

Staff Report

2700 BLOCK OF LINCOLN WAY REDEVELOPMENT STEPS

June 10, 2016

BACKGROUND:

On May 24th, the City Council received a staff report addressing the issues related to initiating a Land Use Policy Plan Amendment, Zoning Text Amendment, and Urban Revitalization Area amendments to support redevelopment of the 1.8 acres of property along the 2700 block of Lincoln Way. **As described in the May 24th report, the developer seeks to assemble seven properties to develop a mixed use project that would consist of ground floor uses of a boutique hotel, commercial square footage, residential lobby and amenity space with approximately 168 apartments totaling 510 bedrooms on the upper levels of a five to six-story building.**

City Council continued this item to June 14th to consider the issues of timing for the project and its relationship to Council's priorities for the Planning Division Work Plan. To develop the described project, seven steps are needed over the next six months to meet the developer's timeline for starting construction of the project in the spring of 2017 to be opened in August 2018. **These steps include: a LUPP Amendment, rezoning, zoning text amendment, designation of an Urban Revitalization Area (URA), a development agreement, a site development plan, and a plat of survey to combine parcels.**

Staff prepared an estimate of time based on considering this request as a Minor LUPP amendment separate from the Lincoln Corridor Plan. **Staff believes that the combination of writing zoning standards, reviewing concepts and providing feedback on site plans and architecture, participating in an outreach meeting, providing staff reports and analysis to the Planning and Zoning Commission and the City Council will require approximately 125 hours of time.** This process would be similar to the amount of time involved in the Kingland redevelopment project in 2013 and the creation of the Lincoln Way Mixed Use Ordinance and Site Plan review for Walnut Ridge project in 2015. The process will also require coordination of staff time with the City Clerk's office and City Attorney for noticing and drafting of ordinances and a development agreement.

The May 24th Staff Report highlighted the following issues as needing City Council direction for proceeding with redevelopment of the 2700 Block. These same issues apply at this time and direction is needed to proceed with the project.

Issue 1 - Should the LUPP amendment process be initiated outside of the Lincoln Corridor Focus Area Evaluation; and if so, would it be a Major or Minor Amendment;

Issue 2 - Should zoning text amendments be initiated to support the rezoning of the property and development of the proposed uses; and

Issue 3 - Is City Council willing to consider providing tax abatement under a site specific URA (separate from Campustown URA Criteria) and enter into a development agreement for the project?

STAFF COMMENTS:

Issue 1

In regards to the process of a LUPP Amendment, staff can support individual evaluation of the project separate from the broader Focus Area of the Lincoln Corridor Plan and that it can be classified as a Minor LUPP Amendment with the understanding the developer will hold a public meeting for neighborhood outreach. Staff has reached this conclusion based on the inconsistency of the current zoning with the LUPP, limited range of options for the site if it is to change, site size, and the developer's commitment to conduct public outreach. However, if a Major Amendment process is preferred by Council for the project, staff would recommend that the site remain as part of the Focus Area evaluation that would continue through the summer so as to not create two significant outreach processes for the same area of the City.

It should be emphasized that as part of the initial evaluation of the project, staff would need to review the sanitary sewer capacity for the expanded project and how traffic levels could be affected by the redevelopment of the site.

Issue 2

In terms of the zoning issues, the proposed use is a hybrid between high density residential and commercial. Two key questions in this project are the City's interest in expanding the intense redevelopment of Campustown with 5 and 6-story buildings to the west; and if so, should commercial be the primary use on the ground floor of the building as has been customary in CSC zoning, or should the hybrid use be allowed as proposed by the developer.

If the Council chooses to support this project, staff believes creating a new zoning district of planned commercial or an additional Lincoln Corridor Combining district is preferable to modifying the base zone standards of CSC. Although the project appears to be more residential in nature than commercial, base RH zoning does not work well for the proposal. If the project evolves to have more commercial space that is similar to expectations within the CSC zoning, then edits to the base CSC zoning may be appropriate.

There are additional design issues regarding the activity level and interest levels along the street, building massing, and building materials that would be part of the later site plan level review of the project once the general arrangement of uses is understood for the site. Additionally, if the Council is concerned about the parking requirement of one space per unit, options for a different parking standard should be a part of the text amendment.

