**Community Development Committee Meeting**
**4:45 pm, Thursday, April 26, 2012**
**Conference Room No. 1**
**City Office Building**

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| **Chair:** | Jim Dokken |
| **Members:** | Bruce DeBlieck |
| | Ron Christianson |
| | Steve Ahmann |

## AGENDA

1. Public comments.
2. Lakeland Hotel redevelopment proposal.
3. Downtown Plan review.
4. Miscellany.
5. Adjourn.

1. Comments will be received from the public.

2. Representatives of the Southwest Minnesota Housing Partnership will present a proposal for the redevelopment of the Lakeland Hotel building. The attachment provides a summary of the proposed activities. A report on the historic structure has been provided to you via email. If you would like a hard copy of that information, please let me know prior to the meeting.

3. Staff will review with the Committee the draft Downtown Plan. This presentation will be an abbreviated version of the presentation that was given at a public meeting on April 18th. The entire plan is available for viewing at the City of Willmar website. Staff will offer a recommendation that the Committee transmit the plan to the City Council at its May 7th meeting for the introduction of an Ordinance, with the public hearing and adoption of the Ordinance on May 21st.

**LAKELAND HOTEL**

**Project Summary – April 26, 2012**

The Southwest Minnesota Housing Partnership (SWMHP) was contacted by the Willmar Design Center to assist in preserving the Lakeland Hotel located in downtown Willmar. The property is currently in foreclosure and held by Bremer Bank. In March 2012, SWMHP presented a purchase agreement to Bremer Bank who has accepted the offer. The SWMHP is currently conducting its due diligence review and if the final decision is made to proceed our plan would be to fully rehabilitate and operate the structure as a mixed use, commercial and residential property in downtown Willmar.

Constructed in 1927, the Lakeland is a community landmark and recently received historic designation status through the US Department of the Interior. The Lakeland's façade and structure has barely changed since construction, but the function of the property is now mixed-use, with four (4) commercial enterprises on the ground level and thirty (30) residential units on the second and third levels. The commercial space is 100% occupied although two of the tenants are planning to relocate within the near future. Existing rental units are small studios and efficiencies, some with shared bath and kitchen facilities which are unappealing to today's renters and whose rental income does not support the operations of the residential portion of the building. Current occupancy of the residential units is about 50%. The site has inadequate parking accommodations on site and currently rents parking space for tenant use. Parking for residential tenants is challenging and more work will need to be done with the City to determine a long-term solution.

The preservation activities would be maintaining 2-3 viable commercial spaces on the main floor (with priority to retain the existing restaurant spaces) and creating 10 apartments consisting of 5 units per floor of on the upper floors. The apartments would be 1-one bedroom and 4-two bedroom units on each floor. The one-bedroom apartments would rent for $548 per month and the two-bedroom apartments for $658 per month.

Willmar is a strong market with continuing household and population growth in and around the downtown area as well as within the outer areas of the community. From a market context, including the location of several central business district area employers, bodes well for the long-term viability of this project. The Lakeland as a historic property would be unique in the Willmar market, so there are few comparable developments on which to base occupancy expectations. However, case studies of similar projects in other similar sized Minnesota communities show strong occupancy. Previous market studies in the community document on-

going demand for rental housing, especially in the business district. A new market analysis will be ordered and delivered in June.

The SWMHP has conducted a physical inspection of the property and has met with Engan Architects and representatives from the Willmar Design Center to determine rehabilitation needs and design and future use of the building. We are assuming asbestos and lead remediation and gutting the second and third floors. A phase one environmental analysis of the property has been ordered and will dictate remediation activity. All major systems will need to be replaced including the roof, windows and doors, elevator, HVAC, plumbing and electrical systems. We are currently considering a more rational design approach to the commercial uses on the 1st floor and multi-purpose meeting and residential services space for the below grade floor. We are also evaluating the single-story portion of the commercial roof area for patio and exterior garden space for residential tenant use. The original lobby area of the building offers some unique design elements that can be incorporated into the first floor community space. The building's structure is in good condition and the exterior envelope is in almost pristine condition. Meeting the US Department of Interior requirements should not impose significant cost burdens beyond what are contained within the estimate. Total development costs are estimated at $3.6 million. The following is a summary of Estimated Development Costs:

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| Acquisition and Rehabilitation: | $2,788,878 |
| Professional Fees/Soft Costs: | $ 429,000 |
| Financing Costs: | $ 286,650 |
| Reserves: | $ 95,890 |
| Estimated Total Development Cost: | $3,600,488 |

Financing will consist of primarily tax credit equity from a combination of federal low income housing tax credits and federal and state historic tax credits. No amortizing loan is assumed in the financing plan since the property will not support amortizing debt beyond a ten year term. The remaining sources of funding would consist of financing provided through the Willmar HRA, a Willmar Small Cities Development Program grant and owner equity through SWMHP.

An application will be submitted for an allocation of low income housing tax credits in June 2012. The rehabilitation plan will be developed and submitted to the Minnesota State Preservation Officer (SHPO) to secure the State and Federal Historic Credits. After SHPO approves the plan it will be submitted to the Parks Department at the US Department of Interior for formal federal approval. We are planning to complete this process by September of 2012. We plan on starting the rehabilitation by late summer of 2013.

The plan features 19 elements organized into five topics:

**Topic A: Access, Movement, and Parking**

Element A1: Establish Downtown Gateways and Improve Vehicular Access
Element A2: Improve Pedestrian Environment and Connections
Element A3: Perform Downtown Parking Study
Element A4: Implement Becker Avenue Plan (roadway)

**Topic B: Open Space, Green Space, and Trails**

Element B1: Implement Becker Avenue Plan (green space and trails)
Element B2: Extend Glacial Lakes State Trail into Downtown
Element B3: Create Downtown Trailhead at Selvig Park
Element B4: Improve the Urban Forest

**Topic C: Building Conditions and Aesthetics**

Element C1: Adopt Downtown Design Standards
Element C2: Facilitate Facade Improvements
Element C3: Encourage Historic Preservation and Restoration
Element C4: Update and Improve Lighting

**Topic D: Business Mix and Redevelopment**

Element D1: Revise the Central Business District Zoning Boundary
Element D2: Encourage Redevelopment on Targeted Sites
Element D3: Encourage Restaurant and Retail Development
Element D4: Support and Maintain Cultural, Governmental, and Institutional Uses Downtown

**Topic E: Housing**

Element E1: Analyze Existing Downtown Housing
Element E2: Promote Higher Density Development at CBD Fringe
Element E3: Increase and Improve Downtown Housing