Wayzata City Council Workshop Meeting Agenda
Wayzata City Hall Community Room, 600 Rice Street
TUESDAY, MAY 7, 2024

WORKSHOP TOPICS FOR DISCUSSION:

1. Presentation by University of Minnesota Graduate Students on Potential Redevelopment Opportunities of the Metro Transit Park-and-Ride Site at 322 Wayzata Blvd East (5:15-6:30 p.m.)

City Council Workshop
City Council Agenda Report

MEETING DATE: May 7, 2024	**WORKSHOP AGENDA ITEM:** 1
TITLE: Presentation by University of Minnesota Graduate Students on Potential Redevelopment Opportunities of the Metro Transit Park-and-Ride Site at 322 Wayzata Blvd East (5:15-6:30 p.m.)	
PREPARED BY: Valerie Quarles, Assistant Planner	
REVIEWED BY: Emily Goellner, Community Development Director, Jeffrey Dahl, City Manager	

DISCUSSION OBJECTIVE:
To review presentation and recommendations and provide direction to staff on next steps in pre-development research for the Park-and-Ride site at 322 Wayzata Boulevard East.

2024-2026 STRATEGIC PLAN PRIORITIES RELEVANCE:
Sustain Community Character & Safety
Redevelopment of the Park-and-Ride Site was identified as an initiative in the 2024-2026 Strategic Plan.

BACKGROUND:
In January 2024, the City Council approved a memorandum of understanding between the City and students from the University of Minnesota's Humphrey School of Public Affairs for three Masters of Urban and Regional Planning students to conduct pre-development research regarding the underutilized Metro Transit Park-and-Ride at 322 Wayzata Blvd E.

Redevelopment of the Park-and-Ride is a priority in the 2024-2026 Strategic Plan. Since January, the students have been working alongside City staff and Metro Transit to create a comprehensive report and presentation that summarizes their research. The student group met weekly with City staff to review questions and progress, met with Metro Transit staff multiple times, interviewed affordable housing developers, and analyzed important features of the site. In addition, the students reviewed the City's 2040 Comprehensive Plan and other relevant documents.

The project is intended to be the foundation for future redevelopment efforts for this site as guided by the Wayzata Boulevard Corridor Study and 2040 Comprehensive Plan. The report includes an analysis of Metro Transit's goals for the site, financial feasibility of two redevelopment scenarios, study of potential affordable housing opportunities, overall site planning options and zoning considerations, and recommendations for future community engagement opportunities. The final report will be submitted to City staff on May 10.

If directed, City staff will begin the next steps of the redevelopment process. In the immediate future, this would include:

- Staff discussions with Hennepin County regarding grant funding for site planning and community engagement
- Developing and implementing a community engagement process
- Staff discussion regarding best practices for land acquisition, selecting a developer, and managing the redevelopment process
- Coordination with Ehlers on financial information and with Outreach Development Corporation (Interfaith Outreach) on potential funding options
- Establishing affordable housing goals for the site with the HRA
- Establishing the Affordable Housing and Sustainability Policies called for in R-5 zoning
- Continued coordination with Metro Transit on land control and transit needs

Subsequent steps in the next year would include community engagement and preparation of an RFP, RFI, or

RFQ, depending on engagement outcomes, with the goal of selecting a developer to lead the final design, entitlements, and funding application processes.

ATTACHMENTS:

1. Park and Ride - Student Presentation

Building for the Future:
Affordable Redevelopment on Wayzata Boulevard

HUMPHREY SCHOOL OF PUBLIC AFFAIRS
UNIVERSITY OF MINNESOTA

City of Wayzata

01

Humphrey Capstone Team

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MURP - Land Use & Urban Design
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MURP - Land Use & Urban Design
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02

Table of contents

1 2 3

1 2 3

01 Capstone Project Goals

Our Task:

Propose site development that meets goals of all stakeholders.

