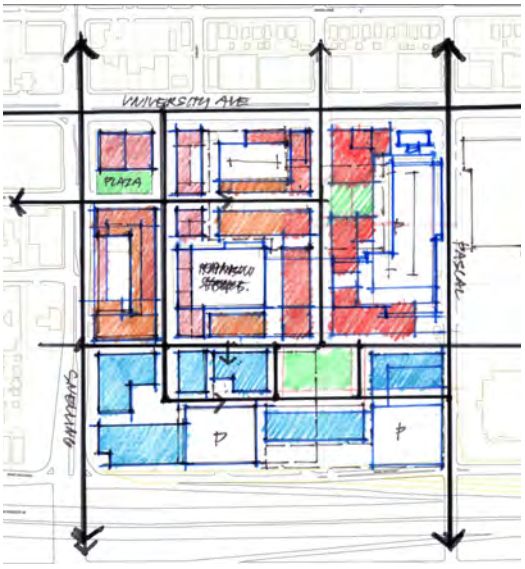
SNELLING–MIDWAY SMARTSITE



TOD REDEVELOPMENT STRATEGY
REPORT OF FINDINGS AND RECOMMENDATIONS

JUNE 17, 2014

urban INVESTMENT GROUP

RNL

KHO CONSULTING, LLC

About This Report

This report was prepared as the concluding component of a four month advisory effort provided by a consultant team led by Urban Investment Group (UIG). The UIG Team was hired specifically to further the effort to achieve a high quality transit-oriented redevelopment of the Snelling-Midway SmartSite, a 34.5-acre superblock at the intersection of University and Snelling Avenues in Saint Paul, Minnesota. The UIG Team received direction, data, and feedback from the SmartSite Redevelopment Working Group, comprised of Metropolitan Council/Metro Transit staff, City of Saint Paul staff, Saint Paul Riverfront Corporation staff, and representatives of RK Midway, LLC.

The consulting team provided materials for and led two workshops in February and April of 2014 that were attended by members of the Working Group and community representatives. In late May, 2014, the consulting team presented its preliminary findings to attendees of the previous workshops as well as to senior Met Council and City of Saint Paul leadership. Based on the information and insights gained throughout the consulting effort as well as the feedback received at its final presentation, the UIG Team has prepared this report to present its final findings and recommendations.

Consulting Team

Dan Cohen, Principal, Urban Investment Group
Richard von Luhrte, Senior Principal, RNL Design
Matt Shawaker, Senior Associate, RNL Design
Kenneth Ho, President, KHO Consulting

SmartSite Redevelopment Working Group

Metropolitan Council/Metro Transit
Maurice Roers, Manager, Engineering & Facilities
Kathryn Hansen, TOD & Land Use Manager
Marilyn Porter, Director, Engineering and Facilities

City of Saint Paul
Donna Drummond, Director of Planning, Planning and Economic Development
Dave Gontarek, Principal Project Manager, Planning and Economic Development
Anton Jerve, Senior City Planner, Planning and Economic Development
Gary Leavitt, TOD Manager, Planning and Economic Development
Ellen Stewart, Landscape Architect, Parks and Recreation
Eriks Ludins, Assistant Transportation Planning Engineer, Public Works

RK Midway
Rick Birdoff, President, RD Management, LLC
Joe Finley, Stinson Leonard Street
Eric Galatz, Stinson Leonard Street
John Shardlow, Principal, Stantec
John Slack, Project Manager, Stantec

Saint Paul Riverfront Corporation
Sam Carlsen, Program Manager
Tim Griffin, Director of Urban Design

Contents

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDICES

EXECUTIVE SUMMARY

Based on a Request for Proposals (RFP) issued in November, 2013 by the Metropolitan Council (Met Council), Urban Investment Group (UIG) was selected as a consultant to work with a client team comprising the City of Saint Paul, the Met Council, and RK Midway, LLC. The overarching purpose of UIG's involvement is to facilitate development of a strategic path forward for achieving high quality transit-oriented development (TOD) on the Snelling Midway Super-Block (the "Site") for the three parties.

The UIG Team studied the location, context, market conditions, and the community's stated aspirations for redevelopment of the Site. Based on that early research, we concluded that the Site represents a significant opportunity for transformative TOD redevelopment due to a variety of conditions, including the Site's ownership, access and visibility, land use regulations, central location, vibrant context, and adjacency to new enormous public investments in transit.

Gap Analysis

The UIG Team conducted a "gap analysis" to determine the potential shortfall between projected infrastructure costs and the current market value of the Site. The analysis relied on one of the conceptual site plan schemes UIG presented at a workshop in Saint Paul earlier this year. The findings were based on an estimated total infrastructure cost of $64.3 million, which includes new streets and streetscape improvements, wet and dry utilities, parking structures, open spaces, and site preparation. The cost of the land and developer profit are not included in these costs. Structured parking was far and away the most significant component of costs, totaling over $40 million or about 60% of total costs.

On a per acre basis, the analysis indicates an infrastructure cost basis of $1.9 million for parcels marketable to vertical developers. When comparing this cost basis to an estimated land value of $1.0 - $1.25 million per acre, a gap of approximately $650,000 - $900,000 per acre (or $22 million - $31 million for the Site) is revealed. As a point of reference, UIG determined that $206 - $286 million in incremental value of redevelopment would have to be generated in order for tax increment finance to close the entire gap. There are, however, other tools and approaches for closing the gap.

Design and Planning Recommendations

The UIG Team recommends the following ten principles as essential elements for achieving high quality TOD on the Site: ensure flexibility to respond to unexpected opportunities; change image/brand of site in the short term; align interests between public and private parties long term; respect existing revenue sources; pair delivery of development and infrastructure in phases; create incremental value over time through phasing; draw transit users into the site through design and land uses; accommodate market fluctuations through diversity of uses; serve the neighborhood and beyond; and use high value TOD land for TOD uses and remaining land for less transit supportive uses.

Some of UIG's specific recommendations on how such an outcome can be achieved include: create increased density over time closest to the rail station; provide a mix of building types, with a majority at least four-story over street-level activated uses; transition surface parking lots over time to structures; maximize shared parking facilities throughout the Site; provide multiple open spaces that support urban village type uses; ensure open spaces serve both as public amenities and as value creation tools; create a street hierarchy that establishes character for multiple street types; and focus all street design on maximizing pedestrian activity and a quality pedestrian experience.

UIG's recommendations for the design and planning of Phase 1 include: use Phase 1 infrastructure to catalyze and set the tone for future development on the Site; build a new Asbury Street segment that aligns with the existing drive aisle between the American Bank and McDonald's buildings and connects all the way south to the Met Council property; reuse of the American Bank Building should include ground-floor retail and avoid use of drive-thrus if possible; and relocate the McDonald's to another part of the Site.

Deal Structure Recommendations

Some broad recommendations for structuring a deal between the Client Partners include: create a framework that lets the developer infuse their own brand of development and creativity into the redevelopment effort; except perhaps for Phase 1, don't lock in specific vertical development components in a specific sequence; link the master developer's requirements for construction of public amenities to the delivery of revenue producing components of their redevelopment; link timing of acquisition of Met Council property to the master developer's demand for the land; focus on achieving a particular place-making outcome; and eliminate as much uncertainty for the master developer as possible.

Based on these foundations, UIG believes the approach that provides the greatest opportunity for successful achievement of the Client Partners' goals is a public-private partnership (PPP). Structuring a PPP could be mutually beneficial for all three Client Partners because of the enormous size of the Site, the imbalance in property values (RK Midway's land is more valuable than the Met Council's), the importance of maintaining existing Midway Shopping Center revenue, the necessity of aligning the interests of the parties, current market conditions that result in a valuation gap, future market conditions that are certain to fluctuate, and a wide array of TOD related benefits (e.g., jobs, transit ridership increase, etc.) that could accrue from a coordinated redevelopment of the entire Site.

The most important steps required to establish a path to a successful agreement between the parties include:

- An inter-governmental agreement (IGA) that would establish how the Met Council and the City of Saint Paul are going to work together.
- An exclusive negotiating agreement (ENA) that creates a road map for how the three parties will work together, including a defined time frame and responsibilities for each party. During the ENA period the Met Council would provide an exclusive right to RK Midway to purchase the Bus Barn property, RK Midway would develop a master plan and a proposed finance package, and the City would work with RK Midway on the master plan and development of a mutually agreeable public finance package.
- A Disposition and Development Agreement that: spells out the objectives for each party; an approved land use master plan indicating the amount of proposed land uses for Phase 1 and full build-out; a public realm framework plan; a utility plan; street design standards; a public finance plan; a Purchase and Sale Agreement for acquiring the Met Council property; a timetable for delivery of public improvements; and a description of the required land use approval process for vertical improvements.

In addition, the following are our recommended specific deal points:

- Public Finance Tools: A wide variety of public finance mechanisms should be employed. These could include a combination of TIF, City provision of in-lieu infrastructure, development and utility fee and tax waivers or rebates, special assessment districts, grants from a variety of public and non-profit sources, loans, etc.
- Disposition of the Met Council Property: The three primary recommended options are for the Met Council to: Sell the land directly to RK Midway (as a single outright sale of the entire property or as a phased take down); sell the land to the City, which would then, in turn, sell it to RK Midway; or ground lease the land to RK Midway.
- Approaches for Setting the Purchase Price of the Met Council Property:
    - The land is sold as a single, fee simple asset by the Met Council to RK Midway for a substantially reduced price. In return, RK Midway agrees to a set of deed restrictions that specify development conditions representing the public sector's TOD policy goals. A value creation sharing tool would provide the Met Council with a future financial return.
    - An option to purchase is granted to RK Midway for a specific period (e.g., 10 years) in which it is entitled to acquire the land at pre-established prices. Portions of the land can be taken down in increments over the option period and the purchase price could escalate over time.
    - An option to purchase is granted to RK Midway for a specific period in which it is entitled to acquire the land at a price to be negotiated. If the parties cannot reach agreement on purchase price, they would seek arbitration and abide by that decision

The UIG Team recommends the following series of next steps to be undertaken by the Client Partners: 1) Execute an IGA between the City and Met Council; 2) Execute an ENA with RK Midway; 3) Conduct due diligence on the Met Council Property; 4) Initiate master planning for the entire Site; 5) Develop and implement a community relations strategy; 6) Resolve policy direction at Met Council (and perhaps the City) regarding disposition of its land; 7) Create a tenant relations plan; and 8) Create and implement a marketing/re-branding plan.

I. SCOPE OF WORK AND CLIENT PARTNER GOALS

In response to a Request for Proposals issued on November 25, 2013 by the Metropolitan Council (Met Council) entitled "Snelling Site Real Estate Development Consultant Project," a Boulder-Denver, Colorado consulting team comprising Urban Investment Group, RNL Design, and KHO Consulting (collectively, "UIG" or the "UIG Team") submitted a proposal. On February 6, 2014, the UIG Team was officially selected for the assignment and provided with a Notice to Proceed by the Met Council. The contract was issued by the Met Council, but the RFP indicated that the consultant would have three equal clients, the City of Saint Paul, the Met Council/Metro Transit, and RK Midway, LLC (collectively, the "Client Partners").

The overarching purpose of UIG's assignment is to facilitate development of a strategic path forward for achieving high quality transit-oriented development (TOD) on the Snelling Midway Super-Block (the "Site"). The 34.5-acre Site (referred to by some as the "SmartSite") is bounded by University Avenue to the north, Pascal Street to the east, St. Anthony Avenue to the south, and Snelling Avenue to the west. (See Figure 1, below, for the location and ownership of the Site.)

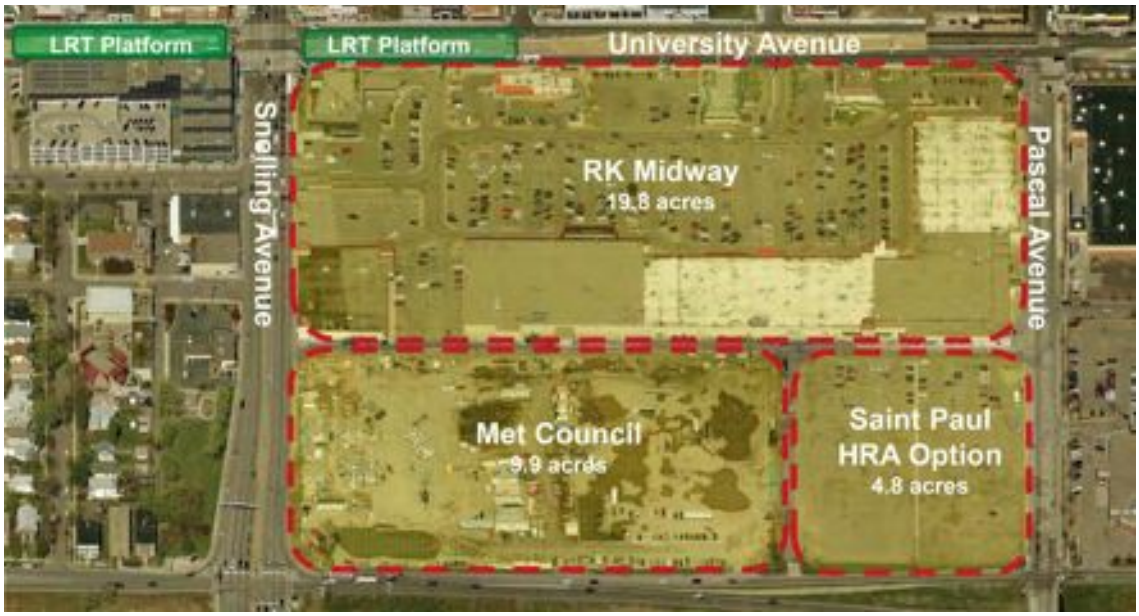


Figure 1

A portion of the vacant southern 14.7 acres of the Site is property owned by the Met Council, a 9.9-acre piece of land generally referred to as the "Bus Barn site." The remaining 4.8 acres of the southern portion of the site is controlled by the City of Saint Paul's Housing and Redevelopment Authority (HRA) via a purchase option with the land's owner, RK Midway. RK Midway, a partnership owned and managed by New York-based RD Management, LLC, also owns the northern 19.8 acres of the Site, which is occupied by the Midway Shopping Center. UIG's work is intended to facilitate an agreement amongst the three Client Partners that would include some form of acquisition of the Met Council's property by RK Midway and result in a coordinated development effort based on TOD best practices and the framework established by the Snelling Station Area Plan adopted by the City in 2008.

