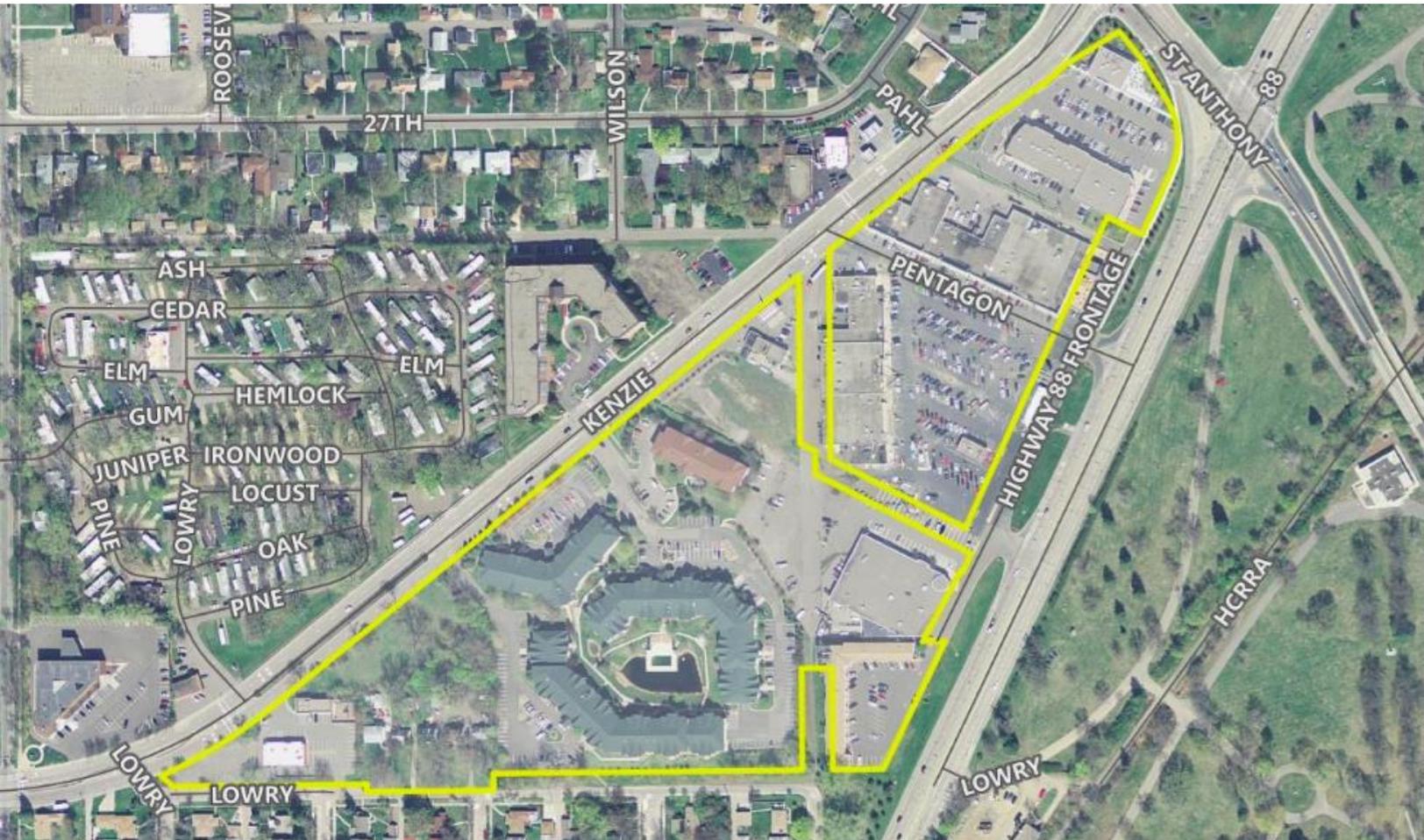




St. Anthony Gateway South District

St. Anthony Village
April 20th, 2016



Urban Land Institute Minnesota

ULI Minnesota is a District Council of the Urban Land Institute (ULI), a 501(c)(3) nonprofit research and education organization supported by its members and sponsors. Founded in 1936, ULI now has more than 40,000 members worldwide representing the full spectrum of land use and real estate development disciplines, including developers, builders, investors, architects, public officials, planners, real estate brokers, attorneys, engineers, financiers, academics and students.

