

TO: Planning Commission
FROM: Rob Warwick, Senior Planner
DATE: January 22, 2016
SUBJECT: Case File 2604-16-03, Planned Unit Development – Concept Stage, Ryan Companies, Children’s Health Care Property (59xx Rice Creek Parkway), Rice Creek Corporate Park

Introduction and Background

Ryan Companies has submitted a Planned Unit Development – Concept Stage application proposing a change in the previously approved PUD for a vacant 18.5-acre parcel in the Rice Creek Corporate Park. The property was acquired by Children’s Hospital in 2001, for a planned north metro medical campus. The property no longer fits the plans for the Hospital’s expansion, and has been offered for sale.

The property has an area of approximately 18.5 acres, and is the final parcel remaining vacant in the Rice Creek Corporate Park. The Park was developed by Wispark, and its successor, Interstate Partners, as a mixed use Planned Unit Development (PUD) that includes residential, retail, business park, and office uses. The City approvals and private covenants regulate the types of uses permitted on each property within the Park. The subject property is designated for office uses, and the City anticipated corporate “Class A” office development when the PUD was approved in 1999.

Project Summary

Ryan proposes to purchase the property and develop the site with two office/warehouse buildings. This type of development is typically referred to a ‘business park’ or ‘office/flex’, where the building shells are generally constructed for multi-tenant leaseable spaces available for business. The interior finishing improvements are made based on the specific business needs of the tenant. Examples of this type of use are the Rice Creek I and Rice Creek II buildings located at 5910 Rice Creek Parkway and 1880 Parkview within the existing Corporate Park, and the tenants space includes office, production and warehouse uses.

The applicant has submitted a narrative and information to support their request to allow the proposed office/warehouse rather than office. The buildings shown on the concept plans are single story structures with a total floor area of approximately 210,000 sq. ft. for the two buildings.

The conceptual site plan shows four access driveways off Rice Creek Parkway. Surface parking areas are shown, with a total of 458 stalls identified on the site plan.

The concept plans do not present specific dimensions or details sufficient to fully determine what flexibility from the City’s development standards will be necessary. The focus of the concept

review in this case is to provide the owner and prospective buyer feedback on the requested land use change, and to identify issues associated with the development if the project were to move forward.

Planned Unit Development

Development of this site has been approved via the Planned Unit Development process, and an amendment to the approved PUD is necessary to revise the land-use component of that approval (Section 203.060 (E)(2)).

Planned Unit Development (PUD) process is used to encourage or provide flexibility, creativity, and innovation in the planning and design of development to achieve a variety of objectives related to the Development Code and the City's land use and development goals.

The PUD Concept Stage review (Section 203.060 (B)) is designed to address the appropriateness of a development proposal from the perspective of general land use compatibility and provides the applicant an opportunity to submit a general plan showing the basic intent and nature of the development. This process incorporates public review; thereby allowing the applicant to receive comments regarding the proposed development from the City, and nearby property owners. It also provides a forum in which more specific development issues and potential concerns for further information and in-depth review during the subsequent Planned Unit Development - Development Stage application review process. No formal action is taken during the Concept Stage review by the City Council or Planning Commission.

Staff Review

The conceptual plans have been reviewed by staff in accordance with the PUD review criteria, and general land use compatibility of the Comprehensive Plan. Staff has identified key issues associated with this concept plan.

Planned Unit Development Review Criteria

The development proposes a change in use for the approved PUD, and as such the City review process is based on standards specified for the PUD process. Proposals that do not comply with the minimum standards of this ordinance need to provide a benefit to the city and meet certain objectives including but not limited to sustainable and high quality building design, innovative stormwater management and transportation demand management (Section 203.060 (C)(5)(b)). This will need to be addressed further with the Development Stage application, if deviations are proposed.

The proposal is also subject to the Restrictive Covenants developed by Wispark, and these restrict the property to the specific office uses listed in that document. In addition to obtaining requisite approvals from the City, the applicant is responsible to insure that the recorded covenants are amended to allow the proposed use on the property.

Comprehensive Plan Consistency

The Comprehensive Plan designates this property as O, Office; and an amendment (Section 203.053) is needed to change the designation to BPK, Business Park, which permits the office/flex-business park type of development proposed by Ryan Companies.

The key policy issue for the City appears to be whether it is appropriate to amend the uses planned within the Corporate Park, as applied to the largest remaining parcel of vacant land in the City. The applicant's statement is attached, and they cite their real estate brokers who suggest there is little market opportunity for office space in the north metro area, while there is a strong demand for business park uses that require office, warehouse and light production areas.