City of Wayzata

Metro Transit

Prospective Developers

Goal 1: Site Analysis

Identify constraints and analyze the site's potential.

Land Use Regulation

- Zoning Code
- Design Standards
- 2023 Corridor Study
- Comprehensive Plan

Building Layout

- Number of Buildings
- Placement on Site
- Lot Coverage
- Building Design (Double-loaded corridors, walk-ups, etc.)

Transit Facilities

- Arrangement of Bus Turnaround
- Placement of Bus Shelter
- Accommodation of Operator Facilities

Site Modifications

- Parking location & orientation
- Stormwater pond
- Site assembly?

Alternatives

- Variances
- Conditional Use Permits
- Zoning Changes
- Parking reductions

Goal 2: Funding & Feasibility

Research resources for affordability, as applicable to the site.

Developer Interviews

- Lean on expertise
- Gather vision for development model
- Advice on competitive subsidy sources

Prelim. Feasibility

- Number of Units
- Level of affordability
- Specific populations
- Unit size and efficiency

Tax Increment Financing

- City's role and interest
- Affordability potential
- Land ownership question/ transfer

LIHTC

- Site competitiveness.
- QAP Requirements
- Compliance
- Process

Misc. Resources

- Met Council
- Hennepin County
- MHFA
- Greater Minnesota Housing Fund

07

Goal 3: Engagement & Timeline

Establish a framework for engagement and define next steps for development.

Project Timelines

- Define order of operations for development path
- Provide a general time frame through project groundbreaking

Alignment w/ City Goals

- 2040 Comprehensive Plan
- Wayzata Blvd Corridor Study
- MLUPA Requirements
- Local housing needs

