the entire property. However, the Parties recognize that the Comp Plan and state and federal law call for different treatment of affordable housing. Given that reality and the legacy of this site, the Parties have agreed to separate the consideration of density of the affordable housing from that of The Village’s project.

² Minn. Stat. §462.355 Subd. 3.

city's obligation to produce 312 new affordable units in the current decade.³ Total St. Anthony Village production for the decade is negative 97 units. There are no other new affordable units, and 97 were lost when Lowry Grove closed. The City has an obligation to permit the planned replacement of the Lowry Grove Units. The Legacy Apartments across the street from the site provide a precedent, as they were developed at about 70 du/acre, according to City staff. The reduction in density being recommended by City staff already seriously threatens the affordability levels possible on the 2401 Lowry site. See Exhibit K.

STAFF ANALYSIS RESPONSE

With proposed refinements to the Project, many comments or issues raised in the Staff have become moot or have otherwise been addressed. The Parties have attached Exhibit F as a detailed response to the comments. We also offer the following summary response to the Staff's analysis of the Comp Plan density amendment and to certain public comments from the public hearing.

Comp Plan Amendment for Density

Changes in unit counts to 2501 Lowry mean a deviation from the 40 units per acre anticipated by the Comp Plan is no longer necessary for that parcel.⁴ The Parties continue to request a Comp Plan amendment to re-guide 2401 Lowry from commercial to high-density residential to allow for 97 units on the site contingent on PUD and plat approval. The proposed density on 2401 Lowry is necessary for deeply-affordable units designed to allow former Lowry Grove residents (a high percentage of which are minorities) to return to the City. We believe that City approval is required under the Comp Plan's provisions about affordable housing production and Lowry Grove replacement housing. We also believe that rejecting this request could have serious federal Fair Housing Act implications for the City. (see Exhibit K). Out of an abundance of caution, the Parties provide a summary of the staff's analysis of the density amendment. In addition, a detailed analysis on density is attached as Exhibit G and technical comments are included in the BKV/Wenck memorandum in Exhibit F.

Before turning to the specific staff statements, the Parties believe it is important to understand the baseline for comparison. For example, some members of the public have suggested single-family housing is what should occur on the Property. As the staff report acknowledges, 2501 Lowry is identified (or more technically "guided") as high-density residential and identified as a point of redevelopment. Because state statutes mandate that

³ Comp Plan at 2-32.

⁴ The Parties continue to request a Comp Plan amendment to re-guide 2401 Lowry from commercial to high-density residential, permitting 97 units on the site, contingent on approval of the PUD and Plat.

the City's Comp Plan is its controlling land use document,⁵ the proper baseline for the redevelopment of 2501 Lowry is high density residential as stated in the Comp Plan. Additional detail on the impact of the Comp Plan's treatment of 2501 Lowry is set forth in Exhibit H.

In recommending denial of a Comp Plan amendment for the entire Property, staff relied on some unsupported conclusions that bear mentioning here, including that:

- (i) the Project was not consistent with "orderly development" or compatible with neighboring uses because the unit count exceeded 40 units per acre;
- (ii) the Project does not provide adequate access to the property;
- (iii) the project does not prevent congestion in the public streets; and
- (iv) the project did not prevent overcrowding of land and undue concentrations of structures.

We address these erroneous conclusions below:

- a) Factors (i) and (iv) do not support denial of increased density for affordable housing.

The staff's conclusions in factors (i) and (iv) are internally inconsistent and factually inaccurate.

The Staff Reports specifically address the Preliminary PUD application and expressly state that the environmental assessment worksheet ("EAW") contained detailed comments "all of which is incorporated herein by reference." City staff prepared the EAW that analyzed an early design showing 54 units per acre. We have attached the EAW as Exhibit I. The City Council unanimously agreed to declare that no environmental impact statement was warranted. And the City adopted the Record of Decision ("ROD"), a copy of which is attached as Exhibit J. The EAW and the ROD stand in stark contrast to the staff's claims, stating, for example, that "[t]he planned development *does fit* with the general vision outlined for the property in Comprehensive Plan and includes units of affordable housing." (*emphasis added*).