The issue for the City is to determine whether to allow greater development flexibility for the largest remaining *vacant* parcel in the community. The proposed use is the dominant use of the other buildings in the Rice Creek Corporate Park. There may be some benefits to allowing for business park type uses in order to attract new businesses and retain existing growing companies, by also providing new office/flex tenant spaces that are generally lacking in the city. The City's Economic Development Authority and Economic Development Commission have both identified that most of the City's inventory of office/warehouse type buildings are older, and do not meet the current market needs of new office/flex space. These needs include high ceilings, open/flexible tenant bays, special electrical power, special flooring, and a modern design.

General Land Use Compatibility

The Rice Creek Corporate Park is developed with a mix of uses, as noted above, and there have not been concerns or comments that indicate the existing uses are not compatible. As such, staff believes that more business park or office flex uses could be developed in the Park, provided the new development consists of a well-designed site plan, using high quality building materials that complement the design of existing buildings in the Corporate Park. Any plan should be designed to avoid adverse impacts on the residential uses on the east side of Rice Creek Parkway, just across the street. Lighting, hours of operation, and heavy truck traffic all have potential to affect the residential area. Conversely, well paid jobs may aid in supporting the nearby retail uses and would provide greater benefits to the overall community.

Land Use and Development Issues

Ryan Companies submitted the conceptual site plans for review and comment by the Planning Commission, City Council and public. While it is difficult at the concept level to determine the extent of flexibility that may be needed from the development code standards, it appears that code flexibility may be needed for this project to move forward. While the area of the site is large, it is rather narrow and there may be resulting limitations on building layout, truck access and maneuvering and loading facility areas. The project has been reviewed in accordance with the Business Park District (Section 205.040 and 205.045) which would be the underlying zoning district for the property, if the City approved the requested PUD amendment.

Building Placement

The setbacks required in the proposed Business Park District are a minimum 75-foot setback from a street and when adjacent to residential uses, as is here the case, heavy landscaping,

including earthen berms, is required (Section 205.040(C)(2)(a)). This building setback applies on both the east (Rice Creek Pkwy) and west (I-35W) and may not be present on the conceptual plan. Side setbacks are a minimum of 30-feet in the BPK District.

Storm Water Management and Impervious Surface Coverage

The Corporate Park development includes a master stormwater plan, however regulations have changed and staff expects that the Rice Creek Watershed District will require additional management practices on the site.

City Code limits impervious surfaces to a maximum of 70% of lot area, and that amount can be increased to 75% if best management practices are used (as expected). Since no dimensions are shown on the conceptual plan compliance to this requirement cannot be determined, however staff notes that a deviation to this provision is not permitted through the PUD process (Section 203.093(C)(1)).

Parking and Access

Access to the development is proposed off of Rice Creek Parkway, with a total of four driveways. There does not appear to be good alignment of these drives with existing opposing streets and drives. Staff believes this should be considered carefully as the plans are refined to avoid impact on the adjacent residential uses.

There are about 460 parking stalls called out on the site plan, with the parking areas surrounding the buildings. With a total building floor area reported as about 210,000 gross sq. ft. This is a rate of about 2.2 stalls per 1,000, which is less than the rate of 3.2 stalls per 1,000 sq. ft. that are developed at the two office warehouse building nearby. The applicant will need to consider how to provide sufficient parking, with landscape islands and screening as required by City Code and the Corporate Park covenants.

The Development Code does provide some flexibility with respect to parking standards (Section 206.020(C)). The number of parking stalls constructed may be reduced to a number less than the minimum provided parking management techniques are used. Implementing these techniques, including the proof of parking, may be difficult due to the site configuration and building design.

Loading facilities are expected, and Code requires loading docks to be located on the side or rear of the building (Section 206.020(E)) Loading facilities are prohibited from facing street frontage, and flexibility will likely be necessary for this provision due to the dual street frontage and configuration of the parcel. Staff believes that flexibility should be considered for the frontage facing I-35W rather than Rice Creek Parkway and the adjacent residential uses. The need for flexibility should be balanced with a strong landscape design to screen the loading facilities from the view from the road.

Public Comment

Property owners within 350 feet the development site were notified of the request. One comment was submitted questioning several facets of the proposal. Given the questions, staff surmises that the resident has concerns about the potential impacts on the nearby residential area.

Public Works Comment

Public Works staff notes that the project is subject to the permitting requirements of the Rice Creek Watershed District: that the site is served by sanitary sewer and municipal water; that driveway access points need to align with existing access points located on the east side of Rice Creek Parkway; and that a traffic study will be required at the Development Stage review. The comments are attached.

Economic Development Authority Discussion

The Economic Development Authority(EDA), with the City Council also in attendance, received a presentation from Ryan Companies and Children's Health Care representatives at their December and January meetings.

