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Title: Consider Approval of Development Agreement with Chester J. Yanik & Associates, Inc. for the Northfield Senior Housing Project

Sponsors:

Indexes:

Code sections:

Attachments: 1. 1 - Yanik Senior Housing Development Agreement, 2. 2 - Transporation Plan 2030

Date	Ver.	Action By	Action	Result
2/13/2018	1	City Council	approve	Pass

City Council Meeting Date: February 13, 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

Consider Approval of Development Agreement with Chester J. Yanik & Associates, Inc. for the Northfield Senior Housing Project

Action Requested:

Northfield City Council approves a Motion to approve the Development Agreement with Chester J. Yanik & Associates, Inc. for the Northfield Senior Housing Project.

Summary Report:

At the City Council meeting on January 16, the City Council was asked to review the terms of the draft Development Agreement for the proposed Senior Housing Project with Chester J. Yanik & Associates. Staff answered several questions posed by Council related to the Agreement and no additional concerns were raised. The final draft of the Development Agreement included in the packet has been reviewed by staff and the City Attorney, and is recommended for approval.

At the City Council meeting on December 12, 2017, 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 will also be 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 meet the General Development Standards in LDC Section 3, regarding items like fencing, buffers, screening, parking, landscaping, lighting and protective performance standards.

In addition to the General Development Standards, the design standards from Table 3.2-8 of the Land Development Code has been included in Section 18(c) of the Development Agreement. According to the Development Agreement, the project design shall conform to the Building Primary Materials section and the Building Facades and Massing section of Table 3.2-8 for the C2 District as contained in Chapter 34 of the Land Development Code. Staff will utilize these standards during the site plan review process.

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 in 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.

Sewer Availability Charge (SAC) = \$6,157 per acre	\$36,326
Water Availability Charge (WAC) = \$2,090 per acre	\$12,331

Park Dedication

Staff is recommending that Park Dedication be in the form of cash in lieu of land. According to Article 5.2.6 (K) of the Land Development Code, the city may elect to accept a cash payment in lieu of land dedication for parks, recreational facilities, playgrounds, trails, wetlands or open space purposes. In such cases, the applicant shall be required to make such payment to the city’s dedicated park fund based on the Estimated Market Value as indicated in the records of the County Assessor that is equivalent to a land dedication of five percent of the gross area to be subdivided for a commercial development project.

The amount included in Section 10 of the Development Agreement is based on the current assessed value is \$7,231.85/acre. Phase I of the Northfield Senior Housing Project consists of 5.848 acres with an Estimated Market Value of \$42,292. Five percent of this value is \$2,115.

Typically, the park dedication would be initiated upon subdivision of property. This property is not being formally subdivided as it would trigger several additional code requirements, however Article 5.2.6(D) of the Land Development Code includes a provision for park dedication where a waiver of platting is granted. The calculation for Cash-in-Lieu of park dedication requirements follows the standard 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 \$2 million 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 Ehn, the Hospital Board voted to recommend the proposed senior housing project based on the following criteria:

1. Supported by the market analysis
2. NH+C was not required to subsidize the land lease or contribute to operational costs
3. NH+C was not required to contribute to the infrastructure costs other than sharing a road and allowing the utility connection (zero cash)
4. Project offered services for those on the elderly waiver (medical assistance)
5. Project did not have a large financial ask of the City
6. Project design complemented the hospital campus and approved by St. Olaf
7. Project design was reported to be a sustainable development project
8. Project offered a near-term solution for adding needed senior services and a future solution for our skilled care (strategic importance)
9. Project utilized land that the NH+C could strategically give up for this purpose

According to Ehn, the Hospital Board did not review a formal pro-forma but were provided with 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 without additional cost to the developer.

One of the additional questions raised by Council was related to providing services for those on Elderly Waiver (a federal Medicaid waiver program that funds home and community-based services for people 65 years old and older who are eligible for Medical Assistance) and if a requirement could be included in the Development Agreement. Staff reviewed this issue with both the Developer and NH+C staff. The Development Agreement is between the City of Northfield and Chester J. Yanik & Associates, Inc. Benedictine Health Systems will be the operator of the facility, and is not a party to the Agreement. Upon further discussion and exploration Yanik would not agree to specific minimum Elderly Waivers with the agreement.

The Benedictine Health System is a Catholic, faith-based organization focused on the ministry of senior care. The Benedictine Health System mission statement includes the following language, "We witness to God's love by creating compassionate communities providing support to those we serve to live fully and live well with special concern for the underserved and those in need."

Alternative Options:

The recommended agreement is a culmination of past NH+C efforts, council review and direction, and staff due diligence and negotiation that included the City Attorney. Yanik has indicated support for the final agreement proposed to the City Council. In consideration of this review, staff is not recommending alternative options to the agreement recommended.

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 of lease agreement for advisory recommendation to Council.
- ✓ December 5th - City Council review of proposed lease amendment.

- ✓ December 12th - City Council meeting - Consider approval of lease amendment.
- ✓ January 9th - City Council reviews and discusses development agreement terms.
- ✓ January 16th - City Council review of draft development agreement.
- ✓ February 13th - City Council consideration of approval of development agreement.