

TO: Honorable Mayor and City Council

FROM: City Administrator Ron Johnson

SUBJECT: Sandstone Ridge Development- Executive Director Joe Wheeler, SEMMCHRA

DATE: February 16, 2017

BACKGROUND

The Southeast MN Multi-County Housing and Redevelopment Authority (SEMMCHRA) is proposing to develop the 35-acre Sandstone Ridge site, and plans to develop this in two phases. The East End Development would occur first. SEMMCHRA anticipates that this project could see construction start in 2018. The second phase, West End Development, would not be considered until 2023.

The history of this tax-forfeited property, including the issues relating to the soils in the subdivision is included in the attached report provided by the SEMMCHRA.

REQUESTED COUNCIL ACTION

No action being requested at this time other than to listen to the presentation of the SEMMCHRA and consider next step, if any.

Attachment(s): Report from SEMMCHRA

Redevelopment Plan

Sandstone Development

SEMMCHRA proposes to develop the 35-acre site in two phases. The East End Development would occur first. Once Goodhue County and the City of Cannon Falls approves the plan, SEMMCHRA is prepared to begin the next phase in developing the East End Development. It is anticipated that this project could see construction start in 2018

The second phase, West End Development, would not be considered until 2023. How land is held will be left up to the Goodhue County and the City of Cannon Falls.

Report Directive

Stantec was hired by the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA) to study and report on the feasibility of redeveloping or repurposing the abandoned Sandstone Ridge Development in the City of Cannon Falls. Currently the development has been forfeited back to Goodhue County. In its current state, the residential and multi-family development is unable to be built-out due to failed roadway and utility infrastructure, along with extensive footing preparation necessary within the individual lots.

Site History

Development Characteristics

Between the years of 2002-2004 Edina Development constructed Phase 1 of the Sandstone Ridge residential development on the south side of Goodhue County Boulevard 25 within the City of Cannon Falls, MN. The approximately 35-acre Phase 1 of the development included 43 single-family residential lots, along with platted lots intending to house as many as 54 multi-family units. The overall development plan consists of low to medium volume residential urban roadways, water distribution system, wastewater collection system and storm water collection systems.

Soils Exploration

In 2002, STS Consultants were retained by the developer to perform preliminary soils exploration throughout the site. The results of the exploration are detailed in the report titled "Subsurface Exploration and Geotechnical Engineering Analysis for the Sandstone Ridge – Phase 1 Housing

Subdivision at County Road 25 Boulevard in Cannon Falls Township, Minnesota". Within the report, STS discusses the geotechnical findings of six soil borings as staked and requested by the developer. This soils exploration identified the site soils as consisting of a thin layer (one to two feet) or organic silty clay, followed by thick layers of both weathered and undistributed Decorah Shale, and in two of the six borings, weathered Platteville Limestone was reached at the termination of the borings.

As discussed within the report, Decorah Shale has a moderate to high swell potential when it comes in contact with water. With the overall site grading having both cuts and fills in excess of 20-feet, construction considerations are paramount. If the soils encounter wet conditions during construction, or are not protected from potential wet conditions after construction, swelling and movement can be expected.

In 2004 as the project met substantial completion (site grading, utility installation and bituminous base course complete), the developer and the City of Cannon Falls hired independent consultants to perform soils exploration within the development to determine to what extent either soils correction or foundation improvements would be necessary to build on the residential and multi-family lots. As part of the exploration, the developer's consultant drilled an additional nine soil borings, and dug ten test pits within the development. The results of the additional 2004 exploration, detailed the footing and foundation requirements for the residential and multi-family lots. This report is titled "Additional Subsurface Exploration and Geotechnical Engineering Analysis for Sandstone Ridge Phase 1 located at County Road 25 Boulevard East of 4th Street in Cannon Falls, MN".