In early 2014, the Client Partners entered into the *Snelling Site Development Memorandum of Understanding* (MOU) that spells out the goals for each Client Partner and two phases of collaborative work. The first phase included the hiring of and collaboration with UIG to achieve its scope of work. The second phase includes review of UIG's recommendations, modification and agreement on a redevelopment plan, and adherence to any approvals or development agreements put in place for the project.

This Site is of particular strategic importance to both the Met Council and the City as a TOD opportunity for the following primary reasons:

1. The planned opening this month (June, 2014) of the Central Corridor Light Rail line (the Green Line) that has been constructed along University Avenue and that includes a station at the northwest corner of the Site at the intersection of University and Snelling Avenues.

2. The planned opening in 2015 of a Bus Rapid Transit (BRT) line that will run along the western frontage of the Site and include a station on Snelling Avenue near its intersection with Spruce Tree Avenue.
3. Public ownership and control of the Bus Barn site, a substantial piece of vacant land that is adjacent to planned substantial new transit infrastructure and represents one of the best opportunities in the region for enhancing transit use, promoting TOD, increasing the tax base, and creating new jobs.

RK Midway's interest in the redevelopment of the Site includes preservation and enhancement of the value of their existing property (including the operating Midway Shopping Center) along with the potential opportunities for financial return associated with redevelopment of the entire Snelling-Midway Super-Block.

See Appendix A for a detailed list of each of the Client Partner's goals as delineated in the MOU, as well as UIG's estimation of the development phase in which each goal might be achieved.

II. UNDERSTANDING OF EXISTING CONDITIONS

Below is a brief summary of some of the key components of the UIG's Team's understanding of existing conditions on, around, and otherwise impacting the Site.

A. Land Use Regulations

Snelling Station Area Plan

In October of 2008, the City adopted the *Snelling Station Area Plan* (SAP), which was developed through a series of community-based roundtables, workshops and open houses, guided by a steering committee of community representatives. The SAP is built on the foundation established by the Central Corridor Development Strategy.

The SAP covers a study area roughly bounded by Fry Street to the west, Edmond, Thomas or Sherburne Avenues to the north, Syndicate Street to the east, and St. Anthony Avenue to the south. As such, the Site represents only a component of the area covered by the SAP, albeit a significant one. The SAP documents existing conditions in the study area, forecasts future development through 2030, spells out recommendations for urban design and massing parameters, discusses transportation options, and addresses recommended next steps.

The SAP recommends that the Bus Barn site become a TOD demonstration site. Specifically, it states that "The City should work with the Metropolitan Council to explore the full potential of this strategic site and create a clear development strategy for its future redevelopment. The development strategy should reinforce the long term vision set out in this document. . . .The future viability and success of this site coming forward as a TOD Demonstration Site may in part be assisted through some combination of Tax Increment Financing, the STAR Program, and/or a Regional Transit-Oriented Development 'Bank'. . . "

The SAP concludes that the key to the continued success of land use and development in the Snelling Station Area is threefold: preserve the character of the stable Hamline Midway and Merriam Park neighborhoods while promoting new and diverse housing options; provide a flexible and permissive land use strategy that emphasizes connectivity, design performance and transit supportive qualities; and put in place a framework for the gradual intensification of the Midway Shopping District (which includes the Site).

Zoning

In June, 2011, the Site was rezoned from a combination of Community Business (B2), General Business (B3), and Light Industrial (I1) to the Traditional Neighborhood District 4 (T4). The new T4 District zoning is part of the City's adopted zoning code, Article III, Section 66.300, Traditional Neighborhood Districts. The intent of the new zoning district is to provide "for high-density, transit-supportive, pedestrian-friendly mixed-use development. It is particularly intended for use near transit stops along fixed rail transit (including commuter rail, light rail and trolley) corridors, where a greater reliance on transit makes high-density mixed-use development possible and desirable."

Principal land uses that are permitted as-of-right in the T4 District include a wide range of commercial, retail, education, cultural, medical (although a hospital is a conditional use), civic, restaurant (although some types are conditional uses), hotel, and multi-family residential uses. Prohibited uses include drive-through sales and services, automotive services, and some industrial uses.

Density and height requirements in the T4 District include a minimum floor area ratio (FAR) of 1.0 and no maximum, with a minimum height requirement of 25 feet and a height limit of 75 feet (that can be exceeded with adherence to specific design requirements). A series of design guidelines are spelled out that address block sizes, street relationships, landscaping, parking, and other architectural and urban design elements. The zoning includes specific required elements for master plans. There are no minimum parking requirements within one-quarter mile of University Avenue, which applies to the entire Site. However, within light rail station areas (which includes most of the Site) there are parking maximums for surface parking, which equal 140% of the normal citywide minimum parking requirements.

B. Site Access

The Snelling light rail (LRT) station will operate as a split side platform centered on the intersection of Snelling and University Avenues. The split side platform is a two platform configuration, which means that LRT passengers will access their respective platforms from signalized pedestrian crossings located on opposite sides of the intersection. Traffic operations at the intersection of Snelling and University Avenues, one of the City's busiest intersections, will continue to operate largely as they do today.
As indicated above, BRT service is planned to be operational along Snelling Avenue in 2015. The BRT station serving the site will include covered and enclosed stations on either side of Snelling Ave. immediately north of Spruce Tree Avenue. The Site is served by existing, regular, local and limited bus service (Lines 16, 21, 50, and 84) on both University and Snelling Avenues. Multiple bus stops are located adjacent to the Site.

Vehicular access to the Site is similarly abundant. University and Snelling Avenues are intensely utilized arterials (there are 42,000 daily trips on Snelling Ave. alone) that serve the Site to its north and west, respectively. Access to the Site from the northern side or westbound direction of University Ave. is restricted to Snelling Ave. and Pascal Street, due to the location of the LRT tracks in the middle of University Ave. Interstate 94 (150,000 daily trips) is located immediately south of Site on the southern side of St. Anthony Ave. Access from westbound I-94 is achieved by an exit at Pascal St. that brings vehicles onto St. Anthony Ave. to Snelling Ave. Eastbound I-94 traffic can use an exit on Snelling Ave. and then head north over the highway to the Site. (It should be noted that planning efforts are underway to evaluate a possible extension of Ayd Mill Road, which currently terminates about one-half mile south of the Site, to St. Anthony Ave. just east of Pascal St.). The Site is also served by a bikeway along Pascal Street.

C. On-Site Improvements and Encumbrances

Occupying the northern, approximately two-thirds (nearly 20 acres) of the Site is the 293,732 SF Midway Shopping Center owned by RK Midway. The center is anchored by a 67,000 SF Rainbow Foods grocery store and also includes Office Max, Big Top Liquors, Foot Locker, Walgreens, McDonald's, Perkins, and other restaurant and retail tenants. Tenancy includes a wide range of lease terms, including from a year or less to a decade or more (see Appendix B for a graphic depicting the Midway Shopping Center's existing tenants and the approximate remaining terms on their leases). The center is served by on-site surface parking.

In 2013, RK Midway purchased the 28,000 SF American Bank Building situated at the northwestern corner of the shopping center. The two-story structure is currently vacant, but RK Midway has submitted an application to the City to relocate Walgreens into the building's ground floor. Including the recently acquired vacant bank building, the center is approximately 75% occupied. Some of the unoccupied spaces have been intentionally left vacant by RK Midway in anticipation of future redevelopment of the center and related planned infrastructure improvements.
The HRA has two access easements across the 4.8 acre parcel at the southeast corner of the Site. The HRA also has a purchase option on the 4.8 acre property that expires in November, 2014. The Met Council leases space on its 9.9 acres to a billboard operator. There are no other improvements or encumbrances on the Site.

D. Site Context

According to the SAP, although generally known as a major retail shopping district, the area around the Site hosts strong neighborhoods and two main street commercial corridors on Snelling Ave. and the north side of University Ave. that include a mix of employment and small retail businesses. University Ave. here is typically lined with traditional main street buildings that house retail, office and restaurants. Some marginal uses and vacancies are evident.

The well established residential neighborhoods of Hamline Midway and Merriam Park are located behind these two commercial corridors on the north and southwest. A significant institutional presence also exists in the area with a number of faith organizations, the Health East Clinic, and Hamline University.

The properties to the east are primarily suburban retail shopping centers on superblocks with extensive surface parking. This includes the Midway Marketplace on the block immediately to the east of Pascal Street that hosts a Walmart and Cub Foods, and a Super Target on the block on the east side of Hamline Avenue. The Site and the larger Midway area represent one of the few significant destination retail clusters in Saint Paul.

III. THE VISION & THE OPPORTUNITY

A. The Vision

As established in the SAP, community aspirations for redevelopment of the entire Site include a variety of goals that are in keeping with typical principles and best practices of TOD. The key goals outlined in the SAP include:

- Mixed-use
- Walkable
- Sustainable
- Serves locals, but also of broader appeal
- Increases transit use, decreases vehicle use
- Economic catalyst, including job creation and increased tax generation
- Provides new quality open spaces
- Stimulates future redevelopment of other nearby suburban style retail
- Represents the best of Saint Paul, can serve as a model for TOD

B. The Opportunity

The UIG Team has identified the following key factors that we believe combine to create a very tangible opportunity for achieving the community's aspirations for redevelopment of the Site. These factors include:

- *Ownership*: Large assemblage with a willing private owner and sizable public land component
- *Access*: Unmatched access (freeway, streets, LRT, BRT, and possible Ayd Mill extension)
- *Supportive Land Use Regulations*: TOD zoning and SAP are already in place
- *Central Location*: Midway is already a region-wide destination
- *Existing Amenities*: Amenity-rich area with substantial retail offerings
- *Vibrant Context*: Established, well-maintained neighborhoods, nearby universities
- *Public Investment*: Transit, green streets, etc. are major public investments to capitalize upon
- *Visibility*: High profile location is good for retail and offices that want exposure
- *Transformative Potential*: The existing low density and vacant land, with no sidewalks, streets, or open spaces, can be both catalytic and a model for the future.

IV. MARKET RESEARCH FINDINGS

According to the SAP, the study area in which the Site is located was identified as a market area with considerable potential over time for an increase in a full range of uses, including a strengthened retail presence of up to 450,000 new SF, new office of approximately 300,000 SF and, in the longer term, up to 1,000 new residential units.

UIG reviewed existing market research information provided by a variety of sources that influenced our expectations for development and corresponding recommendations. Market research and source materials that provided market intelligence included, amongst others, the following:

- *Midway Shopping Center, Multifamily Market Feasibility Study*, Stantec, December, 2013
- *Summary Market Value Appraisal Report of 400 Snelling Avenue North*, Lake State Realty Services, July, 2013
- *A Commercial Real Estate Market Analysis for the Midway East Corridor in St. Paul, Minnesota*, Maxfield Research, Inc., August, 2013
- *City of Saint Paul Community Analyst Reports, ESRI*, 2014
- *Snelling Avenue LRT Station Consumer Spending Report* (and other reports), Minneapolis-Saint Paul Regional Economic Development Partnership, 2014
- Interviews with Mary Bujold, President, Maxfield Research
- Interviews with Twin City-area real estate brokers

Based on our review of these materials, we found the following information to be the most significant:

Demographics:

- Incomes: Low relative to city, county and national medians
- Age: Relatively youthful with a median age of 30 years
- Ethnically mixed
- Stable population growth

Uses Supportable Under Current Market Conditions:

- Multi-family residential: market-rate (low-, mid-density), senior, student, and affordable
- Retail: soft goods, small specialty grocer, discount membership store
- Restaurant: fast-casual, coffee, yogurt, etc.
- Entertainment: movies, bowling, etc.
- Sports facilities: fitness, recreation center, YMCA, indoor fields
- Medical: clinic or medical office
- Office: small creative space, collaborative spaces
- Educational: supplemental space for nearby university

Uses Potentially Supportable Under Future Market Conditions:

- Hotel, including conference space
- General commercial or corporate offices

V. GAP ANALYSIS FINDINGS

In order to determine any potential shortfall between delivery of the type and components of development desired by the City and Met Council and what market forces can reasonably be expected to support, the UIG Team conducted a "gap analysis." Presented below is the methodology utilized for conducting the analysis, the cost and value assumptions used, an estimation of the potential gap, and an analysis of the tax increment financing (TIF) that would be required to fill the gap.

A. Methodology

The UIG Team presented three site plans at a workshop on April 2, 2014. While there was no consensus amongst the workshop attendees around a specific development program for the Site, the attendees generally agreed on the development layout and infrastructure scheme reflected in Design Scheme A1, shown below in Figure 2. Scheme A1 assumed a total of about 1.6 million SF of development at full build-out, including about 668,000 SF on 8.5 acres in Phase 1, 576,000 SF on 16 acres in Phase 2, and 375,000 on 10 acres in Phase 3.

Figure 2

For the purposes of this analysis, the "infrastructure components" of Scheme A1 include:

- New streets, intersections, and sidewalks;
- Wet and dry utilities;
- Streetscape improvements to existing streets;
- Parking (primarily parking structures);
- Parks/open spaces; and
- Site preparation, including building demolition, soil remediation, etc.

