

July 8, 2015

TO: Saint Paul Heritage Preservation Commission, Attn: Amy Spong

FROM: Exeter Group LLC ("Exeter"), on behalf of property owner IAF University 2400 LLC ("Appellant")

RE: Appeal of Order and Decision of Saint Paul Heritage Preservation Commission ("HPC")
Denying the Application for Raymond Avenue Flats 119 unit apartment project ("Project")

2390-2400 University Avenue West & 735 Raymond Avenue, Saint Paul MN

Chair and Members of the Saint Paul Heritage Preservation Commission:

Exeter respectfully requests that the Saint Paul City Council reverse the decision of the HPC recommending denial of the proposed Project. For the reasons outlined below we feel the decision should be overturned and the Project allowed to move forward. The appeal consists of this writing, its attachments and other materials submitted to the City Council on or after this date (the "Appeal").

1. The Project offers the best opportunity to advance two (2) important City initiatives by (a) promoting Transit Oriented Development ("TOD") within the new traditional neighborhood "TN" zoning area, and (b) simultaneously rehabilitating an obsolete and empty building in a locally designated historic district.
2. The Project will add five stories of market-rate housing on top of the rear portion of the General Motors Trucking Company Building ("Building") and retain its historic use as a garage and commercial building. The addition would be setback **77 feet** from University Avenue and between **8 and 13 feet** from Raymond Avenue, respecting the scale of the local historic district and resulting in little or no change to the view-scapes along University Avenue.
3. The Project is compatible with the intentions of the *Raymond Station Area Plan* (adopted as part of the Saint Paul Comprehensive Plan) in its pursuit of transit-oriented residential density as well as with the precedent already set in the University-Raymond local historic district for adding height with construction of the 6-story *Lytic* apartments.
4. The Project has strong community support from the local Saint Anthony Park Community Council, the Saint Paul and Midway Chambers of Commerce, and the Saint Paul Planning and Economic Development Department, who is sponsoring the project for a \$1 million Met Council LDCA – TOD re-development grant.
5. The HPC Staff Report dated June 19, 2015 contained misleading and inaccurate commentary that was outside the purview and expertise of the HPC and was prejudicial to the applicant.

Thank you for your consideration.

Very truly yours,

A handwritten signature in blue ink, appearing to read "T. Nelson", written over a horizontal line.

Thomas M. Nelson
Principal

**APPEAL TO THE CITY COUNCIL of SAINT PAUL, MINNESOTA
OF HERITAGE PRESERVATION COMMISSION DENIAL FOR:**

**RAYMOND AVENUE FLATS – 119 unit multi-family addition
2390-2400 University Avenue West & 735 Raymond Avenue**

Background

The subject of this Appeal is a single-story, 39,200 square foot structure built in 1928 as a General Motors truck and service facility (the “GM Building”) at 2400 University Avenue West and 735 Raymond Avenue owned by Appellant. Immediately west of the GM Building is C&E Lofts, an award-winning historic apartment rehabilitation completed in 2012 by affiliate of Appellant. The GM Building is located on the southwest corner of University Avenue and Raymond Avenue, one block from the Raymond LRT Station, and is considered a contributing structure within the University-Raymond Commercial Heritage Preservation District (the “District”). The GM Building was occupied as a garage, vehicle maintenance and cash drop facility for an armored car business for more than 30 years but has been vacant for nearly a year. The structure has awkward physical dimensions, is functionally obsolete, in deteriorating condition, and would be very costly to repair and upgrade.

Despite the best efforts of Appellant and its commercial real estate broker over the past three years, no viable users have come forward to lease the GM Building as it currently stands. Appellant therefore decided to take a different approach by proposing to both rehabilitate the existing structure within applicable historic guidelines and construct a new five-story addition on the roof (the “Addition”) that would contain 119 market-rate apartments and related amenities.

The Addition will be set back 77 feet from the University Avenue façade of the GM Building so that it is not visible from the University Avenue view-scape, preserves the rhythm of the primary façade of the GM Building within the District, and does not obscure views of the adjacent C&E Lofts from the east or west along University Avenue.

Most of the existing structure would provide parking for the apartments with the two existing storefront retail spaces on University Avenue left for future uses and a portion of the open garage space along Raymond allocated for restaurant or retail. The Addition effectively subsidizes the high cost of rehabilitating the existing structure and makes the renovation financially feasible.

The Addition is fully compliant with the City’s Comprehensive Plan, the Raymond Station Area Plan and the precedent already established in the local historic district with the six-story *Lyric* for adding height to accommodate density. Indeed, the Station Area Plan contains renderings of mid-rise structures that are similar to what Appellant is proposing for the project including, specifically, a mid-rise structure on top of the GM Building and another mid-rise structure on a parking lot directly across Raymond Avenue. Appellant conservatively estimates that the project would increase the City’s share of property tax revenue by more than \$160,000 per year.