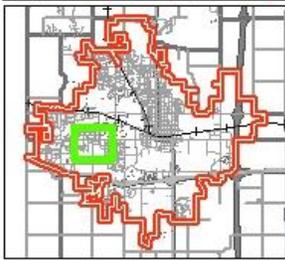
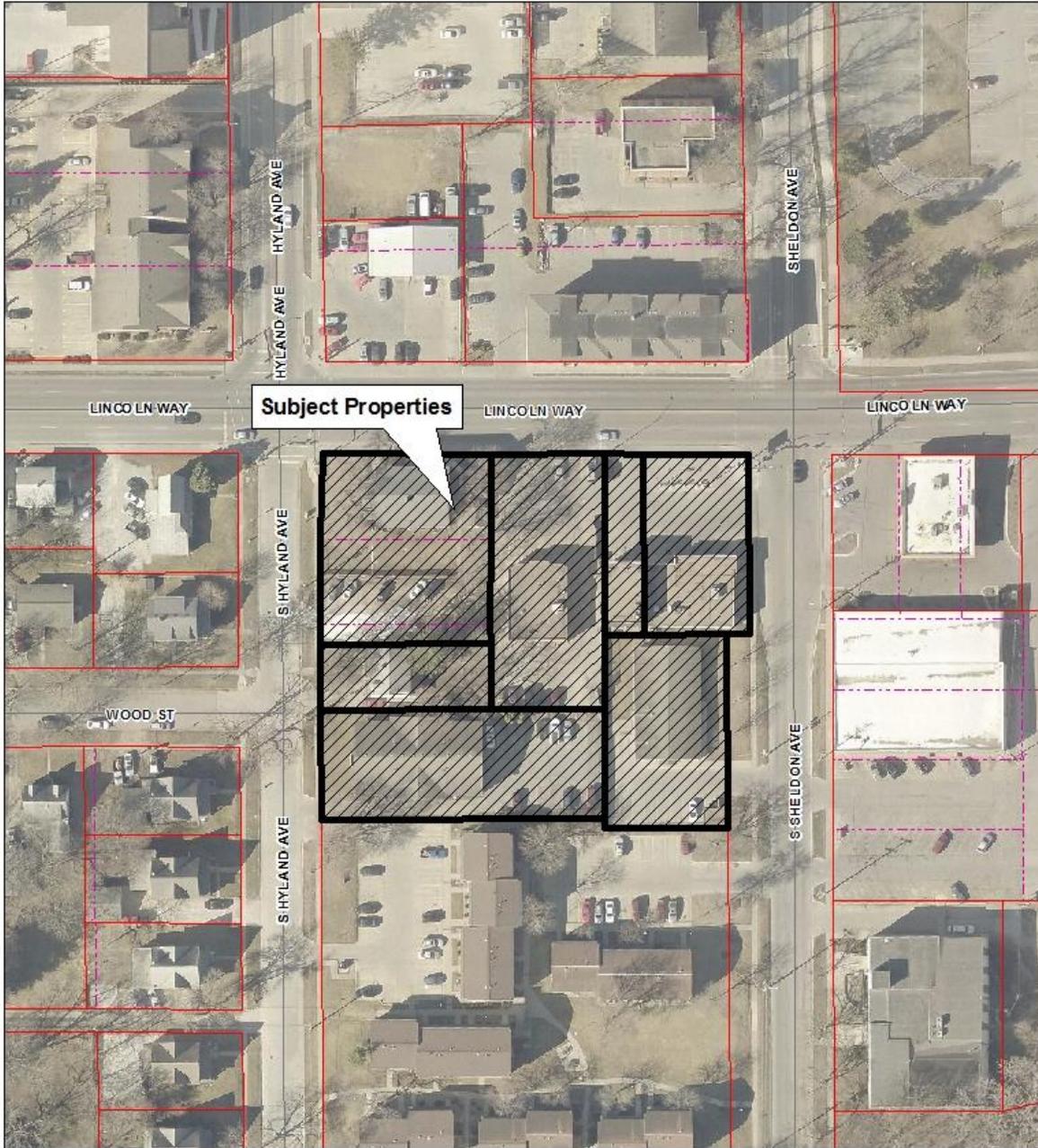
Issue 3

The developer desires partial property tax abatement to facilitate redevelopment of the site. Although the project is modeled after recent campustown projects, it is not the same in complying with the established Campustown URA criteria. This is primarily due to the small amount of retail spaces on the ground floor of the project. However, the developer proposes to do a URA that is subject to Council approval of a project specific plan rather than general criteria.