Identify Key Time-Sensitive Variables

- City RFP
- Funding applications
- TIF District

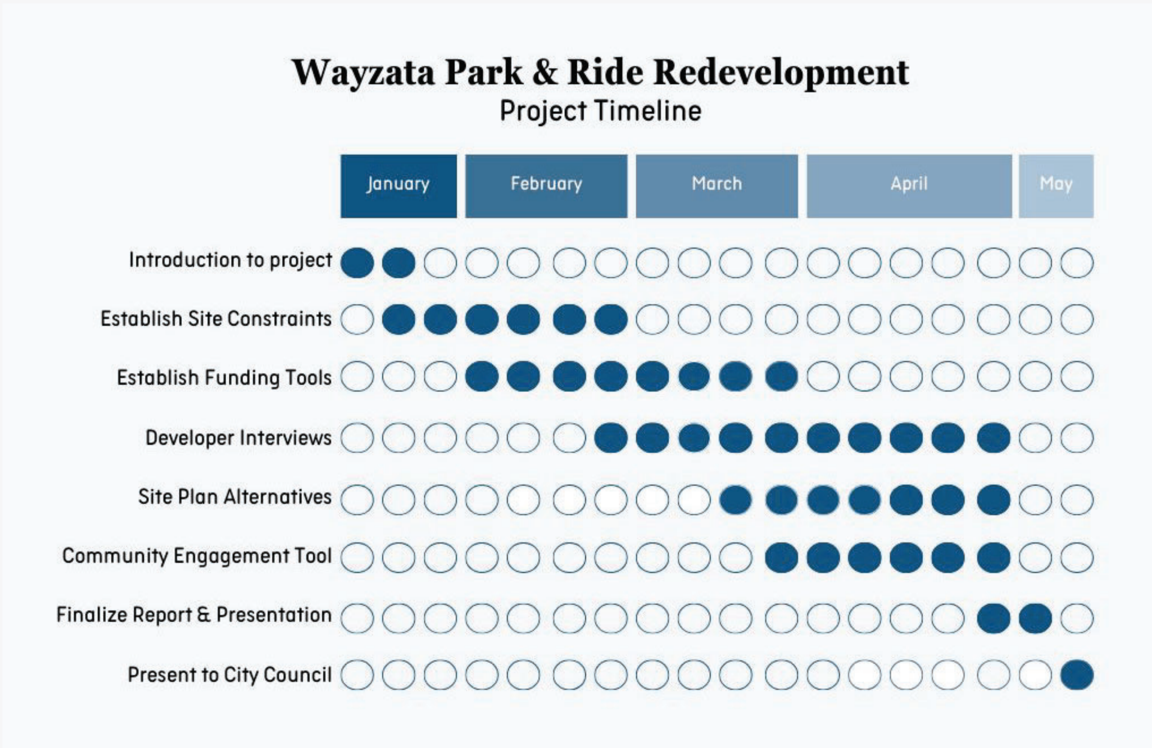
Future Engagement

- Identify opportune points for engagement
- Set clear & obtainable goals for engagement
- Provide innovative engagement practices for the City's reference

Contextualize Site

- Articulate vision for site
- Build upon previous engagement efforts
- Understand and build upon Goals informed from public participation

08



09

02

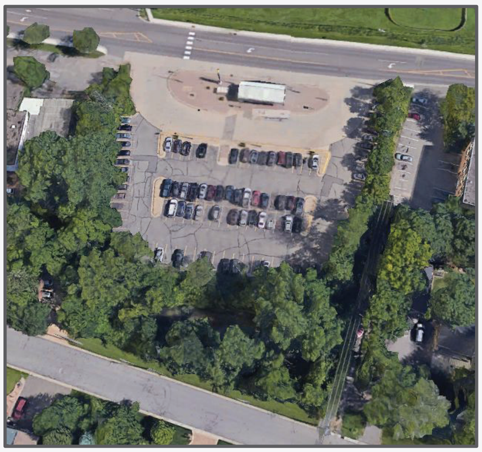
Site Conditions & Constraints

10

Site Analysis

Current Conditions at 322 Wayzata Blvd E

Current Use: Metro Transit Park-and-Ride
Current Zoning: C-1 (Office & Limited Commercial District)



Site Dimensions

- 1.79 Acres
- Current Footprint: 1.10 acres
- Stormwater Detention Pond at south end
- Multiple mature trees
- Significant elevation change

Neighborhood Assets

- 3-4 blocks lakefront
- Public park
- Bike trails, regional connection
- High-performing school district

Findings: Metro Transit Facilities

Bus Stop/Shelter

- Maintain stop location
- Preserve existing shelter, or downsize according to demand

Turnaround & Layover

- Continued allowance for bus turnaround and layover for Route 645
- Provided on site, adjacent to parking
- Minimize space requirements
- Flexible orientation

Operator Restroom

- Provided on site
- Shared access to first-floor lobby restroom or separate exterior door

Findings: Funding Opportunities

Primary Source

9% LIHTC:
- Competitively awarded each year by MHFA
- Ensures significant affordability
- Largest subsidy for Affordable Housing production

City Sources

Housing TIF:
- Taxes on added property value are used to fund the project

Consider:
- HRA Levy
- Waive development fees
- Subsidy for providing public parking

Gap Sources

Met Council:
- LDCA & LHIA

Minnesota Housing:
- LMIR & ARIF

Hennepin County:
- AHIF

Miscellaneous:
- GMHF- housing CDFI

Findings: Developer Interviews

Developer A (Large-Scale Affordable):
- Skeptical that site is **too small**
- **More buildable area** would make site more attractive
- Site and neighborhood are very **attractive for LIHTC funding**

Developer B (Market Rate, West Metro):
- Existing naturally-occurring affordable housing (NOAH) already meets Wayzata's needs
- Small market rate units, not subsidy
- Eliminate commercial & bus facilities

Developers Say:

"I see two main routes for the site: A development pursuing LIHTC 9% credits championed by the city, or a 30+ unit market rate project"

"If I was doing this, I'd chase market rate, pack in the density, do studios for $2500 a unit, that'd rent all day long."