The general consensus of the EDA was that the City may be open to providing greater land use flexibility, subject to certain parameters, including:

- A master plan for the entire property, showing coordination of development, and the City would not accept piecemeal development and subdivision creating smaller parcels without an overall plan
- Support towards a specific project(s) instead of just speculative buildings
- Support towards project(s) that would provide strong tax base and employment, more office/corporate and production rather than significant warehouse space
- Project(s) would have to provide a high degree of quality design and building materials, and complement the overall quality of the Corporate Park
- Changes to the PUD would need to still identify allowable uses and development restrictions, such as no major trucking or distribution uses, while providing greater flexibility to allow office/flex type development

Ryan Companies believes they can bring quality businesses as tenants to the project, but need the land use revised in order to successfully market the property to prospective companies. They indicate that while the north metro has a strong need for additional office/flex building space, most businesses seeking new space want sites available with short timelines for tenant improvements to meet aggressive schedules.

Recommendation

This is the first step in the City's review process. If the applicant chooses to move forward with this proposal, approvals are needed from the City, including a Comprehensive Plan Amendment,

Plat and subsequent Development and Final Stages for PUD. The applicant must also amend the restrictive covenants for the Corporate Park.

At this time, the Commission is being asked to review the concept plans and identify any issues or concerns regarding the use and the site and building design that may require further attention as the developer considers plans for the subsequent Development Stage PUD application. Comments from the public should also be taken during the review, although an official public hearing will be held at the next review stage. No formal action is taken on this PUD Concept application.

Attachments

1. Location Map
2. Applicant's Statement and Submitted Plans
3. Public Comment
4. Planned Land Use Map

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January 7, 2016

Kathleen Castle
City Planner
4600 Victoria Street N.
Shoreview, MN 55126

RF: Shoreview Site Planned Unit Development Concept Review

Dear Ms. Castle

The enclosed information is in regards to a Planned Unit Development Concept Review application for a land site within the city of Shoreview. As shown in the attached aerial, the site is approximately 18.88 acres located directly to the East of the intersection of Highway 10 and Interstate-35 West. The site is owned by Children's Health Care (a subsidiary of Children's Hospital) and it is currently being used as an agricultural use. Children's purchased the site in 2001 to secure land for future expansion. Since that time, Children's has grown and expanded to other locations around the metro and this parcel is no longer part of their future growth plans. Therefore, Children's has made the decision to sell the property and they have recently executed a letter of intent to sell the property to Ryan Companies US, Inc.

As a national developer and builder, our interest is to market the land for commercial development. Given the prevailing market conditions and site attributes such as access and visibility, we feel the highest and best use for the site would be as an office/office flex & warehouse style development. We are requesting a revision of the existing PUD zoning to allow for some level of industrial use. Under the existing zoning which calls for office development exclusively, we do not feel development is viable given the existing condition of the office market and the lack of amenities in the surrounding area that typical office users desire. Given our in depth knowledge of the market and extensive experience with corporate office users, we feel two critical drivers for site selection decisions are, access to mass transit and the ability to walk to area amenities. Unfortunately, this site does not offer those key drivers for office users. Additionally, we are seeing a trend in the office market of companies relocating towards downtown Minneapolis or other more dense urban locations. This is largely based on tenant attraction and retention of companies catering to millennials and the younger work force who is interested in the live/work balance that these areas can offer. Given these reasons, we feel this site may not be developed as an office use for the foreseeable future.

Alternatively, we feel strongly that there is ample market demand for an office/warehouse, office flex development or corporate build-to-suit in this location. Additional flexibility on this site would allow us to reach a larger pool of prospective companies who may require a mix of uses such as production, assembly or manufacturing as opposed to 100% office use. Ryan's intent would be to market the site to office/warehouse users and construct two high quality buildings on the site. These buildings are similar to facilities Ryan has built for Shutterfly, Olympus, Cardiovascular Systems Inc, and Bayer to name a few. Given the visibility and immediate freeway access, this development would have an immediate advantage over similar product types in alternative locations. The buildings would be designed to attract quality tenants such as medical and technology companies, engineering, testing or manufacturing firms.

Timing of development and competition is also worth noting. We feel the absorption timeline for an office / warehouse development would be significantly shorter compared to an office use. This is mainly due to the strength and momentum of the office/warehouse market. As seen in other areas such as the northwest metro, the market for office warehouse space grew increasingly competitive over the last 2 - 3 years, triggering a need for additional space to accommodate this growth. Similar trends are now being seen in the North Central and Northwest market. The vacancy rate for office/warehouse properties in the North Central/Northeast market is 8.2% compared to the office vacancy rate in this market which is 18.0%. We feel this is an ideal site to accommodate the growth seen in an increasingly competitive office/warehouse market. Strength of competition also has a large impact on the success of this development. Although there is competition for other office/warehouse properties, we feel the competition for office users is much greater. Attached within this application is an aerial of competing

office and office/warehouse sites. Clearly this is beneficial for the city as the land would be put into production faster and generating real estate taxes in the foreseeable future.