Further, in analyzing the EAW, the City concluded that the 54 unit-per-acre proposal "*is reasonably similar to other development and redevelopment projects in the area*. Other large scale residential redevelopment projects have been completed in the neighboring areas of the City of Minneapolis in recent years." (*emphasis added*).

In addition, with the request to exceed 40 units per acre now expressly limited to the 97 units of affordable housing, there is substantial support in the Comp Plan to allow such density and an express commitment to ensure the production of replacement housing for

⁵ "A local government unit shall not adopt any fiscal device or official control which is in conflict with its comprehensive plan, including any amendments to the plan, or which permits activity in conflict with metropolitan system plans." Minn. Stat. § 473.858, subd. 1.

the Lowry Grove units lost to redevelopment. A detailed analysis of the need for greater density for affordable housing is attached as Exhibit K.

b) Factor (ii) does not support denial of increased density for affordable housing.

The issue of access, while factually untrue at the time, has been rendered completely moot by the revisions to the site plan and will not be further addressed here, though we remain open, as ever, to answering questions the Council may have about it.

c) Factor (iii) does not support denial of increased density for affordable housing.

Any suggestion that traffic is a basis to deny the increased density is not supported by the evidence. The lone expert opinion comes from the City's own traffic engineer, who did not identify *any* significant traffic issues (although it did make certain recommendations to optimize traffic flow).⁶

What is more, in reviewing and responding to the EAW, Hennepin County made suggestions about the study. The City then responded to Hennepin County by vowing to make certain modifications; at no time did the City suggest that traffic issues would adversely impact the Project in any way. The staff report indicates no traffic impacts to the proposed change of the 2401 Lowry from commercial to high density residential.

We have attached a more detailed discussion of the lack of traffic impacts as Exhibit L.

Response to Public Comments

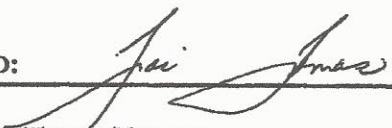

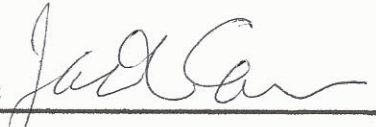
During the public hearing, the public raised several questions that the Parties believe deserve a response. We have attached Exhibit M in response to those comments.

Conclusion

The Parties wish to reaffirm that their goal remains to find a shared vision with the City of St. Anthony Village for the Project. As with any resolution, it requires dialogue and a willingness to consider the needs of all involved, including the City and the Parties. The Parties have now made concessions and revised the Project to ensure that 97 units of deeply-affordable housing remain, while ensuring that the remainder of the Project not exceed 40 units per acre. In doing so, The Village has removed more than 100 units from its portion of the redevelopment, and Aeon has scaled back its unit count to simply try to replace the deeply affordable homes that were lost. The Project, as refined, fully responds to staff's comments and offers a vision that properly balances the City's and Parties' needs and desires for a property that loudly calls for redevelopment.

⁶ At least one resident suggested an "independent" traffic study was necessary. The City selected and hired WSB & Associates Inc. to conduct the traffic study. The Village had no involvement, input, or contact with the traffic engineer.

Very truly yours,

<p>THE VILLAGE, LLC:</p> <p>SIGNED: </p> <hr/> <p>BY: TRACI TOMAS</p> <hr/> <p>ITS: VICE PRESIDENT</p> <hr/>	<p>AEON:</p> <p>SIGNED: </p> <hr/> <p>BY: ALAN ARTHUR</p> <hr/> <p>ITS: PRESIDENT & CEO</p> <hr/>
<p>THE LOWRY GROVE RESIDENT ASSOCIATION:</p> <p>SIGNED: </p> <hr/> <p>BY: JACK CANN</p> <hr/> <p>ITS: LEGAL COUNSEL</p> <hr/>	