Findings: Developer Interviews

Developer C (Large Scale, Metro-wide)

- Too small to attract large investors in current market
- Would not expect RFP for mixed-use affordable housing to be competitive
- Great site, "boutique-y feel"

LIHTC Consultant:

- Site would suit 9% LIHTC well, not 4%
- Biggest concern: public sentiment for affordable housing project
- Affordable housing developers might see the bus facilities as a "cost of entry"

Developers Say:

"Mixed-use is a detriment, hands-down"

"Parking may be your key limiting factor"

"It would be a shame to just do market rate when we can get some really high impact [affordable] units."

The Switchboard

Finance
1. **LIHTC**
2. **TIF**
3. **Smaller Opportunities**

Design
1. **Building location**
2. **Parking location**
3. **Curb cuts/Conflict Pts**
4. **Stormwater Pond**

Transit Facilities
1. **Location**
2. **Restroom**
3. **Bus Layover Space**

Policy
1. **Zoning Category**
   a. C-1 or R-5
2. **Zoning Provisions**
   a. Setbacks
   b. Lot Coverage
   c. Parking
3. **Depth of Affordability**

Other Considerations
1. **Site Ownership or Ground Lease**
2. **Parking Amount**

Density
1. **Unit Count**
   a. C-1 Zoning
   b. R-5 Zoning
2. **Minimum lot area per unit**
3. **Minimum Unit Size**

03

General Site Recommendations

Future Land Ownership

(Eventual) Land Sale

Wayzata should strongly consider purchasing the site from Metro Transit.
Can be delayed as needed, with common understanding between partners.

- Wayzata can design RFP
- TIF District can be established
- Land sold to private/ nonprofit developer
- Traditional easement process

Ground Lease

- Additional hurdle to development
- Metro Transit's needs are included in design
- Negatively impacts TIF potential
- Limited flexibility as development occurs

Site Constants

Maintain Stormwater Pond

- Keeps costs low
- Minimizes disruption
- Preserves a site amenity
- Potential for publicly-accessible space

Single-Parcel Development

- Minimizes disruption
- Maintains village character
- Hastens development

Single-Structure Development

- Reduces construction costs
- Complies with zoning constraints
- Avoids subdivision
- Maximizes site potential

1 2 3

04 Development Paths

Two Development Paths

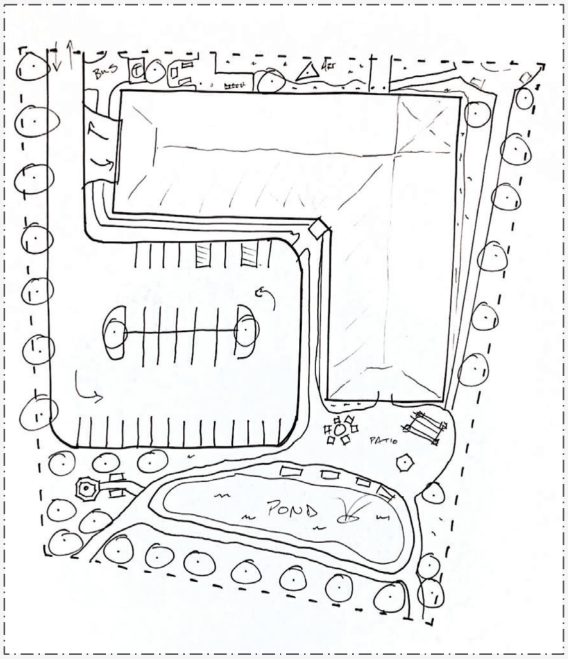
1. As-of-Right
What can we achieve with **minimal changes** to the site and city regulations?

2. Maximize Residential
How do we **maximize the potential** of the site through funding tools and strategic regulatory change?

