



**To:** MAYOR AND COUNCIL

**Agenda Item #:** VIII. D.

**From:** Bill Neuendorf  
Economic Development Manager

**Action**   
**Discussion**   
**Information**

**Date:** March 18, 2014

**Subject:** Pentagon Park Redevelopment – Authorizing Preparation of Redevelopment Agreement

### **Action Requested:**

Authorize staff to engage legal and financial consultants to negotiate a Master Redevelopment Agreement based on the preliminary Term Sheet with the developer.

### **Information / Background:**

The owner of the Pentagon Park office park approached the City to request financial assistance in achieving the long-term redevelopment goals that are currently being considered for the 42-acre site. The full-scale redevelopment that is envisioned includes a high level of extraordinary costs that are associated with redevelopment of existing buildings in an area with poor soil conditions. Many of these costs would not likely apply to a similar project in a different location.

Staff has engaged legal and public finance experts to begin preliminary discussions about the level and type of assistance that is necessary to transform this 42-acre property. These preliminary conversations have resulted in the attached Term Sheet.

The basic structure of the proposed assistance requires the greatest risk to be borne by the developer and his investors. The City is exposed to very little risk. The proposed terms anticipate that a financial TIF Note will be pledged to the developer upon initiation of each phase of the project. Upon successful completion of each phase, the City would make payments on the TIF Note using incremental property taxes that are generated by the new buildings.

Reimbursement would be provided for costs of the new roadways and related public improvements completed by the developer. Reimbursement would also apply to the costs of demolition, soils stabilization and storm water retention which are necessary activities to prepare the site for new investment. Reimbursement is also requested for the high costs of the parking structures proposed to maximize the buildable area and to eliminate vast fields of surface parking lots. It is anticipated that the parking structures would be privately owned but may be available for shared parking in the future.

Authorization is sought to fully negotiate a Redevelopment Agreement (RDA) with the property owner based on the general terms described in the Term Sheet. At this time, the city staff and property owner are aligned on the preliminary terms. The preparation of the RDA will require significant additional research so that various development scenarios can be addressed. Upon completion, the Redevelopment Agreement will be brought to the City Council and Edina Housing and Redevelopment Authority for full consideration.

**Attachments:**

Summary of Term Sheet  
Term Sheet dated 3-13-2014



# Pentagon Park Redevelopment

## Term Sheet Summary

March 18, 2013



1

## Economic Benefits of Project

- Potential for 1.4 million S.F. new office, new 400-450 room hotel and new service retail
- Over \$500,000,000 in new private investment on the 42 acres
- Additional tax base of \$400,000,000 upon completion
  - including over \$800,000 of annual taxes available to lower school district operating levies
- New jobs created

2

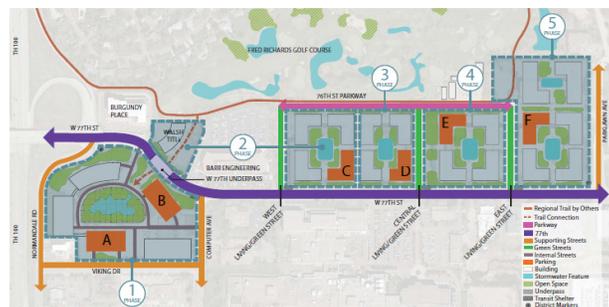
## General Benefits to Public

- Developer to finance critical public improvements
  - Public streets
  - Streetscape
  - Connections to regional trail
- Potentially \$8,000,000 available to City for additional public improvements

3

## Project Timing

- Project envisioned in five phases
  - First phase (southside of 77<sup>th</sup> Street) to start no later than end of 2015
  - Developer has flexibility to modify phasing depending upon market conditions



4

## Financial Gap

- Developer has demonstrated financial need for the project
- Office market today is highly competitive
- High costs needed to stabilize soil
- Extra-ordinary costs of demolition, haz-mat, and site preparation

5

## Terms of Assistance

- TIF revenue split between Developer and City:
  - City retains 10% for administrative costs
  - City able to use up to \$8.0 million additional on public improvements yet to be determined
- Each phase to have separate TIF note
- TIF Note issued after costs are proven up and certificate of occupancy in place
- Developer reimbursed for interest at 6%
- Term of all payments no more than 26 years
  - Later phases payable over 10 or 15 years

6

## Costs Eligible for Reimbursement

- Developer will pay for new 77<sup>th</sup> Street after 100,000 SF of construction completed.
- Developer qualified costs primarily soils correction costs, demolition, new streets and sidewalks, and on-site stormwater costs.
- Developer requesting structured parking as a qualified cost if other costs are less than expected.

7

## City Safeguards

- Pay-as-you-go format minimizes City's risk.
- Developer responsible for costs of public improvements
- City pays TIF only if developer spends eligible costs.
- Developer must demonstrate financial need on a phase-by-phase basis.
- City can reduce the TIF assistance if actual sale prices of land/buildings are higher than industry standards within 3-years of completion

8

## Default Provisions

- Default Provisions
  - Demolition of Phase 1 must occur by end of 2016
  - If no activity for two years between phases, City can cancel agreement.
  - City still obligated to pay on any TIF notes issued before default.

