

City of Ramsey
Agenda
Economic Development Authority (EDA)
Thursday September 17, 2015
7:30 am
Lake Itasca Room, 7550 Sunwood Drive NW

- 1. Call to Order**
- 2. Approve Agenda**
- 3. Approve Minutes**
- 4. EDA Business**
 1. Consider Request from PSD LLC for a Housing Subsidy
- 5. Member/Staff Input**
- 6. Adjournment**

Economic Development Authority (EDA)

4. 1.

Meeting Date: 09/17/2015

Submitted For: Patrick Brama, Administrative Services

By: Patrick Brama, Administrative Services

Title:

Consider Request from PSD LLC for a Housing Subsidy

Purpose/Background:

PURPOSE

Consider the attached request, and application, from PSD LLC for a “housing subsidy” to support the construction of a 122 unit apartment complex located within The COR.

BACKGROUND (PSD LLC/ Proposed Project)

PSD LLC is a significant land owner and well established developer in the City of Ramsey. PSD LLC recently purchased about 15 acres of City owned land located within The COR for \$1.89M. It is proposed, PSD LLC will develop their new property in three phases. The first phase of their development is planned to be a 122-unit market rate apartment complex.

The proposed apartment complex will feature a tuck-under heated and secured parking on half of the first floor, quality entrance area (fire place, couches, chandeliers), high quality detached garages, a small park (including a playground), a community garden, a mix of 1-2-3 bedroom apartments, a full size workout facility, quality community grills/ patios/ seating, community room/ game room, and quality interior design (granite counter tops, granite window sills, wood blinds, vinyl plank wood floors, stainless steel appliances, quality solid-wood cabinetry design, full-size in-unit washer/ dryers, triple pane high energy efficiency windows, garbage chutes). The proposed project will front The Draw Park along Ramsey Parkway, and will comply with the City's zoning regulations (i.e. architecture).

PSD LLC estimates the first phase of their development, a 122-unit apartment complex, is a nearly \$20M investment. Attached to this case is the most recent site plan and visuals of the proposed apartment complex.

BACKGROUND (ASSISTANCE REQUEST)

PSD LLC has experienced an unanticipated hike in project costs; and feels City assistance is needed in order to move the proposed project forward. PSD LLC was confident they could prove a financial gap exists in their pro-forma and was willing to have a third party underwrite their project (Ehlers); including paying the required \$7,000 fee. Staff accepted a complete application from PSD LLC on September 10.

Notification:

NA

Observations/Alternatives:

Attached to this case are a number of observation documents.

Staff Notes (attached):

- (1) Can PSD LLC justify a financing gap actually exists?
- (2) Is this request reasonable in comparison to other projects in the TC Metro?
- (3) Financially, does this request make sense for the City of Ramsey?
- (4) Does the City have reasonable funding source available for the requested assistance?

- (5) How does this compare to the City's Housing Assistance Policy?
- (6) Outside of question #3, how does this project help the City of Ramsey?
- (7) What happens if this project doesn't move forward now?
- (8) Why wouldn't the City consider the assistance request?
- (9) What amenities does this project include?
- (10) Why not tell PSD LLC to simply add more equity to the project to fill the gap?
- (11) How does the timing of this request work with construction/government regulations?

The PSD LLC application was underwritten from two separate perspectives. If you would like to review, please see attached MEMOs.

(1) Financially. Is the PSD LLC reasonable and justifiable? Please see attached MEMO from Ehlers. The attached Staff Notes also provide comments on this item.

(2) Qualitatively. How does the proposed PSD LLC request relate to the City's housing assistance policy? Please see attached staff MEMO. The attached Staff Notes also provide comments on this item.

Funding Source:

Anoka County HRA/ EDA account or TIF #14.

Recommendation:

Please see attached "Staff Notes" document.

Action:

Motion to recommend the City Council:

(direct or do not direct) staff to negotiate a business subsidy agreement with PSD LLC for \$500,000 subsidy.

NOTE: staff is finalizing a recommendation on the funding source. It will be ready for the City Council.

Attachments

PSD LLC Assistance Request

PSD LLC Housing Assistance Policy Application

STAFF NOTES

Ehlers MEMO

Housing Assistance Policy STAFF MEMO

Visuals

Form Review

Inbox	Reviewed By	Date
Kurt Ulrich	Kurt Ulrich	09/14/2015 09:39 AM
Patrick Brama	Patrick Brama	09/14/2015 10:25 AM
Form Started By: Patrick Brama		Started On: 09/11/2015 04:43 PM
Final Approval Date: 09/14/2015		



September 2, 2015

City of Ramsey Council Members and Staff,

As you know, earlier this year PSD, LLC purchased approximately 14 acres from the City of Ramsey, of which a portion of this lot would be platted to develop an apartment project. The following is a summary of what has taken place, where we are today, and how the project will advance in the future.

Background Information:

In 2014 PSD, LLC ("PSD") submitted a Purchase Agreement to the City of Ramsey ("the City") for the purchase of Outlots A & B, RTC 11th Addition. At the time the PA was submitted, there were some zoning issues. The City did not accept the PA and re-evaluated the zoning and FAR in certain areas of the COR. The City worked through these zoning issues and made some policy changes earlier this year. Prior to PSD submitting the original PA, PSD developed assumptions and commissioned a market study for market rate apartments to verify that a new building could justify the need for market rate apartments in this area. Upon building a Proforma, which weighed heavily on the contractors and architects estimated building costs, as well as, the need determined by the market study for the quantity and types of units, we proceeded with the project. At that time we met the minimum threshold return rate of 7.5% which the bank and investors require.

Where We Are Today:

We have had major cost overruns in the project. The single largest overage is the actual bid for the construction of the building. Since we closed on the lot this spring the actual bid numbers are significantly higher. During the bidding process we obtained multiple bids and selected the lowest qualified bid. All bids that were submitted were qualified and complete. As an act of good faith, the GC we selected reduced their bid in order to close the gap of the unexpected costs. Currently the land is titled to PSD, and PSD is prepping the lot for construction. Upon commencement of the construction of this project, PSD will transfer the portion of the lot to the ownership group that will construct the complex. PSD will retain ownership of the balance of the raw land and will develop this raw land when the market can justify additional projects. The entity that will own, construct and operate the building will be Parkview East, LLC, which is comprised of multiple investors. After running a cost analysis, the project was approximately \$1M over the anticipated budget. Through cost cutting measures, having some items re-bid, having the GC reduce their overhead cost, and value engineering the shortfall is now slightly over \$500,000.

7533 Sunwood Drive, Suite 315
Ramsey, MN 55303

Phone: (763) 427-5955

Fax: (763) 427-4151

www.psdlanddevelopment.com

Going Forward:

PSD and Parkview East are requesting some type of assistance that totals \$500k in order to bridge the gap of these cost overruns. Without this assistance the project will not be able to proceed. There are many important factors that play into the timing of this project. They are as follows:

1) There is a group that is proposing an apartment complex in Anoka. The market study determined that demand in this area will overlap. Usually the first project in the ground will drive out any competitors; therefore, if our project does not start first it will stall for an undetermined amount of time.