As the preeminent, multidisciplinary real estate forum, ULI facilitates the open exchange of ideas, information and experience among local, national and international industry leaders and policy makers dedicated to creating better places.

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Supported by ULI Minnesota, the nationally recognized Regional Council of Mayors (RCM) was formed in 2004 and represents Minneapolis, Saint Paul and 46 municipalities in the developed and developing suburbs and Greater Minnesota. This collaborative partnership provides a nonpartisan platform that engages mayors in candid dialogue and peer-to-peer support with a commitment towards building awareness and action focused on housing, sustainability, transportation and job growth.

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For more information visit minnesota.uli.org.

Technical Assistance Panel (TAP)

The Urban Land Institute Minnesota District Council (ULI MN) convenes TAPs at the request of a community to address specific development challenges such as site redevelopment options, downtown revitalization, or environmentally sound development in an area.

TAPs consist of nonpartisan experts who offer recommendations, not mandates, based on the issue at hand and the expertise of the panel. They are comprised of professionals from across the real estate and land use industries including the commercial and housing sectors, architects, placemakers, designers, finance experts, developers and more.

Panelists evaluate data, site conditions and future redevelopment readiness and to provide local policy leaders with recommendations to guide not only future land uses for the site, but also future partnerships with developers. The goal is to offer ideas for realizing local and regional aspirations. The working session's focus helps synthesize local input with panel expertise to form a final set of recommendations.

“With the assistance of a ULI MN Technical Assistance Panel (TAP), our city has moved forward on a key redevelopment project that expands rental housing options for residents. The TAP provided immeasurable assistance and was vital in guiding the strategic direction for the property.”

Mayor Sandra Martin, City of Shorview

The Panel

Panel members are ULI MN members and experts who volunteer their time because of a commitment to the principles of redevelopment, planned growth, economic expansion and local and regional capacity-building.

Panel

Michael Fischer, *LHB, Inc.* **TAP Chair**
James Lehnhoff, *Aeon*
Sarah White, *Artspace Projects, Inc.*
Stacie Kvilvang, *Ehlers*
Paul Maener, *Maener Properties*
Mike Sturdivant, *Paster Properties*

ULI Minnesota Staff

Cathy Bennett
Gordon Hughes
David Baur

The Panel's Charge

St. Anthony Village is a community of increasing prosperity with growing property values, a convenient location in the metro, and a school district that entices families to move even just a few blocks to get into it. After nearly twenty years of looking at the Gateway South District as a redevelopment target, the City believes the time is right to begin taking more deliberate actions to make that happen. To that end, how can St. Anthony Village best prepare and position Gateway South for redevelopment in today's market?

The panelists at the half-day TAP considered this overarching question and several more granular ones to develop insights and recommendations for moving forward. TAP participants looked at existing site uses, infrastructure configurations including streets and cycling paths, and considered how the Gateway South District integrates with the surrounding community both now and in the future. They considered what types of uses would be a good fit for redevelopment, what kinds of businesses might succeed here, and steps the City can take ahead of time to be ready when private sector project proposals are presented.

The TAP culminated in a lively discussion between panelists, elected and appointed officials, and staff members about the possibilities that exist in the study area. There was broad agreement that it is an area with great potential, though it may take a number of years to see substantial change. The report that follows compiles the thoughts and findings of the panel in hopes that it will help St. Anthony Village move forward with developing and implementing a vision for the future of the Gateway South District. The "Panel Findings" section provides overarching suggestions and concepts while the "Panel Reaction to Questions" area specifically addresses questions provided by St. Anthony Village.