The Saint Paul office of Stantec (which currently serves as a consultant to RK Midway) developed a rough order of magnitude (ROM) estimate for the infrastructure improvements depicted in Scheme A1. The ROM estimate provided by Stantec was used as a proxy for the cost basis a private master developer (a developer, presumed to be RK Midway for this analysis, that would control the land and be responsible for developing a master plan and building the Site's infrastructure, but which may not develop all of the buildings itself) would have in the land at the point it could market in parcels to vertical developers.

The total infrastructure estimate (including a tree trench stormwater system) of approximately $64.3 million, spread evenly across the Site, results in approximately $1.9 million of cost basis per acre. (See Appendix C for the complete infrastructure cost estimate prepared by Stantec). This ROM estimate reflects only the physical infrastructure elements listed above and therefore does not include a master developer's capital structure, cost of capital, or profit spread. Significantly, because this basis reflects only infrastructure costs, it also does not include the cost of the land itself.
The per acre infrastructure cost basis was then compared against the market value of comparable parcels in the area. Mary Bujold, President of Minneapolis-based market research firm Maxfield Research, provided UIG with local market data on recent comparable land sales in the region. This data was incorporated into a comparables analysis to estimate a per acre value for the Site based on recent multi-family and mixed-use development sales near transit stations in the local market area.

Based on guidance from Maxfield Research that multi-family is the highest value land use under current market conditions and the most immediately viable use for the Site (other than perhaps additional suburban retail), UIG developed a valuation that assumed full build-out of the Site with only multi-family residential uses. (We of course recognize that the entire Site will not be developed solely with multi-family residential uses, however this use is the most logical to serve as a proxy for the upper range of potential values for the Site.)

The shortfall between the per acre value of the land to vertical developers compared to the per acre infrastructure cost basis estimate was then multiplied by the gross acreage of the Site to estimate the "gap" for the entire project at its full build-out. As such, the gap is the difference between what it would cost to deliver the desired infrastructure on the Site (per Scheme A1) and the estimated value of the Site's land.

This estimate is based on a static analysis given current assumptions. A number of factors that could impact the size of the gap in the future include: the cost of infrastructure, the ultimate specific infrastructure plan, general economic and market conditions, and potential changes in land value on the Site over time as a result of previously accomplished infrastructure and vertical development. While we are certain that most, if not all, of these factors will in fact change over the course of the project's build-out, the analysis does not reflect such changes because of the difficulty of making such predictions and the level of complexity they would add to communicating the findings of the analysis. Further, while the estimated infrastructure costs were broken into phases to demonstrate how development of the Site might occur over time, without a specific development program and a corresponding set of market-based absorption assumptions, we conducted the analysis on a present value basis without introducing inflation factors.

B. Infrastructure Cost Assumptions

Reflected in Stantec's ROM is an assumed level of infrastructure design required to get the Site in finished lot condition with utilities stubbed to individual parcels. Table 1, below, excludes any surface parking costs originally included in Stantec's ROM because it was assumed that such improvements would be typical costs for a developer of a finished lot. Stantec's ROM relied on unit prices based on MnDOT 2013 Average Bid prices. Actual bid prices can vary based on timing and specific site conditions. Specific locations of open spaces, roads, and other infrastructure may also vary based on the final master plan.

Table 1: Summary of Infrastructure Costs by Phase

Item	Phase 1 Cost	Phase 2 Cost	Phase 3 Cost	Total Cost
Mobilization (3%)	*$ 122,200*	*$ 152,100*	*$ 54,600*	*$ 328,900*
Removals & Misc.				
Subtotal - Removals	*$ 332,090*	*$ 468,900*	*$ 553,210*	*$ 1,354,200*
Streets				
Subtotal - Streets	*$ 2,210,800*	*$ 3,280,750*	*$ 360,000*	*$ 5,851,550*
Sanitary Sewer				
Subtotal - Sanitary Sewer	*$ 111,800*	*$ 95,100*	*$ 11,250*	*$ 218,150*
Watermain				
Subtotal - Watermain	*$ 176,500*	*$ 217,250*	*$ 179,050*	*$ 572,800*
Storm Drainage				
Subtotal - Storm Drainage Tree Trenches	$ 2,134,002	$ 1,741,725	$ 1,349,840	$ 5,225,567
Parks, Plazas and Open Space				
Subtotal - Parks Plazas and Open Space	$ 431,244	$ 1,229,234	$ 543,629	$ 2,204,107
Structured Parking				
Subtotal - Structured Parking	$ 2,040,000	$ 16,201,000	$ 21,930,000	$ 40,171,000
SUBTOTAL	***$ 7,558,636***	***$ 22,156,825***	***$ 24,437,950***	***$ 55,926,275***
Contingency (15%)	$ 1,133,795	$ 3,323,524	$ 3,665,693	$ 8,388,941
TOTAL CONSTRUCTION COST	**$ 8,692,431**	**$ 25,480,349**	**$ 28,103,643**	**$ 64,315,216**

Source: Stantec

As is evident from Table 1, structured parking is far and away the most significant component of estimated infrastructure costs, totaling over $40 million or about 60% of the total costs. While structured parking has not historically always been considered a component of infrastructure, for TOD projects it is an essential element to achieving the desired density and place-making outcomes. It is also frequently the component of development, especially in early phases, for which there is a substantial gap because the market forces are not yet in place to support its significant costs (typically $15,000 - $20,000 per space). As seen on Table 1, only limited structured parking is projected for Phase 1. This is because there is enough available land on the Site to support much less expensive surface parking until further development warrants its replacement with a shared parking structure.

Stantec's ROM estimate of infrastructure costs is just that, a rough estimate of major infrastructure elements that could reasonably be expected to occur as part of development of the site. It is possible that some of the assumed infrastructure costs, such as those projected for streetscapes, stormwater vaults, and structured parking, may in fact overlap with site-specific improvements for which a vertical developer would normally bear financial responsibility. However, given the desired density and urban design for development on the Site, the use of stormwater vaults and structured parking is greater here than the market would typically dictate and therefore those costs have been considered additional infrastructure costs attributed generally to the Site.

Stantec's ROM estimate does not include costs for environmental remediation because the necessary environmental studies have not yet been performed to know if remediation will be required and, if so, at what cost. This is an important variable that could impact costs as well as redevelopment potential. There are, however, a number of grant programs available to fund such studies.

As stated above, based on the ROM estimate, the cost basis a master developer will have in the land before attributing any purchase price for the land is approximately $1.9 million per acre (or approximately $43.00 per square foot). For more detail on the assumptions included in Scheme A1 regarding development and infrastructure system at full build-out, see Appendix D for a series of drawings by Stantec, including a full build-out plan of Scheme A1, a stormwater sewer system plan, a sanitary system plan, and a water system plan.

C. Land Value Assumptions

Table 2, below, provides a summary of the most relevant comparable properties included in the data provided by Maxfield Research on comparable land sales along rail transit lines. Although all of the comparables are much smaller properties than the Site, smaller parcels actually closely represent the types of transactions that a vertical developer would be expected to have with the master developer of the Site.

Table 2: Summary of Relevant Multi-Family Comparables

Address	Sale Price (in $M)	Acres	Price/Acre (in $M)	Use
2901 4th Street	$3.20	2.42	$1.32	MU-MF
3550 E. 46th Street	$1.00	1.8	$0.56	MF
2402 University Ave. W	$1.60	1.09	$1.47	MF
2320 Marshall Avenue	$0.75	0.41	$1.83	MF
815 1st Street S	$1.68	2.08	$0.81	MF

Source: Maxfield Research

Based on this data, Maxfield Research estimated per acre land values for multi-family residential uses on the Site at $1.0-$1.25 million (or $34.5 – $43.1 million total for the entire Site).

D. Valuation Gap

Below is a description of the estimated gap for both the entire Site at full build-out and for Phase 1 independently.

- Full Project Build-Out: Based on the ROM estimate and land value calculation presented above, we have identified that there would be a $650,000 – $900,000 gap to break even on the land. Put another way, this means that the value of the land would have to increase by this amount in order for it and the estimated cost of infrastructure to be equal on a per acre basis. This per acre analysis represents a value gap of approximately $22.4 million to $31 million across the Site. The gap does not take into consideration the additional spread (increment of profit) on the land for a master developer selling the land.

- Phase 1 Only: For the approximately 8.5 acres that would be included as part of Phase 1 (see Figure 3, below, for the drawing of Scheme A1 – Phase 1 Concept Plan), Stantec's ROM estimate identified $8.7 million ($1,022,000 per acre) in infrastructure costs. Phase 1 infrastructure costs are substantially less per acre than the costs identified for the project build-out largely because only one parking structure is assumed to be required in the initial phase. When considered with the land value assumption of $1.0 - $1.25 million per acre, Phase 1 is anticipated to have a value gap of $0 - $203,000 per acre. Of course, if Phase 1 is treated separately from the full build-out analysis, the gap would likely increase for the remaining subsequent phases because none of the future costs would be attributed to the 8.5 acres in Phase 1.

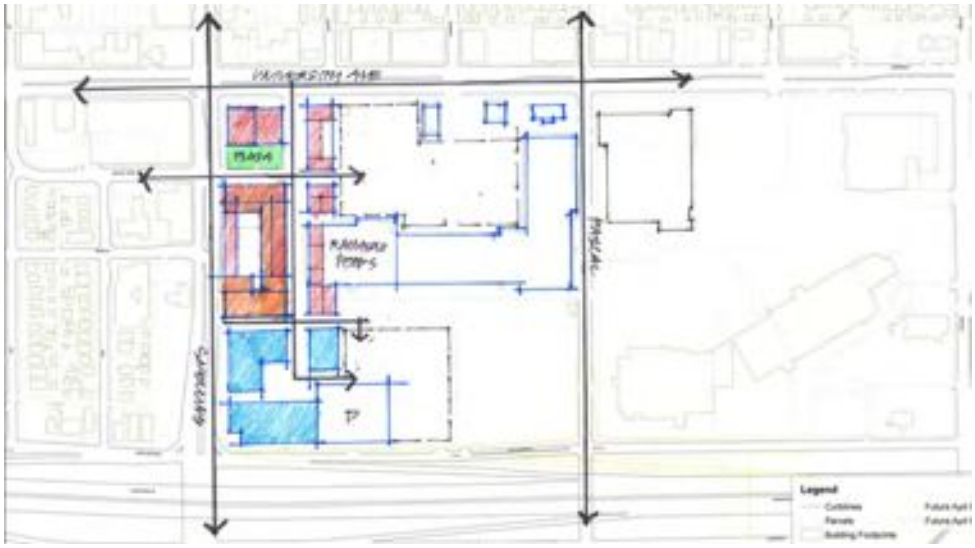


Figure 3

It is also important to note that initial phases of development can catalyze future phases, increasing demand for the Site's land and therefore increasing the underlying land value. As the land value rises, the gap between the infrastructure costs and land value will likely shrink or could potentially even be eliminated.

E. Estimate of Value Creation Necessary to Fund the Gap Via Tax Increment Financing

In order to put the size of the gap into perspective, strictly as a point of reference, the UIG Team estimated how large of an increase in the appraised value of the Site's land would be necessary to generate sufficient tax increment to service net bond proceeds to fund the entire gap. We understand that the market for tax-increment financing (TIF) bonds without credit enhancement is extremely limited and that each TIF deal has unique features and a great deal of complexity. The actual TIF plan for the Site could vary widely, but using a ROM bond analysis is a way to think about the gap in terms of incremental market value (rather than in terms of a cash subsidy).

To prepare the analysis, the UIG team relied on reference documents provided by the Client Partners (including *Property Tax 101: Property Tax Variation* by Property Type by Steve Hinze, 2013) as well as interviews with City of St. Paul Planning and Economic Development Department staff to determine standard assumptions for a hypothetical TIF bond. The key assumptions for the analysis are shown in Table 3, below. The calculations and an explanation of the components of the assumptions are provided in Appendix E.

According to this analysis, the redeveloped market value necessary to generate sufficient property taxes to fund a bond to pay for the entire infrastructure gap would be approximately $206 - $286 million in appraised valuation. For multi-family units, the market value of completed Class A units is approximately $150K per unit. Netting out the underlying land value (which is approximately 15% of the unit value), the assumed redeveloped market value is approximately $127,500 per unit. In order to create this projected amount of additional land value, approximately 1,620 to 2,240 Class A multi-family units would need to be built on the Site (the equivalent of about 47-65 units per gross acre).

Table 3: TIF Bond Analysis Assumptions

Variable		Assumption
Costs of Issuance, Interest Reserves, etc.		15%
Interest Rate		8.00%
Term		16 Years
Portion of Increment Available		90%
Debt Service Coverage		1.25 X
Local Tax Rate		160.00%
Total Tax Capacity		Annual Debt Service/Local Tax Rate
Multi-Family Class Rate		1.25%
Total Redeveloped Value		Local Tax Capacity/Multifamily Class Rate

VI. DESIGN AND PLANNING RECOMMENDATIONS

A. Guiding Principles for Achieving TOD on the Site

The following ten principles represent the UIG Team's recommendations for the essential components for achieving high quality TOD on the Site that is successful both economically and in terms of place-making:

- *Flexibility*: Ensure flexibility to respond to unexpected opportunities
- *Change Image*: Change image/brand of site in the short term
- *Align Interests*: Align interests between public and private parties long term
- *Respect Revenue*: Respect existing revenue sources of the Midway Shopping Center
- *Pair Infrastructure and Development*: Pair timing of delivery of development and infrastructure
- *Create Value Through Phasing*: Create incremental value over time through phasing
- *Attract Transit Users*: Draw transit users into the site through design and land uses
- *Diversity of Uses*: Accommodate market fluctuations through diversity of uses
- *Be Local and Regional*: Development should serve the neighborhood and beyond
- *Recognize TOD Value*: Use high value TOD land for TOD uses, and remaining land for less transit supportive uses

B. Specific Design & Planning Recommendations

According to the SAP, the intersection of Snelling and University Avenues and its surrounding blocks offer a minimal, unaccommodating environment for pedestrians and no respite in the way of gathering spaces for transit users. The SAP recommends wide sidewalks, public gathering spaces, public art, and the use of parking structures. The SAP indicates that there is a potential for buildings up to 10 stories near the northwest corner of the Site and that new development should line streets and open spaces, promote activity at the street level, include a mix of uses, and create a solid street frontage.

