

To: **Mayor and City Council**
From: **Ryan Schroeder, City Manager**
Date: **April 27, 2020**

Authorization to Apply for Cleanup Grants at Thompson Oaks

BACKGROUND INFORMATION:

Over the past four years, the City has been focused on reconfiguration of the former Thompson Oaks Golf Course into an environmental resource enhanced by development opportunities on its periphery. Prior to development in the area, a stream existed on this property. That stream was filled in with organics and construction debris over the decades, with a portion of that fill being identified as contaminants. In collaboration with Dakota County, the City has the opportunity to remove buried debris, which allows for the return of the streambed to create an environmental resource that meets several local, county and regional goals. Included would be provision of storm water quality enhancement for a 540-acre sub watershed that drains through the property. Also included would be an extension of the River-to-River Trailway between Livingston and Robert Streets to the intersection of Thompson and Oakdale. Also included is facilitation of an approved 153-unit apartment building and a proposed 64-unit townhome development. Outside of these two developments, the property would be returned to its pre-1960 condition as a wetland/waterway with the addition of creation of pollinator spaces.

However, to accomplish these goals identified as highly desired by the City Council, County Board, and the surrounding community (through public hearing testimony), the project needs to cover funding gaps. In order to cover the anticipated costs of the cleanup, Staff is requesting authorization, again, for a grant from Minnesota Department of Employment and Economic Development (DEED). Council approved a similar request during 2019, which did not receive funding approval. The project has improved since the 2019 request.

Improvements in this project since the 2019 request include:

1. Receipt of Minnesota Board of Water & Soil Resources (BWSR) grant funding by the County to conduct the storm water work once the debris and contamination is removed. Daylighting of creek and wetland restoration includes removal of fill, which includes waste and contaminated soil so it is necessary to gain the DEED grant in order to make use of the BWSR funding. This coordination of funders with matches provided by the City and County has been contemplated throughout project finance scenarios. The contamination clean-up allows for the storm water treatment and wetland restoration to occur, creek to be delighted, the trail to be built, prairie/pollinator habitat restored, groundwater recharged, and townhomes developed. The environmental and economic benefits to the clean-up are significant.

Of note is that the BWSR grant requires a local match. Under the County/City Joint Powers Agreement (JPA) that match is shared with Dakota County and the City of West St. Paul both providing \$98,000. The City match is included within the 2020 Capital Improvement Plan (CIP).

2. December 9, 2019 City Council approval of amendments to the County/City JPA regarding the \$6.1 million River-to-River Trailway project which provides for construction of the tunnel under Robert Street and trailway from Livingston to Oakdale. The tunnel portion of the project, located at Crawford Drive and Robert Street, is essentially the final element of the 2014-2017 \$46 million Robert Street (State Highway 3) reconstruction toward which the City of West St. Paul has contributed \$26 million. Included in the tunnel is \$2.2 million in State bond funding. The County will bid the tunnel project in June.
3. The December 9, 2019 zoning text amendment, that allows Auto Zone to relocate from the River-to-River Trailway site to a new location at 1422 Robert Street.
4. Receipt of a Minnesota Statewide Health Improvement Partnership (SHIP) grant, which allows for preliminary analysis and engineering for pedestrian trailways on Thompson Avenue (CR6) between Robert and Oakdale (extending ultimately into South St. Paul), and on Oakdale Avenue (CSAH 73) from there up to Butler (CR4) and, ultimately, Annapolis which borders St. Paul. Council received the feasibility report on these projects on March 23, 2020. On that same date, Council authorized request of a Federal Transportation Alternatives Program (TAP) grant for funding of the trailway construction.
5. The \$375,000 acquisition by the City of West St. Paul of the remnant Wentworth Townhome property which allows for County acquisition of a \$120,000 trail right-of-way acquisition from this parcel and use of the remainder of the parcel for construction staging for the tunnel project.
6. The March 23, 2020 replat of the Hy-Vee parcel, which also contributes positively toward the tunnel project construction, which eliminates uncertainty in development grades between the tunnel project and the Hy-Vee construction project allowing the Hy-Vee project to also proceed.
7. Completion of the Wentworth Avenue (CSAH 8) reconstruction project in late 2019, including trailway construction from Delaware Avenue (CSAH 63) to Humboldt Avenue, which allows for connection to the River-to-River Trailway. This spring, the 174 unit Winslow affordable senior housing project opens at Marthaler Lane and Wentworth. The County, also this spring, will be constructing a harbor island at that location which also connects to trailway on Wentworth.

