



Our Mission: To work together to responsibly grow our community, and to provide quality, cost-effective, and efficient government services.

**CC Regular Session**

**7.5.**

**Meeting Date:** 06/09/2015

**Submitted For:** Patrick Brama, Administrative Services

**By:** Patrick Brama, Administrative Services

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**Information**

**Title:**

Consider Dominion Development & Acquisitions, LLC Letter of Intent (portions may be closed to the public)

**Purpose/Background:**

**PURPOSE**

Consider attached Letter of Intent (LOI) from Dominion Development & Acquisitions, LLC.

**BACKGROUND**

Dominium is a national affordable housing development and management company (click here for a link to Dominion website: <http://www.dominiumapartments.com/about-dominium.html>). Dominion is considered by many within the real estate industry to be a quality/ respected development company with a solid track record of quality projects; including property management services long term.

Over the past 30-45 days, staff has discussed the opportunity of a potential senior independent living project located in The COR with Dominion. On April 27, 2015 Dominion submitted a LOI for 4.94 acres of City owned land located between Coborn's and the future Common Bond Project. Dominion is offering the City's asking price (\$5.00 per square foot). The proposed project is valued by Dominion at \$24.1M, includes 124 units, and is anticipated to look similar to a recently completed senior independent living project in Saint Anthony Village (<http://www.landingsatsilverlakevillage.com/>). Staff has reviewed COR development standards with Dominion; and, the concept plan Dominion has outlined appears to generally comply with site layout standards at this point. Below is additional discussion on permitted uses for the site and a recommendation for further Planning Commission review.

After the original LOI was submitted on April 27, it was reviewed by Staff within the context of the City's adopted Policy for the Sale of City of Land. Comments were submitted to Dominion; attached is an amended and updated LOI. It is Staff's opinion, the major topic of discussion for the EDA and City Council is the requested City financial assistance.

**Notification:**

NA

**Observations/Alternatives:**

## **OBSERVATIONS**

Based on the attached and adopted City Housing Assistance Policy (and Policy for the Sale of City Owned Land), below are the next steps in this process:

1. Council consider project concept and willingness to conceptually provide financial assistance to the project. This step would require that the City would sign the LOI with Dominion. NOTE: this would not legally obligate the City to any specific level of assistance. With this step, staff will also recommend review of a concept plan by the Planning Commission.
2. Dominion submits a formal business subsidy/housing assistance application for detailed review and underwriting by Ehlers. A formal recommendation for the actual "required/ needed" level of financial assistance is provided by Ehlers. NOTE: this could be different than what was agreed upon in the LOI.
3. Both Dominion and the City review the formal recommendation provided by Ehlers. Both parties consider if they would like to move forward with a Purchase Agreement (PA) based on the suggested level of City assistance. A PA would lock in both parties to certain performance items (i.e. a specific City Financial Assistance number).

It should be noted, Dominion is willing/ interested in applying for Metropolitan Council and Anoka County HRA funding. However, it is their position, a commitment from the City is needed before a PA is executed; and before they apply for other funds. Dominion is interested in a 2016 project if their identified financing gap can be addressed. However, if Metropolitan Council funding is needed for this project, it may be pushed to 2017 (due to application and award timing).

## **ALTERNATIVES**

Staff is looking for direction on two general items:

1. Does the general project concept fit the property/ is the overall development concept acceptable?
2. What level of financial assistance is the City Council comfortable with considering from a preliminary/ conceptual perspective?

### **Below are alternatives for item #2**

(A) Counter offer Dominion before moving forward with step 1 above--staff recommendation (see next section for details). Staff would like the City assistance request to be adjusted within the LOI to comparable projects within the Twin Cities market. If the City's requested adjustment is made by Dominion, staff would bring this case back to the Council for consideration of executing the LOI.

(B) Accept the LOI as presented and move forward with step 1.

(C) Do not accept offer and end negotiations.

## **Funding Source:**

NA

## **Recommendation:**

### **STAFF:**

Staff has reviewed this project and process with Ehlers. Staff has asked that Ehlers provide recommended guidelines for "maximum" City participation in a housing project. Please see attached. Ehlers was in attendance at the EDA meeting to discuss this MEMO. This recommendation is based on review/ comparison of several other projects located within the Twin Cities market; including Dominion projects.

Based on the attached MEMO, it is Staff's perspective that the City should counter offer Dominion before moving to "Step 1." In other words, Staff believes the Dominion proposal for City financial assistance is currently too high (\$2.2M - \$2.6M, or 9.12% to 10.77% of total project costs from the City). Staff supports using 15 years of TIF as a maximum threshold as outlined by Ehlers; and/or potentially discussing the sale price of land. NOTE: depending on how the number is calculated, 15 years of TIF is expected to range from \$850,00-\$1.2M in present value terms.