In an effort to further the discussion about the future of the Site and the essential components that can guide development to achievement of the Client Partners' goals, the UIG Team prepared a series of site plan options and associated recommendations. As discussed above, the workshop resulted in general agreement on Scheme A1 as the preferred design alternative. To be clear, the design effort was intended specifically to facilitate a discussion about conceptual level planning, land use, and urban issues. As such, Scheme A1 in no way is meant to represent a fully conceived master plan.

Once the Client Partners reach an agreement on how to move forward, RK Midway should initiate a thorough and detailed master planning effort that specifically identifies proposed street locations and cross sections, the size and design of open spaces, the integration of green infrastructure, etc. It is our hope that the future master planning effort will be built on the foundation of the conceptual design effort the UIG Team presented as well as the following recommendations.

- Land Uses
    - Although it may not be achievable in the earliest phases of development, density of land uses should be increased over time closest to the rail station.
    - Discourage big box retail, large-format grocery stores, destination sport and recreation venues or other stand-alone public venues due to the substantial amount of parking they typically require.
    - If the parties are interested in accommodating any uses that are car-oriented, such uses should be located on the southeastern portion of the Site where the TOD value of the land is lowest.

- Building Form
    - Density of at least 30 DUs/acre or 125 employees/acre should be the long term goal.
    - Encourage a mix of building types, with a majority at least four-story over street-level activated uses, including retail, office, and (for residential blocks), townhomes, live/work, and other residential formats.

- Parking
    - Transition surface parking lots over time to parking structures as density of development exists to support that transition.
    - Maximize shared parking facilities throughout the Site.
    - Wherever possible, put parking under buildings or wrapped with other uses.
    - Manage parking through shared parking, parking design integrated with streetscape, and ensuring buildings and not parking are the dominant features.
    - Manage parking to ensure the Site is not used as a park-n-ride for the LRT or BRT.
    - On-street parking should be allowed where feasible.
    - Provide a car-sharing program pod on-Site.
    - Require implementation of a Transportation Demand Management (TDM) program for major residential and commercial tenants. Such a program could include subsidization of transit passes and/or a pre-tax transportation benefit for employees.
    - Ensure regular data collection and reporting on parking usage and mode share split. Use data to shape parking delivery and effectiveness of TDM programs.
    - Include a bicycle sharing program and ensure secure on-site bicycle parking is provided as buildings are built.

- Open Spaces
    - Determine open space locations, sizes, and program in master plan as fixed components of the infrastructure plan. (Note: The number and size of the open spaces included in Scheme A1 that UIG presented were conceptual suggestions and estimates. The ultimate number, location, and total acreage of open spaces should be studied closely as part of a robust master planning effort.)
    - Provide multiple public open spaces (e.g., plazas and squares) that support urban village type uses (e.g., farmer's market), gathering, lingering, outside dining, etc. (as opposed to parks that are largely intended for active recreation). At least one of the open spaces should be a signature urban space like Rice Park or Mears Park in downtown Saint Paul.
    - Use the design and location of open spaces to allow for vistas, frame building and street edges, and drive activity to targeted areas of the Site.
    - Ensure open spaces serve both as public amenities and as value creation tools (by making the buildings adjacent to them more desirable).
    - Activate public spaces by providing defensible spaces along the street edge and open spaces using outdoor sitting areas, appropriate landscape, and urban furniture.

- Ensure that public spaces are engaging and encourage street level activity.
- Promote inclusion of privately built open spaces as amenity components of larger residential buildings.
- Private sector initiated open spaces should adhere to design and maintenance guidelines.
- Consider a taxing district that funds construction and high quality maintenance of open spaces.
- Locate a significant open space at the terminus of an extension of Simpson Street into the Site to act as an attractive visual feature as well as a draw for people at the northern perimeter of the site.
- Locate a secondary open space on the eastern side of the Site at the terminus of a new east-west roadway through the Site, likely an extension of Spruce Tree Avenue.

- Streets and Urban Design
  - A master plan should address the entire Site and include a framework plan that establishes streets, open spaces, and other infrastructure.
  - Blocks should be active on all four sides where possible.
  - Create a street hierarchy that establishes dimensions, cross sections, and character for multiple street types (i.e., residential, retail, alley, etc.).
  - Block sizes should be walkable, with perimeters not exceeding 400 feet on block face.
  - Ensure that east-west vehicular access doesn't sever north-south pedestrian connections.
  - Focus all street design on maximizing pedestrian activity and a quality pedestrian experience.
  - Sidewalks should include a generous amenity zone, including street trees, planters or lawn separating the street from pedestrians, lighting, and public seating.
  - Establish a set of site-specific design guidelines and standards that are built upon existing TOD policies.
  - Create a design review committee tasked with ensuring proposed development adheres to the new set of design guidelines. Committee membership might include representation of the master developer, major tenants, neighborhood organizations, the design community, and public agencies.

- Essential Elements for Phase 1
  - Use Phase 1 infrastructure to catalyze and set the tone for future development on the Site.
  - Build a new Asbury Street segment that aligns with the existing drive aisle between the American Bank and McDonald's buildings and connects all the way south to the Met Council property. The new segment should create a pedestrian-oriented experience.
  - Reuse of the American Bank Building should include ground-floor retail. Avoid drive-thrus if possible, but if unavoidable, tuck them away from streets. Replace or add to building in future phases.
  - Remove the McDonald's and relocate it to a pad at the northeast corner of the Site or elsewhere in a future phase.
  - Reuse existing structures until value creation warrants their replacement.
  - Preserve most valuable existing revenue producing buildings until later phases.
  - Preserve larger undeveloped portion of block for potential large user.

- Branding and Identity
  - Require high quality branding and way-finding signage throughout the Site, especially for connections to transit.
  - Create a public art program funding mechanism, such as requiring a fixed dollar amount or a percentage of development cost (i.e., 0.25% of total development cost) be contributed as vertical development comes online.
  - Keep the billboard on the Met Council property as a source of revenue until development occurs on that property or it becomes an aesthetic nuisance to new development on the Site.
  - Use signage and awning design to create a pedestrian scale on building fronts.

- Sustainability
    - o Facilitate implementation of green infrastructure, using open spaces, streets and tree trenches for storm-water management.
    - o Require achievement of LEED-Neighborhood Development certification, or an equivalent metric, to ensure sustainable planning and infrastructure practices are being incorporated and a mechanism is in place to tracking their achievement.

VII. DEAL STRUCTURE AND FINANCING RECOMMENDATIONS

A. General Deal Structure Principles

The following are some broad recommendations for structuring a deal between the Client Partners:

- Focus on the Framework: The deal structure should create a framework that lets the master developer infuse their own brand of development and creativity into the redevelopment effort. More specifically, it could lock in streets and open space locations and sizes, block sizes, building envelopes, and total development of particular uses, but allow the master developer to move freely within those requirements.

- Build In Flexibility: The only thing we can be certain of is that whatever ultimately gets built won't look like or be delivered exactly as anticipated. Therefore, flexibility is the key to accommodating creativity, serendipity, and market responsiveness.

- Don't Be Wedded to Phasing Sequence: Other than a well defined Phase 1 plan, we don't believe additional specificity regarding phasing is anything more than a rough estimate as it pertains to what type and size of specific users will come along and when. Therefore, we recommend to structure an agreement that does not lock in specific vertical private development components in a specific sequence. A better alternative is to lock in the phasing sequence of infrastructure and to link infrastructure delivery to vertical development in geographic subareas of the Site.

- Tie Delivery of Costs to Achievement of Revenue: A common approach for development agreements between private and public parties is to set specific calendar dates for delivery by the developer of desired public amenities (e.g., parks) and infrastructure (e.g., roads). Such an approach has often led to breached agreements and lawsuits because it does not accommodate market changes. Once assignment of responsibility has been established, we recommend that the master developer's requirements for construction of any public amenities be linked in timing to the delivery of revenue producing components of their redevelopment. For example, creating milestones of development square footage (e.g., 200 DUs or 100,000 SF of commercial/retail) at which delivery of specific open space components (tied geographically per the approved master plan) need to occur.

- Link Land Acquisition to Development Demand: If the master developer can take down the Met Council's land over time as needed (to accommodate a specific user with whom a deal has been struck) rather than purchasing the land up-front at fair market value, the developer's risk and costs can be substantially reduced. Such benefits are achieved due to reduced carrying costs, reduced requirements of investor return on capital, increased access to debt, reduced cost of debt, and reduction of entitlement risk. These kind of benefits can significantly contribute to making development more feasible.

- Emphasize Place-Making: Focus on achieving a particular place-making outcome that is based on approved TOD policies and urban design principles and make sure those goals are very clearly articulated in an agreement. With those goals established, let the master developer have freedom to make more detailed design and land use decisions.

- Eliminate As Much Uncertainty As Possible for Developer: Uncertainty is risk, and accommodating risk is expensive. Risk can be reduced significantly both through components of the business deal and the land use approval timetable/ process.

B. Public-Private Partnership Approach

The world of real estate development deal-making is dramatically different as a result of the Great Recession. Land development deals of real significance now practically only get done through partnerships, often between land owners (pubic or private) and developers. The Bus Barn site owned by the Met Council is no exception – the latent use and low basis of this property represents an enormous asset for facilitating a mutually-beneficial deal with a development partner.

The City's regulatory authority, intrinsic economic development interest, and ability to contribute financially through a variety of public finance mechanisms represent significant value to a potential partnership. And with RK Midway an experienced and willing development partner that owns a majority of the Site, a public-private partnership (PPP) with the City and the Met Council appears to provide the greatest opportunity for successful achievement of the goals outlined in the MOU for each Client Partner. The logic and key components supporting this approach are described below.

- Large Scale of Site: Taken together, the Site encompasses nearly 35 acres and the equivalent of multiple typical Saint Paul city blocks. At full build-out under the existing T4 zoning requirements (including a minimum FAR of 1.0), the least amount of development that would occur on the Site is over 1.5 million gross square feet. Taken in any context, but particularly in this location of historically suburban scale uses, this represents a massive amount of development that will likely require a long-term horizon for achievement.

- Imbalance of Property Value: On a per acre basis, the RK Midway-owned property is more valuable land for development, especially for TOD, than is the Met Council's property (or the HRA's, with its option to purchase land from RK Midway). This is because the RK Midway property represents a majority of the property on the Site, will have direct access to the LRT and BRT stations, and fronts the University Avenue corridor. We strongly believe that without being integrated with the RK Midway property as part of a comprehensive redevelopment, the Bus Barn site's value and potential for TOD would be greatly diminished due to its size, location relative to the transit stations, and lack of direct connection to University Avenue. As such, a partnership would ensure appropriate development of the public land assets and access to the transit investments.

- Existing Revenue Producing Improvements: For RK Midway to unlock the maximum value for its current land holdings, it will require considerable new development and related infrastructure. Without the Met Council's property, achieving that critical mass will be more complex and risky due to the substantial revenue producing improvements currently on RK Midway's property. With the Met Council's property available to it, RK Midway can make more incremental moves that do not eliminate existing revenue producing space until later phases.

- Capital At Risk: Private sector acquisition of the Met Council property in the near term at or near full market value would come with a set of market driven consequences. As a for-profit developer, with fiduciary to its equity partners and lenders, RK Midway would be inherently motivated to earn a return on that land as soon as possible. Particularly in the current market climate, RK Midway could likely find interested users for the land that would earn it a fair return on its capital but that wouldn't align with the City's and Met Council's TOD aspirations. This would put the private and public parties at odds with one another rather than in alignment. Further, any cost to purchase the Met Council property would only contribute to widening the already significant financial gap.

- Near-Term Market Realities: The market research recently conducted for the Site indicates that market forces cannot support the quality, form, or density of development (i.e. high quality multi-family units) nor the public infrastructure (i.e., generous new public open spaces) established as fundamental to the community's redevelopment vision. This is substantiated by the gap analysis provided above. Without partnership amongst all three Client Partners, the gap cannot be filled and thus difficult trade-offs will otherwise have to be made.

- Long-Term Market Realities: Real estate markets are cyclical and the current real estate market cycle is likely within 3 or 4 years of its peak. The Site's land mass and projected development program represent multiple years of absorption. Full build-out of the Site will need to occur over many years and will likely span more than one market cycle. If the entire superblock is controlled by one party, the assets won't be pitted against one another in a slow market and will be better able to accommodate any desired development product type at any given time.