Gateway South Redevelopment Area Background

The Gateway South District has been on the city’s priority list for further study and planning since the Comprehensive Plan update of 2008. The economic downturn slowed the interest in redevelopment in the intervening years, and now there is renewed development interest in the area and St. Anthony as a whole.

The site is situated between Highway 88 (New Brighton Boulevard), St. Anthony Boulevard, and Kenzie Terrace on the southwestern-most part of the city and serves as a gateway to St. Anthony. It is surrounded by single-family homes on the north/northwest and south, and a cemetery to the east.

There are 22 distinct parcels within the study area with 40 different property owners, 18 of which are located within the Northgate Office Park, a former hotel that became office space. From the St. Anthony 2010 zoning map, the study area is currently zoned for Commercial and Planned Unit Development (PUD). There are five smaller parcels in the southwest corner of the study area that are zoned R1 – Single Family Residential. The current Comprehensive Plan calls for multi-family housing and mixed use in the study area.

Existing land uses include two strip mall developments, a former motel which is now being used for condominium owned office space, a small multi-tenant building, a gas station, three vacant parcels, the St. Anthony liquor store parcel, and two senior housing developments (Autumn Woods and Walker). The overall area totals approximately 26 acres, of which about half is considered potentially re-developable.

The study area has been the focus of discussion for up to 20 years, with a visioning exercise completed 15 years ago. The city’s Comprehensive Plan also calls for closer examination and re- development of the “Kenzie Terrace District” with multi-family housing and mixed use. However, it was clear in the comprehensive plan that the City desires any re-development to be initiated and led by the private market.



Panel Findings

These findings are based on the panel’s opinions and analyses as real estate, architecture, finance, and development professionals regarding what would best position Gateway South for redevelopment in the coming years. While the panel considers these ideas and suggestions sound, they are not directives. There is no substitute for developers with motivation and vision. Should partners come to the table with proposals that do not align with these findings but otherwise meets the City’s goals, there should be no hesitation in moving forward.

The area will need a catalyst to spur significant redevelopment

St. Anthony is an increasingly attractive location in the metro area with growing demand for housing, particularly from families looking to get into the City’s highly rated school district. The study area is positioned with great connectivity to job centers, commercial areas, and recreation. For these reasons, redevelopment in the Gateway South District is a matter of when, not if.

Still, the study area today exists in a tricky middle ground in terms of its development lifecycle, particularly for the St. Anthony Shopping Center. Land values are strong and appear to be growing, which means site acquisition will be costly. The existing structures may not be the best possible use of the land, but neither are they dilapidated to the point where the value of the land vastly outweighs that of the buildings. These conditions mean a developer would find it challenging to profitably redevelop the site without either significant investment from the City, and/or a catalytic transformation elsewhere in the study area. As such, the findings and suggestions below are largely focused on activities in which the City can engage to prepare and position for redevelopment when it comes as well as the types of changes that could be the necessary catalyst to trigger wider redevelopment in the study area.

Create a strong vision for redevelopment, share it with the community, and then support it

Because redevelopment is likely to unfold over an extended period, the City and community have time to develop a vision for what it wants here and the opportunity to build long term buy-in to support it. What does the City want to see? What do residents want? What level of housing density will be supported? How will this area enhance, complement, and interact with the surrounding area including other development opportunities that may arise? Answering these types of questions gives the City something to work towards and helps prospective developers understand the types of projects to which the City will be most receptive. This is likely to make the actual redevelopment process smoother and quicker as projects come forward.

“This isn't going to happen all at once. Allowing it to happen organically makes it more likely to get something unique to the area.”