Please review the enclosed information and feel free to contact us with any questions. Thank you for your consideration and we look forward to continued discussion.

Sincerely,



Casey Hankinson
Vice President of Development



Dan Mueller
Director of Development

Site Plans

SHOREVIEW I-35W SITE
CONCEPTUAL SITE PLAN

BUILDING INFORMATION

- BUILDING A:**
- 126,000 SF BUILDING
 - 248 PARKING
 - 10.54 ACRE SITE
- BUILDING B:**
- 83,200 SF
 - 210 PARKING
 - 8.03 ACRE SITE



SHOREVIEW I-35W SITE
CONCEPTUAL MASTER SITE PLAN



Recent Ryan Project Images



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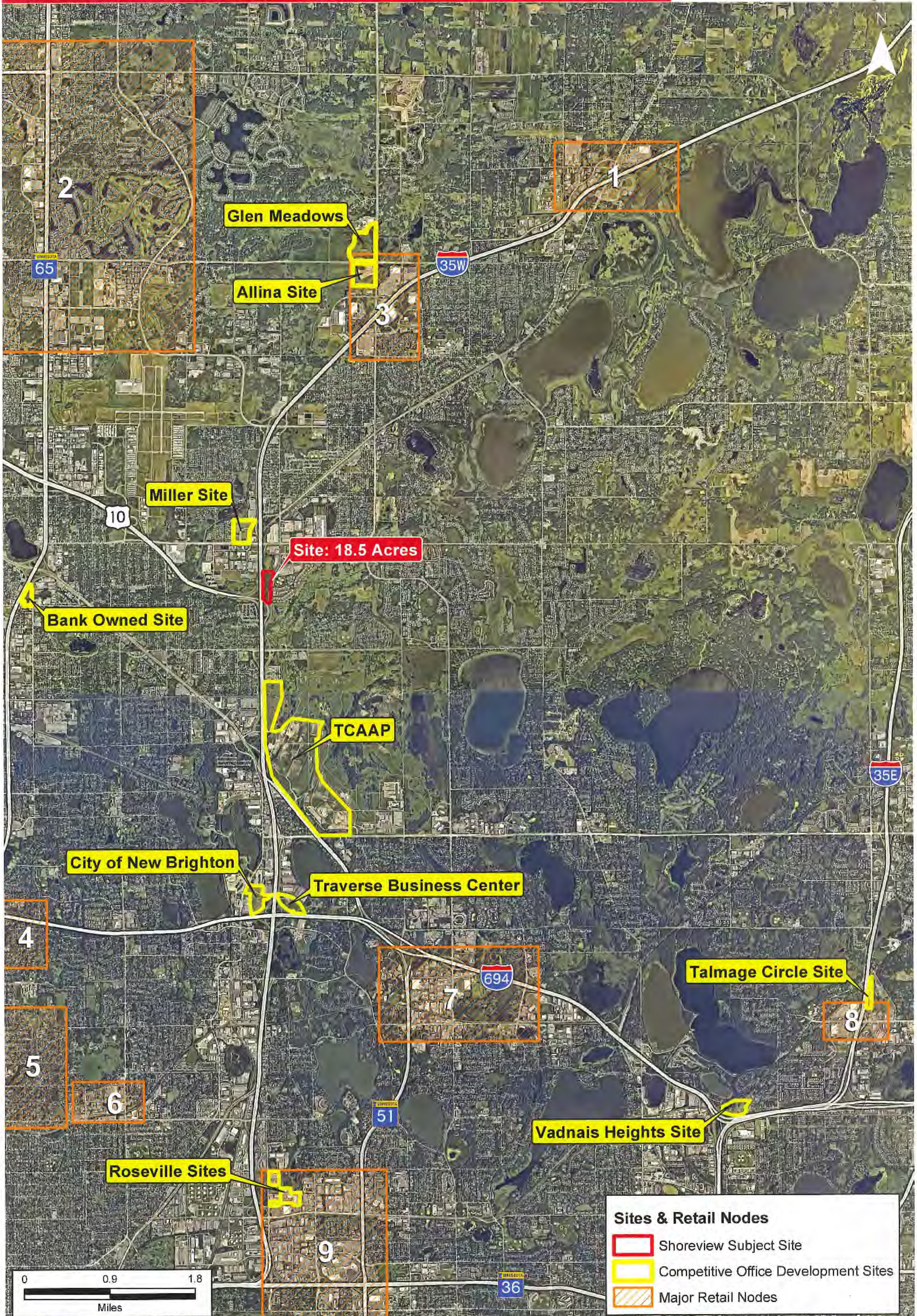