- Comprehensive Planning: By its very nature, good urban planning is done comprehensively, not piecemeal. A better master plan can be designed, approved, and implemented if one party controls the entire Site. With RK Midway leading the effort and the City and Met Council as highly invested partners, the level of complexity will substantially lessen and the probability for success will greatly increase.
- TOD Benefits: By redeveloping the existing suburban shopping center and vacant Bus Barn site into a dense, walkable, transit-rich urban area a number of typical TOD benefits can be expected to accrue. Such benefits could reasonably include: an increase in on- and off-site property taxes, an increase in on- and off-site sales taxes, an increase in construction related jobs, an increase in permanent jobs (potentially as many as 4,400 office jobs and 710 retail jobs based on the Scheme A1 land use program), additional housing units proximate to the transit stations, and an increase in transit ridership. Residents living near transit stations are around five times more likely to commute by transit as the average resident worker in the same city (according to a 2004 report entitled, *Travel Characteristics of Transit-Oriented Development in California*). And at an individual transit station, TOD can increase ridership by 20 to 40 percent and up to five percent overall at the regional level (according to a 2002 report entitled *Factors for Success in California's Transit-Oriented Development*). Less tangible potential benefits include: increased civic pride, more local amenities for neighborhood residents, improved air quality, reduced GHG emissions, and reduced household cost by reducing driving. A partnership increases the probability of achieving these benefits, and the more land devoted to such uses, the greater the potential benefits.

For these reasons, we are confident that a deal structure that fundamentally aligns all interests working towards a shared set of goals, accommodates patience, provides a buffer against the vagaries of the market, and promotes coordinated planning will produce the best outcome for all parties. The "whole" would in fact be greater than the sum of its parts.

C. Components for Achieving an Agreement

The most important steps required to establish a path to a successful working relationship between the Client Partners include the following sequence of agreements:

- Start with an Inter-Governmental Agreement (IGA): Establish how the Met Council and City of Saint Paul are going to work together on their shared goals and different positions.
- Move to an ENA: An exclusive negotiating agreement (ENA) can be a useful tool for bringing parties together at the outset of an effort to achieve a complex agreement that may take substantial work and time. We recommend that an ENA delineate, at a minimum, the following components:
    - o A defined period during which its requirements will be achieved;
    - o A timeline, with milestones, for achieving a Disposition and Development Agreement (DDA);
    - o The anticipated components of a DDA;
    - o Responsibilities of each party during the ENA period should include at a minimum:
        - The Met Council provides exclusivity on the land to RK Midway, meaning they will not negotiate with any other party regarding acquisition of their land;
        - RK Midway will work in earnest to develop a master plan and proposed finance package, and, in turn, an offer for acquiring the Met Council's property; and
        - The City will provide the resources necessary to facilitate RK Midway's master planning and public finance package efforts.
- Collaborate on a Master Plan: A master planning process should be led by RK Midway, in close coordination with the City and the Met Council. The master planning effort should include a thorough community input process. The master plan should be in conformance with requirements of the City's zoning code and should include, at a minimum, a block layout, circulation system, street network and classification, open space plan, land use table with density ranges, stormwater plan, utilities plan, and phasing plan. The plan should address land uses for full build-out as well as for Phase 1 more specifically.

- Work Towards a DDA: A DDA that is achieved between the City, Met Council, and RK Midway should include, at a minimum, the following components:
    - Development objectives for each of the three parties, so intent and outcome is clear.
    - A land use master plan.
    - A public realm master plan: Spells out a street plan and hierarchy, urban design guidelines, and open space design, construction, and maintenance requirements.
    - A utility plan: Spells out what utility improvements will be required and which party is responsible for delivering and maintaining them.
    - Street design standards: Details specific design requirements for each level of the street hierarchy.
    - A public finance plan: This would include a tax increment finance plan that defines eligible costs and what public improvements will be constructed by the master developer, as well as a list of all of the other components of financial assistance the project will receive (e.g., grants, loans, abatements, etc.).
    - Purchase and Sale Agreement: Spells out the terms of RK Midway acquiring the Met Council property. In addition, an agreement on how to treat the 4.8 acres of RK Midway's property for which the HRA currently has a purchase option.
    - Timetable that provides a schedule for delivery of public improvements as well as delivery of the initial phase of development.
    - Approval Process: Agreement for approving specific vertical development components in the future. Given the significance of the project the City might consider providing an expedited land use approval process in light of adoption of a master plan. Perhaps a task force of staff representing various public agencies and departments can be formed specifically to work with RK Midway on its plans, thus expediting review and approval and ensuring a high level of coordination for such an important project.

D. Alternative Finance Tools

As explained in Section V, a substantial financial gap is estimated to exist between what the market will bear and delivery of the public infrastructure and amenities necessary to achieve established TOD policy goals. Given the estimated size of the gap, it is likely that multiple sources will be necessary in order to fund the contemplated infrastructure. Based on conversations with local experts on TIF and other public funding sources that may be available to the project, UIG identified the mechanisms below as potential funding sources to support TOD redevelopment of the Site.

Each of these funding sources has its own set of approvals, competitive processes, terms and duration. The list is not meant to be exhaustive, it merely identifies programs that should be evaluated by the Client Partners as they look for ways to catalyze development given the infrastructure demands of the Site.

- Tax Increment Financing (TIF): We believe that the mechanism of TIF will be an essential component to closing a significant portion of the gap. TIF is a popular, but complicated tool in Minnesota. The Snelling University Tax Increment Financing District No. 135 (the "Snelling TIF District") was originally formed and certified in February 1990. The financing plan associated with the Snelling TIF District has been amended three times, most recently in February 2010 in order to fund a number of projects in the Saint Paul Neighborhood Business Redevelopment Area. Under State statute, the Snelling TIF District will expire in February 2016. Eligible Improvements, those uses for which TIF proceeds can provide funding, do not include parks/open spaces or any uses with a purely aesthetic purpose (open spaces represent a cost of about $2.2 million in Stantec's ROM estimate). While a full analysis of eligible and non-eligible uses are not a part of this analysis, the vast majority of the infrastructure improvements contemplated in the Stantec estimate would be eligible for TIF funding.
- Grants: There are a variety of potentially available grants at the city, county, regional, state and federal level. A brief partial list of some of these programs include:
    - Local Implementation Capacity grants, which are issued by the Corridors of Opportunity Policy Board to provide early support for the development of high-density residential and commercial centers designed to maximize access to these uses by transit, walking and biking.

- Livable Communities grants, which are awarded annually by the Met Council.
- State of Minnesota Department of Employment and Economic Development Redevelopment Grant Program funding, which assist with the costs of redeveloping blighted industrial, residential, or commercial sites and putting land back into productive use.
- Green infrastructure grants from federal, state, and regional government as well as foundations.

- Environmental Clean-Up Tools: If it is determined that substantive environmental contamination exists on the Site, there are a variety of potential tools that could be utilized, including:
  - Brownfield Revolving Loan Fund, which provides low interest or no-interest loans focused on environmental remediation.
  - Pollution clean-up grants targeted specifically for environmental clean-up.
  - Hazardous Substance TIF Sub-District, which would be specifically created for the purpose of on-site environmental remediation.
- Special Assessment Districts: A special assessment is a charge imposed on real property to help pay for a local improvement that benefits the property. Minnesota statute Chapter 429 allows cities to establish special assessment districts to pay for a wide variety of infrastructure improvements, including streets and roads, parks and plazas, storm and sanitary sewer systems, and tree planting, amongst others.

  Because such districts create additional assessment to finance general obligation bonds for infrastructure improvements, they increase the property tax rate for land owners within that district. Depending on the demand for land within the district and broader market conditions, such additional assessments can make land within their districts less competitive for developers and less attractive to tenants (to whom the taxes would be passed through in many cases). That said, more often than not, the benefits of the constructed or improved infrastructure typically outweigh the negative of the higher tax levy.

  Specific districts that might be particularly beneficial for development on the Site could include a Parking Improvement District and a Stormwater Improvement District. The additional assessment revenue would allow the City to bond for capital costs of infrastructure, such as structured parking and a shared stormwater system, and assess the entire Site over time for the cost and ongoing maintenance. Initially this would be a cost to RK Midway as the property owner, but the assessment would stay with the property, thus future owners would assume the cost of the assessment once/if parcels are sold off. Having such a district in place could also help the City leverage additional funding from other sources for capital improvements. Further, the higher level of service would potentially give the Site a competitive advantage over other station areas (the only other improvement district on the Green Line is Downtown Minneapolis) and help to rebrand the Site in the near term.

- Other Tools:
  - City subsidization or provision of in-lieu infrastructure, including streets, sidewalks, open spaces, and in-ground utilities. More specifically, one approach could be for the City to contribute in-lieu infrastructure to Phase 2 that equates to the value of the land RK Midway contributed to the public right-of-way in Phase 1 (thus helping to promote initiation of Phase 2).
  - Alternatively, the master developer could build the public infrastructure (excluding parking-related infrastructure) and then be reimbursed for it (or have it purchased outright) by the City once completed. A similar structure can be used for building parking related infrastructure, although a corresponding threshold of private development occupancy (i.e., 50% occupancy of an adjacent office building) or some other value expressed in a threshold should probably be achieved first.
  - Low income tax credit financing, which would support development of affordable housing units.
  - Development and utility fee and tax waivers or rebates.
  - Sharing of net income (if any can be achieved) from parking structure revenue.

E. Specific Deal Points

As indicated, UIG supports a partnership approach involving the City, the Met Council, and RK Midway. With such a structure, we anticipate RK Midway will act as the master developer, responsible for creating a master plan, securing entitlements, and being the lead private entity in a DDA.

We also anticipate that vertical development on the Site will be achieved in part by RK Midway (or a closely related entity) acting as the master developer and in part through land sales or ground leases by RK Midway to third-party vertical developers who would actually design and construct the buildings. Parallel to the deal structure options available for the disposition of the Met Council property, the relationship between the master developer and third-party builders can be structured as a joint venture (where the master developer plays a partnership role in achieving the project and shares in the return), through a land sale, or through a long term ground lease.

1. Disposition of Met Council Property: As previously explained, there is projected to be a significant gap between the value of the land and the cost of required infrastructure. Although the cost of the land itself is not a variable in that particular calculation, land cost is an incredibly important component of whether or not TOD redevelopment is feasible on the Site. The cost of land is a significant factor in development feasibility analysis because each dollar that has to be spent on purchasing land is a dollar that widens the gap between what the market will bear and the goals for redevelopment. As such, the manner in which the Met Council chooses to transfer its property to RK Midway is hugely important. The disposition could be achieved in at least the three following ways:

- *Sell the land directly to RK Midway*. This could occur as a single outright sale of the entire property or as a phased take down (these options are discussed further below).
- *Sell the land to the City, which would then, in turn, sell it to RK Midway*. Such a structure would likely require a discount on the land price paid by the City. Preference by the Met Council for this approach over a direct sale to the master developer would be a policy decision based on how the Met Council balances its short term needs versus long term interests and how involved the Met Council wants to be in overseeing implementation of TOD redevelopment at the Site. A parallel policy decision would of course be required by the City.
- *Met Council ground leases the land to RK Midway*. Depending on RK Midway's capital structure and the Met Council's preferred revenue structure, a long term ground lease might be an attractive option. Due to lender requirements on vertical development that occurs on leased land, the absolute minimum lease term would have to be 50 years, but more typically would need to be 66 to 99 years. This approach does not require an initial capital outlay to purchase the land, which for some developers is a significant benefit. For the Met Council, the benefits would be that it had not given up complete control of the land, that the land would someday revert to public ownership, and that it would receive a long term revenue stream (which would directly align the financial interests of lessor and lessee).

2. Setting the Land Purchase Price: There are a myriad of ways public agencies structure deals to price their land for disposition to private developers. The following are some ways that we believe deserve serious consideration. (While we refer to the Met Council as the selling agency, these approaches would also work if the land was first sold by the Met Council to the City and the City became the entity selling the land to the master developer.)

- The land is sold as a single, fee simple asset by the Met Council to RK Midway for a substantially reduced price (below appraised value) that could be as little as $1.00. In return, RK Midway agrees to a set of deed restrictions that specify development conditions representing the full extent of the Met Council's TOD-related policy goals. (Such an approach that "trades" real property for transit-supportive benefits could also facilitate reducing the FTA's interest in the asset). Further, a value creation sharing tool could be designed to provide the Met Council with a future financial return. The tool could be based on realized increases in the value of the Met Council's land between the time it is sold and a designated trigger (e.g., a land sale or recapitalization by RK Midway or construction of vertical improvements). It would be important to ensure that the profit sharing is not so onerous that it would create a disincentive for the master developer to create maximum value.

- An option to purchase is granted to RK Midway for a specific period (e.g., 10 years) in which it is entitled to acquire the land at pre-established prices. Portions of the land could be taken down in increments over the option period and the purchase price could increase over time (e.g., $X/acre for land purchased within the first two years, $Y/acre for land purchased the subsequent three years, etc.). For this approach, it would be important to ensure the master developer could not resell the property unimproved for a certain period of time (either at all or without financial penalty), thus avoiding a situation where the land is "flipped" and none of the value increase is captured by the Met Council.
- An option to purchase is granted to RK Midway for a specific period (e.g., 10 years) in which it is entitled to acquire the land at a price to be negotiated. If the parties cannot reach agreement on purchase price, they would seek arbitration and abide by that decision. Alternatively, the price could ultimately be determined by a value creation formula established at the time the option was granted.

3. Master Planning and Platting Process: Because the Site is large, complex, and will be redeveloped in multiple phases, the entitlement process should be structured to facilitate completion of Phase 1 in the near term and defer more in depth review of subsequent phases. A master plan should be completed for the entire Site, but with varying level of detail for Phase 1 (lesser) and later phases (greater). At a minimum, the street network, development blocks with general scale and massing, stormwater management concept, and open space system should be detailed for the entire Site. The platting should be done in phases, as development proposals demand. The platting will indicate in great detail the subdivision of the Site into discrete developable (as well as sellable and financeable) parcels. The platting process will also establish in greater detail utility design, easements, and street design specifications.