Attached is a breakdown of the Dominion offer/ request and the Staff suggested "maximum" City assistance.

**EDA:**

The EDA reviewed this case on June 04. The EDA did not make a specific motion on this case. However, they did reach the following consensus:

(A) General support of the project concept and Dominion (124 unit affordable senior independent living apartment complex located on the subject property). More discussion needs to occur regarding how this project fits within the City's Zoning districts and The COR Master Plan.

(B) The City financial assistance request made by Dominion should be reduced to a level that is similar with other comparable projects. The current request is too high. Staff should utilize Ehlers to help determine a specific counter offer. The Ehlers MEMO included in this case generally outlines where Ehlers/Staff will land. If Dominion is willing to reduce their financial assistance request, the EDA would like to bring this case back for consideration.

Listed below are two questions asked by the EDA:

**Why is assistance needed/ is it common?**

This project is a "affordable" senior independent living apartment complex. Dominion would utilize LIHTC (low income housing tax credits) to help fund the project. As a result of using LIHTC, restrictions exist on rent rates for Dominion. Commonly, in order to deliver a quality product, and meet the rent LIHTC restrictions, developers seek additional financial assistance (County, City, other). This scenario is common for LIHTC senior independent living apartment complexes.

Ehlers, the City's financial consultant, completed a analysis/ comparison of similar deals completed in our region. Please see attached. This document provides a good reference point of "what's common on similar deals?"

Dominium has provided staff with market analysis data; which indicates the demand for senior independent living in Ramsey. Based on the Dominion information, a strong market/ demand exists in Ramsey for the proposed product. However, in comparison to other recently completed Dominion projects, the Ramsey market is slightly softer and will require a somewhat larger "capture rate." Meaning, the percentage (%) of prospect residents they would need to capture in Ramsey is slightly above recently completed projects. Dominion has indicated said this discrepancy (increased risk) is another reason they are seeking assistance.

Lastly, Staff would like to note, Dominion is proposing first floor structured parking on this project with very little surface parking. This approach on parking fits in-line with the City's original vision for The COR. However, the proposed strategy for parking does increase costs to the project.

**How does this project fit with The COR Master Plan and city zoning regulations?**

The project site is located within The COR District on the Official Zoning Map. Within the Design Framework, The COR Zoning District is further divided into sub-districts. This site is located within The COR-2 Sub-District, which is focused on retail type uses. The City Council, after review by the Planning Commission, would amend the Development Plan for The COR. This does not require an official, traditional Comprehensive Plan nor Zoning Amendment. The Future Land Use Map and Zoning Map are already guided in the appropriate manner. The Zoning Code for The COR was developed as a 'hybrid' form based code that focuses more on layout and design and less on uses than a traditional zoning code. The proposed layout and density is consistent with the vision for residential uses in this area in close proximity to the transit station.

**Action:**

**Staff is looking for direction on two general items:**

1. Does the project concept fit the property/ is the overall development concept acceptable?
2. What level of financial assistance is the City Council comfortable with considering from a preliminary/ conceptual perspective?

*Staff recommendation: the City financial assistance request made by Dominion be adjusted to a level similar to*

*comparable projects within the Twin Cities market before an LOI is considered for execution.*

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## **Attachments**

[Concept Site Map](#)

[LOI](#)

[Subject Property](#)

[Sources And Uses](#)

[Example Projects](#)

[Offer and Assistance Breakdown \(Staff\)](#)

[St Anthony Village Project Images](#)

[Ehlers MEMO](#)

[Policy for the Sale of City Owned Land](#)

[Housing Assistance Policy](#)

[Apartment Project Cost and Assistance](#)

[Demographic Analysis \(Dominium Data\)](#)

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## **Form Review**

<b>Inbox</b>	<b>Reviewed By</b>	<b>Date</b>
Diana Lund	Diana Lund	06/04/2015 07:24 AM
Kurt Ulrich	Jo Thieling	06/04/2015 10:54 AM
Patrick Brama	Patrick Brama	06/04/2015 11:48 AM
Patrick Brama	Patrick Brama	06/04/2015 02:56 PM
Tim Gladhill	Tim Gladhill	06/04/2015 03:17 PM
Kurt Ulrich	Kurt Ulrich	06/04/2015 03:26 PM
Form Started By: Patrick Brama		Started On: 06/03/2015 06:15 PM
Final Approval Date: 06/04/2015		