Paul Maener, Maener Properties

Once a vision is created, the City should promote that vision and support it with policy. This could mean assisting with land assembly by purchasing parcels as they become available (e.g. buying units in the office condo) or making zoning, code or land use policy changes ahead of time if they will be necessary to meet the vision’s goals. While it’s not necessary to have specific offers on the table with respect to financing options like TIF districts or tax abatement, it’s helpful to developers to provide guidance on what types of policies the City is willing to entertain for a high quality proposal. Above all, developers will appreciate proactive vision, leadership and a willingness to collaborate to solve problems—characteristics St. Anthony has demonstrated in the past.

Focus on placemaking on and around the site

With a stable shopping center, city owned land, and a good partnership with the senior housing developer, the biggest opportunity right now is placemaking around the site to position it for when redevelopment opportunities arrive. Investing in improvements to the public realm not only improves the experience for existing users and the community but has the added benefit of signaling to the market that the City is committed to the district's future. The panel identified several possible placemaking opportunities the City may wish to consider.

- **Create welcoming entry points to the Gateway South District**

The clearest opportunity for this lies at the southwestern corner on the bank-owned parcel where Lowry Avenue meets Kenzie Terrace. Turning this site into a pleasant green space that welcomes visitors to St. Anthony can help transform the arrival experience to the area. A similar approach would be ideal at the meeting points of Kenzie Terrace, Hwy 88, and St. Anthony Boulevard, but the panel recognizes this may be more difficult with the already-successful Village Pub on site and facing inward away from the road.

- **Pursue an improved public realm and streetscaping, especially at Kenzie Terrace**

The study area is bordered on both the west and east by high capacity roads with fast-moving automobile traffic, a design challenge that can make the Gateway South District feel like an isolated island rather than a destination. The panel recognizes that changes to New Brighton Boulevard are unlikely for the foreseeable future, but Kenzie Terrace presents real opportunity. The current configuration of Kenzie seems overbuilt for its traffic volume and is adjacent and connected to residential areas that would be likely users of retail in the area. A reconfigured, calmed Kenzie Terrace with fewer and/or narrow lanes, wide sidewalks, and improved streetscaping would encourage pedestrian activity and improve quality of life for current and future residents within the Gateway South District and the surrounding neighborhoods.

Improved bikeability should also be a priority for the area as a recreational amenity, commuting option, and a potential driver of retail trips. With the Minneapolis Diagonal Trail just across New Brighton Boulevard, the Gateway South District could be the ideal solution to the “missing link” of the Grand Rounds Scenic Byway, a project for which it might be possible to obtain regional, state or federal funding assistance. This connection could be accomplished via Kenzie Terrace or by using the existing rights of way in the site.

- **Preserve and improve existing rights of way**

It's tempting when looking at large redevelopment opportunities to start from scratch or to vacate rights of way to make things easier, but the panel sees value in the existing rights of way within Gateway South. For example, Pentagon Drive today is fronted on its northeastern side by the existing St. Anthony Shopping Center. With a complementary stretch of small storefront retail on the opposite side, it could create a “Main Street” type of experience while encouraging movement through the area instead of just around it. With the Hennepin County Library onsite, it already possesses community-oriented civic space, which could be enhanced further if the library was interested in an expanded or renewed presence.

“Without demolishing everything, you could create a small “main street” on Pentagon Drive from Kenzie to New Brighton Boulevard. Reskin the existing building to better orient to the space with angle parking on both sides of a narrow, two lane street.”

TAP Chair Michael Fischer, LHB, Inc.

The right of way that today serves mostly as an alley behind the shopping center could in the future be linked with the small stretch of trail that currently lies behind the office condo site, creating a north-south route through the district and connecting it to the residential neighborhoods to the south.