Two Development Paths

Switchboard Category

	As-of-Right	Maximize Residential
Zoning	C-1	R-5
Density	35 residential units, non-residential units on ground floor	42 residential units
Bus	Compress turnaround Route partially behind building	Compress footprint Maintain current orientation
Finance	Market rate w/ few affordable units Not competitive for LIHTC Does not meet Housing TIF requirements	LIHTC 9% competitive Housing TIF possible
Design	L-shaped building Primary facade fronting Wayzata Blvd Surface and first-floor parking	Slightly larger L-shaped building Set back from Blvd, overlooking landscaped pond
Affordability	Minimal: Chance for 2-3 units at 80% AMI	Significant: Units at 50% and 60% AMI



As-of-Right

A three-story, market-rate development with ground-floor commercial and parking

Zoning	C-1
Density	35 residential units, 18 equivalent non-residential units
Bus	Compress turnaround, route partially behind building
Finance	Market rate w/ few affordable units Not competitive for LIHTC Does not meet Housing TIF requirements
Design	L-shaped building Primary facade fronting Wayzata Blvd Surface and ground-floor parking
Affordability	Very Modest: Chance for 2-3 units at 80% AMI

As-of-Right Details

Priorities

- Consistent with City objectives and regulations
- Contribute to arterial, mixed-use corridor
- Develop housing that responds to Wayzata's high residential demand
- Understand current opportunities and limitations for affordable housing

Finance

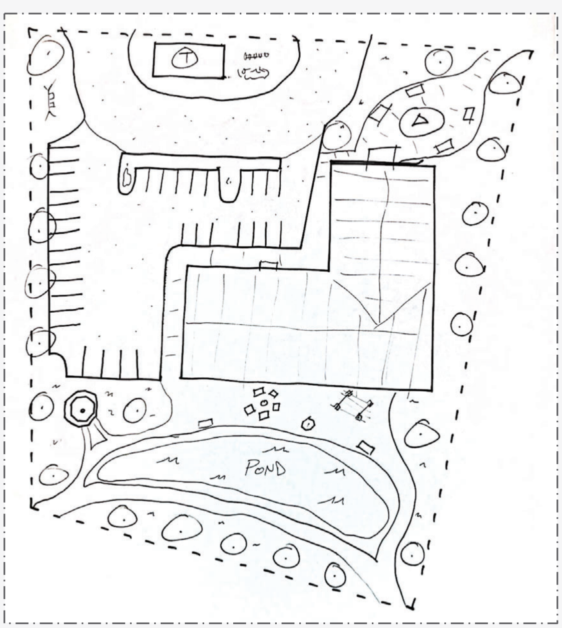
- **Site is ineligible for Housing TIF** (insufficient % of residential use)
- **Site is not competitive for Tax Credits** (9% LIHTC usually requires >40 units)
- **Opportunities for gap sources are limited** 35 units is too few for cross-subsidy.

As-of-Right: Analysis

Key Variables

1. Parking requirements will limit commercial space and green space on site
2. Current development climate presents hurdles
3. Few subsidy sources will apply to this Path
4. Minimum market-rate unit sizes are too large for “affordability through unit sizes”
5. As-of-Right does not maximize the potential of a publicly-owned site

The As-of-Right Path is very unlikely to produce at least 10% of units at 80% AMI.



Maximize Residential

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A three-story, residential building providing affordable units for the community.

Zoning	R-5
Density	42 residential units
Bus	Compress footprint, maintain current orientation
Finance	LIHTC 9% competitive Housing TIF possible
Design	Slightly smaller L-shaped building Set back from Blvd, overlooking landscaped pond
Affordability	Significant: Units at 50% and 60% AMI

Maximize Residential: Rezoning

Priorities

- Pursue housing and affordability goals set by the City and Met Council
- Leverage Housing TIF and external sources of finance
- Substitute commercial space for residential units, ensuring high demand
- Understand what is necessary & possible to produce meaningful affordability

Why Rezone to R-5?