Competitive Land Sites

Shoreview Site & Competitive Office Sites



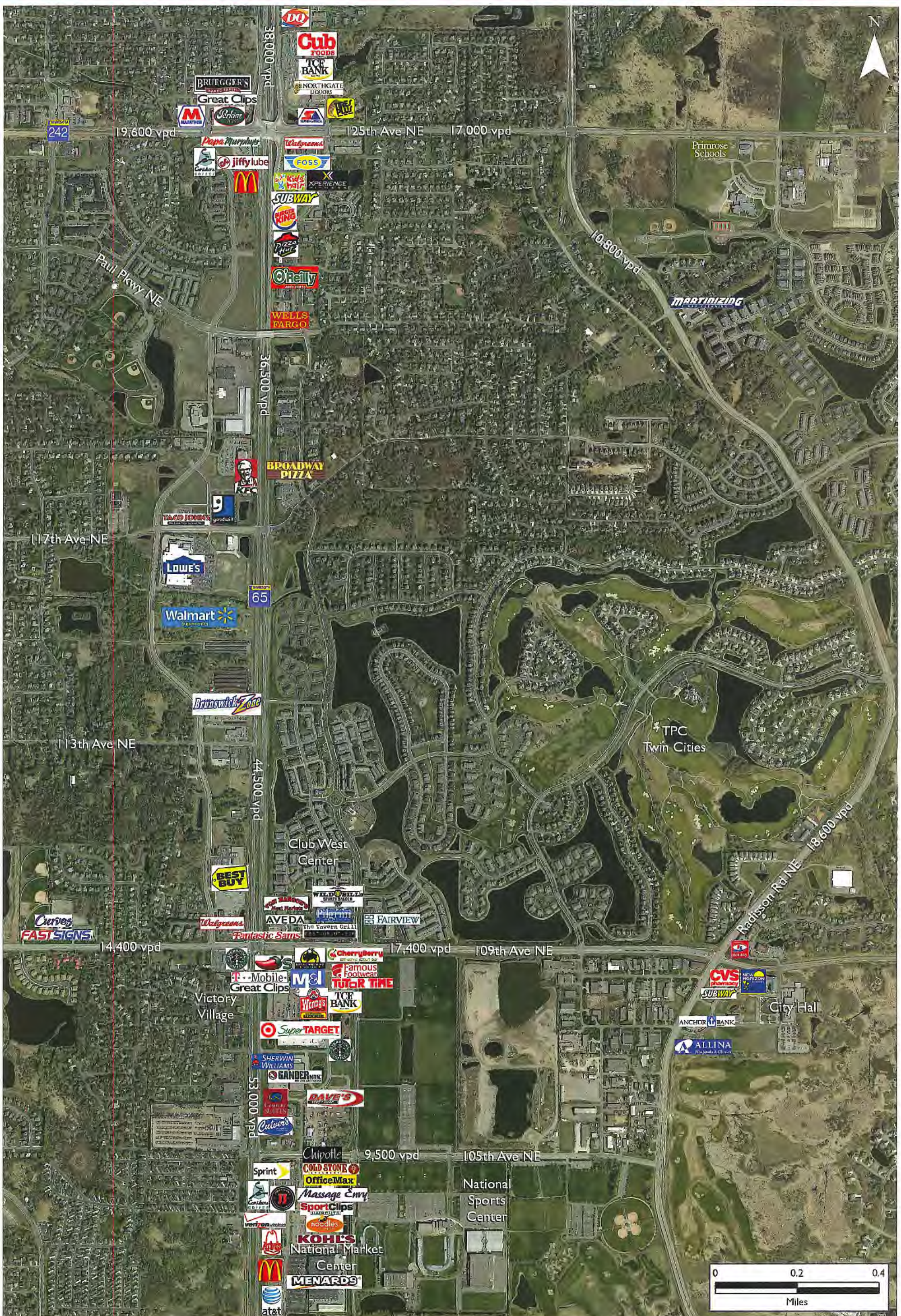
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Lino Lakes - I-35W & Lake Dr