9

## Council Action Requested

- Authorize staff and consultants to negotiate full redevelopment agreement
  - Based upon March 13, 2014 term sheet
- Full consideration anticipated in late-May, 2014

Discussion?

10

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**Master Term Sheet**  
**Between**  
**The City of Edina/Edina Housing and Redevelopment Authority (the “City”)**  
**And**  
**Pentagon Revival, LLC Development/or related entity (the “Developer”)**

**March 13, 2014**

**1) Purpose and Scope**

- a. This master term sheet is intended to outline the City’s and the Developer’s general expectations for financial assistance for the long-term redevelopment of the approximately 42-acre Pentagon Park site. The site will be redeveloped in phases over a projected 10 – 15 year timeframe with mixed-use hotel, office, medical and supporting retail elements (as well as a potential housing component), which will be driven by market demand(the Project). The site is located generally in the Northeast quadrant of Interstate I-494 and Highway 100 and as legally described on Exhibit 1. The general terms agreed upon in this Term Sheet will be expanded in a formal Master Redevelopment Agreement between the City and the Developer.
- b. Public improvements within the Project necessary to support the phased development will be installed by the Developer, subject to reimbursement through tax increment, or through special assessments.
- c. The Project will be developed as a planned unit development (PUD). The Developer will seek preliminary PUD and preliminary Development Plan approval to establish zoning and land use regulations. Each phase of the Project will also be subject to final PUD and development plan approval (Final Development Plan). A PUD ordinance will be considered by the City Council and adopted upon the final approval of the first phase. The City and Developer will negotiate a separate Development Contract containing the City’s land use and engineering regulations for each phase.
- d. This Term Sheet is applicable only to the redevelopment of the properties referred to as Pentagon Park and legally described in Exhibit 1. It is recognized that concurrent with the redevelopment of Pentagon Park site, the Three Rivers Park District is planning a regional bicycle trail in the area and the City is considering the future use of the Fred Richards golf course. The terms of the Master Redevelopment Agreement are not dependent upon, and will not predetermine the outcome of those other efforts.

## **2) Creation of TIF District**

- a. The City will establish a Redevelopment TIF District in 2014 that will include all Pentagon Park parcels. The City will request certification of the TIF District prior to July 1, 2014 (unless certification is delayed at the request of the Developer) and will request that the first receipt of incremental taxes be in 2018 or sooner as negotiated between the parties, including the accrual of any interest on TIF eligible costs incurred prior to said date.

## **3) City Out-of Pocket Costs**

- a. The Developer will reimburse the City for its direct cost of legal and financial consultants as well as special consultants for TIF inspections, traffic and utility studies. Reimbursement will be made for activities beginning in 2013 that established the groundwork for the TIF District. Reimbursement will be made within 30 days of invoicing. Costs of City staff will not be reimbursable. The Master Redevelopment Agreement will contain the hourly rates of the City's legal and financial consultants and such rates will be updated annually.

## **4) City Administrative Costs**

- a. Ten percent (10%) of tax increment generated is anticipated to be retained by the City for administrative costs related to the planning, management and oversight of the TIF District.

## **5) Description of Project**

- a. Proposed land uses, densities and projected phasing schedule are included in the Project narrative, which is attached as Exhibit 2 hereto (Narrative), and in Section 6 herein. The development objectives summarized in the Narrative will be included in the PUD and Preliminary Development Plan approval, including, without limitation, land use, the proposed densities on each parcel and the inclusion, where applicable, of the six (6) development principles described in the Narrative. The development principles include detailed development objectives to be applied, where applicable, to the redevelopment of each parcel thereby providing a detailed vision and road map for what will be required for Final Development Plan approval. The principles include:

- Establish living streets;
- Develop integrated storm water;
- Create pedestrian friendly 77<sup>th</sup> Street;
- Provide key connections;
- Promote modality; and
- Institute shared parking strategies.

Final Development Plan approval will be required prior to the commencement of new improvements in each phase. The improvements proposed in each Final Development Plan must be consistent with the PUD and the Preliminary Development Plan approval.

- b. Each phase of the Project will include structured parking and other infrastructure improvements necessary for the successful redevelopment of the phase, as established in the Final Development Plan for each phase.
- c. The total cost of the anticipated buildings and infrastructure is estimated to be at least \$500 million.
- d. Details of the Project and each specific phase will be subject to review and approval of City Council through the City’s standard Final PUD and Final Preliminary Development Plan approval process.
- e. The Developer will name and rebrand the Project with City input.