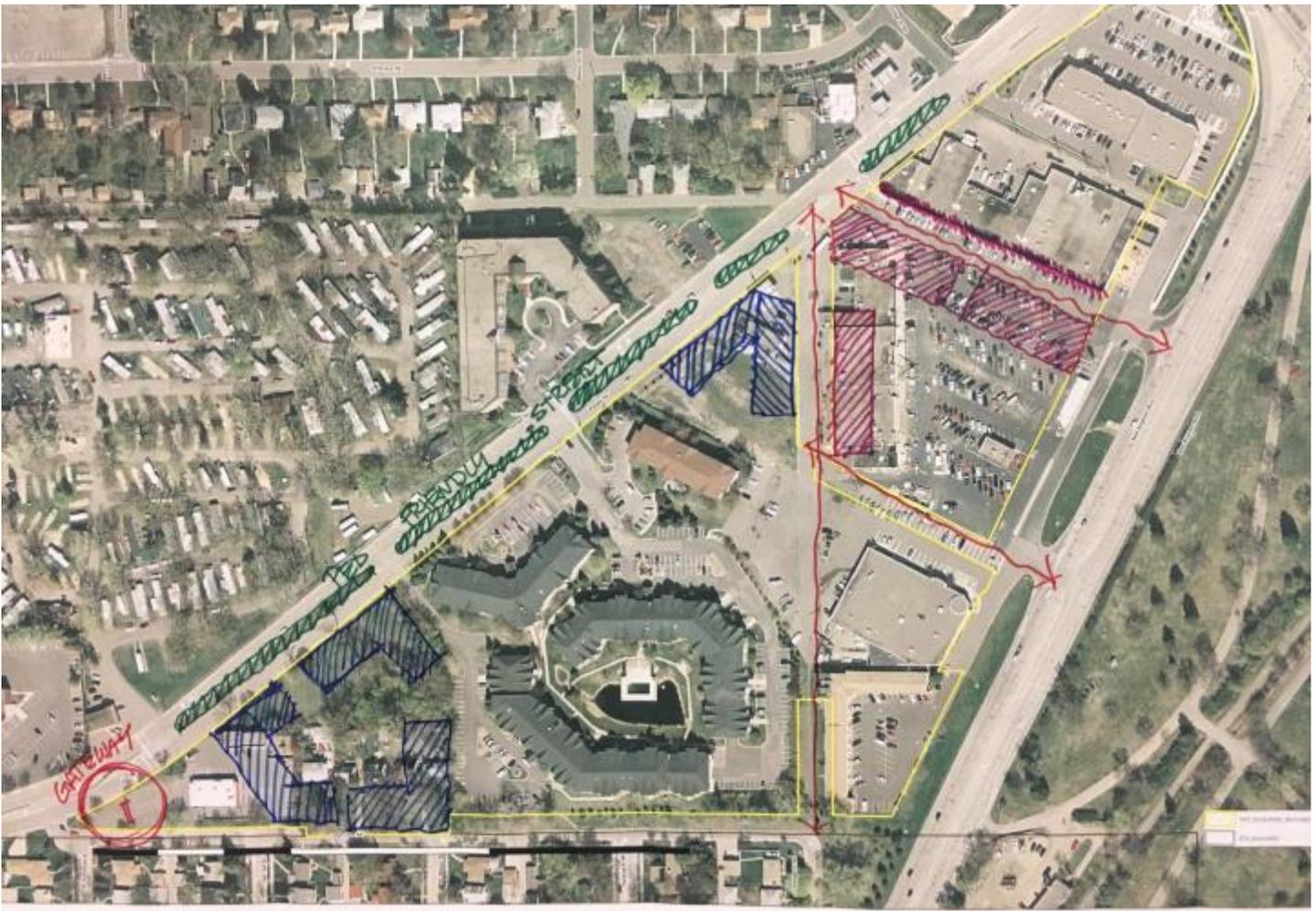
- **Consider what the ideal commercial identity of the area will be in the future**

Proximity to Rosedale Center, St. Anthony's own Silver Lake Village, and The Quarry means that many well-known national brands are already easily accessible from the Gateway South District. Will this area compete with those places or will it seek to be different or complementary in some way? Whatever path is chosen, it's important to give the area a stronger sense of identity.