2) Given the rising construction costs we are experiencing, we anticipate costs can only go higher. Apartment rental rates do not increase at the same proportion.

3) We are entering the fall season so if the project is pushed back too far we will incur winter heat charges for the footing and foundation. This additional expense only magnifies the shortfall.

In conclusion, initially we thought the project could be developed and constructed without any type of concessions or assistance. Once these additional costs were brought to our attention, we reassessed the cost of this project. We have provided you a project cost overview for your review. As you know we are dedicated to this City and want growth in all areas. To date, we have not received any assistance of any type for the numerous projects we have developed in the COR. Feel free to contact me if you have additional questions or would like clarification regarding the information in this letter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'MK', with a long horizontal flourish extending to the right.

Matt Kuker
COO

Overview of costs for Parkview East Apartments

Construction costs:	\$13,927,100
Improved land:	\$1,886,052
Platting Fees and Permits	\$1,353,468
Soft Costs (Financing, Interest, Legal, Accounting)	\$780,189
Contingency	<u>\$300,000</u>
Total	\$18,246,809

Project Narrative:

The proposed project will be a 122 unit market rate apartment to be located in the COR. We have incorporated a high level of aesthetic items that will be visually pleasing to guests and residents of Ramsey, MN. The exterior will include Nichiwa panels, stone, brick, cantilevered balconies and building accents that complement both the residential and commercial districts. This project is adjacent to the Draw Park, there will be green spaces, patios and walking trails that connect to the Draw Park. We anticipate our tenants to be a diverse cross section of many demographics.

Housing Assistance Policy

Affordable Housing

3/20/2014

City of Ramsey



Housing Assistance Policy – Affordable

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Housing Assistance Policy – Affordable

Background

The City of Ramsey is committed to supporting well planned single family, multi-family development and redevelopment as a necessary element to achieve the goals for well-balanced housing inventory meeting the needs of residents during all life stages. The City Council and the Housing and Redevelopment Authority (HRA) of the City of Ramsey have determined that a policy is necessary to review requests for financial assistance related to housing projects to ensure any financially supported project meets Housing Polices of the Comprehensive Plan and housing priorities established by the City and reviewed on a regular basis.

Housing Priorities

To maximize the impact of City and HRA involvement, a priority list was developed by the Ad-Hoc-Sub-Committee of the Planning Commission and is subject to City Council approval. This is a list of priorities that the City believes would qualify for or is in the highest need of assistance, if available. This is not a reflection of the amount of individual types of housing products that the City believes will develop overall.

This list is based off current market conditions, demographics and financial need for assistance. This list will evolve over time, and will be revisited at least annually. With each project completed, the priority for assistance will change. Priorities are listed below:

1. Senior Independent
2. Affordable/Workforce
3. Redevelopment
4. Energy Efficient
5. Rehabilitation of Existing
6. Amenity Rental (market rate)
7. Three plus bedroom Rental
8. Inclusion of Accessory Dwelling Units
9. Executive Single-Family (note: City funding not likely for this product)
10. Senior Skilled Nursing
11. Assisted Living/Memory Care
12. Condominium

Scoring Process

Projects will be scored on a two (2) step process: 1) Minimum Thresholds and 2) Priority Scoring. Priority scoring is divided between *affordable housing projects* (targeting households below 80% of AMI and *market rate housing projects* (targeting households 80% and above AMI).

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All applicants shall meet at least one of the goals and related implementation strategies listed below. Please provide a check mark in the box and on a separate sheet provide a brief explanation as to how the proposed project will meet the goal.

Priority scoring will be used to gauge the quality of the project and used to rank projects in the event of multiple proposals. The City reserves the right to reject any and all applications if it deems necessary.

The amount of funds that may be provided will be based on several factors including:

1. Project meets a housing priority.
2. Ability to meet the minimum thresholds.
3. Priority scoring results and the overall quality of the proposed project.
4. Availability of funding. The City reserves the right to cap the maximum assistance given, if funds are available. Grant funding will be based on the grant type and related funding.
5. Third party review. Assistance is subject to third –party financial analysis and a ‘but-for’ analysis. Please contact City Staff for specifics on this analysis. Financial review is subject to look-back provisions traditionally found in Tax Increment Finance (TIF) analysis.

Housing Assistance Policy – Affordable

Project Brief

Please briefly describe your project. This section will be used as general background on the project, and is not intended to be a full analysis of the project. This project description will be used for short marketing pieces if assistance is approved.

PLEASE SEE ATTACHMENT #1

Project Details

Number of Units

	Market Rate	80% AMI	60% AMI	50% AMI	30% AMI	Total # of Units
# of Units	122					

Minimum Threshold: PLEASE SEE ATTACHMENT #2

All applicants must meet one of the following minimum thresholds listed below. These are goals and implementation strategies from the City’s Master Housing Plan, adopted as part of the City’s 2009 Comprehensive Plan update. Check which threshold best matches your project and describe how your project will meet the implementation strategies.

	Applicant	City
<p>Goal 1: Provide a variety of housing options for people at all life stages and income levels to encourage existing residents, and attract new residents, to stay in Ramsey throughout their lives. Housing opportunities should include a mixture of rental and owner-occupied to provide life-cycle housing choices meeting a full spectrum of demographics. [On a separate sheet please describe how your project will use one of the following implementation strategies to achieve this goal. Word limit = 500 words]</p> <ol style="list-style-type: none"> 1) Work toward developing various senior housing options including independent living, cooperatives, and assisted living facilities, both market rate and affordable. 2) Focus on providing choices for empty-nesters, including aging in place and downsizing, to allow the majority of current residents to stay in Ramsey. 3) Provide opportunities for young adults to continue to live in Ramsey after leaving their parents’ homes by supporting the development of quality rental housing. 		

Housing Assistance Policy – Affordable

<ul style="list-style-type: none"> 4) Provide a balanced housing supply, with approximately 90% ownership housing and 10% rental housing, to expand options for workforce housing and housing for young professionals. 5) Continue to develop more affordable single family housing such as condominiums and small-lot single family homes that includes higher architectural variety and quality. 6) Explore opportunities to attract executive level housing to provide a variety of housing choices and opportunities in the City. 		
<p>Goal 2: Revitalize/rehabilitate areas where the housing is aging and in need of repair and where the land is underutilized and/or has potential for future redevelopment consistent with the Comprehensive Plan. [On a separate sheet please describe how your project will use one of the following implementation strategies to achieve this goal. Word limit = 500 words]</p> <ul style="list-style-type: none"> 1) Encourage residents to upgrade the functionality and marketability of their aging housing, and put quality additions on as they need more space. 2) Provide options for residents to subdivide if consistent with and allowed by the Comprehensive Plan. 3) Encourage redevelopment where land has potential for future development consistent with the Comprehensive Plan. 		
<p>Goal 3: Maintain and improve the housing stock to preserve the character and quality of existing neighborhoods. [On a separate sheet please describe how your project will use one of the following implementation strategies to achieve this goal. Word limit = 500 words]</p> <ul style="list-style-type: none"> 1) Encourage the development of homeowner’s associations or common interest communities for areas of older multifamily housing and new subdivisions of smaller lot neighborhoods. 2) Ensure that new housing developments provide appropriate density transition with existing established neighborhoods. 		

