



Legislation Details (With Text)

File #: 18-047 **Version:** 1 **Name:**

Type: Information/Discussion Item **Status:** Agenda Ready

File created: 1/12/2018 **In control:** City Council

On agenda: 1/16/2018 **Final action:**

Title: Review of draft Development Agreement with Chester J. Yanik & Associates, Inc. related to proposed Senior Housing Project.

Sponsors:

Indexes:

Code sections:

Attachments: 1. 1 - North Ave Hospital Utilities Map, 2. 2 - 2030 Transportation Plan Map, 3. 3 - Design Standards - LDC 3.2-8, 4. 4 - Approved FIRST AMENDMENT OF GROUND LEASE v.11 Final 120817, 5. 5 - Development Agreement Presentation References, 6. 6 - Yanik Senior Housing Agreement Draft Council 1-16-18

Date	Ver.	Action By	Action	Result
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City Council Meeting Date: January 16, 2018

To: Mayor and City Council
City Administrator

From: Ben Martig, City Administrator
Chris Heineman, Community Development Director
David Bennett, Public Works Director/City Engineer

Review of draft Development Agreement with Chester J. Yanik & Associates, Inc. related to proposed Senior Housing Project.

Action Requested:

The Northfield City Council reviews terms of the draft Development Agreement related to the proposed Senior Housing Project and provides input and direction for staff.

Summary Report:

At the City Council meeting on December 12, the City Council adopted a motion to approve the First Amendment of the Ground Lease Declaration of Restrictions and Release of Parcels. The amendment to the ground lease was the first step to move the proposed senior housing project forward. The developer (Chester J. Yanik & Associates Inc.) has partnered with a non-profit service provider (Benedictine Health Systems) to propose a senior housing project that will develop ninety-five independent living, assisted living and memory care housing units to the west of the Northfield Hospitals and Clinics (NH+C) main campus.

Staff presented the items to be included in an agreement between the City and Chester J. Yanik & Associates, Inc. related to the proposed senior housing project at the January 9 City Council Work Session. These items, including design standards and infrastructure requirements, have been included in the attached Development

Agreement for further review and discussion.

The developer is also required to submit a Site Plan Review application, which follows the standard Type 2 development procedure. Once submitted, staff will evaluate the proposed project against the applicable Land Development Code (LDC) criteria through the Development Review Committee (DRC) review process.

Design Standards

The proposed senior housing development is considered a Specialized Care Facility, which is a permitted use in the Public and Institutional Zoning District. Public and Institutional zoning standards provide flexibility and accommodate a wide variety of public uses, including campus style layouts such as the NH+C and the proposed senior housing campus.

Some uses defined in the LDC require special treatment through Use Specific design standards; however, there are none defined for Specialized Care Facilities. All development in Northfield must always meet the General Development Standards in LDC Section 3, regarding items like fencing, buffers, screening, parking, landscaping, lighting and protective performance standards.

There are standards for Multi-Family Dwellings in the C2 zone. These technically would not apply because Specialized Care Facilities are a separate and distinct use from Multi-Family Dwellings; however, staff could evaluate the project against the design criteria in the C2 zoning district for a better picture of how the project meets the Northfield aesthetic. A copy of the design standards for primary building materials and building facades and massing from LDC Table 3.2-8 is attached. These standards are intended to be included by staff in the Development Agreement as, upon review of all regulations, they would be most consistent and appropriate with this development.

Infrastructure

Transportation

The City of Northfield Comprehensive Transportation Plan (2008) provides a system plan for the City's roadway network. Within the plan, the roadway classifications are identified for the current roadway network and future network (Attachment 2). The future land use within the Comprehensive Plan is used to project traffic volumes for the roadway network. The projected 2030 traffic volume for North Avenue is 5,300 Vehicles Per Day with full development of the NW area. A typical rural 2-lane roadway can support double the projected traffic volume.

However, as North Avenue doubles in traffic beyond what is projected in 2030, and traffic is distributed to the surrounding roadway network, there may need to be turn lanes, widening at intersections, and intersection control evaluated.