4. Maintenance of Streets and Open Spaces: There is no single right answer to the best way to handle the issue of maintenance of publicly used facilities like streets and parks. That said, we believe that the project should in fact not feel like or be experienced by a member of the public as a "project" at all. This is typically realized through public ownership and maintenance of rights of way and open spaces. We believe that a successful outcome is one in which redevelopment of the Site is experienced as the best example of urbanism available in Saint Paul. Due to tight budgetary constraints faced by most cities, however, sometimes the desired level of maintenance is best achieved by a private property owner. In the end, these are points to be negotiated. We expect private open spaces will be managed and maintained by the appropriate homeowner association.

VIII. RECOMMENDED NEXT STEPS

As is evident from the wide array of recommendations and complex approach options described above, there is a lot of hard work ahead for the three parties if they choose to continue their collaboration. Sometimes the most difficult step is the setting of priorities. Because of RK Midway's necessity to refinance the Midway Shopping Center in February of 2015, a compressed but realistic period of opportunity exists during which the parties can make substantive progress and set redevelopment of the Site on a productive trajectory. We recommend the following series of next steps, in the order they are presented, and expect that at least the first four can be accomplished by early 2015.

1. Execution of an IGA between the City and the Met Council.
2. Execution of an ENA between the Met Council and RK Midway.
3. Initiation of due diligence on the Met Council Property.
4. Initiation of a master planning effort, led by RK Midway and in coordination with the other parties.
5. Development and implementation of a community relations strategy.
6. Achievement of policy decisions at the Met Council (and perhaps the City) regarding its approach to land disposition.
7. Creation and implementation of a tenant relations and relocation plan.
8. Creation and implementation of a marketing and re-branding effort for the Site and planned redevelopment.

IX. TRACKING PROGRESS AND EVALUATING SUCCESS

The UIG Team has created a matrix (provided in Appendix F) as a simple and straightforward tool by which the Met Council and the City can evaluate the accomplishment of their policy and economic development objectives for the Site over time. In order for this tool to be helpful and worthwhile, it should adhere to the following guidelines:

- *Specific*: Each objective needs to specify clearly defined expected results.
- *Measurable*: Each performance objective should specify how to measure success (i.e., provide a verifiable standard for evaluation).
- *Achievable*: Each objective should be within the control of those executing the project and not overly dependent on outside factors.
- *Relevant*: Each objective should have a direct and obvious link to the project.
- *Time-Bound*: Either an absolute or relative period of time for accomplishment of each objective should be established.

The UIG Team has begun to populate the matrix with some of our ideas of objectives and related metrics for which monitoring their accomplishment might be useful. The Client Partners should work together to add to this matrix both in terms of objectives and the metrics by which they will be evaluated to make it a robust tool.

LIST OF APPENDICES

A. Table of Achievement of Client Partner MOU Goals By Phase

B. Midway Shopping Center Plan (With Lease Term Lengths)

C. Stantec Infrastructure Cost Estimate

D. Stantec Infrastructure Drawings

E. TIF Bond Analysis Calculations and Assumptions

F. Goal Achievement Tracking Matrix

Appendix A

Achievement of Client Partner MOU Goals by Phase

(✓ = achievement)

CLIENT PARTNER GOALS	PHASE 1	PHASE 2	PHASE 3	NOTES
SHARED GOALS				
Model for Regional TOD	✓	✓	✓	Each phase should be a model
Maximizes Redevelopment Potential		✓	✓	After critical mass of land developed
Minimizes Additional Traffic		✓	✓	Critical mass of density reqd.
Supported by the Community	✓	✓	✓	Should be achieved by master plan
Improves Livability of the Area	✓	✓	✓	Amenities will occur with each phase
MET COUNCIL				
Maximize Transit Use	✓	✓	✓	More development = more riders
Aligns With TOD Policy	✓	✓	✓	Inherent in all plans/agreements
No Negative Impact on Transit Ops.	✓	✓	✓	Only potential construction conflicts
Maximize Return on Land Holdings		✓	✓	Will occur over time if in a PPP
Clear/Reasonable Implementation Timeframe	✓			Later phases subject to unpredictable market forces
Promotes Cooperation Amongst Neighboring Land Owners	✓	✓	✓	Will provide a model for redevelopment of neighboring retail
CITY OF SAINT PAUL				
Enhance Tax Base	✓	✓	✓	Will occur with intensification
Job Creation	✓	✓	✓	Construction and development
Neighborhood Serving	✓	✓	✓	Incrementally more with each phase
Snelling SAP Implementation	✓	✓	✓	Achieved in development agreement
Diverse Mix of Uses	✓	✓	✓	Essential to future master plan
Improved Pedestrian Environ.	✓	✓	✓	Walkability will be a focus
New Public Open Space		✓	✓	Likely to occur in later phases
Increased Density	✓	✓	✓	Fundamental to the entire effort
New Fuller Rd. Extension		✓	✓	New east-west connection built
High Quality Design	✓	✓	✓	Built into development agreement
Achieve Timely Redevelopment	✓			TBD for future phases
RK MIDWAY, LLC				
Estab. Development Framework	✓	✓	✓	Essential for all parties
Near Term Reuse of Am. Bank	✓			Feasible in first phase
Reallocate Drive-Thru Lanes	✓			Subject to development agreement
Facilitate Tenant Relocation		✓	✓	Phased plan respects existing leases
Eliminate HRA Easements		✓	✓	Should not need after land transfer

Appendix B

Midway Shopping Center

University Avenue W and Snelling Avenue N (Route 51)
St. Paul, Minnesota 55104

RD Management LLC
810 Seventh Avenue, 10th floor
New York, NY 10019
1-800-2-OCCUPY
212-265-6600 x239
Thomas G. Mirandi
212-459-9133 fax
tmirandi@rdmanagement.com

LEASE ENCUMBRANCES

Long (post 2020) | Short (2016 or sooner)
Medium | Vacant

1. T-Mobile		2,441 sf
2. Sharks Fish & Chicken		1,283 sf
3. Midway Smoke		1,155 sf
4. Golden Gate		1,125 sf
5. Le Nails		1,125 sf
6. Payless ShoeSource		3,514 sf
7. GNC		1,278 sf
8. Available Office	(25' x 52.5')	1,314 sf
9. U.S Army Recruiting Office		2,710 sf
10. Dots		6,930 sf
11. Great Clips		1,500 sf
12. Foot Locker		15,278 sf
13. Gamestop		2,520 sf
14. To New York		4,200 sf
15. Great Lakes Buffet		6,976 sf
16. Office Max		25,800 sf
17. Dancers Studio		10,095 sf
18. Dancers Studio		1,000 sf
19. Mimi's Beauty Salon		1,200 sf
20. Available Office	(40' x 80' irr.)	3,199 sf
21. H&R Block		2,290 sf
22. Sally Beauty		2,000 sf
23. Family Dollar		9,960 sf
24. Radio Shack	(30' x 83')	2,497 sf
25. Available	(60' x 160' irr.)	11,995 sf
26. Walgreens	(80' x 160' irr.)	12,500 sf
27. Available	(15' x 76')	1,140 sf
28. Bowl-Rite (lower level)		36,000 sf
29. Home Choice		7,295 sf
30. Available Office	(72' x 32.37')	2,331 sf
31. Pearle Vision		3,000 sf
32. Rainbow Foods		66,376 sf
33. Big Top Liquors		14,750 sf
34. Available	(18' x 83')	1,500 sf
35. Available	(68' x 188' irr.)	12,600 sf
36. McDonald's		3,410 sf
37. Perkins		5,860 sf
38. Money Express		800 sf
39. Little Caesars		1,702 sf
40. Apollo Locksmith		510 sf
41. Jimmy John's Subs		1,016 sf
42. Available - 1st Floor		14,000 sf
42a. Available - 2nd Floor		14,000 sf