Housing Assistance Policy – Affordable

<p>3) Update and enhance design standards for new developments and encourage housing construction that incorporates quality and diverse architecture.</p>		
<p>Goal 4: Provide a development environment that increases residential health and reduces energy consumption. [On a separate sheet please describe how your project will use one of the following implementation strategies to achieve this goal. Word limit = 500 words]</p> <p>1) The development incorporates environmentally sensitive site planning, resource efficient building materials and superior indoor environmental quality practices.</p> <p>2) The development meets sustainability standards, such as Minnesota Green Star Certification or LEED.</p> <p>3) Use of sustainable development elements such as the use of storm water management BMP's to manage on site storm water</p> <p>4) The development incorporates connections to existing pathways and creates natural and safe walkable areas.</p>		

Housing Assistance Policy – Affordable

Rank Scoring

Affordable Housing Project Scoring –Projects must target occupants that are below 80% AMI

<u>Affordable Housing - Rental:</u>	Applicant Point Allocation	City Point Allocation
Points will be given for units rented at greater affordability levels. Chose 1 (or chose all that apply) and insert total number and percent of units at each affordability level:	N/A	
40% of units at 60% AMI = 5 points	N/A	
20% of units at 50% AMI= 5 points	N/A	

<u>Long-Term Affordability:</u>	Applicant Point Allocation	City Point Allocation
Projects that demonstrate the ability to serve tenants for longest period of time. Chose 1 (or chose all that apply) and insert total number of units.	N/A	
30 years or more= 10 points	N/A	
15 years = 5 points	N/A	

<u>Number of Bedrooms</u> If applicable, insert total number of units:	Applicant Point Allocation	City Point Allocation
At least 25% of units include three + bedrooms = 5 points 18 3 BR , 14 2BR + DEN (could be 3rd BR)	5	
At least 50% of units includes three + bedrooms total units= 10 points	N/A	

<u>Development of Senior Housing</u>	Applicant Point Allocation	City Point Allocation
Senior independent (rental or owner-occupied) = 5 points. Insert total number of age restricted units.	N/A	

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<u>Specialized Senior Housing:</u>		
At least 25% of total units include one (or combination) of specialized services. Chose 1 (or chose all that apply) and insert total number and percent of total. Maximum of 5 points		
Assisted Living units = 5 points	N/A	
Memory care units = 5 points	N/A	
Senior skilled nursing on site= 5 points	N/A	

<u>Mixed Income Development:</u>	Applicant Point Allocation	City Point Allocation
	N/A	
Inclusion of market rate and affordable within a single project (single or multiple buildings). All projects must have at least 50% of units at 80% AMI or above (market rate).	N/A	

<u>Proximity to Transit</u>	Applicant Point Allocation	City Point Allocation
Within quarter mile (.25) of Northstar Commuter Rail-Ramsey Station: 10 points.	Circle: <input checked="" type="radio"/> Yes / <input type="radio"/> No	10
Within one-half mile (.5) of Northstar Commuter Rail-Ramsey Station: 5 points.	Circle: <input checked="" type="radio"/> Yes / <input type="radio"/> No	5
<u>Proximity to Local Employment</u>	Circle: <input checked="" type="radio"/> Yes / <input type="radio"/> No	5
Within a two-mile radius of area zoned Employment= 5 points		

<u>Architectural Standards (check all that apply)</u>	Applicant Point Allocation	City Point Allocation
Use of Hardi-Board or equivalent= 2 points NICHIAARCH PANELS	2	

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Horizontal siding accessory only = 2 points TOP BAND	2	
Minimum of 30% front elevation-brick or stone= 2 points	2	
50% brick or stone threshold = 2 points	2	
Building articulation= 2 points	2	
Roof articulation= 2 points	2	
Covered front porch > 50 square feet = 2 points	N/A	
Roof < 25% of front façade= 2 points	N/A	
2+ dormers (gabled ends to not count) for SF= 2 points	N/A	
Multiple dormers if townhome building or apartment building = 2 points	2	
Use of alley or internal drive for garage access (not visible from public street and HOA maintained) = 2 points	2	
Use of side loaded garages (SF and TH only) = 2 points	N/A	
House forward design (SF and TH only) = 2 points	N/A	
Architectural styled garage doors (15% of lots) (SF and TH only) = 2 points	N/A	
Anti-monotony elevation/color plan (applicable to developments with multiple buildings that have a minimum of three material colors that vary between buildings) = 2 points	2	
Four sided architecture (attached or detached) = 2 points	2	
High speed internet access in all units= 2 points	2	
Smoke free units/buildings= 2 points	2	

<u>Federal/Local or Philanthropic Partnerships:</u>	Applicant Point Allocation	City Point Allocation

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Project funds from the federal, county, or state unit of government, , area employer and/or a private philanthropic, religious or charitable organization. If applicable, provide percentage:		
20.1% and above of the development cost= 10 points	N/A	
15.1%-20%= 8 points	N/A	
10.1%-10%= 6 points	N/A	
5.1%-10%= 4 points	N/A	
2.1%-5%= 2 points	N/A	

<u>Project Amenities - Check all that apply.</u>	Applicant Point Allocation	City Point Allocation
Community room/gathering area= 1 point	1	
On-site fitness center= 1 point	1	
Terrace/Courtyard or Roof top gathering area= 1 point	1	
Indoor theatre= 1 point	1	
Outdoor facilities= 1 point per element: (i.e. walking trails, ^{comm garden} tennis/basketball courts, playground, others as proposed by applicant)	3	
Indoor or outdoor swimming pool= 1 additional point	N/A	
Use of shared parking to reduce total parking installed= 2 points	N/A	

<u>Development Standards (check all that apply)</u> <u>Sidewalks, trails and streetscaping</u>	Applicant Point Allocation	City Point Allocation
Sidewalks to each front door (SF and TH) or main entry (apartment building)= 2 points	N/A	
Sidewalks/ trail on both sides of public streets (SF and TH); or sidewalk / trail on one side if project consists of only a single building = 2 points	N/A	