Current Site Conditions

Since the construction of Phase 1 of Sandstone Ridge, the Valley Court cul-de-sac has been partially developed, with seven of the possible 14 lots built out, while the larger portion of the development, consisting of Decorah Drive, Sandstone Circle, Sandstone Road and Bluff Drive, has only seen one residential home built.

In conjunction with the 2004 geotechnical report, the City Engineer reviewed all lots within the development, and deemed that the lots that remain unimproved had high swell potential of 1.5-feet with standard basement or footing construction.

In the 12 years that have passed since the substantial completion of construction, and the review of the soils by the City Engineer and consultants, the public utilities and roadway infrastructure within the development have borne the effects of expansive soils.

All surface improvements, including the roadway pavement, concrete curb and gutter and sidewalks have been damaged beyond repair, and are closed to the public due to extensive settlement and heaving from the soil conditions.

The water main utility remains intact and is currently used as a loop to the system, supplying potable water to the development north of County Boulevard 25. Although the City has not had issues with the water main, existing 1-inch copper services that were extended to the residential lots have sheared on a regular basis, with the City performing repairs or eliminating 1-2 service per year due to failure.

The trunk sanitary sewer is not currently in use within the development. Its condition is unknown as this time.

The storm sewer system has not been inspected, but is likely in need of replacement. Its vertical profile falls within soils that have been excavated and filled due to the installation of the water main and wastewater systems, thus making it more susceptible for the active soil conditions.

Figure 1 attached shows the development as it was constructed in 2004, along with graphics illustrating the earth movement within the parcel during construction.

Site Redevelopment Plan

In looking at the existing development, an option to redevelop portions of the site may be more feasible than attempting to redevelop the whole site at once. Because the majority of the public infrastructure is believed to be in useable condition, it would remain in-place, which restricts the feasibility of making drastic changes to the existing plat.

The following text is the plan on two partial redevelopment options, West End Redevelopment and East End Redevelopment.

West End Redevelopment

The original development had two access points, one being from County Boulevard 25 to the north, with the other being the intersection of Hemlock Drive and Norway Street within the residential neighborhood to the west. With the West End Redevelopment option, access to the serviceable lots would be through the existing residential neighborhood.

The proposed plan would be the reconstruction of Bluff Drive, with termination at the previous intersection at Sandstone Road with a cul-de-sac. To make the roadway reconstruction withstand the existing soil conditions, we propose the excavation of all trench material from the top of the in-place sanitary sewer collection and water main system. This material is to be hauled off-site and replaced within the roadway with granular borrow. Existing concrete curb and gutter would be removed, and existing roadway pavement would be reclaimed and mixed with underlying aggregate base. That aggregate base is proposed to be salvaged and used within the new roadway along with supplemental Class 5 aggregate once the utility trenches have been corrected.

The trunk water main is proposed to be pressure and bacteria tested not only within the Bluff Drive corridor, but also to its connection point at County Boulevard 25. All trunk water main facilities are assumed to be in serviceable condition, with the exception of adjustments and minor provisions for repair.

The trunk sanitary sewer is proposed to be pressure tested and televised throughout the Bluff Drive Corridor, as well as all downstream piping to the connection into existing trunk along County Boulevard 25. This utility is assumed to be in serviceable condition, with the exception of adjustments of structures, along with the minor provisions for repair.

Water and sewer services are proposed to be replaced from the main to the right-of-way. This is being proposed as a precaution due to the fact that these services were constructed within the mainline trench fill, in addition to the history of maintenance that the City of Cannon Falls performed within the last 12 years.

Storm sewer facilities within the corridor are proposed to be salvaged from their current location, and reinstalled after the granular borrow has been installed within the water and sewer trenches. Because we are proposing minor changes to the roadway corridors. The catch basin placement will be altered as necessary to work with the newly designed cul-de-sac. All storm sewer downstream of Bluff Drive will have to be televised and inspected to ensure that the drainage system will operate as needed.

Storm water quality measures, such as the constructed ponds and best management practices, are assumed to be in working order and in need of no repair or alterations. It is assumed that the “redevelopment” would be considered a reconstruction, and the storm water quality measures that were constructed between 2002-2004 are acceptable to the Minnesota Pollution Control Agency.