**6) Phased Development**

- a. The Developer estimates that complete redevelopment is projected to occur over a 10-15 year period. Preliminary activities for Phase 1 (including, but not limited to, asbestos and lead paint abatement, demolition and soil correction) are anticipated to commence by July 2014. As shown in the phasing diagram attached as Exhibit 3, the following five phases are anticipated in the Project and each phase will include private development elements and public infrastructure elements:

<b>Description of Phase</b>	<b>Private Development</b> (as shown on Exhibit 3)	<b>Public Infrastructure</b>
Phase 1 (includes Phase 1A & 1B)	Phase 1 Hotel/Retail/Medical/Office Building; Parking Structure A & B	77 <sup>th</sup> Street; Transit Shelters; Normandale Road; Viking/Computer
Phase 2	Connecting Retail and Phase 2 Office Group; Parking Structure C	77 <sup>th</sup> Street Bridge; Water Feature <sup>*</sup> ; Corresponding 76 <sup>th</sup> Street Parkway, West Living Street <sup>**</sup>
Phase 3	Phase 3 Office Group; Parking Structure D	Corresponding 76 <sup>th</sup> Street Parkway, Central Living Street <sup>**</sup>
Phase 4	Phase 4 Office Group; Parking Structure E	Corresponding 76 <sup>th</sup> Street Parkway, East Living Street <sup>**</sup>
Phase 5	Phase 5 Office Group; Parking Structure F	Corresponding 76 <sup>th</sup> Street Parkway, East Living Street <sup>**</sup> ; Parklawn Ave.

\* A potential 77th Street bridge with trail connection and adjacent water feature will be considered in the event that there is a future re-purposing of the Fred Richards golf course. If deemed feasible by the Developer, these elements will be constructed in Phase 2 or a later Phase.

\*\* The 76<sup>th</sup> Street Parkway and living streets are anticipated to be constructed in parts corresponding to each phase of the Project.

- b. Phase 1 (asbestos and lead paint abatement, demolition and soil correction) is anticipated to commence by July 1, 2014, and the construction of Phase 1 is anticipated to be completed by December 31, 2018.
- c. To be given TIF assistance, each phase of development must include at least one substandard structure pursuant to State law and meet the other requirements of the Redevelopment Plan and the TIF District.

**7) Project Timeline**

The Project timeline is driven by market conditions. It is in the best interest of the Developer and the City to have the earliest development timeframe that market conditions support. The chart below is the current anticipated timeline for the Project. In addition, preliminary development and demolition activities will commence consistent with Section 9 below. The Developer will notify the City of material changes to the following estimated construction dates. The Developer will periodically provide the City with written notification related to meeting proposed construction benchmarks for each phase. A timeline for completion of improvements in each phase will be included in the Final Development Plan approval for each phase. The written notification will include:

- Proposed dates for commencement of construction for key improvements for each phase;
- Updates on construction progress and confirmation of the Developer’s ability to reach certain proposed benchmarks; and
- Revised estimates of commencement and completion dates, if any.

<b>Description of Phase (as shown on Exhibit 3)</b>	<b>Estimated Commencement Date</b>	<b>Estimated Completion Date</b>
Phase 1 – South Hotel (1A)	Building, Early 2017	December 2018
Phase 1 – South Office / Retail (1B)	Buildings, Early 2016	December 2018
Phase 2 – North Office Group / Retail	Buildings, Early 2017	December 2018
Phase 3 – North Office Group	Buildings, Early 2019	December 2020
Phase 4 – North Office Group	Buildings, Early 2021	December 2022
Phase 5 – North Office Group	Buildings, Early 2023	December 2024

Subject to Unavoidable Delays (as will be defined in the Master Redevelopment Agreement), if (i) demolition, in accordance with a City issued demolition permit, of the existing South Tower

and the four (4) attached Annex Buildings (but excluding 4815 W. 77<sup>th</sup> Street (Cradle Club) and 7710 Computer Avenue) has not been completed by December 31, 2016 or (ii) there is no Development Activity for a period of twenty-four (24) months at any given time during the term of the Master Redevelopment Agreement, then the City may decline to issue TIF Notes for any future phases or terminate the Master Redevelopment Agreement according to its terms. For purposes of this Term Sheet, "Development Activity" shall mean (i) Final Development Plan approval has been granted by the City Council regarding a particular phase of the Project, (ii) a Development Contract has been entered into and is in good standing regarding that particular phase and (iii) a building permit has been applied for and, when issued, has not expired regarding any new building within that corresponding phase. The City will be reasonable in its review of any request by the Developer to extend the date in (i) and the time period in (ii) above.