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Installation of off-road trails within the development = 2 points	2	
Sidewalk “ bump-outs” or “chokers” = 2 points	2	
Trail connection beyond development (installed by developer)= 5 points	5	
Boulevard trees at 35 foot spacing (new installation provided by developer= 2 points	2	
Installation of development wide streetscaping and decorative lighting= 2 points	N/A	

Energy Efficient Elements (check all that apply)	Applicant Point Allocation	City Point Allocation
Storm water Best Management Practices= 2 points CANNOT HAVE IN-GROUND SYSTEM, CREDITS	2	
Energy efficient roofing material or colors = 2 points	N/A	
Buildings oriented on site to optimize passive solar and cooling= 2 points ORIENTATION REQUIRED BY CITY, SOUTH/NORTH FACING	2	
Installation of a green roof occupying a minimum of 30% of the total roof area= 2 points	N/A	
Use of resource efficient building materials= 2 points NICHIA HAS RECYCLED CONTENT	2	
Use of Green Star certified mechanical and appliances = 2 points	2	
Use of energy efficient windows/doors= 2 points	2	
Other energy efficient new technology as approved by the City= 2 points	N/A	

21

Total Points

	Applicant Point Allocation	City Point Allocation
Total Points Accumulated	77	

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FINANCIAL REQUIREMENTS/INFORMATION

Financial award is based on availability of funds. Maximum funding is set based on actual project need after a detailed financial analysis of the Developer and the project. The City reserves the right to contract with a third-party for financial analysis, which costs of said analysis are the responsibility of the Developer unless otherwise waived by the City. Owner equity must be greater than 10%.

Eligible Uses of Funding

Eligible uses of funding include; site acquisition, land improvements, building construction, and payment of development fees. The City will not waive development fees (park dedication, trail development, sanitary sewer, stormwater) or permit fees). The City and Developer will need to work together to identify a funding source for these fees if assistance is required specific to these fees.

Required Information

1. Sources and Uses Statement (below)
2. Financial Scoring Scorecard
3. Organizational Financial Statements (2 years of P&L and Balance Sheet)
4. Personal Financial Statements of Stakeholders and Tax Returns (2 years)
5. Project Pro forma/Projections (two [2] year and fifteen [15] year projections)
6. Letter(s) of Commitment from other Funding Sources (terms, conditions)
7. Proof that the Property is not delinquent in Property Taxes

Sources and Uses

The Developer shall provide a detailed sources and uses statement. This shall include all sources of financing for the project and how those funds will be used. The Applicant shall provide a detailed listing of each. Owner equity shall be equity above and beyond any tax credit or grant source of funding. The City will exclude any tax equity.

SOURCES	AMOUNT (\$)	USES	AMOUNT (\$)
Owner Equity	4,600,000	Land Acquisition	1,350,000
Bank Loan	13,800,000	Site Development	550,000
Other Loan		Construction	14,300,000
Fed. Grant/Loan		Engineering/Arch. Services	250,000
State Grant/Loan		Debt Service	800,000
TIF		Contingencies	300,000
Tax Abatement		Other	1,350,000
Revolving Loan Fund		TOTAL	18,900,000
Other	500,000		
TOTAL	18,900,000		

The City reserves the right to request additional data regarding the above required information as well as sources and uses. Review of sources and uses is subject to third-party financial analysis.

Attachment #2

Listing of Minimum Threshold Goals Scoring

Goal 1: Answer

- 1) N/A
- 2) The apartment will be inviting as empty nesters downsize and want to live in a place that has nice amenities, close to town and safe. Options for accessibility are numerous given the proximity to the light rail.
- 3) Young adults will be able to rent a place while they are establishing their careers. The trend is that young professionals do not dire to have the maintenance and upkeep of a single family home.
- 4) N/A
- 5) N/A
- 6) Our offering will diversify the housing choices in this area; busy executives will find our amenities desirable while having access to the metro area.

Goal 2:

- 1) N/A
- 2) N/A
- 3) N/A

Goal 3:

- 1) N/A
- 2) Our facility will transition the exterior aesthetics; there are townhomes to the north of this site and multi story commercial building to the south. We have incorporated materials from both adjoining building type which blends the transition.
- 3) We have incorporated the following latest building elements: Nichiha panels, non building penetrating balconies with a girder system, cultured stone, shed roofs, and dormers on the detached garages

Goal 4:

- 1) When we planned a building on this site we considered the density, and best use of the lot. The building has numerous jogs and breaks to give some definition. We are using materials that are maintenance free and energy efficient. LED lighting, Very high efficiency heating and cooling, and low-E glass throughout.
- 2) N/A
- 3) Elements of the storm water include BMP's and infrastructure that will settle out most contaminants before it reached the City's storm system
- 4) The site utilizes both interior pathways and connections to the existing pathways located in the COR

(Attachment #1)

Parkview East Apartments overview

Parkview East, LLC is proposing to build a 122 unit Market Rate apartment in the COR development located in the City of Ramsey. This building will be a four story structure that will overlook The Draw Park. Our plan incorporates trail connection to existing walking trails that access the Draw Park and the boulevards that connect to the City's boulevards.

We have integrated many unique qualities in the exterior finishes we selected, the specs incorporate a high level of aesthetics. There is four sided architecture that consists will be over 50% of brick/cultured stone/Nichiha panels. The windows will have a mission style internal grid and will be energy efficient with multiple glazings. There will be two patios will gas grills and patio furniture for the tenants to use. The tenants will have access to a community garden that will be irrigated and can grow fresh vegetables. The complex will utilize both attached tuck under garages and detached garages that will use the same high level finishes as used in the apartment building.

Inside each rental unit we will incorporate the following items: Granite countertops and windowsills, Stainless Steel appliances, wood plank flooring, energy efficient front load washers and dryers, entry access key fobs, wood blinds. The community room will include dining room tables, sofas, coffee tables, oversized wall mounted TV, a Nintendo Wii, DVD/Blu Ray player, full kitchen and patio access. Tenants will have access to a fitness center with commercial exercise equipment, flat screen TV's and various small pieces of fitness equipment.

We anticipate a diverse make up of the type of tenants, which will include: Seniors downsizing their housing, new families with small children, single professionals, handicapped individuals, and most any other type of tenant that does not wish to live in a single family home. This complex will be a Market Rate building which is grossly lacking within a 5 mile radius from this site. Tenants will also desire to live here given the close proximity to the Northstar Commuter Rail, people may work downtown and take the light rail to work.

In conclusion, we feel we are proposing exactly what this area needs. For far too long the needs of the middle section of the rental market is not being addressed. By having all of these amenities in close proximity to both a park and light rail, tenants will find this location ideal.