On November 13, 2017 in a workshop, the City Council discussed the future of the then Thompson Oaks Golf Course and directed Staff to seek environmental review of the property. On November 27, 2017, Council awarded a contract to Braun to conduct that review. Upon receipt of the Braun report and resulting from operating results, the City Council officially closed the golf course on February 26, 2018. In anticipation of this action, Staff began seeking developer interest in the property from the November 2017 Council deliberation. Staff began review of concepts for a range of development proposals from 6.5 to 11 units per acre up to 180 units over a significant portion of the property.

While the City had previously been aware of soils challenges within the property, it became increasingly apparent that initial development goals and patterns would not be successful due to the extent of soils incompatibility. After proposing several development concepts between November 2017 and early 2018, a preferred national homebuilder (among other interested parties) backed away from the project due to soil remediation risks. A second national builder entertained a development with a caveat of avoidance of the central portion of the site where soils were known to be most incompatible. That developer withdrew a purchase offer in mid-2018 due to soils remediation concerns.

In October 2018, the City and Dakota County entered a Joint Powers Agreement toward development of a regional trailway, storm water and wetland reclamation improvements. A third developer, Oppidan, presented their qualifications to the Council on November 28, 2018. Council affirmed the development vision Oppidan had for the property, which was concept reviewed on February 8, 2019. Included was a multi-family product on the western portion of the property with townhomes on the balance. On April 17, 2019, Oppidan received Geotechnical reporting that informed that the northern portion of the property slated for senior villas could not proceed due to the expense of soil incompatibility.

In May 2019, the County contracted with Wenck Engineering to provide concept design for storm water improvements and wetland restoration within the property. Wenck provided concept designs in June/July 2019.

On July 8, 2019, the Economic Development Authority (EDA) approved a development agreement with Oppidan on phase one of the development parcel, which was the multi-family product on the western 5 acres of the parcel. On August 12, 2019, the City Council received a presentation on the status of the wetland restoration project and on September 9, 2019, the City Council accepted the Metropolitan Council approval of the Comprehensive Plan and approved implementation of the plan. On October 15, 2019, the Planning Commission recommended approval of a rezoning, conditional use, site plan and plat for the Oppidan multi-family development approved by Council on November 25, 2019.

On October 14, 2019, the EDA approved a preliminary development agreement for phase 2 of the Thompson Oaks development. This phase consisted of between 20 and 40 townhome units on the eastern portion of the development parcel. As part of this agreement, the parties agreed to collaborate toward completion of the water restoration project within the parcel. On October 28, 2019, the Council approved a submittal for funding toward the restoration project. This submittal did not receive funding.

Since the 2019 application, the City granted final development entitlements for the 153 unit multi-family project, which occurred on November 25, 2019. That project is currently scheduled to close on the development parcel on or before September 1, 2020. It will have a taxable value of at least \$18,480,000. A development agreement following the October 14, 2019 preliminary agreement is scheduled for April 27, 2020 approval. With additional site evaluation, that development has now changed to 64 townhome units with an estimated taxable value, in total, of \$21, 400,000.

Supporting this grant request is the following:

1. Potential increase in the property tax base:
 - Currently the former golf course property does not pay property tax. After completion of the multi-family project and the townhomes, there should be a taxable market value created of almost \$40 million with a taxable tax capacity of almost \$500,000.
 - The adjacent former YMCA property, which is intimately tied to this project, also has not contributed to the property tax base in the past and will instead have a taxable value of about \$7 million (tax capacity value of about \$140,000) and will be home to over 200 new jobs.
2. Social value to the community:
 - The project is not only shovel ready, as the engineering is substantially complete, but it will leverage past and current investments in the area and ongoing collaboration between the County and City to complete the River-to-River Trailway, to address storm water needs provided by the BWSR grant already in hand, and removal of debris that for decades has kept this property from contributing an economic return to the community.
 - The 153 unit apartment project approved for 2020 construction included both the River-to-River Trailway and this storm water reclamation debris/contamination removal within development planning