The West End Redevelopment option would produce 19 serviceable residential single family lots, and has an estimated project cost of \$1,310,00.00. *Figure 2* attached shows the proposed improvements, along with the serviceable parcels. This West End Redevelopment would not be considered until five years after the completion of the East End Redevelopment.

East End Redevelopment

The East End Redevelopment would be re-platted and one entrance would be off County Road 25. (*See Figure 3*).

The Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA) proposes to build 24-36 townhome units. Based on the Market Assessment for General Occupancy Market Rate Rental Housing completed by Maxfield Research Inc. on March 11, 2014, there is a need for 29 subsidized, 23 affordable and 44 market rate rental units.

In determining the rental mix of units, SEMMCHRA will update the current market study and hold a town hall meeting. The town hall meeting will provide input from area residents and their thoughts on unit mix and amenities.

Upon approval of this Redevelopment Plan by the County and the City of Cannon Falls, SEMMCHRA will hire Stantec consulting services and Finn Daniels architects to address the following:

1. Conceptual layout of 24-36 multi-family units, along with roadway and public utility infrastructure. Testing and inspection of the sanitary sewer utilities within the desired footprint and its connection to the public infrastructure within the County 25 corridor.
2. Testing and inspection of the water main utilities within the desired footprint and its connection to the public infrastructure within the County 25 corridor.
3. Testing and inspection of the storm water collection and retention system to serve the proposed footprint.
4. Geotechnical exploration within the footprint of the proposed structures and public infrastructure.

Upon the plan approval by County and City, SEMMCHRA is prepared to expend \$50,000 to execute a contract and begin the above mentioned Engineering and Architect services.

Funding

Funding the townhome development is estimated to be between 5-7 million dollars. Since there is multiple sources of funding, SEMMCHRA will look at the following resources to consider for financing.

- Federal Tax Credits (9%) – Minnesota Housing Finance Agency (MHFA)
- MHFA Challenge Grant Program
- Greater Minnesota Housing Fund (GMHF)
- Federal Home Loan Bank
- Department of Employment and Economic Development (DEED)
 - Site clean up
 - Small Cities Development Program (SCDP)
- Tax Increment Financing
- SEMMCHRA Levy
- GO Revenue Bonds
- Minnesota Housing Partnership

Solar Garden Option

SEMMCHRA plans to work with Community Energy Solar company on the six acres site located behind the townhome development. The size of this project would be 1 megawatt. SEMMCHRA would lease this land at approximately \$6,000.00 per year for 25 years. This revenue would be used to help pay down debt on the townhome development.