720 Broadway Street
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Alexandria, Minnesota 56308-0309
phone: 320-763-6622
fax: 320-763-7274

September 3, 2015

Matt Kuker
Parkview Apartments, LLC
7533 Sunwood Dr #315
Ramsey, MN 55303

Mr. Kuker;

This letter is to confirm Bremer Bank's (Bank) interest in continuing discussions on providing financing options for the proposed Parkview Apartments in Ramsey's COR area. Preliminary information provided, including a formal feasibility study, seem to support the demand for the project. A financing proposal will be subject to underwriting and due diligence similar to the recent projects the Bank has financed for your group.

The list of anticipated requirements below is not intended to be all inclusive but represents some of the items necessary to proceed.

- Financing amount to be 75% of cost or appraised value, whichever is *less*.
- Pro-forma projections (including realistic assumptions) confirming the project can expect to generate adequate cash flow to service debt and a return to investors of at least 7.5%-8.0%.
- Underwriting of partners that illustrates financial wherewithal acceptable to the Bank.
- Finished property managed by a qualified 3rd party property management company.
- Compliance with local zoning, platting, and permitting requirements.
- A general contractor experienced with similar projects and acceptable to the Bank.
- Adequate title insurance, construction draw monitoring and other terms customary to this type of financing which are acceptable to both Bank and borrower.

It has been a pleasure working with your group and I look forward to future communication leading to a more formal financing proposal. Please feel free to contact me at (320) 762-4743 or jjpohlen@bremer.com at your convenience to discuss any questions or concerns you may have.

Regards,

Jason Pohlen
Vice President



Carlson Advisors LLP
Certified Public Accountants
Business Consultants

September 8, 2015

City of Ramsey
7550 Sunwood Drive
Ramsey, MN 55303

To Whom It May Concern:

ParkView East, LLC is a Minnesota limited liability company formed in May 2015 and therefore has no historical financial statements.

If you have questions, please contact Darren Kray at 763.535.8150.

Sincerely

Respectfully submitted,

Carlson Advisors, LLP

CARLSON ADVISORS, LLP
Minneapolis, Minnesota

www.carlson-advisors.com

SEATTLE

LOS ANGELES

MINNEAPOLIS

ST. CLOUD



Carlson Advisors LLP
Certified Public Accountants
Business Consultants

September 8, 2015

Ms. Stacie Kvilvang
EHLERS
3060 Centre Pointe Drive
Roseville, MN 55113-1105

City of Ramsey
7550 Sunwood Drive
Ramsey, MN 55303

To Stacie and City of Ramsey,

ParkView East, LLC is a Minnesota limited liability company wholly owned by 8 OI, LLC. 8 OI, LLC is owned by Mathias A. Kuker, the James D. Deal Revocable Trust and the Pamela S. Deal Revocable Trust.

Carlson Advisors, LLP has been the outside accountants for Jim and Pam Deal and Matt Kuker for over twenty years. Based on our experience with Jim and Pam Deal and Matt Kuker, they have the financial wherewithal to make the \$4.6 million investment in the apartment complex proposed in Ramsey, Minnesota.

If you have questions, please contact Darren Kray at 763.535.8150.

Sincerely,

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PSD LLC Project: Request for City Assistance
STAFF NOTES

(1) Can PSD LLC justify a financing gap actually exists?

PSD LLC completed a “subsidy application” via the City’s financial advisor Ehlers. This process was a \$7,000 cost for PSD LLC. The purpose of this application, and subsequently underwriting process is to get a third party professional’s opinion ([Ehlers website](#)). Attached to this case is a MEMO from Ehlers (executive summary of their review). In summary, Ehlers feels the requested \$500,000 is reasonable and justifiable.

(2) Is this request reasonable in comparison to other projects in the TC Metro?

Ehlers provided the City of Ramsey with an analysis of 16 other large scale, quality, apartment complexes recently completed in the Twin Cities area. In summary, City assistance ranged from 3%-12% or \$7,000-\$20,000 per unit. The requested PSD LLC assistance is \$500,000. At \$500,000, this breaks down to about \$4,100 per unit; or about 2.5% of project costs (assuming the estimated \$20M project cost provided by PSD LLC is accurate).

(3) Financially, does this request make sense for the City of Ramsey?

In comparison to other projects, Staff believes the proposed project (and request for assistance) results in a favorable pay-back period for the City. It is estimated \$500,000 could be paid back within four years in present value terms (4.0% discount rate); or about three and a half years in future value terms *with* tax increment financing (TIF). It is estimated, the proposed project would generate about \$224,000 in total property taxes annually; and about \$156,000 in NET TIF annually. The proposed project would result in about \$3.5M in NET TIF over the course of TIF District #14. This project will pay about \$1.3M in city development fees (including over \$300,000 to parks and trails).

(4) Does the City have reasonable funding source available for the requested assistance?

Several funding sources exist. The two that Staff believes are most reasonable include: tax increment financing (TIF) and the Anoka County Housing & Redevelopment Authority (ACHRA) account. TIF could be drawn from the City’s TIF District #14 (The COR TIF district). The ACHRA account has a balance of about \$1M.

(5) How does this compare to the City's Housing Assistance Policy?

This question has two answers:

QUALITATIVE POLICY

Attached to this case is a Staff MEMO, which outlines our review of the PSD LLC application. In summary, Staff believes the proposed project complies with the City’s housing assistance policy. Although the proposed project does not score highly, it’s score is competitive and reasonable considering the level of assistance requested.

FINANCIAL POLICY

From a financial perspective, the Council recently directed Staff to utilize a MEMO produced from Ehler's to evaluate housing assistance requests. In summary, the Ehler's MEMO suggested the City consider about a \$10,000 per unit, or about 10% of total development costs, as maximum thresholds. From this perspective, the proposed request appears to comply.

(6) Outside of question #3, how does this project help the City of Ramsey?

--This project establishes 122 new rooftops in The COR.

--This project complies with the City's current zoning standards; which are fairly high within The COR. This results in a quality project/ construction/ architecture.

--122 new roof tops will support several other City priorities including but not limited to: Northstar Rail usage, The Draw Park usage, traffic to existing local businesses, increased demand for new retail development, use of existing infrastructure, TIF District #14 increment that can be used to pay off City obligations, and an increased demand for the sale of City owned land.

--The City's real estate broker, CBRE, has indicated noticeable positive momentum is building in Ramsey, in terms of development (within the real estate market). This proposed PSD LLC development helps build/ sustain that momentum.

--As mentioned in question #3, this project results in the creation of significant tax base, and the payment of significant development fees.

(7) What happens if this project doesn't move forward now?

Only speculative answers exist. Examples include: the land sits vacant for X number of years until the market can justify a development, PSD LLC sells the land to another developer and they potentially ask for City assistance, PSD LLC decides to move forward with their proposed project now potentially with modifications (depending on the change, may require City approval), a different apartment complex is proposed on a different property within Ramsey by a different developer.

(8) Why wouldn't the City consider the assistance request?

Providing City assistance is an elective practice. Timing of the PSD LLC request is not normal (based on past City practice). Typically, the City would consider a request before land is secured, and entitlements are provided (i.e. before site plan and development agreement).