The requested URA is also a hybrid request as it does not clearly fall within the Council's Commercial Land policy for property tax abatement, nor does it completely match the Campustown expectations. **The developer believes the URA is warranted to ensure that the entire site is redeveloped as a single cohesive project, rather than as a smaller project at the corner of Sheldon within the current CSC zoned area that does not include the residential properties along Hyland. The developer believes the City benefits from the URA and desires to enter into a development agreement to ensure that both the developer's and City interests are met for the project.**

The proposed changes and time commitment could be accommodated within the Planning Division Work Plan as a Minor Amendment process and with the steps described above, only if the City Council chooses in Agenda Item #45 to place a high priority on initiating this project. If the Council decides that this request involves a Major Amendment, there is not sufficient time or staff resources to complete a Major LUPP amendment process this summer as requested by the developer without discontinuing one of the projects already initiated by the staff.

**Attachment A
Location Map**



**Location Map
2700, 2702, 2718 and 2728 Lincoln Way,
112 and 114 S. Hyland, and
115 S. Sheldon**

Applicant Letter

To: Honorable Mayor and City Council

From: Chuck Winkleblack, Hunziker Companies

RE: Lincoln Way project between Hyland and Sheldon

Date: April 12, 2016

The Developers have been working on this project on the Lincoln Way corridor since last fall. In October of 2015 the Developer requested a minor amendment to the LUPP for this area along the Lincoln Way corridor on the West edge of Campus. The Developers decided to pull back their minor amendment request in order for the Lincoln Way corridor study to get under way. I have been working with the consultant on the corridor study as well as with city staff on this project for the past few months. We urge the council to make the 2700 block of Lincoln Way a focus area that moves forward in parallel to the corridor study as an individual project within the focus area. Planning Director Diekman recommends that we bring this project back as an agenda item on May 10. This area is ripe for development with a Developer waiting for answers, the other areas along the corridor appear to be future potential projects.

The Developer currently has under contract the properties located at 2700, 2702 and 2718 Lincoln Way. Those properties are currently zoned (CSC) and approved for the urban revitalization. The Developer could turn in a site plan for approval and start on this site without any changes to the codes or council action. It is imperative that we get an answer as soon as possible on whether or not the bigger project can move forward. If not the Developer will go forward with this site and have it open for the fall of 2017. I don't believe the smaller project is in the community's best interest.

The Developer currently also has under contract the properties located at 2728 Lincoln Way, 115 S Sheldon, 112 S Hyland and 114 S. Hyland. We need to do a minor LUPP amendment on those four properties. Those properties are currently designated as low density on the LUPP. Those four properties total only a little over 1.1 acres. The small size along with the fact that all of these properties are currently rental properties and the overall condition of most of these properties hopefully will bring you to the conclusion that the minor LUPP amendment makes a lot of sense. The minor amendment request is to change from low density to a combination of RH and CSC.

The project will also require some text amendments to the current code. There will need to be a text amendment to a hybrid of the zoning to allow less commercial on the main floor as well as residential on the ground floor of a mixed use site. Too much commercial along Sheldon and Hyland would not be successful. This approach will emphasize the commercial along Lincoln Way and part of Sheldon facing the campus. The balance of Sheldon and most of Hyland will be used for residential purposes.

The overall approach would be to treat this project similarly to the Kingland project in Campustown in that the changes are site specific and not as an overall change to all of the ordinances currently on the books.

This slight extension of the boundaries of the zoning and urban revitalization are within the spirit and the intent for the area. It makes sense to have intensification and additional student housing across the street from the campus.