- A 100% residential development unlocks TIF
- R-5 allows 42 units- sufficient for 9% LIHTC (Maximum of 53.7 units allowed)
- Commercial/ office space is seen as a detriment to development
- **LIHTC Unit Breakdown & Sizes:**

# of units	*Unit Type (and square footage)*
10	Studio (500 sqft) or 1 Bedroom (700 sqft)
24	2-Bedroom (900 sqft)
4	3-Bedroom (1050 sqft)
2	4-bedroom (1200 sqft)

Maximize Residential: Finance

Building Considerations

- ~42 residential units reach threshold for LIHTC feasibility
- Parking requirements constrain # of units
- LIHTC Unit Breakdown:
  - **10 - Studios** (500 sqft) or **1 BR** (700 sqft)
  - **24 - 2 BR** (900 sqft)
  - **4 - 3BR** (1050 sqft)
  - **2 - 4BR** (1200 sqft)

Affordable Housing Sources

- **Housing TIF** requires 80% residential use, site is eligible for a TIF District
- **9% LIHTC** provides majority of project equity and produces robust affordability
  Site can competitively apply for Tax Credits
- With TIF/ LIHTC affordability standards, opportunities for gap subsidy are numerous
- Density allowances should be pursued

Maximize Residential: Affordability

Housing TIF

- 80% residential use requirement
- Collection delayed 4-25 years
- Applies the “20-50” or “40-60” tests
- Applies “but-for” test
- Publicly-owned site implies a large increment

2024 HUD AMI Standards

# Bedrooms	30%	50%	60%	80%
Efficiency	$652	$1,087	$1,304	$1,739
1-Bed	$699	$1,165	$1,398	$1,864
2-Bed	$838	$1,397	$2,161	$2,881

MTSP Rent Limits (2024), published by MHFA

9% LIHTC

Benefits:

- 70% of project equity
- Comprehensive affordability- at least 15 years
- Nearly meets MLUPA allocation goals
- Access to professional AH industry

Requirements:

- MHFA’s Consolidated RFP application
- Build development team and LP
- Must maximize QAP points:
  - Family-sized units
  - Diverse development team
  - Deep affordability
  - Connection with City goals/ infrastructure

29

Maximize Residential: Project Timeline

1. **Summer/Fall 2024** — City Council rezones parcel to match RFP
2. **Q4 2024** — Potential Engagement Opportunity: Small group focus. Gather feedback for site plans
3. **Q1-Q2 2025** — City issues RFP, Selects developer
4. **Q2 2025** — City & Developer generate concept plans for the site
5. **Q3 2025** — Potential Engagement Opportunity: Large group focus. Finalize site plan.
6. **Q4 2025** — City & Developer generate final site concept
7. **2026** — Application for LIHTC 9% is submitted
8. **2026-2028** — LIHTC is awarded, development begins

**Timestamps are approximate and are for illustrative purposes only*

30

Maximize Residential: Analysis

Opportunities

- Consistent with the City's **Housing Goals**:
  - *Increase affordable housing stock*
  - *Diversify housing stock*
- Family-sized affordable units
- Sizeable increment through Housing TIF
- Eligible to pursue LIHTC 9%
- Eliminates commercial requirement, making RFP more attractive for developers

Challenges

- Requires rezoning to R-5 to make affordability feasible
- LIHTC process and compliance requires a specialized developer
- More contingencies may delay redevelopment of site

The Maximize Residential Path produces a minimum of 20% of units at 50% AMI or 40% of units at 60% AMI.