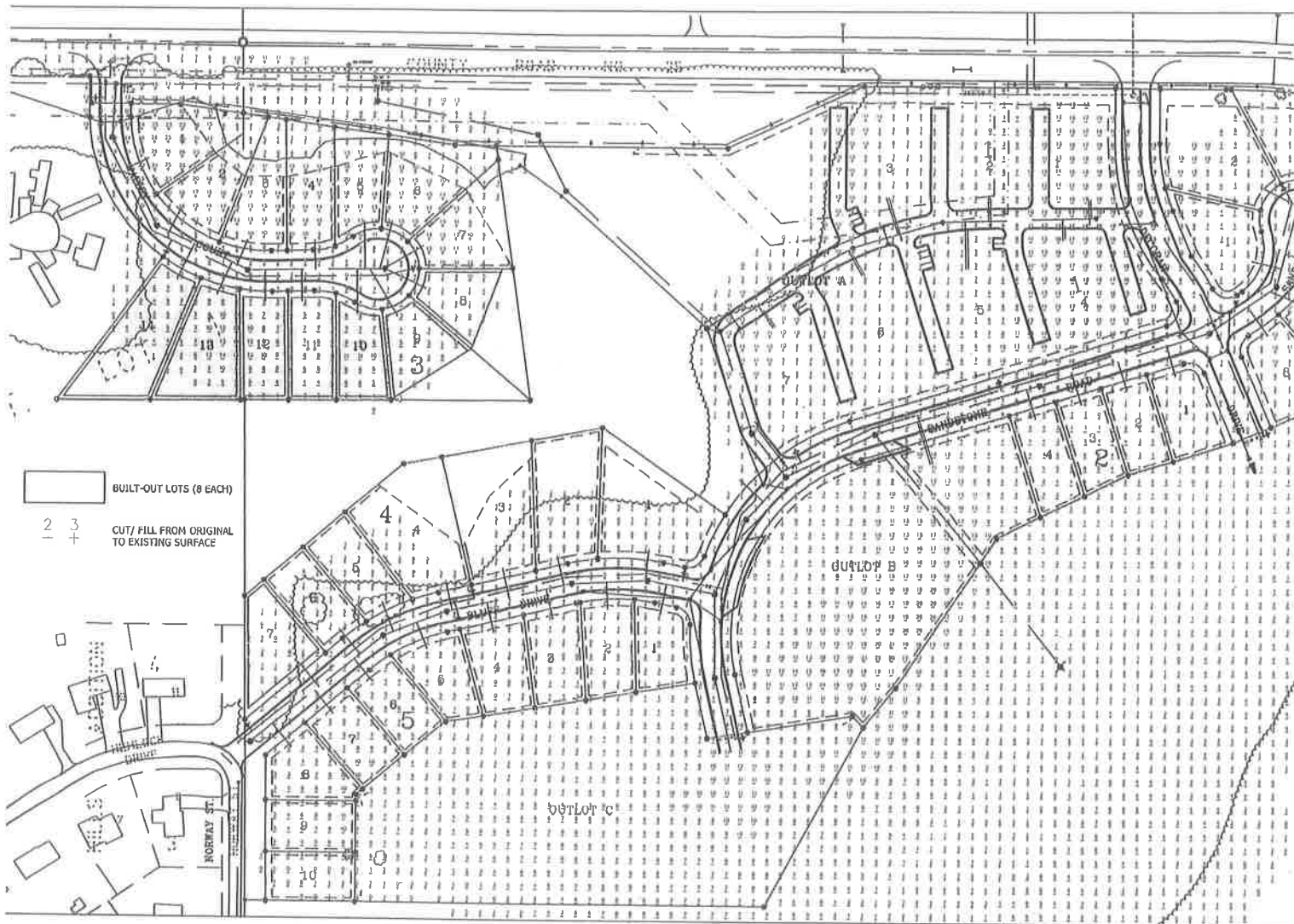
SEMMCHRA would also work with Community Energy Solar company to determine savings gained by subscribing power usage of townhome development. SEMMCHRA believes by adding this alternative energy source to the townhome development project, it would add needed points to obtain the 9% tax credits.

In closing, SEMMCHRA is requesting the approval of the county and the City of Cannon Falls to move forward. We are requesting an option agreement on Phase 1, East End Development for \$1.00.

If you have any questions, please feel free to call me at: (651) 565-2638, Ext 206.