My letter last fall to the council also made the following points:

One compelling reason to move this forward and add these properties to this project is that if they are not included in this project it is highly unlikely that these properties will redevelop any time soon. My basis for that argument is based on size and location. The Sheldon property is not large enough to redevelop on its own and will have a large project to the North and to the South. Additionally, by adding it to the project I believe that it will improve the project and provide better access to the larger project away from the Lincoln Way intersection. The other 3 properties are very small, particularly the property at 2728 Lincoln Way. It is a corner property so if it redevelops it will have 2 front yards and 2 side yards. Less than 50% of the property would be able to be built on if it redevelops on its own. There are many economies of scale that will be achieved by combining these properties into one larger project. This is a much better use of the valuable land resource in the area. The age of these "boarding house" type of apartment buildings that are close 100 years old should also play into the decision making process. It is not economically feasible to remodel these older properties. Even if they were remodeled they would leave the ground severely underutilized.

Regarding expanding the urban revitalization area, it is important to remember that the abatement is only on the improvements. The taxes that are currently being paid will continue to be paid going forward. Additionally the new project will pay additional taxes as the abatement is used up and they start paying full taxes. There is no tax revenue lost as a result of this request. If the properties remains as they are today, it will be undervalued and underutilized for the next several decades. The city will lose out on millions of dollars of property tax revenue. Even if these properties are able to be redeveloped the end result will be a significantly smaller project with much less tax revenue coming into the city.

To summarize:

1. The Developer has 2700, 2702 and 2718 Lincoln Way under contact and can go forward with that project with no additional zoning actions required from the council.
2. If the LUPP is not amended the developer will simply move forward with the project on that single property. However the Developer is willing to increase their investment in our community and make this a "win/win" situation. Hopefully, when you look at the map and go look at the properties you will agree that the other properties should be included with this project.
3. Nearly all, if not all, of the properties in the immediate area are already rentals or commercial property.

4. This project is on the door step of the campus. This is exactly where the community wants intensification! The students may or may not have cars here and certainly will not likely use them on a daily basis because they will walk to class and not further burden Cy-ride.

5. When the developer initially met with the City on the Lincoln Way parcels, the planning director brought up the concept of including the other properties.

6. The Developers needs to start on the site late summer or early fall at the latest so that the project can be completed for the fall of 2018. As you can imagine the engineering and architecture involved in a project like this is very expensive and time consuming. The Developer needs to get direction as soon as possible so that they can get moving on the engineering and design.

7. I encourage you to research this Developer. They have done numerous projects throughout the country and I believe they are highly regarded in this industry as an innovator in the student housing market. Their web site is rivercaddis.com. They are willing to make a huge investment in our community and have assembled a great building team to design and complete the project.

Thanks in advance for your consideration. I am available to guide any of you on tours inside or around the exterior of any of these three properties if that would be helpful for you to see the age and condition of these properties.

Respectfully submitted,



Chuck Winkleblack

To: Honorable Mayor and City Council
From: Chuck Winkleblack, Hunziker Companies
RE: 2700 Block of Lincoln Way
Date: June 10, 2016

To all concerned:

Nine months ago the Developers started working on this project and have gone through many renditions to get to where we are today. Attached is a copy of the latest version of the project for your consideration. The most recent plan addresses many of the concerns that were brought up at the last council meeting.

On Wednesday June 8, 2016 I presented the revised plan to the CAA board meeting. There should be a letter from the CAA in your packet endorsing the project.

We also have a scheduled meeting with the neighborhood association on Monday evening June 13th at the Memorial Union to listen to go over the latest concept with the neighborhood association.

The updated plan is far more interactive on Lincoln Way and Sheldon. The spaces will be an amenity for the Tenants in the building as well as open to the public. We have been reaching out to local businesses to gauge their level of interest in the building. We intend to work closely with the CAA to help find local Tenants to occupy as many of the retail spaces as possible. There have been preliminary discussions with some of the existing commercial Tenants to come back to the building when it is rebuilt.

One of the comments at the last council meeting was regarding staff's availability to work on this project. It is very important to note that staff will be working on a project in this area either way. The bigger project is somewhat more complicated but I am not sure how much more time it will take to do it over the smaller project. In general the campus town projects are more time consuming. I believe that it is worth the additional staff time to do the larger project. We have been working with staff on the timing of this project since last October so we are not trying to jump to the front of any line

The larger project provides needed housing across the street from the campus. It adds additional retail space as well as the boutique hotel. It dramatically increases the value of the project therefore adding to the tax base for the community.