If left standing, the HPC decision will effectively freeze the vacant and deteriorating GM Building in place, prevent Appellant from putting the GM Building to productive and economically viable use in violation of Section 74.06.3 of the City code, and deprive the District of an attractive residential development that will bring new residents to the community in furtherance of the City’s transit-oriented development goals.

Community Support for Project

The Addition has been enthusiastically endorsed by the Saint Anthony Park Community Council, the Midway Chamber of Commerce, and the Saint Paul Area Chamber of Commerce. The project also has the support of the Saint Paul Building Trades and many individuals and businesses in the immediate area of the Building.

The project also has City staff support. The Department of Planning and Economic Development ("PED") has sponsored an LCDA-TOD grant application on behalf of Appellant to the Metropolitan Council for transit-oriented development funds, including the costs for bicycle friendly amenities, a green roof and a solar array.

HPC Exceeded Its Permissible Standards of Review

Appellant believes the HPC decision was in part driven by an HPC staff report dated June 19, 2015 ("Staff Report") that was outside the purview and expertise of the HPC and contained misleading and inaccurate commentary that was prejudicial to the Appellant and the project.

HPC is only allowed to consider the following three factors in reviewing permit applications under Section 73.06 of the Saint Paul Code of Ordinances:

First, the proposed "alteration or addition . . . [may not] materially impair the architectural or historic value of the building."

This factor is highly subjective and reasonable people may differ on its interpretation. But Appellant and its experienced and reputable historic consultant believe that the proposed project will not impair the architectural or historic value of the GM Building, but in fact will provide the best opportunity for its restoration and preservation.

Second, the proposed new construction should not adversely impact "the remainder of the building . . . and surrounding buildings . . . and [their] economic value or usefulness."

The only physical alteration to the GM Building proposed is the replacement of the existing non-historic roof and removal of an inoperable chimney at the rear of the site. The GM Building will not be demolished and will be rehabilitated more closely to its original construction following tuck pointing, re-opening of blocked up windows, and replacement of existing windows with new windows that match the historic profiles. The proposed residential addition would then be built on top of the new roof but would take up only approximately fifty percent of its surface area. Most of the GM Building's interior, historically and currently, is an open parking area with some commercial space along University Avenue. This space will be rehabilitated and continue with its original use and not be "destroyed" as suggested in the Staff Report. The commercial space along University Avenue is not currently planned to be changed at all. The assertion in the Staff Report that the proposed residential addition could not be removed at a later date without damaging or altering the existing structure is unsupported and untrue.

Third, changes to a "proposed new building (or addition)" are limited to those that will not "materially impair the architectural or historic value of buildings on adjacent sites or in the immediate vicinity within the historic preservation site."

This third consideration *does not mean* that no new construction can be done in the District. The Lyric apartment project that opened in 2010 a few blocks to the east of the GM Building established the precedent that new six-story ground-up construction is permissible. Contrary to the implication in the Staff Report, the proposed residential addition to the GM Building would have a positive impact on the surrounding area, much like the Lyric,

by introducing compatible new construction that is consistent with historic guidelines and the City's goal of promoting transit-oriented development near the Raymond Avenue LRT Station.

It should also be noted that the proposed Addition is also consistent with the District standards contained in Section 74.06.3 of Saint Paul Code of Ordinances. The most important element is that new construction should match the "boxy profile" of most other structures in the District and should be compatible with the "massing, volume, and height" of existing structures. Appellant's architects intentionally designed the Addition to meet all of these standards and were openly praised by the commission members for these design efforts during Design Review.

The HPC Staff Report contained unsupported conjecture well outside of its scope of expertise as to the Appellant's adjusted tax basis in the GM Building for determining the feasibility for use of historic tax credits (HTCs). Exeter has sophisticated, current HTC experience through its C&E Lofts and Custom House (former downtown St. Paul Post Office) projects and is very familiar with the complexities of HTC markets, structures, process for procurement and financial commitments required for compliance with the IRS. HTCs are not practical in this case because they may only be used if the cost for rehabilitation of the historic structure, not any additions, exceeds the owner's adjusted basis for income tax purposes. The Appellant's adjusted basis is \$2.54 million and if it were to invest the same to rehabilitate the structure, it would require 100% occupancy with rental income at 2.0 to 2.5 times the current market to barely achieve the minimum return on cost necessary to attract debt or equity capital.

HPC staff has further suggested that allowing the Addition would somehow compromise the integrity of the District and jeopardize the City's historic preservation program. However, Appellant's historic consultant advised HPC during the public hearing that this concern has no foundation. She pointed out that several historic districts in Minnesota, including the St. Anthony Falls Historic District in Minneapolis, have had many buildings lose their contributing status due to substantial modification or demolition without impacting the status of those districts.

Request that City Council Reverse the HPC Decision

For all of the reasons set forth above, Appellant respectfully requests that the City Council reverse the HPC decision and approve Appellant's plans for the renovation of the GM Building and the construction of the Addition for market-rate apartments.

Dated: July 8, 2015

IAF 2400 UNIVERSITY LLC

By:


Authorized Signatory
Thomas M. Nelson