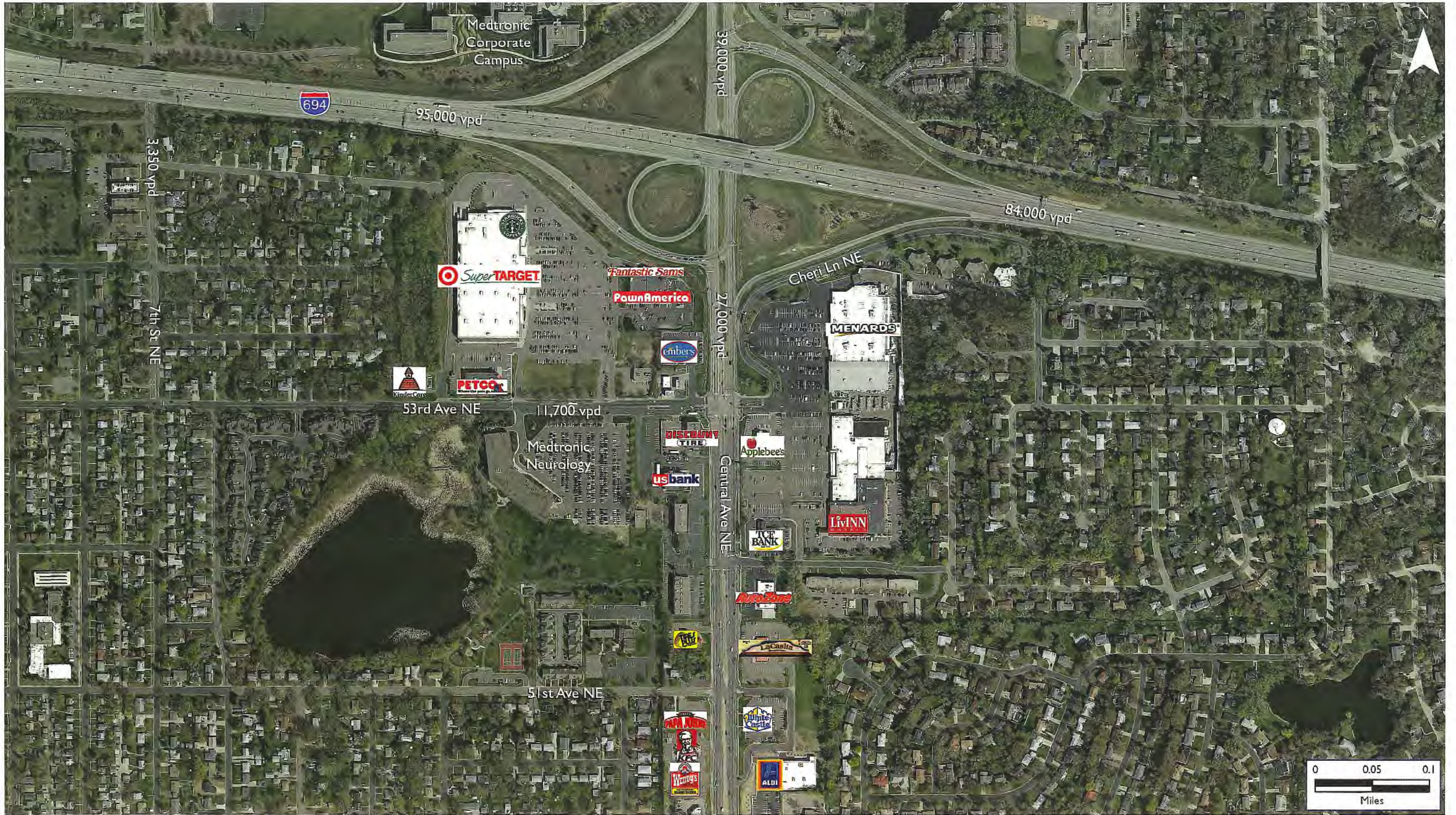
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Blaine - Hwy 65 & 109th Ave