For the senior housing project, the first 80 unit building will generate approximately 220 new vehicle trips per day. This will double at some time in the future should phase II be constructed. Even with these additional vehicle trips, the project will not produce enough additional traffic that the City needs to consider other roadway improvements with this project.

In going back to the future roadway network map (Attachment 2), with the extension of future collector streets, Eaves Ave, Thye Parkway, and arterials like County 23, the extension of these roadways are primarily funded by government entities, and a developer could be responsible for participating for costs related to development-driven roadway network improvements. Typically, the extension of the collector roadway network occurs when proposed development is adjacent to and platting of the right-of-way. A developer of land currently zoned agricultural to the west of this area, if or when it develops, could potentially pay for a share of these costs and

would be in the development agreement. If the development does not drive demand beyond its current capacity, it is difficult to justify a cost share on future expanded capacity.

Shared Access Road Agreement/Shared Utilities

As a condition of the development agreement, NH+C and Yanik will be required to enter into a shared use and maintenance agreement for the hospital drive. This will identify responsibilities for operations and long term maintenance.

The sanitary sewer and storm sewer lines that share flows from both the Senior Housing project and Hospital shall also be included in the shared use agreement. Again, responsibilities for operation and maintenance of these lines will be identified in the agreement.

Water Supply

The City has a “booster station” located in the NW corner of North Avenue and County 23 to supply water to this area through a 12-inch water main. The booster station was designed to serve the entire NW Expansion area. The booster station operates with three pumps to meet existing demands and has the capacity to expand to five pumps to serve the NW expansion area. As growth occurs, a water tower is proposed in the future to better regulate system pressure and supply in the system.

The addition of pumps to the booster station and water tower would be funded through the City’s water utility fund, and more specifically, the Trunk Charges (WAC) that the City receives with development for expansion of the trunk supply and distribution system.

There is a public 12-inch water main in the existing hospital drive that will provide service to the senior housing project, and be extending in the future for future development. In the 2001 development agreement with St. Olaf and the Northfield Hospital, a public utility easement was to be dedicated to the City. Staff is verifying that this easement was filed. If not, staff will propose to include a requirement for a public easement over a portion of the water mains.

Sewer System

The City has a 15-inch trunk sanitary sewer line in North Avenue that will provide service as the NW area begins to expand. There is capacity within this line to service the proposed project. With the senior housing project, the sewer line in the hospital drive will need to be extended north. This will require a shared use and maintenance agreement with the hospital that will be referenced as a requirement in the development agreement.

Surface Water/Drainage System

The senior housing project will be required to provide on-site storm water treatment for the development, along with a private maintenance agreement, for long-term maintenance of the system. The runoff will then be discharged into existing storm water infrastructure that drains to the pond on the south side of the hospital. A shared use and maintenance agreement will be required with the hospital over the existing pipes.

Sewer Availability Charge (SAC) & Water Availability Charge (WAC)

The City will collect SAC and WAC for this Commercial development. When the remainder of Outlot A develops, those fees will be collected at that time.

<u>City of Northfield Sewer and Water Fees 2018</u>	<u>Estimated Project Fee</u>
Sewer Availability Charge (SAC) = \$6,157 per acre	\$43,099
Water Availability Charge (WAC) = \$2,090 per acre	\$14,630

Park Dedication

Staff is recommending that Park Dedication be in the form of cash in lieu of land. For this commercial development project, the land dedication requirement is 5% of the gross area. For the Senior Housing Project at approximately 7 Acres, the land dedication requirement would be 0.35 Acres. Therefore, the cash in-lieu is recommended and that calculation is 5% of the Estimated Market Value at the County assessor's office. Typically, the park dedication would be initiated upon subdivision of property. However, there was not any record found of the hospital paying a park dedication fee on this property previously and staff feels that it is appropriate to include this dedication fee now as there are no plans for subdivision by the developer or St. Olaf in the foreseeable future. The calculation is following the normal city regulations for development.