If the City and community want it, there may be an opportunity to create a "district" feel at Gateway South. It could be a local or regional destination for any number of things, from craft brewing to arts and culture to community dining, or just a haven for small, local businesses as the shopping center seems to be today. If the City sees value in having a place where these kinds of businesses can survive, it should plan for that ahead of redevelopment as new commercial structures will generally price out small, local companies in favor of national brands. Preserving affordability may require City assistance or other policy action, but it might also enable a more unique experience.

Sketch of Possible Placemaking Changes Discussed Above

The sketch below provides some visual guidance on how placemaking changes might take shape at Gateway South. This includes how existing rights of way might be enhanced, possible building configurations and alignments, and suggestions for streetscaping along Kenzie Terrace.



Attracting a retail anchor is the most likely catalyst for commercial redevelopment

With fairly large parcels and great connectivity in an area of growing affluence, the study area has many desirable characteristics from a merchandising perspective. The key is finding the right partner that can have the catalytic effect on surrounding properties that the City desires. The panel understands that the site was home to a grocer a number of years ago, but that business has changed much in the intervening years. Today's specialty grocers—those that favor smaller footprints and attract a dedicated clientele—would be an ideal fit. This could include growing national brands like Fresh Thyme, or it could be something more local and community oriented like a co-op. Whether a grocer or something else, it is important to find a business that becomes an immediate amenity to existing nearby residents and that would also benefit from new housing in the Gateway South District.

Allow City-owned properties to be redeveloped as housing

Multifamily housing is a clear fit for the Gateway South District, and the City has indicated that it is willing to support density similar to what was developed at Silver Lake Village. After several decades of almost no apartment development in much of the metro, there is plenty of pent-up demand to absorb units here. However, the City should anticipate that any multifamily proposal for the site will likely look for city financial participation in some form regardless of whether it is affordable, mixed-income or market rate. It is unlikely that the current rent levels achievable here will be high enough to profitably cover the cost of land and expense of redevelopment. As noted above, it will help the process if the City is clear up front about what kinds of assistance it will consider.

Perhaps the easiest starting point is enabling housing to be developed on land the City already owns. With the commercial properties likely on a longer development horizon, this is the best chance to get new uses here in the near future. In particular, the diamond shaped parcel just to the southwest of the St. Anthony Service Station along Kenzie Terrace and the adjacent smaller, triangular parcel could combine to hold 50-60 units of affordable multifamily housing. New residents also mean new commercial demand, which could catalyze additional redevelopment.



Panel Reaction to City Questions

Question 1

WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF THE STUDY AREA AND ITS LOCATION IN THE MARKET PLACE FROM A DEVELOPER'S VIEWPOINT?

The advantages of the study area appear to significantly outweigh the disadvantages. However, some characteristics of the area could serve as either advantages or disadvantages depending on other circumstances. As an example, the existing high value of the land, is enough to demonstrate the viability of the area but may be higher than developers are willing to pay to redevelop it.

ADVANTAGES

- **Opportunity to implement a long term vision:** Successful development of senior housing nearby and the relative stability of the existing onsite uses lowers the urgency of pursuing redevelopment for its own sake, allowing St. Anthony to determine what it really wants and patiently work to make it happen.
- **Location:** The study area offers great connectivity to job centers in both Minneapolis and Saint Paul as well as recreational amenities like the Grand Rounds Scenic Byway. It is adjacent to stable, well-maintained single family home neighborhoods, both in Northeast Minneapolis and St. Anthony's. Finally, the study area is located near Roseville, a major retailing draw for the metro while also being near growing lifestyle and artisanal retailing in Northeast Minneapolis' craft brewing and arts communities.
- **School quality:** St. Anthony's renowned school district ensures high demand for single family housing which can support turnover of older residents from existing homes who may be looking to remain in the community if another higher density, low maintenance option is available.
- **Relatively high land values:** The values of parcels included in the study area are already high and existing uses are relatively successful. This suggests the area can and would support redevelopment.
- **City-owned property.** St. Anthony Village owns several parcels in the study area including an already-successful municipal liquor operation. Ownership of these sites allows St. Anthony to control their destiny, increasing the likelihood that a long-term vision can be realized.
- **Supportive environment for redevelopment.** St. Anthony has already demonstrated a willingness to support new development, including residential density. Strong leadership from elected officials and City staff makes it easier to build relationships that lead to the kinds of projects the city wants.