31

1 2 3

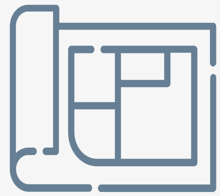
05 Next Steps

32

Maximize Residential: Next Steps

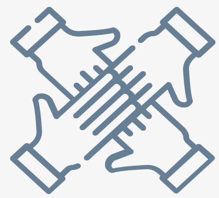
Rezone to R-5

Design RFP



Establish Housing TIF District

Further Land Sale



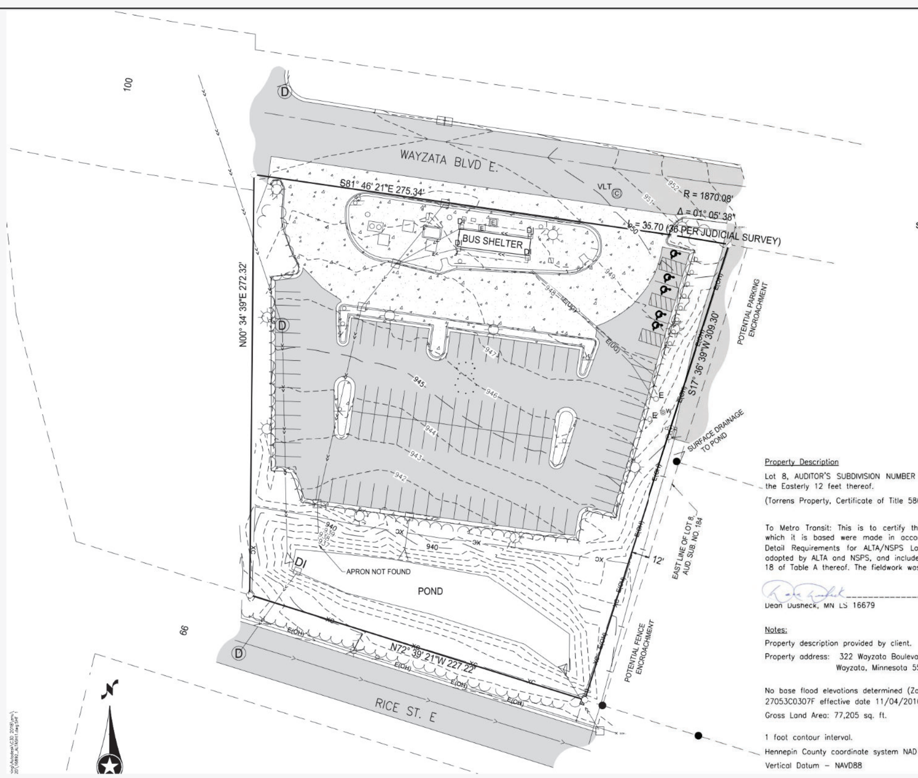
33

Thank You!

34

Glossary

- **MURP:** Master of Urban and Regional Planning
- **APA:** American Planning Association
- **LIHTC:** Low Income Housing Tax Credit, Section 42 of IRC
- **TIF:** Tax-Increment Financing, District applied by City
- **MHFA:** Minnesota Housing Finance Agency, primary allocator of Housing Tax Credits
- **QAP:** Qualified Allocation Plan, document used to direct Tax Credits towards desirable projects
- **MLUPA:** Minnesota Land Use & Planning Act of 1976, aiming at distributing low and moderate income housing across the 7-County Metropolitan Area
- **RFP:** Request For Proposal, issued by the City to attract development proposals
- **HRA:** Housing and Redevelopment Authority (of Wayzata)
- **CDFI:** Community Development Financial Institution
- **NOAH:** Naturally Occurring Affordable Housing
- **AMI:** Area Median Income, used to determine income/ rent limits
- **LP:** Limited Partnership, structure used to attract investors for LIHTC projects



Why this site?