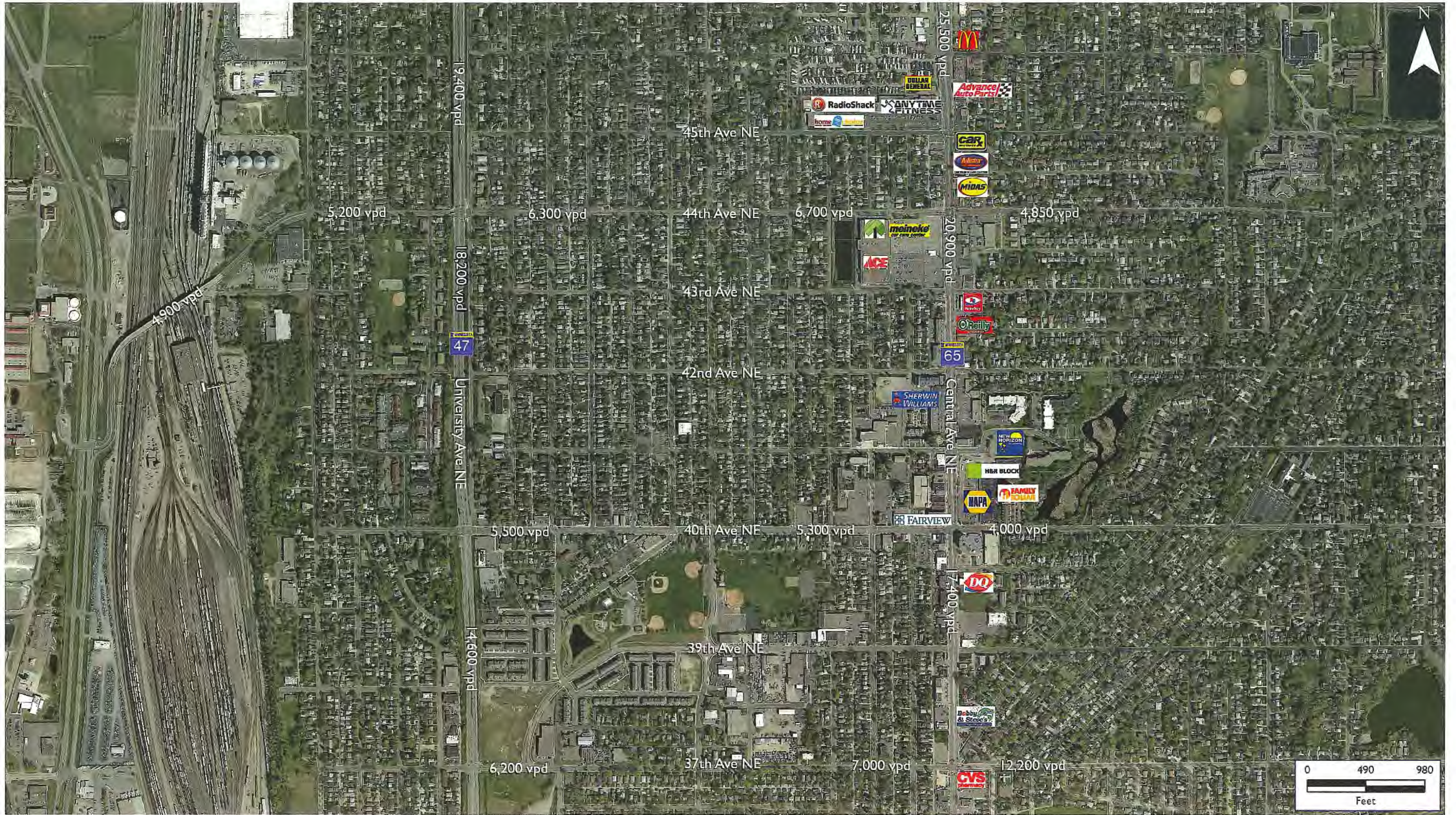


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Blaine - I-35W & Lexington Ave



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UNH/CA/rd/pt/level Aerial Book/2019/Workspace
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Columbia Heights - 40th Ave & University Ave



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Vadnais Heights - I-35E & County Rd E

Potential Building Massing







The following is a list of comments we have on the PUD Development Plan for Rice Creek Corporate Park.

1. What is the intended use of these buildings A and B?
 - a. Is this retail business space?
 - b. Warehouse space?
 - c. Will they be manufacturing facilities? If so, how do you plan to address the noise?
 - d. Shoreview government buildings?
2. How do you plan on addressing the added congestion of almost 500 potential added vehicles on the Parkway and in that area?
 - a. What will be done to lessen the impact on the residents East of Rice Creek Parkway?
3. How will having the proposed buildings affect our taxes?
 - a. Will they increase?
 - b. Will they lessen?
 - c. Will they remain the same?
4. How long would this proposed project take to complete (Buildings A and B)?