From a land use perspective, this project has been discussed in detail by the City's Planning Commission (and City Council). As the Council knows, the COR-1 Zoning District was amended from .75 to .65; which, subsequently allowed this development to proceed without complete first floor parking or structured parking. To be clear, the proposed development is legal and does meet current zoning standards. From a high level, land use in The COR is being further addressed through City's current process to re-evaluate The COR (vision and master plan).

If the Council moves forward with project assistance, Staff would strongly recommend performance requirements be included in the appropriate agreement; and be considered on a "pay-go" perspective only (e.g. require certain amenities/ architecture, timing and completion of construction, etc. before assistance is provided). This specific situation may also warrant the need to re-evaluate the City's policy for the sale of City owned land—to potentially require performance items in all purchase agreements (regardless if assistance is requested up front or not).

(9) What amenities does this project include?

The proposed apartment complex will feature tuck-under heated and secured parking on half of the first floor, quality entrance area (fire place, couches, chandeliers), high quality detached garages, a small park (including a playground), a community garden, a mix of 1-2-3 bedroom apartments, a full size workout facility, quality community grills/ patios/ seating, community room/ game room, and quality interior design (granite counter tops, granite window sills, wood blinds, vinyl plank wood floors, stainless steel appliances, quality solid-wood cabinetry design, full-size in-unit washer/ dryers, triple pane high energy efficiency windows, garbage shoots). The proposed project will front The Draw Park along Ramsey Parkway, and will comply with the City's zoning regulations (i.e. architecture).

PSD LLC has indicated a strong desire to not move away from the quality-design proposed for this project in order to save money upfront; and has communicated to Staff their desire to make this building a long-term quality project.

(10) Why not tell PSD LLC to simply add more equity to the project to fill the gap?

This alternative does exist. The City could tell PSD, no we will not participate, and you will need to add equity to the project to move forward. However, based on attached analysis from Ehlers, by not providing the requested assistance, this project will make a very low rate of return, in comparison to other projects (5.9% or less). It is very unlikely PSD LLC (or any developer) would invest in a project with said rate of return.

(11) How does the timing of this request work with construction/government regulations?

Due to the approaching winter, PSD LLC would like to move forward with this project as quickly as possible. Their goal is to get the foundation and footings in this fall; and continue working on the project through the winter.

Based on preliminary input from Ehlers, this project (like F&C) is classified as a housing project and is exempt from State Statute related to the required public hearing process for business subsidies (which can take 2-3 months). Therefore, Staff would fall back on the City's meeting schedule, and "housing assistance policy," to develop a timeline.

Remaining process (assuming the project went forward):

- ~~1. PSD LLC complete and submit a "housing assistance policy" application (09/07)~~
- ~~2. Ehlers underwrite project and develop recommendation, send to staff (09/11)~~
3. Ehlers present report/recommendation to EDA, special meeting—EDA provide feedback (09/17)
4. Ehlers present report/recommendation to CC—CC provide feedback (09/22)
5. PSD LLC begins construction (09/23) with a non-formal commitment from City; or waits for the formal commitment from the City (i.e. step 6 below)
6. If the Council decides to move forward, a formal "housing assistance" subsidy agreement would need to be negotiated, drafted, approved, and executed by the EDA (10/01 or 10/08) and by the City Council (10/13)

NOTE: this timeline is preliminary. Changes may occur; details need to be confirmed by various parties. PSD LLC will need to attain all needed permits before construction (i.e. building permit); which may delay the above timeline. By PSD moving forward with construction before step #6 is completed, they are taking on additional risk.



Memo

To: Patrick Brahma – Economic Development Manager
From: Stacie Kvilvang - Ehlers
Date: September 17, 2015
Subject: Analysis of Request for Assistance - PSD Apartments

The City has received a proposal from PSD LLC to construct a 122-unit market rate rental project on land it purchased from the City in January of this year. The development is expected to commence construction this fall and be completed in 2016.

Due to increased costs in construction, the Developer is requesting \$500,000 in assistance from the City. This memo is intended to review the need for TIF assistance based on our analysis of the developer's project budget and projections, generally known as a pro forma. This memo also includes a recommendation for an amount of assistance based upon this review.

Ehlers conducted a thorough review of the developer's budget and operating pro forma to ensure all development costs, anticipated revenues, and expenditures were represented appropriately. The table below depicts the proposed sources and uses for the project.

SOURCES		
	Amount	Pct.
Developer Financing	14,165,515	75.00%
Developer Equity	4,721,838	25.00%
TOTAL SOURCES	18,887,353	100.00%

USES			
	Amount	% of Cost	Per Unit
Acquisition	1,339,252	7.09%	10,977
Construction	15,827,368	83.80%	129,733
Professional Services	542,923.00	2.87%	4,450
Financing Costs	902,810	4.78%	7,400
Developer Fee	275,000	1.46%	2,254
TOTAL USES	18,887,353	100%	154,814

Generally, this project meets the expectations of a multifamily housing development with regards to the financing structure, projected revenues, on-going operational costs and developer fee. Following are our findings with regards to the analysis completed for the development:

- Our analysis confirms the maximum supportable first mortgage the developer can secure for this project based on current underwriting criteria is \$14.165 million, assuming a 20 year loan at 4.0%. The developer is proposing to bring approximately \$4.7 million in equity, which is 25% of total project costs. This financing structure is in line with typical market rate projects.
- The total development costs for this project are approximately \$18.9 million, or \$154,814 per unit. Based on our experience with similar projects, we would expect total development costs to range between \$150,000 and \$200,000 per unit. This development is at the lower range, due primarily to the lack of underground parking which cannot be accommodated on the site due to high water table issues.
- The developer fee of \$275,000 is under two (2) percent of total development costs. For a project of this nature, we would expect to see a developer fee between 2% to 5%, so the fee is below typical industry standards.
- Land acquisition at \$10,977/unit is within the range of \$8,000 to \$12,000 we typically see. However, we are of the opinion that the market in Ramsey is closer to the \$8,000/unit.
- Proposed rents range between \$999 per month for a 1-bedroom unit, to \$1,625 for a 3-bedroom unit. The average rent is projected at \$1.33 per square foot. Typical market rate project rents range from \$1.50 to \$2.00 sq/ft, dependent upon location. Based upon the configuration of units (several 3-bedroom units) and area rents, we are of the opinion that the market for rents in Ramsey should be in the \$1.40 to \$1.50 range.
- The operating costs are projected at \$4,300/unit (The market range of operating costs is \$3,500 to \$4,500). The management costs are projected at 4.50% of effective gross income (EGI). We would expect to find management fees ranging between 3% and 5% of EGI. Based on our analysis and conversations with the developer, we conclude that the operating expenses may be a little high, primarily due to a higher maintenance budget and caretaker unit allowance.
- Vacancy is underwritten at 7%. Although this was typical several years ago, most lending institutions are allowing a 5% vacancy rate for underwriting purposes.
- Replacement reserves of \$287/unit are slightly below the *minimum* industry standards of \$300/unit. The developer is of the opinion this is sufficient to provide for future improvements and is an acceptable amount for their lender's underwriting criteria. Generally, we would prefer to see more reserves set aside for future viability.