- The 64 unit townhome development would not occur but for reclamation of this property and debris and contamination removal
 - These two housing projects are expected to create a significant number of construction jobs and the adjacent Hy-Vee project will contribute over 200 permanent jobs that currently do not exist on site.
 - A large advantage of the contamination removal is that it provides the opportunity to leverage the BWSR funding to reclaim the area as an environmental and water resource. For the past 70 years and probably longer, the general public has not had access to the ponding and landscape on this property. With completion of this project, including contaminant removal, storm ponding reclamation and the River-to-River Trailway, the public access will be made available for the first time.
 - Contributors to date for improvements to this area include the County and City making significant investments in roadway, trail, and development sites, BWSR as the funder for the storm water improvements with funding participation from the City and County, both the Federal and State governments on River-to-River Trailway funding, and the private sector with project funding of both retail and housing developments on this site and adjacent sites.
3. Reduction of potential threat to human health and the environment:
- The DEED funding allows for the BWSR funded project to proceed. That project provides for the singular water quality facility for a sub watershed of 540 acres that is 40% impervious. An enclosed exhibit denotes that a significant portion of storm water from roadways and developed property within West St. Paul traverses through this contaminated site on its way to the Mississippi River. A significant consideration of the storm water project design relates to elimination of contaminants from this storm water flow.
 - Contaminants identified within this site as identified in multiple environmental reviews over many years will be removed as a result of this project.
4. The “but for” test:
- The City has worked with multiple national and local developers to create an economic development project for this property over the past four years. Ultimately, each of these developers have rejected the site due to uncertainty created by soil contamination and debris. The current development scenario is only possible due to the coordination of the City and County, the BWSR funded project and the proposed DEED funding that removes that development uncertainty.
 - Without the DEED funding, the site does not have an economic value for development. With the DEED contribution, on top of the myriad investments already made and scheduled to be made by the City and County, the site will be an economic contributor to the various local taxing jurisdictions. With the DEED contribution, the City will be able to realize a market sale of the property proceeds from which will be returned to the community to complete roadway and trailway infrastructure improvements in the area.
5. Cleanup costs for the site:
- The cleanup costs of approximately \$1.76 million are requested to be funded by DEED at about \$1.32 million with the balance being funded locally. The DEED grant allows the City and County to make use of the BWSR grant for which both the City and County are contributing the required match. The DEED investment leverages at least \$40,000,000 in private investment, in addition to the BWSR and local investments.
6. Commitment of the City and County:
- The City and County are contributing about \$200,000 to match the BWSR grant that can only be put to use with removal of the on-site contaminants first.

- The City, as part of the funding authorization, is committing to the DEED grant required 25% match through creation of an tax abatement district supplemented by use of land sale proceeds to the extent necessary.
- The City has already contributed \$26 million toward improvements of State Highway 3 (Robert Street) which is adjacent to this site.
- The City and County in 2019 completed a \$2.3 million trail improvement project on Marie and Oakdale Avenues, a portion of which is adjacent to this site.
- The City and County are jointly developing the \$6 million River-to-River tunnel and trail project, a significant portion of which is locally funded and which will be constructed on the former Thompson Oaks Golf Course property after completion of the contamination removal proposed by this grant request.
- The City Council has authorized a TAP grant request to complete trails on the adjacent Thompson Avenue and Oakdale Avenue from this site to the north, with a local match requirement, which will further provide a public benefit and further leverage the requested DEED investment.

Proceeds from the sale of the property will be used to pay off deferred debt from the former golf course, to provide the local match for a TAP grant request for trailway on Oakdale and Thompson, and to cover costs of the Town Center redevelopment site as the third phase of this development. The City has allocated storm water funds as the match for the BWSR grant that will complete storm water infrastructure, should the DEED funding be received.

Included in both the development agreement for this site and the DEED grant application is the creation of an abatement district to provide the funding source for the wetland reclamation match requirement in the same manner as was created for the multi-family development project on the west side of Thompson Oaks. With the development as proposed with a build out by 2024, a 9-year abatement district is projected to create about \$644,000 in abatement capacity with a present value of about \$490,000.

FISCAL IMPACT:

Local match at 25/75. The grant request is for \$1,322,027.25 with a match of \$440,675.25.

STAFF RECOMMENDATION:

Staff recommends that the City Council approve the attached resolution authorizing the City to apply for a DEED cleanup grant at Thompson Oaks. In approving the grant request, the Council would also be committing to ensuring the local match as outlined above.