### 8) Project Budget

The Project Budget for all private development and public infrastructure elements, as combined, is as follows:

	South	North	Total
<b>a. Street Infrastructure</b>			
- 77th Street	\$2,886,000		
- 77th Street Bridge	\$2,563,000		
- Transit Shelters	\$180,000		
- 76th Street Parkway	\$7,825,000		
- Parklawn	\$453,000		
- 100 Frontage Rd/Viking Dr/Computer Ave	\$1,223,000		
- Living streets	\$4,319,000		<b>\$19,449,000</b>
<b>b. Sitework / Storm Water</b>			
- District Marker Signs	\$80,000		
- Soil Correction Studies & Improvements	\$9,581,000	\$16,020,000	
- Storm Water Management	\$777,000	\$1,070,000	
- Demolition	\$1,750,000	\$2,890,000	
- Green Space / Sitework	\$2,625,000	\$2,730,000	<b>\$37,523,000</b>
<b>c. Parking Structures</b>			
- Ramp A - 1,140 Stalls	\$11,514,000		
- Ramp B - 1,140 Stalls	\$11,514,000		
- Ramp C - 650 Stalls		\$6,565,000	
- Ramp D - 650 Stalls		\$6,565,000	
- Ramp E - 650 Stalls		\$6,565,000	
- Ramp F - 975 Stalls		\$9,847,500	<b>\$52,570,500</b>
<b>d. Land, Closing, RE Taxes</b>			<b>\$10,470,000</b>
<b>e. Hotel, Office Buildings &amp; Retail, Tenant Improvements</b>			<b>\$277,825,000</b>
<b>f. Design Cost, Contractor Fee, Government Charges (SAC &amp; WAC)</b>			<b>\$38,699,000</b>

<b>g.</b>	<b>Development Costs (Commissions, Legal/Professional, Space Planning, Marketing, Contingency, Loan Costs, Interest, Developer Fee)</b>	<b>\$78,830,000</b>
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<b>TOTAL PROJECT COST</b>		<b>\$515,366,500</b>
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**9) Reimbursement of Qualified Costs**

- a. The City will reimburse the Developer on a pay-as-you-go basis for eligible costs plus interest at a rate of 6% annually.
- b. Total financial assistance available for the Project is estimated to be between 93.5% and 98%, of the Available Tax Increment, depending on the cost of the City’s infrastructure to be paid out of Increment, as determined pursuant to Section 9g. For purposes of this Master Term Sheet, “Available Tax Increment” means 90% of tax increment generated by the TIF District.
- c. Total present value of all TIF Notes is estimated to be approximately \$54 million but may be increased as set forth in Section 9g.
- d. The terms of each TIF Note will be included in the Master Redevelopment Agreement and issued pursuant to the terms thereof. Eligible costs incurred by the Developer will be added to the principal balance of the initial TIF Note or evidenced in subsequent TIF Notes, upon submittal of the documents to be set forth in the Master Redevelopment Agreement.
- e. Consistent with the Final Development Plan for the corresponding phase as shown on Exhibit 3, the Developer will perform the following activities, which will be subject to reimbursement from TIF:
  - Demolition of the South tower and the four (4) attached annex buildings.
  - Asbestos and lead-based paint abatement of the South tower and the four (4) attached annex buildings.
  - Lead paint abatements of the South tower building site.
  - Construction of the bike storage and shower facility within five (5) years of the date of the Master Redevelopment Agreement.
  - Improvements to W. 77<sup>th</sup> St. upon the completion of construction of at least 100,000 square feet of new development.
  - Construction of at least 2 transit shelters in conjunction with the improvements to W. 77<sup>th</sup> St.
  - Demolition of the building on the Walsh Title Parcel within eighteen (18) months from the date Fred Richards is repurposed, if at all, and all new improvements and new use(s) on Fred Richards are in operation.
  - Construction of W. 76<sup>th</sup> Parkway.
  - Construction of two or more living streets (north/south) creating additional vehicular access to new W. 76<sup>th</sup> Parkway, the anticipated regional bike trail, and the south side of Fred Richards.

- Improvements to Parklawn Ave.
  - Additional connections from the Project to the anticipated regional bike trail.
- f. The maximum term of all TIF Notes is 26 years from first receipt of increment, including partial year payments. Interest will accrue when the Developer has produced documentation of costs sufficient to satisfy Office of the State Auditor requirements.
- g. A portion of the total tax Increment may be utilized for infrastructure costs incurred by the City for eligible public improvements in accordance with State Law and the Master Development Agreement. If prior to January 1, 2016 the City determines that it requires more than \$2.5 million for public infrastructure improvements to be paid prior to the full and final payment of the TIF Notes, the City may elect to increase said amount to a maximum of \$8 million which is estimated to be 6.5% of the total tax Increment, at which time the Increment available to the Developer (as set forth in Section 9c) shall increase by an amount equal to any increase for such improvements in excess of \$2.5 million as long as the “but for” can be demonstrated for the increased amount of Increment to be paid to the Developer. Following full and final payment of the TIF Notes to the Developer, all remaining tax increment will be available to the City. Public infrastructure improvements to be paid out of Increment prior to the full and final payment of the TIF Notes shall be compatible with the Project, and must be for traditional public improvements such as roads, utilities and improvements to public land.
- h. Eligible costs will be identified in a Sources and Uses to be attached to the Master Development Agreement and will include the following (as may be authorized under State Law):
- Soil correction costs, studies and improvements (including piling)
  - Demolition (not including any grant funds received for demolition)
  - Environmental studies and remediation, asbestos abatement studies, lead based paint abatement, hazardous materials abatement or remediation and studies (not including any grant funds received for the same)
  - Storm water management studies and storm water management related improvements (not including any grant funds received for storm water management).
  - Berm(s) and soil relocation as part of site preparation.
  - Street costs which include intersection improvements.
  - Costs of improvements to existing, and the construction of new, public roadways, including on – street parking, pedestrian and bicyclist facilities and related street lighting, streetscape along West 77<sup>th</sup> Street between Normandale and Parklawn and Parklawn Avenue between West 77<sup>th</sup> Street and West 76<sup>th</sup> Street.
  - General site preparation.
  - Traffic mitigation studies, traffic mitigation improvements at the properties, to and from the properties, and as a result of stabilization, renovation, and

redevelopment.