- The projected cash-on-cash return (COC) on investment in year three (3) is 1.5% without assistance and 4.81% with assistance. This well below industry standards of 10%. Even with assistance, the cumulative COC return in year 15 is only 6.54%, which again is below industry standards.

Changes to the Proforma to Determine If Assistance Is Needed

Based upon our review, we reformatted the developer's proforma to adjust the following items to be in line with industry standard:

1. Land acquisition at \$8,000/unit
2. Increased rents to average of \$1.45 sq/ft (increased 1 & 2 bedroom units by \$100/month and 3 bedroom units by \$200/month)
3. Increased replacement reserves to \$300/unit
4. Reduced vacancy to 5%
5. Increased developer fee to \$565,000 (3%)

Based up these revisions, the developer's return in year 3 is still only 5.91%, which is below industry standard. If we add in the requested assistance, the return in year 3 goes to 9.21% with the cumulative return in year 15 at 11.50% (closer to industry standards).

Format of Assistance and Recommendations

Based on our review of the developer's pro forma and current market conditions, the proposed development may not reasonably be expected to occur solely through private investment within the reasonably near future. Due to the costs associated with constructing a market rate multifamily housing development, this project is feasible only through assistance, in part, from City contributions.

Our recommendation, however, is that the City provide the developer a pay-as-you-go note for \$500,000 at 4% interest, which is the interest rate on the developers first mortgage. The TIF note will be paid with 85% of the TIF generated by the project over the first 4 years. It should be noted that starting in year 5, 100% of the TIF generated (approximately \$184,000/year) will go to repay the City for its overall investment in the COR to date.

The developer has indicated that they are accepting of this proposal and are willing to move forward based upon the TIF assistance.

Please contact me at 651-697-8506 with any questions.

Housing Assistance Policy
Staff Review MEMO

STAFF SUMMARY:

The purpose of this policy is not to eliminate or accept projects. The purpose of this policy is to help policy makers rank projects, and provide a *basis* to accept or deny assistance requests. The grading/ scoring system set out in this policy is intended/ structured not to yield a perfect or very high score for any particular project.

PSD LLC partially complied with 2/12 housing priorities, 5/16 housing goals (minimum thresholds), and scored 68/152 within the scoring section of this policy. Staff believes, based on this policy, the PSD LLC request is reasonable and acceptable. Please see details below.

PROJECT BRIEF:

Please see project background included in case or in the attached application from PSD LLC.

PROJECT DETAILS:

122 units at 80% area median income.

HOUSING PRIORITIES:

1. NA
2. NA
3. NA
4. NA
5. NA
6. Partially. This project does include a handful of amenities. The proposed apartment complex will feature tuck-under heated and secured parking on half of the first floor, quality entrance area (fire place, couches, chandeliers), high quality detached garages, a small park (including a playground), a community garden, a mix of 1-2-3 bedroom apartments, a full size workout facility, quality community grills/ patios/ seating, community room/ game room, and quality interior design (granite counter tops, granite window sills, wood blinds, vinyl plank wood floors, stainless steel appliances, quality solid-wood cabinetry design, full-size in-unit washer/ dryers, triple pane high energy efficiency windows, garbage shoots). The proposed project will front The Draw Park along Ramsey Parkway, and will comply with the City's zoning regulations (i.e. architecture).
7. Partially. This project does include 18 3 bedrooms, and 14 2 bedrooms with dens.
8. NA
9. NA
10. NA
11. NA
12. NA

MINIMUM THRESHOLDS

Attached to this case is the application provided by PSD LLC; which includes details.

GOAL 1:

1. NA
2. Complies
3. Complies
4. NA
5. NA
6. NA

GOAL 2:

1. NA
2. NA
3. NA

GOAL 3:

1. NA
2. NA. However, this project does provide “architectural transition.”
3. Partially. This project does not go above and beyond minimum design standards for The COR. However, it is a quality project, with quality architecture.

GOAL 4:

1. Partially. This project does include maintenance free/energy efficient siding, triple pane energy efficient windows, energy efficient appliances, energy efficient heating/ AC systems, and LED lighting.
2. NA
3. NA
4. Partially. This project will connect “The Draw” to the central portion of The COR via new pedestrian walkways.

SCORING SHEET:

Affordable Housing – Rental

1. NA
2. NA
3. Complies with 80% AMI. (5 points)

Long-Term Affordability

1. NA
2. NA

Number of Bedrooms

1. Partially. This project does include 18 3 bedrooms, and 14 2 bedrooms with dens. (2 points)
2. NA

Development of Senior Housing

1. NA

Specialized Senior Housing

1. NA

2. NA
3. NA

Mixed Income Development

1. NA
2. NA

Proximity to Transit

1. Complies (10 points)
2. Complies (5 points)
3. Complies (5 points)

Architectural Standards

1. Complies (2 points)
2. Complies (2 points)
3. Complies (2 points)
4. NA, not 50%, but includes some.
5. Complies (2 points)
6. NA, building roof does not, garages do.
7. NA
8. NA
9. NA
10. NA, end of building does.
11. NA
12. NA
13. NA
14. NA
15. Complies (2 points)
16. Complies (2 points)
17. Complies (2 points)
18. Complies (2 points) follow up needed

