

Fall 2010

City Approves Term Sheet for Apartment Project in the Northwest Quadrant

'Waters Edge' Proposed by Stuart Development Company

For several months, the City has been talking with developers about potential opportunities in the Northwest Quadrant. In May and June, City officials met with a half-dozen developers and toured several sites around the metro area. Stuart Development Company showed the greatest amount of interest and in mid-July the company presented a proposal for a 120 unit apartment building known as *Waters Edge*.



Image courtesy of Stuart Development Company

Artist rendering of Waters Edge apartment project proposed by Stuart Development Company.

Stuart Development Company is 40 year old, privately-owned firm based in Bloomington, Minnesota. The company owns and/or manages over 4,000 units of apartments in Minnesota and two other states. Among its larger projects are Heritage Landings in the Warehouse District of Minneapolis and the Shepherd Road community along the Mississippi river in St. Paul.

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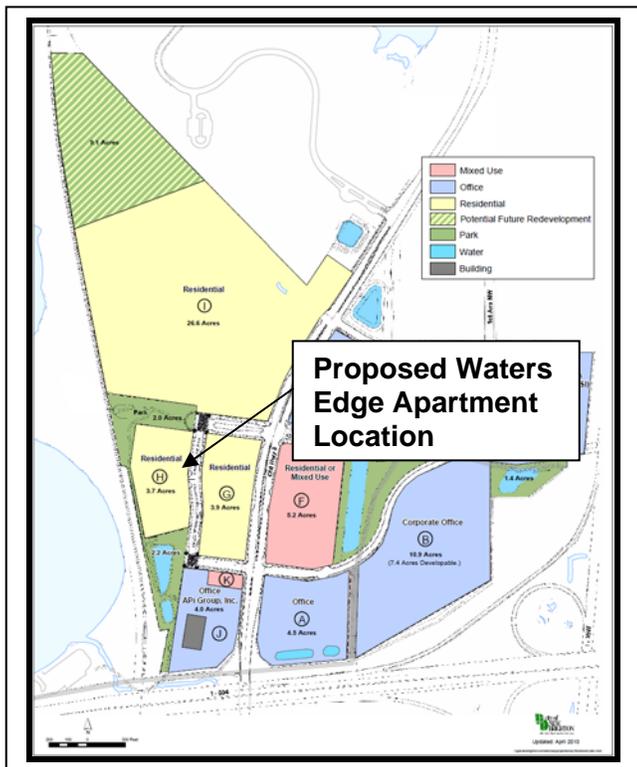


Waters Edge (cont.)

Demographics Driving Demand

Stuart Development Company has indicated that the demand for rental housing is growing, in large part due to demographics. The largest demographic group driving demand is the Echo Boom generation – those individuals born between 1976 and 1994 (ages 16 to 34) that have entered the work force in the last few years. It is estimated that 60 million Americans fall into the Echo Boom generation, just shy of the 78 million Baby Boom generation.

Echo Boomers tend to live at home with their parents longer and often delay decisions like starting a family or buying a home. Most have high expectations about the quality of housing they live in. Furthermore, these individuals often desire newer rental housing because of the amenities that are provided, such as underground parking, work-out areas, theater rooms, pools, and free WiFi.



Project Details

The roughly \$16.8 million (construction cost) *Waters Edge* project would be built on a 4 acre site that is located northwest of the APi Group Headquarters. The developer is proposing a 4-story building with underground parking and several amenities, such as a theater room, business center, fitness center, community room, outdoor pool and gazebo area.

The developer is in the early stages of building design, but anticipates a mix of studio, one, two and three bedroom units ranging in size from 550 square feet to 1,500 square feet. Rents would be market-based and equivalent to other high-end projects around the metro area. The current assumption is that rents would be \$825 per month (efficiency) to \$1,800 per month for a two-bedroom unit.

On September 14th, the City Council approved a term sheet, which spells out the major provisions of deal. The developer will pay \$1.25 million for the land with the understanding that a portion of the land price will be forgiven over time. One of the key pieces of the project is cash assistance

Waters Edge (cont.)

that will help reduce the developer's up front costs. The City is able to provide \$1.2 million of cash assistance through a law adopted by the 2010 Minnesota Legislature. Cities like New Brighton that have existing tax increment financing districts with cash reserves, can use these funds to stimulate economic development. The cash is not needed for debt service and cannot be used for general governmental operations. The caveat is that the project must break ground by June 30, 2011 and the funds must be spent by the end of 2011.

Financial Implications

The City will seek financial guarantees to make sure that the developer proceeds with the project. Among the protections, will be a "look back" provision which allows the City to re-coup some of its investment in the project, if the developer realizes any cost savings or sells the building prematurely. Stuart Company has indicated that their corporate philosophy is to develop and hold buildings for the long term.

In addition, the City is seeking to establish a minimum value for tax purposes. The developer has agreed to a minimum value of \$11.7 million, which equates to about \$97,600 per unit. The County Assessor would also agree not to value the building for less than this amount for a period of four years. Assuming an \$11.7 million valuation, the building would generate about \$173,000 in annual taxes, most of which would be used to help repay the City's expenses development expenses.

In the coming months, the City and the developer will continue to work out the remaining project details. It is anticipated that the parties will finalize a redevelopment agreement that would then be presented for Council approval in November.



Economic Development Commission Weighs in on Northwest Quadrant Concept Names

At their August 17th meeting, members of the City's Economic Development Commission (EDC) were asked to provide their top six choices for a new name for the Northwest Quadrant. The EDC is a nine-member advisory commission of residents and business owners that meets on a monthly basis to discuss economic development issues. EDC members made their choices from a list of 123 concept names that were submitted in June by the public.

The EDC "short list" of 18 names was then reviewed at the September 21st meeting. Based on that vote, two names garnered more votes. Among the top choices are *Long Lake Crossing* and *Brighton Landings*. Other names that received support included Brighton Shores, Brighton Crossing, Lake Park Pointe, Lake View Commons and Long Lake Ridge. The general consensus of the EDC was to forward the top two choices to the City Council for their consideration. Although no schedule has been established, it is possible that a decision could be made this fall.

MPCA and Ashland Oil Working on Compliance Agreement for Clean-up of former Northwest Refinery

Since the winter of 2007, the City has been working with the Minnesota Pollution Control Agency (MPCA) and Ashland Oil to develop a clean-up plan for the former Northwest Refinery site. The City's approved clean-up plan was intended to cap most of the contamination in place on the 8 acre parcel. Just prior to the clean up effort, the City discovered much of the original refinery piping and other infrastructure. At that point, the MPCA directed the City to suspend the remediation while it evaluated the situation. The MPCA contacted Ashland Oil, the responsible party, and requested that the company evaluate the scope of the contamination and environmental impacts.

Since that time, the MPCA and Ashland have been working on an agreement that would remediate the soils and eventually de-list the site from the Minnesota Superfund program. De-listing has been one of the City's goals, because the Superfund designation makes the site difficult to market to prospective developers. The current plan is for the MPCA and Ashland to finalize an agreement this fall and possibility start the clean-up over the winter months. The City would need to grant Ashland Oil access in order to do the work.



The Northwest Quadrant Report is published by the City of New Brighton. For more information contact the Community Development Department at 651-638-2050.