Roger + Linda Lafond
5984 Prairie Ridge Dr.
Shoreview, MN 55126

Date: January 21, 2016

To: Rob Warwick, Senior Planner

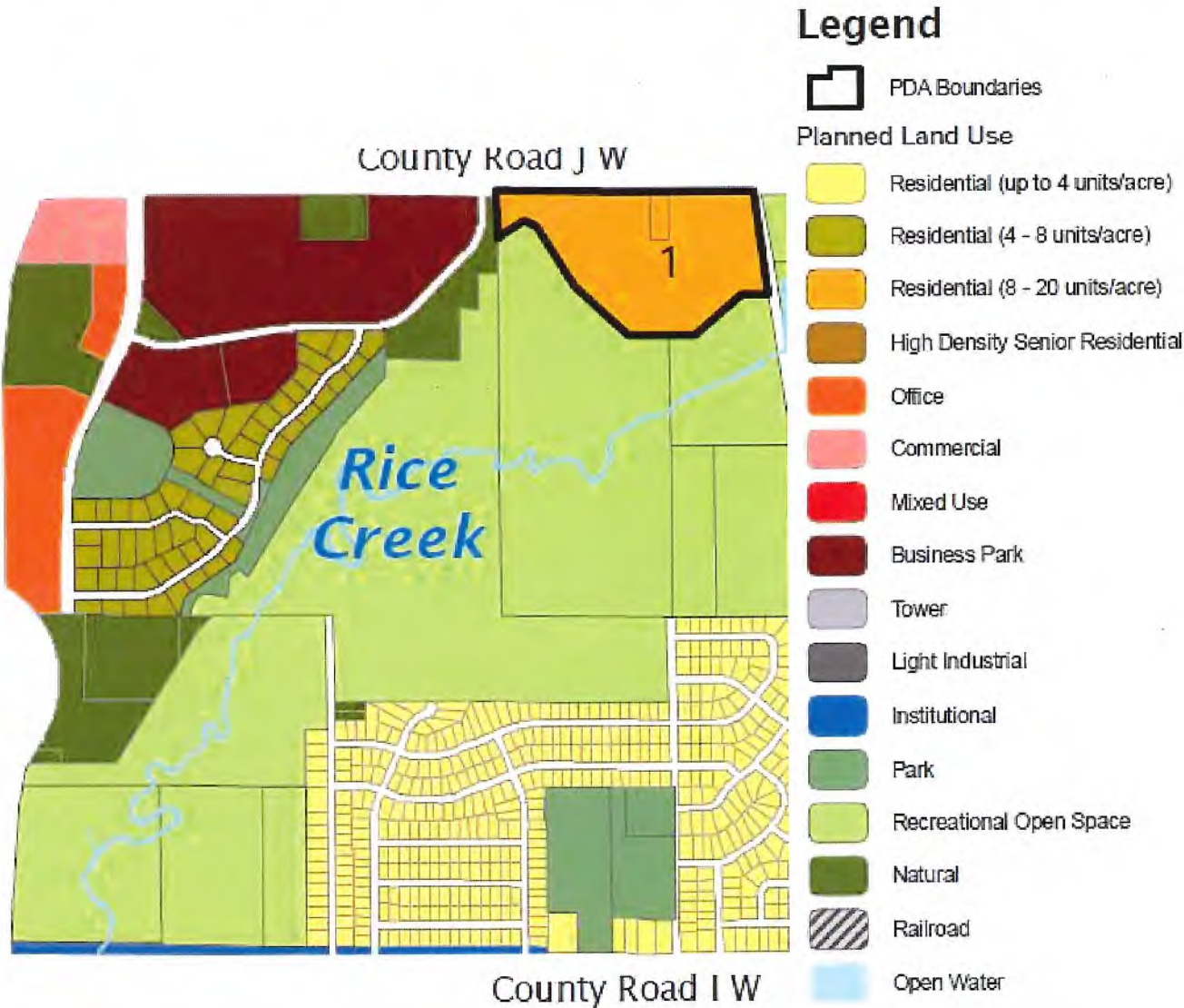
From: Mark Maloney, Public Works Director
Tom Wesolowski, City Engineer

Subject: PUD Concept Review – Proposed Development along west side of Rice Creek Parkway, Ryan Companies












The City of Shoreview Public Works staff has reviewed the concept plans submitted for the proposed development along the west side of Rice Creek Parkway. The Public Works staff has the following comments regarding the proposed development:

1. The proposed development is located within the Rice Creek Watershed District (RCWD) and will require a permit from the RCWD. The City requires that all information that is submitted to the RCWD, as it relates to the proposed development, also be sent to the City of Shoreview. Staff recommends the developer meet with the RCWD early in the design process to discuss the requirements of the watershed.
2. The site is served by City water and sanitary sewer and 8-inch water and sanitary sewer service stubs have been installed to the property line in various locations.
3. Align access points to the proposed development with access points located on the east side of Rice Creek Parkway.
4. A traffic study to analyzing trip generation and peak hour impact from the development is required.

Planned Land Use, Excerpt from Map 4-3, 2008 Comprehensive Plan



Legend

-  PDA Boundaries
- Planned Land Use**
-  Residential (up to 4 units/acre)
-  Residential (4 - 8 units/acre)
-  Residential (8 - 20 units/acre)
-  High Density Senior Residential
-  Office
-  Commercial
-  Mixed Use
-  Business Park
-  Tower
-  Light Industrial
-  Institutional
-  Park
-  Recreational Open Space
-  Natural
-  Railroad
-  Open Water