Sincerely,

Joseph P. Wheeler
Executive Director
SEMMCHRA



DOGE REDEVELOPMENT

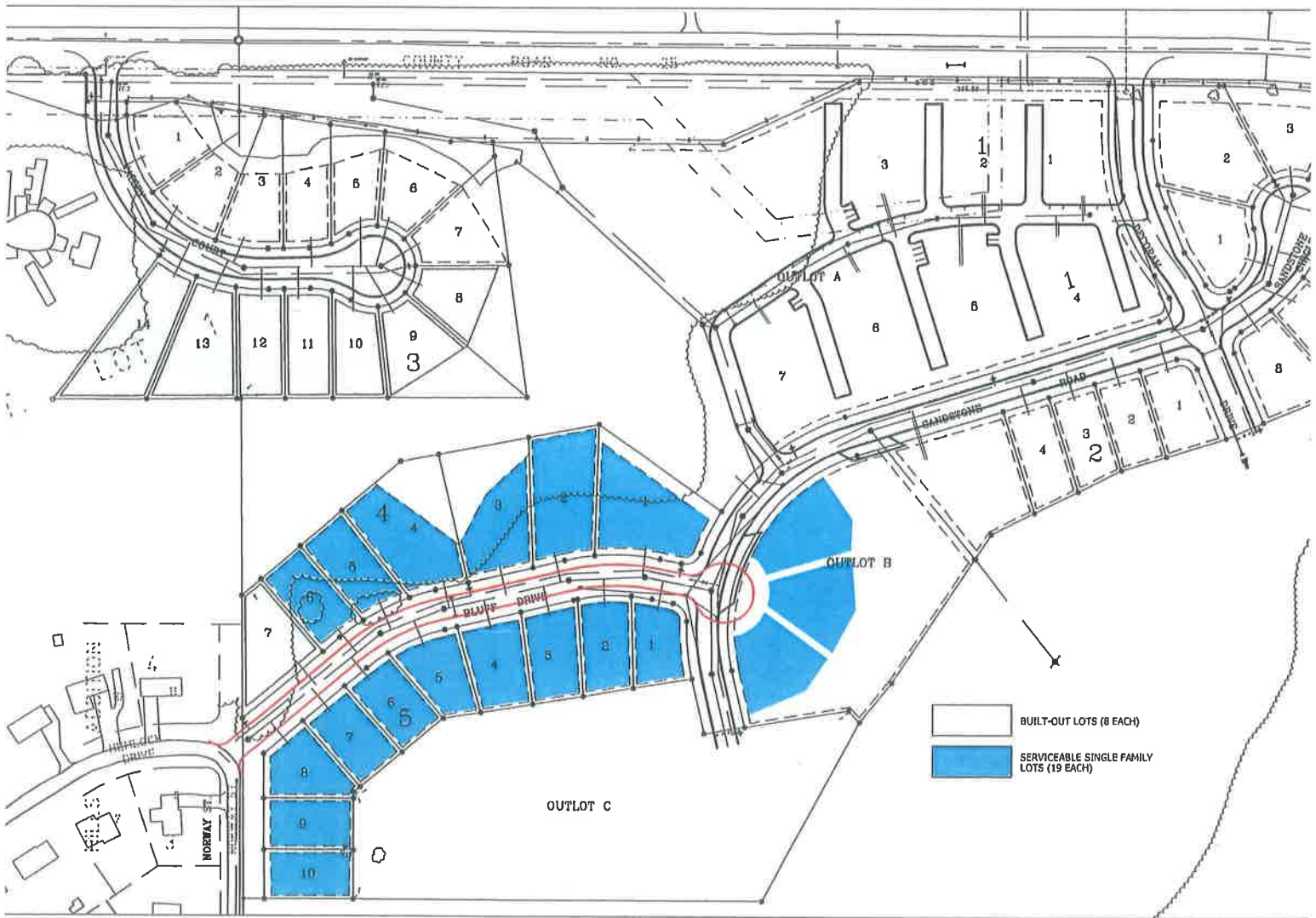
FIGURE 1

EXISTING CONDITIONS

N FALLS, MINNESOTA

STON INDUSTRIAL DRIVE UTILITY EXTENSION