Appendix C

SMARTsite Redevelopment
Opinion of Probable Cost
Prepared by: David Ahrens, PE

Option A1

Note	Item	Unit	Phase 1 Unit Price	Phase 1 Quantity	Phase 1 Cost	Phase 2 Unit Price	Phase 2 Quantity	Phase 2 Cost	Phase 3 Unit Price	Phase 3 Quantity	Phase 3 Cost	Total Cost
	Mobilization (3%)	LS	$ 122,200.00	1.0	$ *122,200.00*	$ 152,100.00	1.0	$ *152,100.00*	$ 54,600.00	1.0	$ *54,600.00*	$ *328,900.00*
	Removals & Misc.											
6	Remove Bituminous Pavement	SF	$ 0.30	245,000.0	$ 73,500.00	$ 0.30	175,000.0	$ 52,500.00	$ 0.30	336,000.0	$ 100,800.00	$ 226,800.00
6	Remove Concrete Pavement	SF	$ 1.75	13,000.0	$ 22,750.00	$ 1.75	9,000.0	$ 15,750.00	$ 1.75	18,000.0	$ 31,500.00	$ 70,000.00
	Remove Concrete Curb & Gutter	LF	$ 4.00	4,600.0	$ 18,400.00	$ 4.00	2,500.0	$ 10,000.00	$ 4.00	4,800.0	$ 19,200.00	$ 47,600.00
	Remove Storm Sewer	LF	$ 6.00	0.0	$ -	$ 6.00	350.0	$ 2,100.00	$ 6.00	360.0	$ 2,160.00	$ 4,260.00
	Remove Storm Sewer Structures	EA	$ 400.00	0.0	$ -	$ 400.00	2.0	$ 800.00	$ 400.00	2.0	$ 800.00	$ 1,600.00
	Remove Watermain	LF	$ 6.00	1,300.0	$ 7,800.00	$ 6.00	2,200.0	$ 13,200.00	$ 6.00	0.0	$ -	$ 21,000.00
	Remove Fire Hydrants	EA	$ 250.00	3.0	$ 750.00	$ 250.00	3.0	$ 750.00	$ 250.00	0.0	$ -	$ 1,500.00
	Remove Sanitary Sewer	LF	$ 6.00	390.0	$ 2,340.00	$ 6.00	600.0	$ 3,600.00	$ 6.00	0.0	$ -	$ 5,940.00
	Remove Sanitary Sewer Manholes	EA	$ 400.00	2.0	$ 800.00	$ 400.00	3.0	$ 1,200.00	$ 400.00	0.0	$ -	$ 2,000.00
	Building Demolition	SF	$ 2.50	52,300.0	$ 130,750.00	$ 2.50	117,600.0	$ 294,000.00	$ 2.50	129,500.0	$ 323,750.00	$ 748,500.00
	Erosion Control	LS	$ 50,000.00	1.0	$ 50,000.00	$ 50,000.00	1.0	$ 50,000.00	$ 50,000.00	1.0	$ 50,000.00	$ 150,000.00
	Traffic Control	LS	$ 25,000.00	1.0	$ 25,000.00	$ 25,000.00	1.0	$ 25,000.00	$ 25,000.00	1.0	$ 25,000.00	$ 75,000.00
	Subtotal - Removals				$ *332,090.00*			$ *468,900.00*			$ *553,210.00*	$ *1,354,200.00*
	Streets											
1	Bituminous Pavement	SF	$ 8.25	84,400.0	$ 696,300.00	$ 8.25	113,400.0	$ 935,550.00	$ 8.25	0.0	$ -	$ 1,631,850.00
	Concrete Curb & Gutter (B618)	LF	$ 14.00	4,200.0	$ 58,800.00	$ 14.00	6,400.0	$ 89,600.00	$ 14.00	0.0	$ -	$ 148,400.00
7	5" Concrete Walk	SF	$ 7.50	62,400.0	$ 468,000.00	$ 7.50	98,400.0	$ 738,000.00	$ 7.50	0.0	$ -	$ 1,206,000.00
	Pavement Striping	LF	$ 1.00	4,200.0	$ 4,200.00	$ 1.00	6,400.0	$ 6,400.00	$ 1.00	0.0	$ -	$ 10,600.00
	Traffic Signs	EA	$ 200.00	11.0	$ 2,200.00	$ 200.00	12.0	$ 2,400.00	$ 200.00	0.0	$ -	$ 4,600.00
	Traffic Signal System	EA	$ 300,000.00	1.0	$ 300,000.00	$ 300,000.00	2.0	$ 600,000.00	$ 300,000.00	0.0	$ -	$ 900,000.00
8	Streetscape - Neighborhood Level	SF	$ 7.00	29,800.0	$ 208,600.00	$ 7.00	73,000.0	$ 511,000.00	$ 7.00	0.0	$ -	$ 719,600.00
15	Streetscape - Neighborhood/Retail Level	SF	$ 14.00	19,300.0	$ 270,200.00	$ 14.00	0.0	$ -	$ 14.00	0.0	$ -	$ 270,200.00
16	Streetscape - Retail/Entertainment Level	SF	$ 18.00	0.0	$ -	$ 18.00	22,100.0	$ 397,800.00	$ 18.00	0.0	$ -	$ 397,800.00
10	Streetscape (Snelling and Pascal)	SF	$ 9.00	22,500.0	$ 202,500.00	$ 9.00	0.0	$ -	$ 9.00	40,000.0	$ 360,000.00	$ 562,500.00
	Subtotal - Streets				$ *2,210,800.00*			$ *3,280,750.00*			$ *360,000.00*	$ *5,851,550.00*
	Sanitary Sewer											
2	Connect to Ex. Sanitary Manhole/Pipe	EA	$ 15,000.00	2.0	$ 30,000.00	$ 2,000.00	2.0	$ 4,000.00	$ 2,000.00	1.0	$ 2,000.00	$ 36,000.00
	8" PVC Sanitary Sewer	LF	$ 35.00	1,400.0	$ 49,000.00	$ 35.00	1,600.0	$ 56,000.00	$ 35.00	0.0	$ -	$ 105,000.00
	Sanitary Manhole (4' Dia.)	EA	$ 3,000.00	6.0	$ 18,000.00	$ 3,000.00	8.0	$ 24,000.00	$ 3,000.00	0.0	$ -	$ 42,000.00
	8" x 6" Service Wye	EA	$ 350.00	8.0	$ 2,800.00	$ 350.00	6.0	$ 2,100.00	$ 350.00	5.0	$ 1,750.00	$ 6,650.00
	6" PVC Sanitary Sewer Service	LF	$ 30.00	400.0	$ 12,000.00	$ 30.00	300.0	$ 9,000.00	$ 30.00	250.0	$ 7,500.00	$ 28,500.00
	Subtotal - Sanitary Sewer				$ *111,800.00*			$ *95,100.00*			$ *11,250.00*	$ *218,150.00*
	Watermain											
2	Connect to Existing Watermain	EA	$ 15,000.00	2.0	$ 30,000.00	$ 5,000.00	5.0	$ 25,000.00	$ 10,000.00	2.0	$ 20,000.00	$ 75,000.00
	8" DIP Watermain	LF	$ 45.00	2,100.0	$ 94,500.00	$ 45.00	2,800.0	$ 126,000.00	$ 45.00	0.0	$ -	$ 220,500.00
	6" DIP Watermain	LF	$ 40.00	400.0	$ 16,000.00	$ 40.00	500.0	$ 20,000.00	$ 40.00	70.0	$ 2,800.00	$ 38,800.00
	Fire Hydrant and Gate Valve	EA	$ 2,500.00	3.0	$ 7,500.00	$ 2,500.00	4.0	$ 10,000.00	$ 2,500.00	1.0	$ 2,500.00	$ 20,000.00
	6" Gate Valve	EA	$ 1,500.00	8.0	$ 12,000.00	$ 1,500.00	11.0	$ 16,500.00	$ 1,500.00	1.0	$ 1,500.00	$ 30,000.00
	8" Gate Valve	EA	$ 1,750.00	6.0	$ 10,500.00	$ 1,750.00	7.0	$ 12,250.00	$ 1,750.00	1.0	$ 1,750.00	$ 24,500.00
	Fittings	EA	$ 500.00	12.0	$ 6,000.00	$ 500.00	15.0	$ 7,500.00	$ 500.00	1.0	$ 500.00	$ 14,000.00
3	Pascal Street Watermain (50% cost share)	LF	$ 125.00	0.0	$ -	$ 125.00	0.0	$ -	$ 125.00	1,200.0	$ 150,000.00	$ 150,000.00
					$ -			$ -			$ -	$ -
	Subtotal - Watermain				$ *176,500.00*			$ *217,250.00*			$ *179,050.00*	$ *572,800.00*
	Storm Drainage											
2	Connect to Existing Storm Manhole	EA	$ 10,000.00	2.0	$ 20,000.00	$ 2,000.00	1.0	$ 2,000.00	$ 2,000.00	0.0	$ -	$ 22,000.00
5	RCP Storm Sewer	LF	$ 38.00	3,400.0	$ 129,200.00	$ 38.00	1,500.0	$ 57,000.00	$ 38.00	0.0	$ -	$ 186,200.00
	Catch Basin w/Casting	EA	$ 2,500.00	20.0	$ 50,000.00	$ 2,500.00	26.0	$ 65,000.00	$ 2,500.00	0.0	$ -	$ 115,000.00
	Storm Manhole w/Casting	EA	$ 3,500.00	16.0	$ 56,000.00	$ 3,500.00	5.0	$ 17,500.00	$ 3,500.00	0.0	$ -	$ 73,500.00
4	Underground Storm Water Treatment Sys.	CF	$ 8.00	123,570.2	$ 988,561.98	$ 8.00	108,385.7	$ 867,085.40	$ 8.00	89,432.5	$ 715,460.06	$ 2,571,107.44
	Subtotal - Storm Drainage				$ 1,243,761.98			$ 1,008,585.40			$ 715,460.06	$ 2,967,807.44
	Parking and Parks											
11	Park/Open Space - Urban Plaza Level A	SF	$ 30.00	14,374.80	$ 431,244.00	$ 30.00	3,600.00	$ 108,000.00	$ 30.00	0.00	$ -	$ 539,244.00
12	Park/Open Space - Urban Plaza level B	SF	$ 39.00	0.00	$ -	$ 39.00	28,749.60	$ 1,121,234.40	$ 39.00	13,939.20	$ 543,628.80	$ 1,664,863.20
13	Surface Parking (existing lot)	STALL	$ 100.00	620.0	$ 62,000.00	$ 100.00	265.0	$ 26,500.00	$ 100.00	0.0	$ -	$ 88,500.00
14	Surface Parking (new lot)	STALL	$ 2,500.00	530.0	$ 1,325,000.00	$ 2,500.00	395.0	$ 987,500.00	$ 2,500.00	0.0	$ -	$ 2,312,500.00
	Structure Parking No. 1	STALL	$ 17,000.00	120.0	$ 2,040,000.00	$ 17,000.00	0.0	$ -	$ 17,000.00	0.0	$ -	$ 2,040,000.00
	Structure Parking No. 2	STALL	$ 17,000.00	0.0	$ -	$ 17,000.00	213.0	$ 3,621,000.00	$ 17,000.00	0.0	$ -	$ 3,621,000.00
	Structure Parking No. 3	STALL	$ 17,000.00	0.0	$ -	$ 17,000.00	320.0	$ 5,440,000.00	$ 17,000.00	0.0	$ -	$ 5,440,000.00
	Structure Parking No. 4	STALL	$ 17,000.00	0.0	$ -	$ 17,000.00	420.0	$ 7,140,000.00	$ 17,000.00	0.0	$ -	$ 7,140,000.00
	Structure Parking No. 5	STALL	$ 17,000.00	0.0	$ -	$ 17,000.00	0.0	$ -	$ 17,000.00	850.0	$ 14,450,000.00	$ 14,450,000.00
	Structure Parking No. 6	STALL	$ 17,000.00	0.0	$ -	$ 17,000.00	0.0	$ -	$ 17,000.00	440.0	$ 7,480,000.00	$ 7,480,000.00
	Subtotal - Parking and Parks				$ 3,858,244.00			$ 18,444,234.40			$ 22,473,628.80	$ 44,776,107.20
	SUBTOTAL				$ ***8,055,395.98***			$ ***23,666,919.80***			$ ***24,347,198.86***	$ ***56,069,514.64***
	Contingency	15%			$ 1,208,309.40			$ 3,550,037.97			$ 3,652,079.83	$ 8,410,427.20
	TOTAL CONSTRUCTION COST				$ **9,263,705.38**			$ **27,216,957.77**			$ **27,999,278.68**	$ **64,479,941.83**
	Storm Drainage Alternate System											
	deduct: 5" Concrete Walk	SF	$ 7.50	-19,568.0	$ (146,760.00)	$ 7.50	-26,648.0	$ (199,860.00)	$ 7.50	-15,976.0	$ (119,820.00)	$ (466,440.00)
4	Underground Storm Water Treatment Sys.	CF	$ 8.00	44,000.0	$ 352,000.00	$ 8.00	0.0	$ -	$ 8.00	24,400.0	$ 195,200.00	$ 547,200.00
9	Tree Trenches	CF	$ 10.00	68,500.0	$ 685,000.00	$ 10.00	93,300.0	$ 933,000.00	$ 10.00	55,900.0	$ 559,000.00	$ 2,177,000.00
	Subtotal				$ ***890,240.00***			$ ***733,140.00***			$ ***634,380.00***	$ ***2,257,760.00***
	Contingency	15%			$ 133,536.00			$ 109,971.00			$ 95,157.00	$ 338,664.00
	TOTAL CONSTRUCTION COST				$ **1,023,776.00**			$ **843,111.00**			$ **729,537.00**	$ **2,596,424.00**

Notes:
1. Includes excavation, subgrade preparation, 18" sand base, 12" class 5 aggregate, 4" non-wear course and 2" wear course
2. Utility connection costs to existing manhole/pipe within Snelling Ave=$15,000; Pascal=$10,000; other locations=$2,000
3. St. Paul Regional Water Services (SPRWS) indicated that 6" cast iron watermain in Pascal would need to be replaced. Assume 50% cost share between SPRWS and developer
4. Underground storm water treatment is based on 9,600 cubic feet of storage per acre of impervious area
5. Assume average of 18" storm sewer pipe.
6. Assume 95% of existing surffacing is bituminous and 5% concrete
7. Concrete walk extends from curb & gutter to right of way line.
8. Streetscape cost includes pedestrian ramps, street trees, sod, minimal landscape enhancements, modified/ structural soil, topsoil, pedestrian lights, streetscape furniture, public art, irrigation allowance
9. Tree trenches include 8' wide permeable pavers, 8' wide x 5' deep structural soil tree trench, 6' wide x 5' deep rock area for storage under the sidewalk, and perforated drain pipe
10. Streetscape cost includes demo ex. sidewalk, new sidewalk, trees, benches, trash containers, bike racks, pedestrian lighting, and perennial planting beds
11. Park/Open Space Level A includes landscaping, pavement, site amenities, site preparation, minimal public art.
12. Park/Open Space Level B includes full landscaping, decorative pavements, splash pad, seat walls, playground, custom site amenities, park structure, site preparation, public art.
13. Surface parking (existing) inlcude minor changes needed to connect existing lot to new development
14. Surface Parking (new lot) includes excavation, subgrade preparation, 12" sand base, 6" class 5 aggregate, 2" non-wear course, 2" wear course, lighting, and storm sewer
15. Streetscape cost includes pedestrian ramps, street trees, sod, extra landscape enhancements, modified/ structural soil, topsoil, pedestrian lights, streetscape furniture, bollards, public art, wayfinding signage, kiosks, irrigation allowance
16. Streetscape cost includes upgraded pavements (pavers), pedestrian ramps, sod, street trees, ornamental trees, extensive landscape enhancements, modified/ structural soil, topsoil, pedestrian lights, bollards, structured planters streetscape furniture, public art, wayfinding signage, kiosks, irrigation allowance.

Assumptions:
1. Source of Unit Prices is MnDOT 2013 Average Bid prices
2. No Land acquisition costs.
4. No rock excavation.
5. Generally good soils for pavement and utility support
6. Tree trench quantity was determined by subtracting the volume of underground storage available within 75% of the park area from the required treatment volume.
7. Private utilites are adequate to serve the development and there will be no developer cost to install them.
8. No known soil contamination.