- Landscaping, water feature, street lights, site lighting, sidewalks, trail connections at the properties.
- Public parking improvements and parking structures (some of which may be shared or otherwise made available for public use), public transit improvements, bicycle improvements, initiatives to encourage non-single occupant car usage.
- District marker signs.
- Public access to regional trail and Fred Richards site.
- Applicable/appropriate professional fees related to the PUD and TIF process and agreements for the City of Edina.
- Professional fees related to the PUD and TIF process and agreements for the project.
- Additional off-site public improvements, including but not limited to, traffic mitigation and storm water mitigation.

#### **10) Separate TIF Notes**

- a. The City will make one payment of principal and interest to the Developer each six months on the TIF Notes, commencing on \_\_\_\_\_, 20\_\_ based on available tax increment. The Developer may participate out the TIF notes but the City is not responsible for calculations nor payments for each separate Note.

#### **11) Compliance with TIF Act**

- a. Costs eligible for TIF reimbursement must comply with applicable MN State statute.
- b. Pursuant to State law, eligible costs need to be incurred within 5 years of the date of certification of the TIF district unless the State Legislature approves a time extension. The date by which costs need to be incurred is estimated to be the summer of 2019. The Developer and City will discuss methods to help ensure that maximum allowable flexibility is included in the Master Redevelopment Agreement to allow for the installation of all TIF eligible improvements required to support all phases of the Project.

#### **12) Evaluation Process for TIF Assistance**

- a. As part of the TIF Assistance process, the Project as a whole must be evaluated on a phase by phase basis and the “but for” must be demonstrated. The Developer will provide full and complete information so that the City can understand the need for the requested financial assistance.

#### **13) Initial Pro forma Review**

- a. The Developer will prepare a Sources and Uses as well as an annual revenue and expenditure Pro-Forma detailing the life of the construction project (approximately 10-15 years) at the time of the TIF District certification. The Pro-Forma must show a

demonstrated need for financial assistance. Information to be submitted will include the Sources and Uses pro forma to be attached to the Master Development Agreement, and additional information requested by the City.

**14) City Approval of Significant Changes:** Changes to the Project scope and design that are inconsistent with the Final Development Plan will be subject to City review.

**15) Special Assessments**

The City may elect to specially assess benefited Project or non-Project properties for portions of the Project public improvements. If non-Project properties are so assessed, the amount of eligible costs subject to reimbursement through a TIF Note will be reduced accordingly. In addition, the Developer may petition for the use of special assessments for a portion of Project public improvements. If so, the costs of construction will be secured with a financial instrument acceptable to the City such as a letter of credit, performance bond or cash. The Developer may choose to construct the improvements but the Developer's costs shall include an independent inspecting engineer as an agent of the City.

**16) Performance Bonds:** Performance bonds are required for all work in the public way.

**17) Storm Water Runoff**

- a. The multi-phased development will make provisions to retain and treat its own storm water runoff on site.
- b. In the event that the City decides to change the public use of the Fred Richards golf course site, both parties will work cooperatively to explore opportunities to improve water quality and utilize storm water as an amenity or feature.
- c. As referred to in paragraph 9g., a portion of the incremental taxes in excess of the Increment to be paid to the Developer may be redirected toward the storm water costs incurred by the City.

**18) Look Back Provisions**

Developer will agree to a "clawback" provision providing for reimbursement to the City for a share of the Increment paid to Developer under an applicable TIF Note upon the sale by Developer of the Project or one or more phases of the Project; within three (3) years from receipt of a certificate of completion for a building within the Project subject to a sale. The "clawback" will be no more than 25% of the Increment paid to the Developer related to the portion of the Project subject to a sale; with the percentage of clawback to be calculated if the Internal Rate of Return ("IRR") analysis as to each phase or portion of the Property subject to a sale based on an allowed range of 16 – 22.5% IRR for that building or phase. For purposes of a clawback, the definition of a "sale" will be

included in the Master Redevelopment Agreement and will include the distinction between a land sale and a sale following vertical development (which will reflect the fair market value of the land at the time of Developer's transfer). In the Master Redevelopment Agreement, the Developer and City will determine to reconcile the IRR rates among the various phases to determine a true IRR for a sale that is subject to a clawback taking into account the Project as a whole.

#### **19) Sale of Property**

- a. There will be no limits or restrictions on the Developer from selling the property, or a portion thereof, before or after the completion of construction of infrastructure improvements. Additionally, no limitations will be imposed on the Developer (including, without limitation any merger, consolidation, joint venture, sale or addition of new members/capital). The City must be notified of changes to the named party.

