

**City Council Meeting Date:** June 14, 2016

**To:** Mayor and City Council  
City Administrator

**From:** Chris Heineman, Community Development Director

**..Title**

Update and Discussion on Proposal on Sale of City-Owned Property at 219 Water Street.

**..Body**

**Action Requested:**

The Northfield City Council is asked to consider a proposal to sell a portion of the City owned land located at 219 Water Street to facilitate an expansion project for Basil's Pizza.

For this worksession, staff is providing an update on this project and providing opportunity for feedback as we progress to bring forward a formal plan and agreement to council. The background memo provides updates and some of the items that are to be reviewed. Staff would like to draw particular attention to the process proposed as well as the development of terms and conditions that will be prepared in the coming steps ahead. Any questions, comments or concerns you may have would be welcomed.

**Summary Report:**

The City of Northfield acquired 219 Water Street South in December of 2013 to facilitate future redevelopment opportunities in this area. At that time, possible options for redevelopment that were considered included improved access to the River walk and potential expansion of adjacent businesses, including outdoor seating. The final purchase price for this property was \$57,000 with additional costs incurred for survey work, asbestos abatement, demolition and ongoing maintenance. The property now sits vacant and may be considered a redevelopment site.

Theologia Pitsavas, owner of Basil's Pizza, has approached the City of Northfield with a concept to develop a patio on the adjacent City owned parcel to expand outdoor seating for the restaurant. In April of 2015, staff met with Bob Gilbertson and Jessica Peterson White to discuss the process for bringing forward a proposal for further consideration by the City Council. It was determined that the city would allow four months for Mrs. Pitsavas to develop a site plan.

A preliminary site plan was received in October of 2015 including a pergola, patio, and outdoor seating area to be located on the north side of 301 Water Street / Basil's Pizza. The site plan was reviewed by staff at a Development Review Committee (DRC) meeting and it was determined that the project met the code requirements and was feasible based on the information presented.

The City Council reviewed the proposed project at a work session on November 10, 2015 and directed staff to initiate the additional steps required to move this project forward. One of the required next steps was to refer the proposed project to the Planning Commission for review. Pursuant to MN Statutes, the Planning Commission reviewed the proposed disposition of City-owned land to determine if it was in conformance with the Comprehensive Plan. Additionally,

there was discussion on a number of other items to review such as creating a plan for the site including landscaping and access, addressing the special parking accommodations near the site, informing neighbors of the project for opportunity for input. Staff has not addressed all of these but is currently working on them. We would welcome any individual suggestions, questions or comments as we prepare to put some of these together for your review.

The Planning Commission reviewed the proposed project at a meeting on December 17, 2015 and determined that the disposition of City-owned property and proposed use complied with the Northfield Comprehensive Plan. The Planning Commission also recommended that the minor subdivision be compliant with Land Development Code regulations. A letter from the Planning Commission is included as Attachment 7.

Staff requested a new survey based on the recommendation of the Planning Commission and obtained a brokers opinion on the per square foot value of land in question. Based on this information, a sale price of \$11,500 is proposed for a portion of the City-owned parcel as depicted in the new survey. If the City Council would like to move forward with this project, a Development Agreement will be required and the specific terms of the development agreement will need to be negotiated. Some of the areas that are intended to be included in the development agreement include final property description, sale price and related closing expenses, developer commitments for project scope and timelines.

In a meeting with the developer in May of 2016, Theologia Pitsavas also expressed an interest in an expansion of the existing structure at 301 Water Street including a fully-compliant restroom. This will enable the patio space to be used in three of the four seasons. If the project scope is increased to include physical expansion of the existing building, a revised site plan application will be required. The final scope of the proposed project, including a depiction and proposed project costs, should be included as an addendum to the Development Agreement.

If the Council would like to proceed with this project, a public hearing must be held prior to the sale of City-owned property. The City Charter has a specific provision dealing with real property transactions. Chapter 15, Section 15.5 of the City's Charter reads as follows:

The council may by resolution approved of by at least five (5) members sell or otherwise dispose of any real property of the city. A sale or other disposition of the city's real property may be made only after a public hearing has been held and published notice of the hearing has been given at least ten (10) but not more than thirty (30) days prior to the hearing. The net cash proceeds of the sale of the property shall be used to retire any outstanding indebtedness incurred by the city in the acquisition or improvement of the property. Any remaining net cash proceeds shall be used to finance other improvements in the capital improvement budget or to retire any other bonded indebtedness.

Sale of property requires a supermajority vote of at least five members of the Council, which may occur only after a public hearing is held on the question of the sale following at least ten (10) but not more than thirty (30) days' notice of the hearing.

A Minor Subdivision to consolidate the lots into one parcel would also be required. A Minor Subdivision provides a clean record of title for tax records and is required by the Building Code as structures are not allowed to cross parcel lines. A new survey has already been completed and is included in the packet for your review.

The Land Development Code classifies this property in the East of Highway Three Sub-District and site development standards for this C1 zone must be followed for this project. Additional off street parking is not required, and the proposal as shown appears to meet the standard requiring any lot edge that is not occupied by a building shall have a landscaped setback, low masonry wall, decorative metal fence, decorative plaza or elevated deck.

A formal Site Plan review involving the Development Review Committee will be required for approval. The Site Plan review process should take 3-4 weeks once a complete application is submitted, unless additional meetings are required due to project changes or unforeseen circumstances. Some considerations for this application are:

- All portions of a site not covered by buildings, parking, driveways, walkways, plazas, decks or seating shall be landscaped.
- Trash and recycling storage shall be screened with a sturdy, four-sided enclosure.
- The site is located within the Shoreland Overlay District and is required to provide on-site storm water management. The applicant has provided calculations indicating the necessary quality and rate requirement to meet City Ordinance; however the location needs to be indicated on the site plan. Any private on-site storm water facility is required to have a maintenance agreement and maintenance plan.

The project must also meet all Minnesota Building Code requirements. It should be noted that the applicant must provide new occupancy loads for the entire restaurant, including the patio. Additional information regarding public and private easements and access are also required.

#### **Alternative Options:**

- A. There was a suggestion at the Council worksession of November 10, 2015 to consider a request for proposals to provide other opportunity for other prospective developers for the site. Staff has not pursued this option to this point as there has been significant discussion of maintaining the trail connection on the site. This would limit the development of the site for potential other users. Two or more members of the City Council could request an agenda item be placed on the next regular council meeting to consider a request for proposals. Otherwise, staff will continue directly negotiating with the owners but will always respond to inquiries or proposals as we did with this project.

#### **Financial Impacts:**

No financial impact has been determined at this time. A sale and development agreement would include some sale price. The current proposed project as presented will have a limited impact on tax capacity for this site.

#### **Tentative Timelines:**

A proposed timeline for the Minor Subdivision and Public Hearing for sale of City-owned land is included as Attachment 8. If staff is directed to move forward, a Public Hearing will be scheduled and advertised for the July 19<sup>th</sup> City Council meeting.

Staff will be working to develop a framework of a development agreement – in the form of a “term sheet” or “letter of intent” to be available July 19<sup>th</sup>. Staff will be developing timelines for this process as well as potential closing of the sale assuming that steps were to proceed ahead.