GE REDEVELOPMENT

FIGURE 2

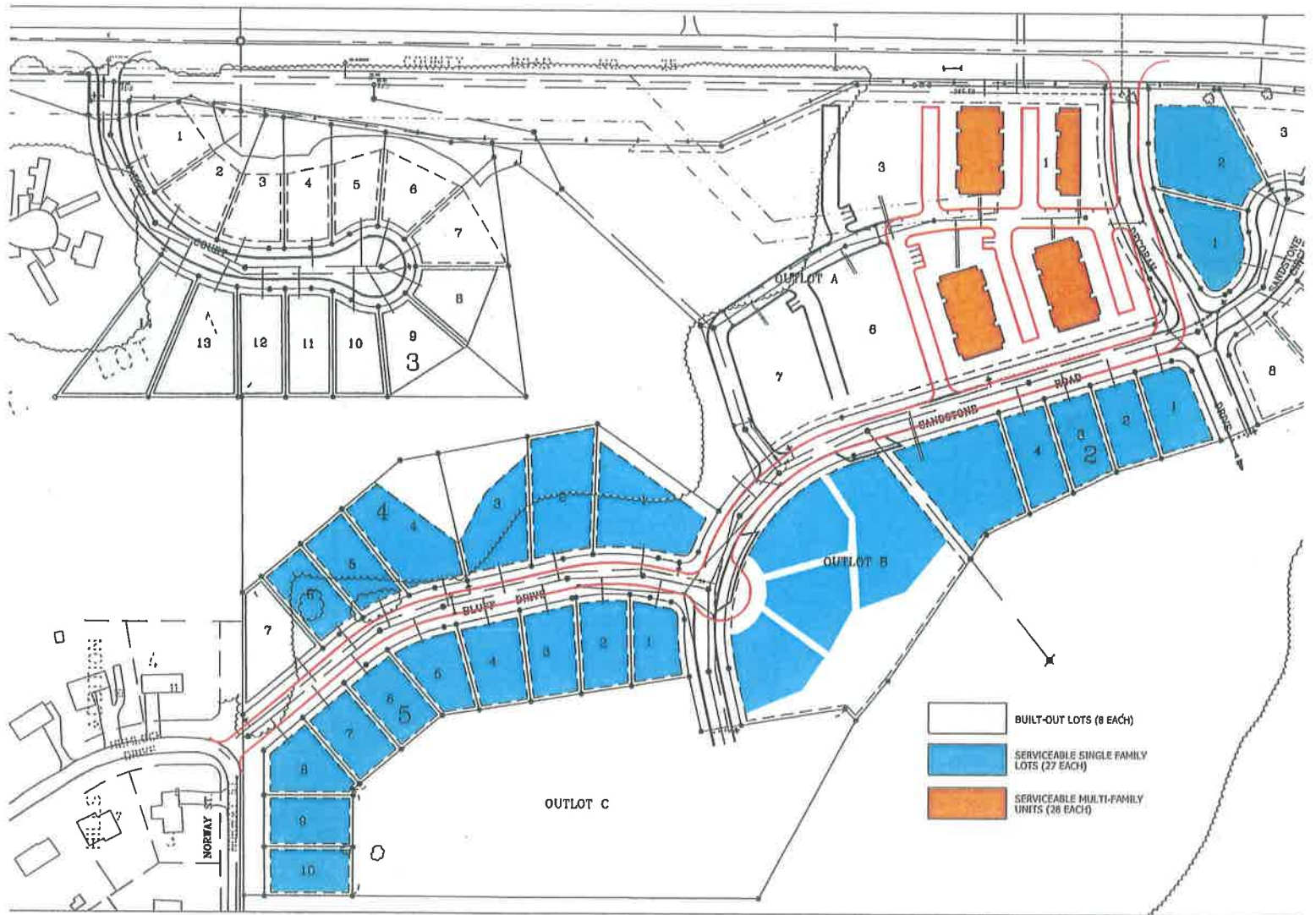
N FALLS, MINNESOTA

WEST END REDEVELOPMENT

STON INDUSTRIAL DRIVE UTILITY EXTENSION







Partial REDEVELOPMENT

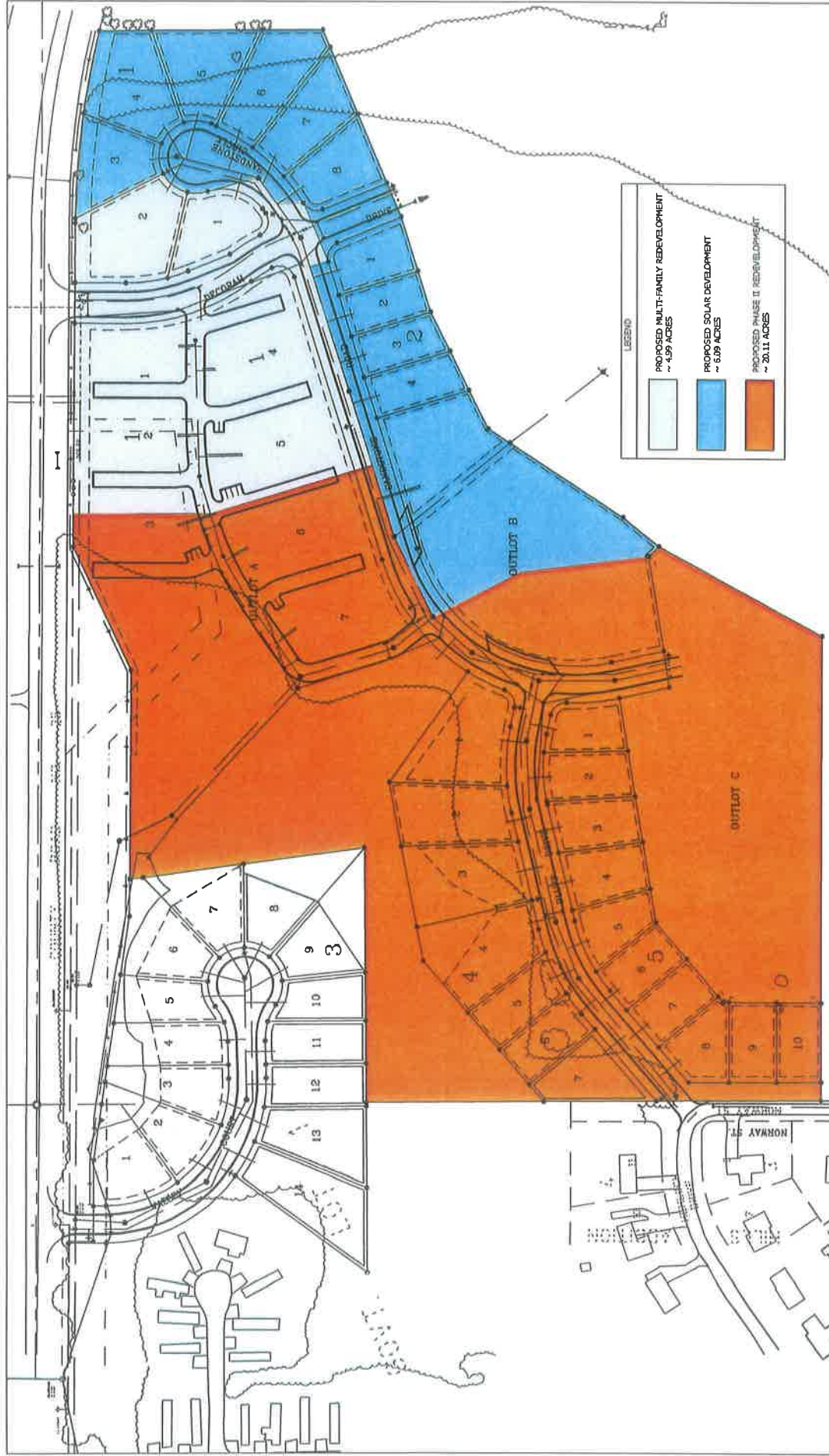
FIGURE 4

N FALLS, MINNESOTA

FULL REDEVELOPMENT

INDUSTRIAL DRIVE UTILITY EXTENSION





SANDSTONE RIDGE REDEVELOPMENT

SEMMCHRA

CITY OF CANNON FALLS, MINNESOTA

FIGURE 3

PROPOSED LAND USE