DISADVANTAGES

- **Multiple property owners.** The study area includes 22 parcels with 40 property owners, most notably the office condos in the former motel. This could increase difficulty in assembling sites for redevelopment.
- **Proximity to Rosedale.** While being fewer than five miles from Rosedale may bode well for housing demand, it could dampen the success of retail in the study area unless the types of businesses are significantly different from those found nearby, can be supported locally such as dining and grocery, or offer unique opportunities for small, locally owned businesses like those onsite today.

- **Land value and the success of existing retail.** The relative success of the existing shopping centers and the price of the underlying land may deter developers because it will likely be expensive to acquire the parcels. The existing uses are in something of a difficult middle ground—neither wildly successful with the highest and best land use nor dilapidated and blighted.
- **Tax Increment Financing may not be achievable.** TIF districts are popular tools for enabling redevelopment by making it less costly to do so. However, the relative success and stability of the study area makes it unlikely that existing structures would qualify for a “substandard” finding.

Question 2

WHAT KINDS AND LEVEL OF SUPPORT WILL PROSPECTIVE DEVELOPERS ANTICIPATE FROM THE CITY FOR A REDEVELOPMENT PROJECT IN THE STUDY AREA?

- **Financial:** The city should anticipate requests for financial participation for any multifamily proposal whether affordable, mixed income or market rate due to land prices and redevelopment costs. Very few submarkets in the metro area can support market rate development outright because rents are not high enough to cover redevelopment costs. As outlined above in the “disadvantages” section, a TIF finding of “substandard” for the existing commercial structures is unlikely. However, a TIF housing district may be possible. Tax abatement for desirable proposals should also be considered. City-owned land provided to developers for low or no cost can also constitute a form of financial contribution.
- **Policy.** Beyond financial support, the city can help facilitate development through policy. Assisting with land assembly by acquiring parcels as they become available, creating an efficient redevelopment process, and changing land use regulations that conform with desired city uses ahead of time will entice developers.
- **Vision and leadership.** The panel anticipates that the bulk of redevelopment may still be years away, owing to the stability of the existing commercial structures and businesses. Engaging with the community ahead of time and creating a clear vision of what the Gateway South District will help developers see where and how they can plug into that vision. It also helps with buy-in from residents by giving them the opportunity to shape the district ahead of time rather than in reaction to specific proposals.

“Every market rate developer is asking for subsidy unless you're getting \$2/square foot in rent.”

Stacie Kvilvang, Ehlers

Question 3

WHAT CAN THE CITY DO PROSPECTIVELY TO POSITION THE STUDY AREA FOR REDEVELOPMENT?

- **Create a strong vision that is shared with and supported by the community.** Spend time figuring out what both the City and its residents want, and then promote that vision. Developers will appreciate knowing what the community wants to see, and having up front agreement about what’s anticipated can reduce resistance to change from residents.
- **Make proactive policy changes and decisions to support the vision where necessary.** If zoning or land use policy changes will be necessary, make them ahead of time if possible. This can help reduce the complexity of possible projects as they come forward. It is similarly valuable to be upfront with the development community about what types of financial support the City will consider for projects that achieve their vision and goals.