A history of redevelopment discussions informed by public engagement

1 → 2 → 3 → 4

2017 Wayzata 2040 Sailing Ahead

- **1st mention of site redevelopment**
- Community Visioning Results:
  - **Multi-Generational Community**
  - City Nodes w/ **Housing Diversity**

2017-2020 Adoption of 2040 Comp Plan

- Housing Goals:
  - Support development at a **variety of affordability** levels
- Land Use Goals:
  - Examine reinvestment opportunities
  - Promote balanced housing supply
  - **Park & Ride site ID'd for redevelopment**

2023 Wayzata Blvd Corridor Study

- Guiding Principles:
  - 3. Optimize **economic development** & **housing growth** and investment
  - 4. Increase **housing access & affordability** in corridor
- Confirmed community commitment to 3-story limit

2024 Humphrey Pre-Development Study

- Site analysis & regulations
  - Zoning & Comp Plan
  - Design Guidelines
  - Corridor Study
  - Metro Transit needs
- Funding research
  - Tools for affordability
- Developer Interviews

Findings: Policy & Regulation

1

Wayzata 2040 Comprehensive Plan

- Site is zoned **C-1 - Mixed-use** Commercial/Residential
- Affordable housing target of **42 units**
- Identifies our site for redevelopment

2

Zoning Code

- Provides specifications for C-1 & R-5 zoning categories
- Parking minimums
- Minimum unit sizes for multi-family residential
- General site layout provisions (setbacks, lot coverage, etc.)

3

Wayzata Blvd Corridor Study

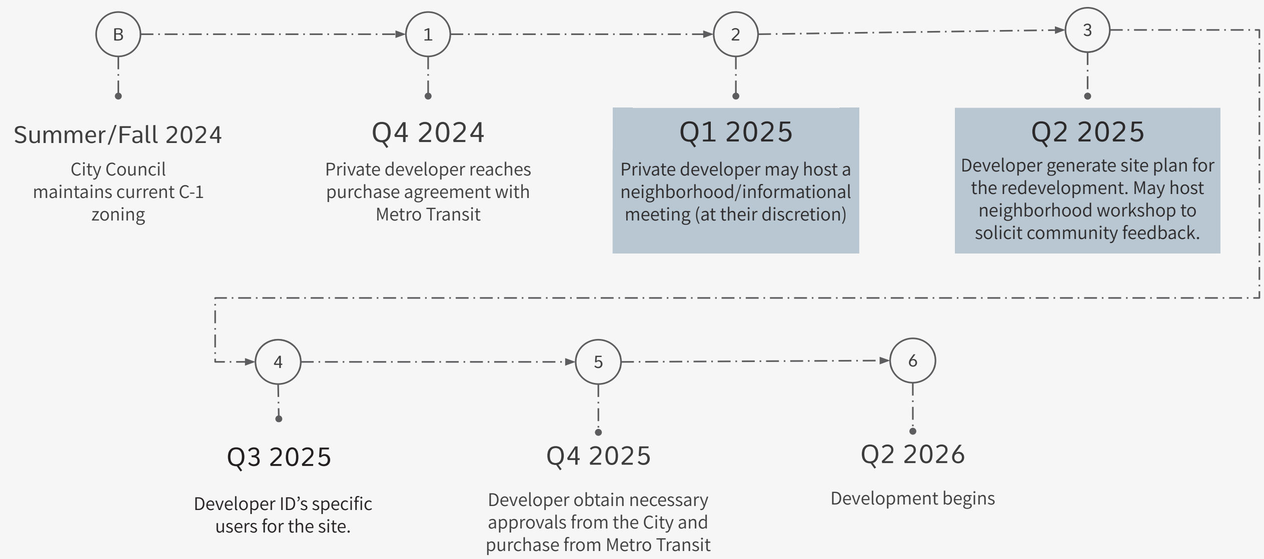
- **Medium-intensity mixed-use** at site
- Site in **West Gateway** of corridor
- High emphasis on **ped/bike safety**, **public realm**, emphasizing open space & parks

4

Wayzata Design Standards Handbook

- All devt should emphasize **village, small-town character**
- Site in **Bluff District**
- **Medium-scale, mixed use** site

As-of-Right: Project Timeline



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