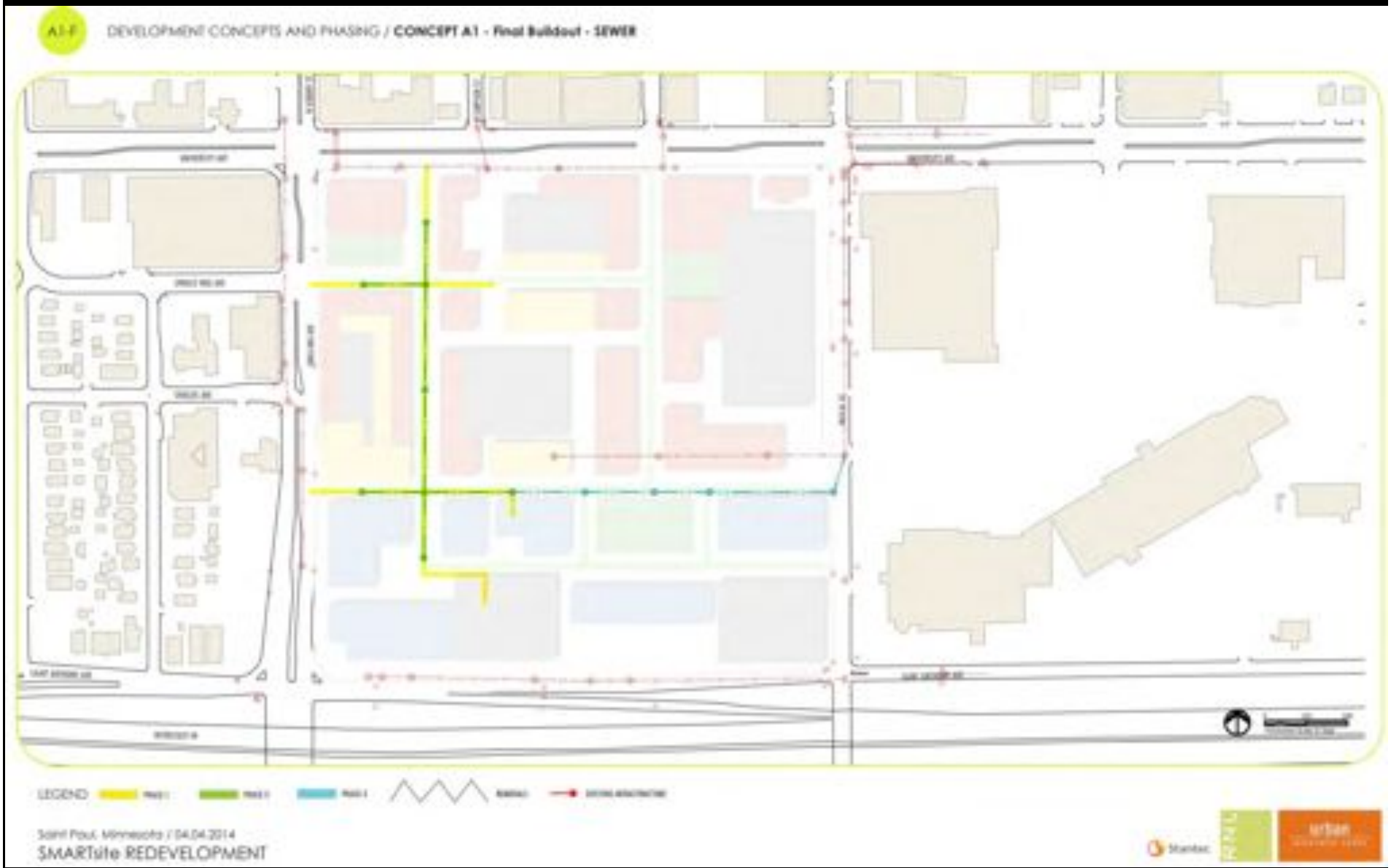
Appendix D

SNELLING STATION TOD

St. Paul, Minnesota

Work Session #2

April 7, 2014

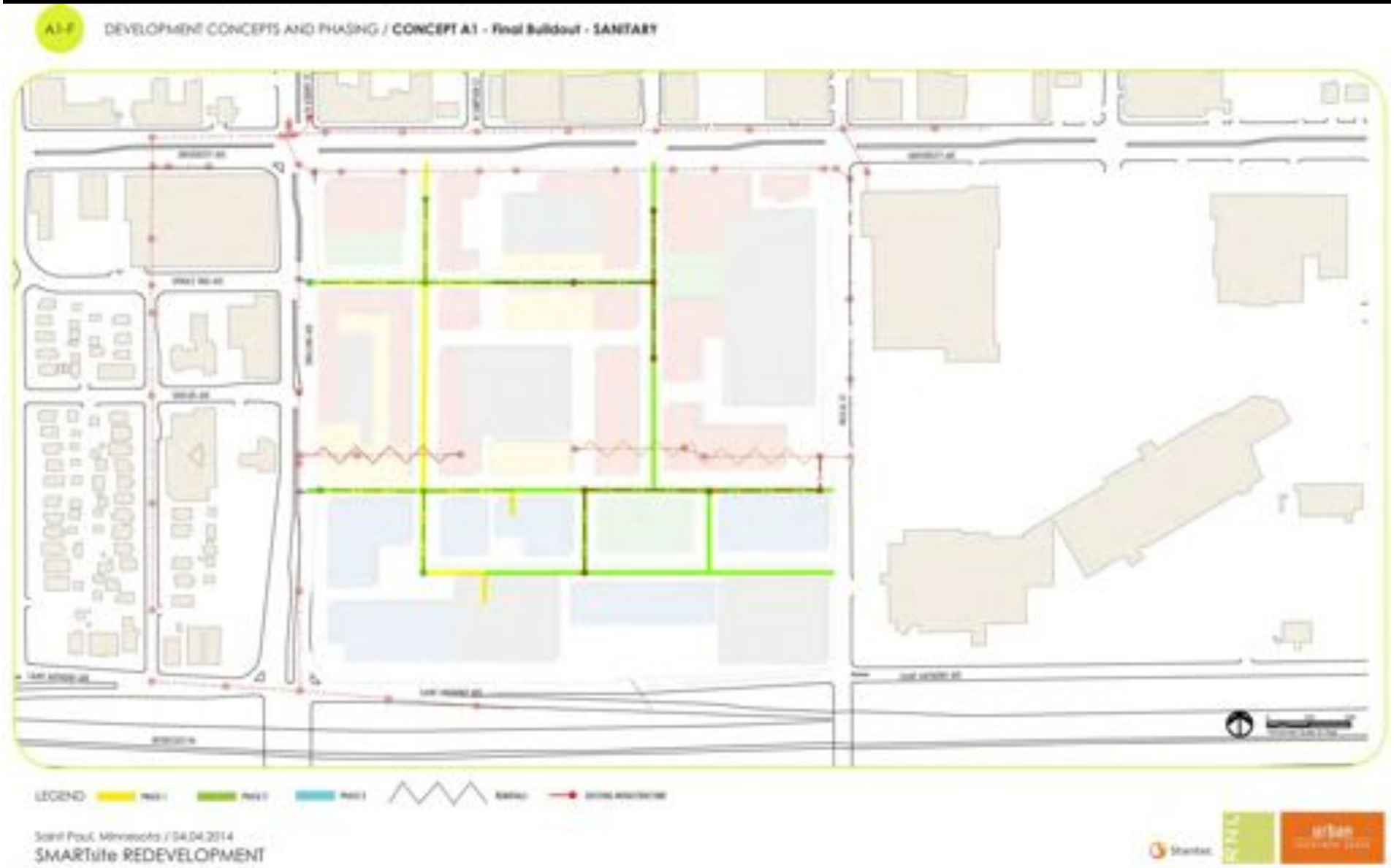


SNELLING STATION TOD

St. Paul, Minnesota

Work Session #2

April 7, 2014

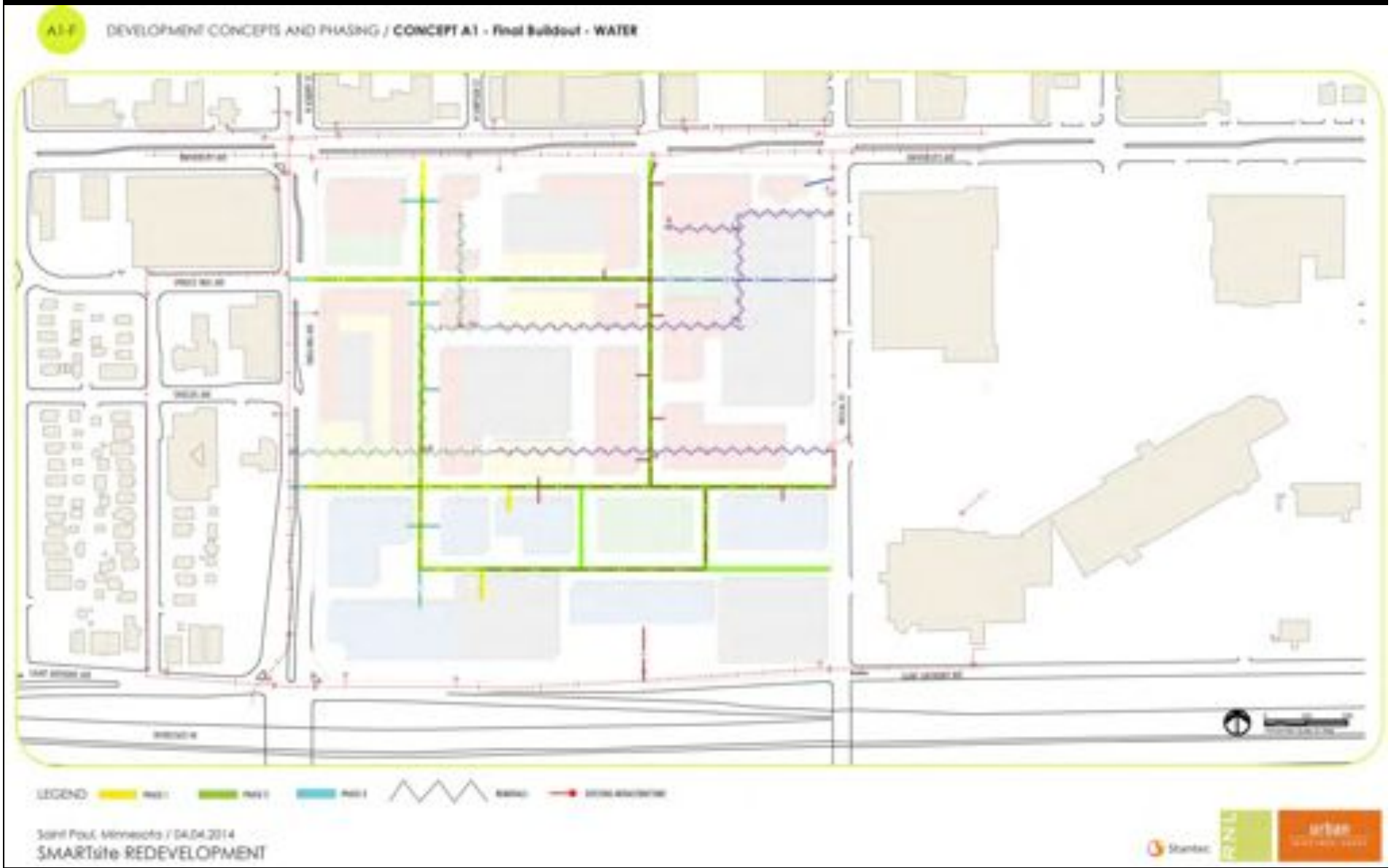


SNELLING STATION TOD

St. Paul, Minnesota

Work Session #2

April 7, 2014



SNELLING STATION TOD

St. Paul, Minnesota

Work Session #2

April 7, 2014

Appendix E

TIF Calculation

Subsidy Required	Cost of Issuance	Principal Amount	Interest Rate	Term	Payment	% of Increment	DSCR	Annual D/S Payment	Local Tax Rate	Mulitfamily Class Rate	Redeveloped Market Value
A	B	C	D	E	F	G	H	I	J	K	L
		[A/(1-B)]						[F/G*H]			[I/J/K]
22,400,000	15.00%	26,352,941	8.00%	16 Years	$2,977,273	90%	1.25	4,135,101	160.00%	1.25%	206,755,060
31,000,000	15.00%	36,470,588	8.00%	16 Years	$4,120,333	90%	1.25	5,722,685	160.00%	1.25%	286,134,235

Explanation of TIF Bond Analysis Assumptions

1. Cost of Issuance – This is the ratio between the face value of the bonds and the net proceeds available to pay for the project. In this case, costs of issuance include the underwriting and origination fees required by typical bond issuers and capitalized interest. The capitalized interest would take the form of a Temporary Capitalized Interest Bond which would essentially pay for the capitalized interest of the permanent bond for up to three years before it would be refinanced by the permanent bond. This allows for the permanent bond to have the longest term and most efficient interest rate possible.

2. Interest Rate – This is the interest rate demanded by the market according to the underlying credit quality of the bond. These bonds are assumed to be unsecured but largely dependent upon existing increment. Interest rates are extremely volatile and most market professionals expect interest rates to rise in the coming years. Eight percent for tax-exempt bonds is a conservative assumption reflecting a rising interest rate environment and issuance prior to stabilization (i.e., some projects which will generate property tax increment will need to be completed after bond issuance)

3. Term – This is the amortization period for the bonds. A renewal TIF zone can collect increment for up to 16 years according to current law. Once established, the developer can certify the district to set the Base (i.e., value prior to redevelopment) at its most advantageous point. The 16 year term does not necessarily start at establishment or certification, as TIF collection can be delayed up to four years so that a developer can harvest increment from improvements made subsequent to establishing the Base. If redevelopment is delayed or if the redevelopment occurs in phases, the amount of time increment is generated will be less than the 16 year maximum. The analysis used a 16 year term based on the law, but the term available for each phase will likely be less than 16 years.

4. Percent of Increment Available – This is the amount of tax increment that is available to the developer to service bonds. The City nets out 10% of the tax increment generated for administrative fees for all projects leaving a maximum of 90% of the increment available to the developer. Based on specific project characteristics, negotiations and need, the City can determine that the project requires a lesser amount of subsidy and can decrease the percentage of increment available to the project. Typical percentages vary from 65%-90%. For this analysis, 90% was used but the actual percentage will be negotiated in the future.

5. Debt Service Coverage – This is the ratio of the available increment relative to the minimum increment necessary to service the bond. Bond holders typically want to have more debt service available than that which is required to account for fluctuations in property values and tax rates. The debt service coverage ratio of 1.25

used in this analysis means that for every $1.25 of increment available, bond underwriters only count $1.00 of the increment as cash available to service the bond. This is a fairly conservative assumption for this type of bond and could reduce in the future if the market strengthens.

6. Local Tax Rate – The local tax rate is determined annually by the municipality. The Planning and Economic Development Department suggested using 160% as a conservative assumption given the annual fluctuations. The local tax rate is held constant within the District when the TIF District is certified until the District expires.

7. Multi-family Class Rate – This is a percentage rate used in Minnesota's classified tax system. The class rate varies by use and is used to multiply the property's appraised market value resulting in the property's total tax capacity. The market rate multi-family class rate is 1.25%. If the property is redeveloped with affordable multi-family the class rate will decrease and if the property is redeveloped with commercial the class rate will increase.

8. Total Tax Capacity – This is the product of the appraised market value of a property and the class rate applicable to the use of the property. A property's total tax capacity is multiplied by the local tax rate to determine the property's tax liability.

9. Redeveloped Market Value – This is the appraised market value of the property as redeveloped. In this analysis, this number represents the incremental market value generated by multi-family redevelopment. The redeveloped market value is net of the underlying land value (i.e., the Base land value).

Appendix F

Sample Goal Achievement Tracking Matrix

Objective	***Metric***	***Date Achieved***
Infrastructure		
New Asbury Street extension constructed	*Under construction within 24 months*	
Simpson Street extension constructed	*By start of Phase 3*	
Open spaces:		
One small open space built	*By end of Phase 1*	
Second small open space built	*By middle of Phase 2*	
One larger open space built	*By end of Phase 2*	
Coordinated stormwater system built on-site	*By end of Phase 2*	
Design		
Pascal streetscape is made more attractive and pedestrian friendly	*By end of Phase 2*	
Project achieves LEED-ND certification or equivalent checklist points	*By Phase 3 initiation*	
Image and brand of Midway improved	*By end of Phase 1*	
Development		
American Bank Building is occupied with active use(s)	*By middle of Phase 1*	
Residential units constructed	*Achieved by end of Phase 1*	
Met Council property integrated into northern portion of site	*By end of Phase 1*	
Parking ratio reduced	*Ratio of X achieved by Y*	
Surface parking replaced by structured	*X % of total parking in structures by Y*	
Vertical mixed-use building built	*By end of Phase 1*	
Redevelopment supported by local residents	*In ___, Y % of residents surveyed support what has been built*	
Economic Development		
Property tax increase	*X % increase by Y*	
Job creation	*X number of new jobs created by Y*	
Transit		
Project uses positively impact ridership	*On-site mode split of X % by Y*	