Existing Infrastructure - Consideration of Negotiated Compensation for Past Investments

According to initial audits, Northfield Hospital and Clinics paid the City \$2,320,397 for road improvements and the extension of utilities from Cedar Avenue related to development of the new campus. The initial infrastructure costs were necessary for development to occur. It does not appear that the NH+C was reimbursed for any of the initial infrastructure costs when Mayo Oncology Clinic was developed at 2000 North Avenue nor the Community Solar project for road access benefits.

Consideration of negotiated reimbursement for past expenses of infrastructure has been a question posed by the Council. Due to the initial expenses originating from hospital funds, along with the multi-year exploration of development between the hospital and Yanik, City staff has taken the approach to defer that policy consideration to the NH+C Chief Operating Officer (COO) Jerry Ehn who has been a primary staff spokesperson for the hospital with City Staff.

According to COO Ehn, the NH+C began to explore the west location to identify an option that worked for both the developer and the hospital, allowing the developer to utilize the existing utilities made the project financially feasible. For the west location, NH+C funded the initial infrastructure costs through hospital funds with no cost to the City of Northfield. COO Ehn has articulated that utilities and private road costs were incurred by the hospital when the campus was established. In an effort to support the financial model for this program, NH+C did not anticipate passing any of the utility costs on to the developer. This approach requires no cash from the medical center and supports a program that will provide services to Medicaid waiver seniors.

The partnership between NH+C, Yanik Companies, and Benedictine Health Systems provides additional senior housing with services that will help address the financial challenges of offering traditional nursing home services in a hospital setting. The projected design and construction cost for development east of the hospital required a contribution of \$2M to cover infrastructure costs. The west location offered opportunities to reduce costs related to site development, connecting to utilities and use of the private access road to the Northfield Hospital.

According to COO Ehn, the Hospital Board voted to recommend the proposed senior housing project based on the following criteria:

1. was supported by the market analysis.
2. did not include the hospital subsidizing the land lease or contributing to operational costs.
3. did not have the hospital contributing to the infrastructure costs other than sharing a road and allowing the utility connection (zero cash).
4. offered services for those on the elderly waiver (medical assistance).
5. did not have a large financial ask of the City.
6. had a design that complemented the hospital campus and approved by St. Olaf.

7. was reported to be a sustainable development project.
8. offered a near-term solution for adding needed senior services and a future solution for our skilled care (strategic importance).
9. was land the hospital could strategically give up for this purpose.

According to COO Ehn, the Hospital Board did not review a formal pro-forma as they did have information on the developer's design and construction costs. In the end, the Northfield Hospital Board moved from very expensive options to a project that does not require a cash contribution from NH+C. One reason this project is feasible is the ability to provide access to the utility and infrastructure investment made by NH+C almost two decades ago without additional cost to the developer.

As stated earlier, City staff is suggesting that the issue on the negotiation with the developer should ultimately be directed by NH+C based on the NH+C funds paying for the past infrastructure investments and history and process of this particular project. Council could request further clarification from the NH+C staff or board on the issue or provide other feedback to staff related to these considerations. If not, staff will be proceeding without including any provision relating to negotiating compensation from the Developer for costs of existing infrastructure within the Development Agreement that will be brought forth for Council consideration.

Alternative Options:

Staff would welcome questions or concerns related to the draft Development Agreement so that staff can conduct additional research or contemplate additional provisions for consideration of the approval of the development agreement at the February 13 City Council meeting.

Financial Impacts:

Financial summaries included in the Summary Report.

Tentative Timelines:

- ✓ November 28th - Project presentation to Joint Hospital Board and City Council at Northfield Hospital & Clinics.
- ✓ November 30th - Hospital Board review lease agreement for advisory recommendation to Council.
- ✓ December 5th - City Council review proposed lease amendment.
- ✓ December 12th - City Council meeting - Consider approval of lease amendment.
- ✓ January 9th - City Council review and discuss development agreement terms.
- ✓ January 16th - City Council review of draft development agreement.
- ✓ February 13th - City Council consideration of approval of development agreement.