- **Redevelop existing city-owned properties as housing.** St. Anthony is a market ripe for more housing, and the commercial success of the Gateway South District will be enhanced by its value to nearby residents, both existing and new. Developing City-owned properties is likely the quickest way to get new residents into the area.
- **Consider purchasing additional parcels as they become available.** Simply put, if the City owns a parcel, it controls that parcel's destiny. This approach is likely to be most necessary for the office condo structure where redevelopment seems less likely without a controlling interest in the building's units. Other ideal opportunities include the gas station, the parcels on the site's southwestern edge, and the single family homes to the south which seem likely to be redeveloped by the existing senior housing developer.

Question 4

ARE PARTICULAR DESIGN ELEMENTS SUCH AS MIXED USE APPROPRIATE FOR THE AREA?

- **The area needs an identity, placemaking, and an improved public realm.** The Gateway South District today lacks a sense of place and a recognizable identity. The City should do what it can to create welcoming arrivals to the area, especially at the southwestern corner that serves as the entry point to the city. It should be more connected to the surrounding neighborhoods to feel more like a local amenity.

Kenzie Terrace, in particular, seems overbuilt for current traffic counts and would benefit from a more pedestrian-oriented scale and design. It should be redesignated and designed as a neighborhood street rather than a regional road. Narrowed and/or reduced lanes, fewer curb cuts, wider sidewalks, and streetscaping would help encourage new pedestrian activity. This would enable better connections to nearby residential neighborhoods that stand to be big users of commercial uses in the area. Street parking along Kenzie could be compatible with an improved pedestrian experience to help mitigate loss of public parking that is likely to occur as land uses densify.

The City may have less control over what happens along other corridors, but to the extent it can influence design decisions in those places it should look to do so. The intersection configurations at St. Anthony Blvd are challenging for pedestrians and the biggest opportunity on Hwy 88 creating connectivity to the Minneapolis Diagonal Trail bike route for completion of the Grand Rounds as outlined in more detail below.



- **Completion of the Grand Rounds “missing link.”** The proximity of the Minneapolis Diagonal Trail to the Gateway South District seems like a logical connection opportunity to resolve the “missing link” in the Grand Rounds Scenic Byway. This could be routed through some of the existing, underutilized rights of way in the study area or perhaps along Kenzie Terrace.
- **Vertical mixed use is not likely to be feasible.** While the panel believes a mix of uses will be successful in the Gateway South District, it does not view vertical mixed use—i.e. ground floor retail with residential above—to be likely in this location. Communities often desire vertical mixed use as both an efficient use of space and aesthetically pleasing, a view the panel largely shares. Unfortunately, it is expensive to build and difficult to lease outside of areas that have very high levels of pre-existing foot traffic.

Conclusion

The Gateway South District sits at an important entry point into St. Anthony and has the potential to become a marquee destination for residents and visitors alike. The ULI Minnesota TAP participants were impressed with its convenient location and desirable attributes for both retail and residential uses. They also especially appreciate the progressive, proactive approach the City takes towards its development future.

With all the potential that exists at Gateway South, the panel also believes most significant redevelopment is still probably several years away. The existing St. Anthony Shopping Center appears relatively stable, and underlying land values are growing. These are generally favorable attributes, but they also drive up the cost of redevelopment. For these reasons, the panel believes there is value in a patient approach that allows the area to evolve in response to market forces.

Even if much of the site seems underutilized today, the best actions St. Anthony Village can do right now is develop a vision for what it could be in the future and make some strategic investments in placemaking to help catalyze a transformation. Improving the public realm, encouraging better connectivity to adjacent neighborhoods, developing housing on city-owned land, and finding a marketable identity for Gateway South will signal to developers that this is a place where they should invest. The panel is bullish on St. Anthony's future in general and hopes that this Technical Assistance Panel helps the City realize the full potential of the Gateway South District.

"The biggest opportunity is to create a vision and a sense of place for the area."

Sarah White, Artspace





Urban Land Institute

Minnesota

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