Federal/ Local Philanthropic Partnerships

1. NA
2. NA
3. NA
4. NA
5. NA

Project Amenities

1. Complies (1 point)
2. Complies (1 point)
3. NA
4. NA
5. Complies (3 points)
6. NA
7. NA

Development Standards

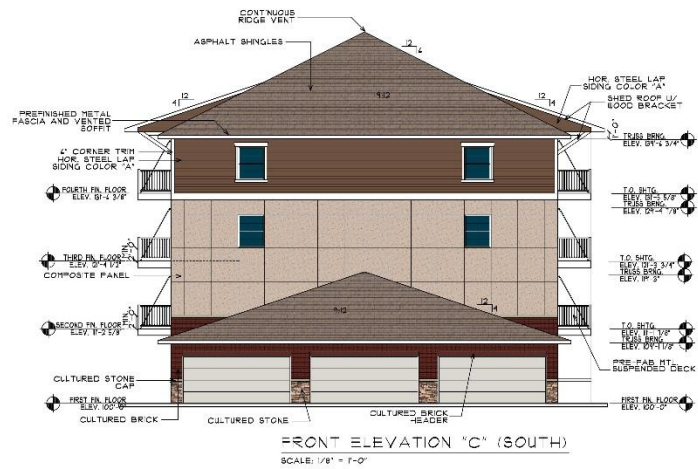
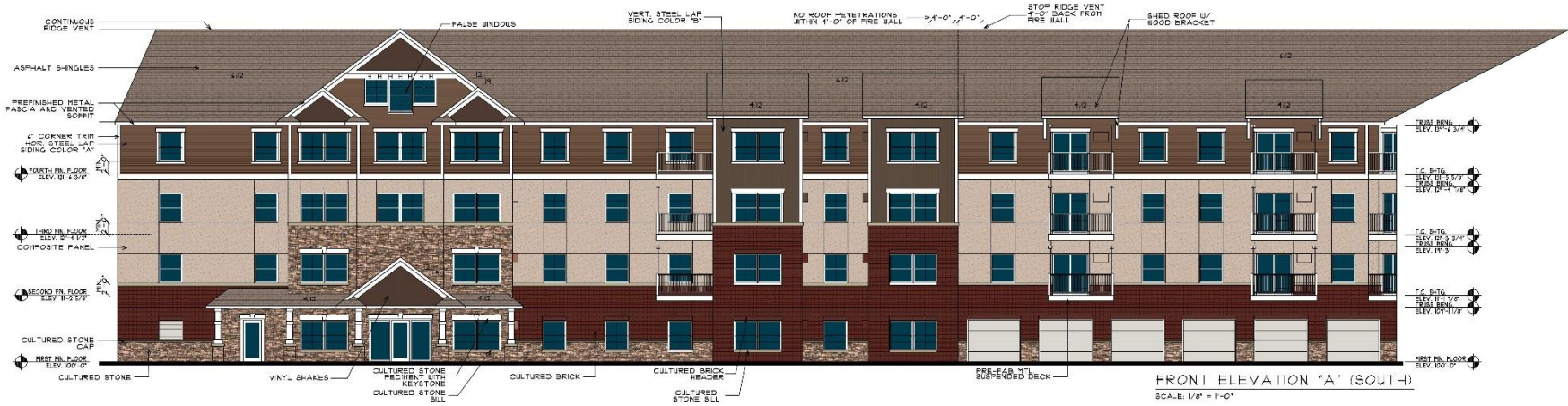
1. NA
2. NA

3. Complies (2 points)
4. NA
5. NA
6. Complies (2 points)
7. NA

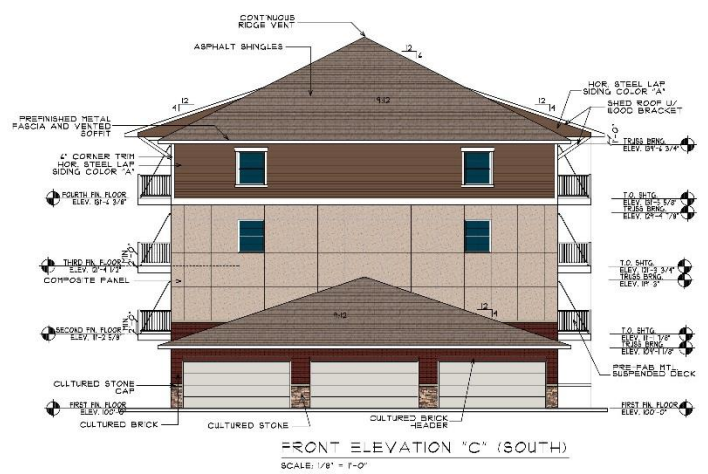
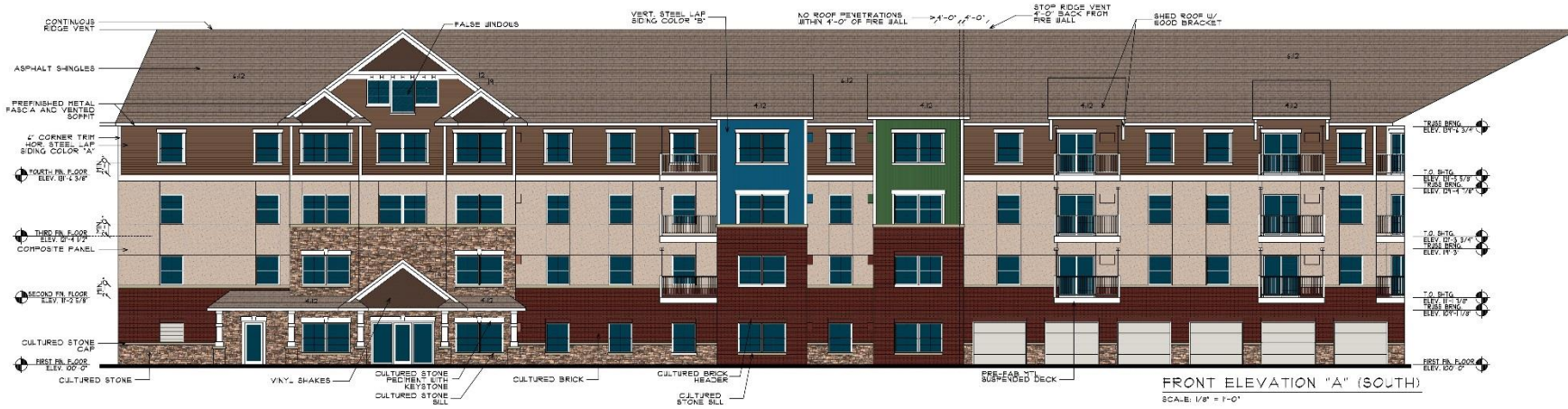
Energy Efficient Elements

1. NA, will be providing storm water credits for offsite project
2. NA
3. NA
4. NA
5. Complies (2 points)
6. Complies (2 points)
7. NA

TOTAL Points (68 or 152 possible)



<p>COLE GROUP ARCHITECTS 216 Park Avenue South, Suite 422 Saint Cloud, MN 56301 (320) 464-4830 www.colegrouparchitects.com</p>	<p>These documents are not valid for building permit unless signed in ink and notarized. Copies are not valid.</p> <p>I hereby certify that this plan, specification or report was prepared by me or under my direct supervision and that I am a duly licensed Architect under the laws of the state of MINNESOTA.</p> <p>Date: 2/22/22 Name: NOBMAN H. COLE Signature</p>	<p>PSD; LLC MATT KUKER 7533 SUNWOOD DR SUITE 315 RAMSEY, MN 55303 PHONE: (763) 427-8955</p>	<p>PROPOSED: PARKVIEW EAST APARTMENTS RAMSEY, MN</p>	<p>Project No. 14082 Issue Date: A31 Revision: 0P 33</p>
	<p>881 - 0087N - C01 - 1 - 110-111 - 2 - 26 - 11</p>			



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	<p>REF: 06257, CDR 1, 11C-11, 2, 26, 11</p>			