#### **20) Default by Developer or City**

- a. Standard default provisions will be applicable, including default provisions for failure to continue a Development Activity (as defined in Section 7). The Master Redevelopment Agreement will include remedies to be determined by the Developer and the City. Specifically, if the Developer does not maintain a Development Activity in accordance with Section 7, the City's Specific remedies will include (i) the right to terminate the Master Redevelopment Agreement or (ii) the right to deny issuance of a TIF Note for any future phase of the Project. Termination of the Master Redevelopment Agreement will not impact the payment of any current or future amounts due on any issued and outstanding TIF Notes. The Master Redevelopment Agreement will include a force majeure clause that extends performance of any delivery dates for unavoidable delays, which will include standard events as well as extraordinary economic factors and delay in the resolution of leases or other third party agreements that impact the Developer's completion of certain required minimum improvements. The Developer will be afforded reasonable cure rights. An agreed upon percentage of TIF Note payments may be withheld by the City for failure by the Developer to complete agreed upon minimum improvements as set forth in the Narrative (e.g. failure to complete West 77<sup>th</sup> upon completion of construction of at least 100,000 square feet of new development). This remedy will be limited to a withholding of TIF Note payments related only to the phase or TIF Note associated with the incomplete improvement. TIF Payment will resume, with accrued interest in accordance with the TIF Note, once the improvement is completed.

**21) Park Maintenance Fee / Special Assessment District**

- a. In the event that the Fred Richards facility is repurposed to allow a greater degree of public access, the Developer will contribute a maintenance fee for each completed phase of the Project that has direct access and use of any future public amenity.

**22) Grants**

- a. The City will assist the Developer in applications for eligible grants including the DEED Redevelopment Grant program, TBRA, Metropolitan Council Livable Communities Demonstration Account and tax Base Revitalization Account programs, Nine Mile Creek Watershed District and others to be mutually determined.
- b. The timing of the application of the grants will be mutually agreed upon.

**23) Preparation of Master Redevelopment Agreement:**

- a. The City and Developer will work diligently to prepare a Master Redevelopment Agreement for City Council consideration at its May 20, 2014 meeting.
- b. The Master Redevelopment Agreement will be presented to the City Council pre-signed by the Developer.

**24) Job Creation/Retention:**

- a. The Developer will provide projections of new FTE jobs that are anticipated to be created within each phase of the completed project.
- b. The Master Redevelopment Agreement may require Developer to provide ongoing job creation and job estimates in a manner consistent with the DEED grant programs and/or the Metropolitan Council TBRA grant program. The Developer will use best efforts to provide estimates of the number of construction jobs for each phase of the Project.

**25) Certificate of Completion:** A closing checklist will be prepared to certify that the requirements of each phase are satisfactorily completed. Developer notes will not be issued until completion of the project is confirmed.

**26) City Funds at RDA Closing:** None

**27) Real Estate Tax Appeals:** The Developer and future owner(s) of the properties shall retain their right to appeal the property tax assessments.

**28) Residential Phases:** In order for any multi-family housing phase to qualify for TIF assistance, at least 20% of the residential units must be sold or leased at rates that are considered affordable to people of limited incomes as established by State Statute. The base level of finish and amenities of the affordable units must be the same as that of the market-rate units. The sales

price or lease rates of affordable units will be based on the most current housing affordability data published by HUD or other source recognized by the City of Edina. This Section is not applicable to hotels or similar transitory housing. Additional affordable housing provisions concerning buyer qualifications, length of time for affordability restrictions, buyer leasing, etc. will be outlined in an exhibit to the Master Redevelopment Agreement.

**29) Public Art.** Public art shall be incorporated into each phase of the Project.

EXHIBIT 1  
PROJECT SITE LEGAL DESCRIPTION

PID	Address	Owner
31-028-24-33-0010	4901 West 77th Street Edina, MN 55435	<b>Pentagon South, LLC</b>
31-028-24-33-0014	4815 West 77th Street Edina, MN 55435	<b>Pentagon South, LLC</b>
31-028-24-43-0003	4510 West 77th Street Edina, MN 55435	<b>Pentagon South, LLC</b>
31-028-24-43-0004	4530 West 77th Street Edina, MN 55435	<b>Pentagon South, LLC</b>
31-028-24-43-0005	7600 Parklawn Avenue Edina, MN 55435	<b>Pentagon South, LLC</b>
31-028-24-43-0006	7600 Parklawn Avenue Edina, MN 55435	<b>Pentagon South, LLC</b>

**Legal Description:**

PARCEL 1:

All of the following described land:

Those parts of Tracts A and B lying Southerly of the following described line: Beginning at a point on the West line of said Tract B distant 220 feet North of the Southwest corner thereof; thence run Northeasterly to a point on the North line of said Tract B distant 170 feet West of the Northeast corner thereof; thence run Northeasterly to a point on the East line of said Tract A distant 40 feet North of the Southeast corner thereof and there terminating.