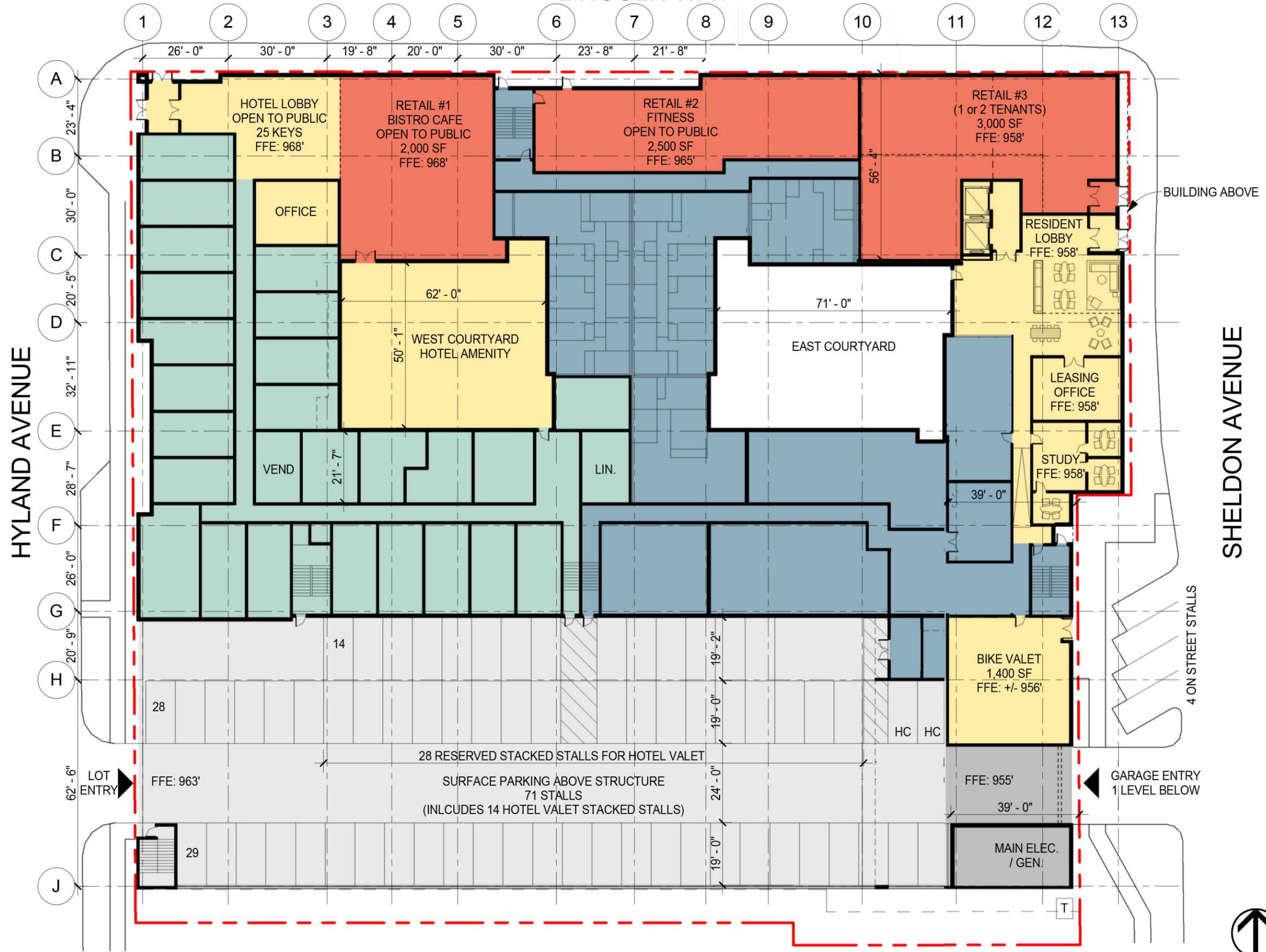
I may follow up with some comments over the weekend after the staff report has been published.

Please let me know if you have any questions prior to the council meeting.

Thanks in advance for your consideration

Chuck Winkleblack, Hunziker Companies

LINCOLN WAY



Legend

- Hotel
- Residential
- Retail
- Active Use
- At grade Parking Deck
- Garage Entry Frontage

HYLAND AVENUE

SHELDON AVENUE

JOB #30984