Tract C,

Tracts E and F, except those parts thereof lying Northerly of the following described line:

Beginning at a point on the East line of Tract A, distant 40 feet North of the Southeast corner thereof; thence run Northeasterly to a point distant 120 feet West and 32 feet South of the Northeast corner of said Tract E; thence run Easterly parallel with the North line of said Tract E for 30 feet; thence deflect to the left at an angle of 90 degrees 00 minutes 00 seconds for 12 feet; thence run Easterly and Southeasterly parallel with the Northerly and Northeasterly lines of said Tracts E and F to its intersection with the following described line: Beginning at a point on the Southwesterly line of Tract S distant 105 feet Southeasterly of the West line of said Tract S (when measured along said Southwesterly line); thence run Southwesterly at right angles to said Southwesterly line for 100 feet and there terminating, Tract G, except the East 58 feet of the Southerly 300 feet thereof,

That part of Tract H, lying North of the South 300 feet thereof;

All in Registered Land Survey No. 1050, Hennepin County, Minnesota.

PARCEL 2:

Tracts F, G, H and I, Registered Land Survey No. 1218, Hennepin County, Minnesota.

<b>PID</b>	<b>Address</b>	<b>Owner</b>
31-028-24-43-0002	4540 West 77th Street Edina, MN 55435	<b>Pentagon North, LLC</b>
31-028-24-43-0001	4550 West 77th Street Edina, MN 55435	<b>Pentagon North, LLC</b>
31-028-24-34-0009	4570 West 77th Street Edina, MN 55435	<b>Pentagon North, LLC</b>
31-028-24-34-0008	4600 West 77th Street Edina, MN 55435	<b>Pentagon North, LLC</b>
31-028-24-34-0007	4660 West 77th Street Edina, MN 55435	<b>Pentagon North, LLC</b>
<b>Legal Description:</b> Tracts A, B, C, D and E, Registered Land Survey No. 1218, Hennepin County, Minnesota.		

<b>PID</b>	<b>Address</b>	<b>Owner</b>
31-028-24-33-0018	4820 West 77th Street Edina, MN 55435	<b>FYT, LLC</b>
<b>Legal Description :</b> Tract S, Registered Land Survey No. 1050, Hennepin County, Minnesota		

<b>PID</b>	<b>Address</b>	<b>Owner</b>
31-028-24-33-0015	7710 Computer Avenue Edina, MN 55435	<b>Crown Bank, LLC</b>
<b>Legal Description:</b> The East 58 feet of the Southerly 300 feet of Tract G; The South 300 feet of Tract H,  Registered Land Survey No. 1050, Hennepin County, Minnesota.		

EXHIBIT 2  
PLANNED UNIT DEVELOPMENT NARRATIVE

## **Background**

When constructed in the 1960's, Pentagon Park was a state-of-the-art office complex located on approximately 42 prime acres in the northeast quadrant of Interstate I-494 and Highway 100 (Exhibit 2). It featured 8 three story buildings and one four story building surrounded by surface parking north of W. 77<sup>th</sup> Street ("North Parcel") and a "tower" of six stories in the southwest parcel surrounded by randomly placed one story office buildings with surface parking lots between ("South Parcel"). The complex – like Southdale, the innovative 1950's era indoor shopping mall – was designed to accommodate the emerging car culture that was sweeping the country.

Unlike Southdale, which was originally conceived to be a more complete mixed-use development, Pentagon Park was always intended to be office-focused and auto-centric. Access to the campus or getting to a restaurant for lunch was virtually impossible without a car.

Today, the moribund buildings of Pentagon Park sit amidst a sea of surface parking lots, testament to changing times and tastes (Exhibit 6). Pentagon Revival, the development entity, has "stabilized" some of the buildings, attracting new tenants but the office park has outlived its useful life and the Applicant intends to completely re-imagine and rebuild on the site.

The Applicant's affiliates own or control all of the property described in the Application which includes the parcels identified as the "North Parcel", "South Parcel", "Walsh Title" and 7710 Computer Avenue (collectively, the "Property").

## **Context** (Exhibits 3 and 4)

Immediately north of the North Parcel is Fred Richards Golf Course, an approximately 42-acre City-owned and operated facility which is separated from Pentagon Park (Exhibit 5). The City is in the process of evaluating the use of the Fred Richards land as a golf course and determining whether it should remain a golf course or be "repurposed" to another public use. North of the golf course is the Lake Edina neighborhood, which comprises single family houses, many of which surround the small lake. To the east of Pentagon Park is a district that includes a mix of business and multi-family housing. To the south, along West 77<sup>th</sup> Street, are a variety of businesses, the largest of which is Seagate Technology.

The Nine Mile Creek Regional Trail will be constructed in 2015 and is proposed to be located along the northern property line of Pentagon Park. The exact configuration of the Regional Trail is not final. Depending on the future disposition of the golf course, the Regional Trail could shift north onto City property.

The south/west portion of Pentagon Park is bounded by W. 77<sup>th</sup> to the north, Computer Avenue to the east, Viking Drive to the south and Normandale Road and Highway 100 to the west. A variety of businesses are located in the surrounding area.

## **The Applicant**

The Applicant's membership includes Hillcrest Development, LLLP ("Hillcrest"). Hillcrest's Managing General Partner Scott Tankenoff is the face of the Applicants development team. Scott has been the Managing Partner of Hillcrest since 1990. Hillcrest was founded in 1948 and is now a third generation company specializing in commercial renovation to suit its clients' facility needs for office, hi-tech, biotechnology-medical research, light assembly, warehousing, manufacturing, and other commercial purposes.

Membership in the Applicant is also owned by an affiliate of Mark Raunenhorst. Mark has decades of development and construction expertise in most sectors of real estate development, including, office, retail and multi-family residential.

All of Hillcrest's projects (over eighty to date) have been fully designed, developed, built, leased, managed, and owned by Hillcrest. Hillcrest has its own internal construction, leasing, and management groups. Hillcrest has enjoyed success in its business and renovation projects due to its hands-on approach toward redevelopment. Hillcrest's in-house development team consists of experienced construction, design, leasing, management, operations, and accounting personnel. This "hands-on" approach streamlines the efficiency of the projects and provides for a quicker occupancy for Hillcrest's clients.

Membership in the Applicant is also owned by an affiliate of Mark Raunenhorst. Mark has decades of development and construction expertise in multiple sectors of real estate development, including, office, retail and multi-family residential.

## **The Application**

The Applicant is seeking approval of the land uses, maximum densities and maximum building heights for the project. The Exhibits that accompany the Application illustrate several aspects of the Applicant's proposal. Specifically, the Applicant requests:

- a. Land Use.
  - i. Hotel, office and retail on the South Parcel.
  - ii. Office and retail on the North Parcel, Walsh Title and 7710 Computer Avenue Parcels.
  - iii. Potential multi-family residential on the Property.
- b. Densities.

- i. 425 room hotel.
  - ii. 1,400,000 square feet of office.
  - iii. 40,000 square feet of retail.
  - iv. 20,000 square feet of retail/medical/office on the Walsh Title Parcel.
- c. Height (Exhibit 15)
- i. 12 stories on the South Parcel and 7710 Computer Avenue Parcel.
  - ii. In the future, the Applicant may request a Comprehensive Guide Plan amendment for a hotel of over 12 stories in the location on the west side of the South Parcel, identified on Exhibit 15.
  - iii. 2 stories on the Walsh Title Parcel.
  - iv. 4 and 5 stories on the North Parcel.

(Exhibits 13 and 14)

In response to the unknown future use of Fred Richards, the Applicant will present multiple options with respect to the configuration of stormwater and green space amenities.

As discussed with the City Staff and presented at Sketch Plan review before the Planning Commission and City Council, the Property needs to be rezoned to a Planned Unit Development in order to achieve the requisite density and land. Accordingly, the Applicant has filed these applications for the Property to be rezoned to a Planned Unit Development (“PUD”) and for Preliminary Development Plan approval.

The proposed redevelopment of the Property is a unique opportunity. The redevelopment of the Property will do to the northeast quadrant of Interstate I-494 and Highway 100 what Centennial Lakes did for the southeastern portion of the City and what Normandale Lakes has done for the City of Bloomington. The unique opportunity and aspect of the Applicant’s requests include substantial and procedural characteristics that include, with limitation:

- 1. The fact that the redevelopment of PUD is very different than the previous Planned Unit Development zoning districts that have been approved and adopted by the City, for several reasons, including, without limitation:
  - a. While the current improvements are in severe blighted condition, the buildings could be stabilized if the PUD is not approved.

- b. Stabilization would prevent redevelopment of the Property for another generation, and would cause for a massive lost opportunity, especially with the potential change in the use of Fred Richards.
      - c. The size of the Property and proposed multi-phased project.
      - d. The long term use of Fred Richards is unknown and a PUD will provide flexibilities to respond to change in use of the golf course, allowing for the integration of Pentagon Park into a repurposed Fred Richards.
2. The proposed land uses, densities and building heights are either consistent with or less intense than what the Comprehensive Guide Plan, City Code and AUAR (updated in the summer in 2013) allow or anticipate. The requested density is less than alternatives in the AUAR and is close to the total gross square footage approved in the failed Gateway Plan approved by the City in 2008.
3. Because of the unique characteristics of the PUD request including the multi-phased development and the Applicants need to terminate leases or relocate tenants in the current office tower on the North Parcel prior to March 31<sup>st</sup>; the Applications for rezoning and Preliminary Development Plan do not contain architectural renditions, landscaping plans, drainage/grading plans or the other detailed plans called for in the City's form application submittal checklist. The details will not be available until Final Development Plan approval is requested by the Applicant when each phase is ripe for development. At each final stage, the Applicant will appear before the City Council and Planning Commission at sketch plan and Final approval, in addition to the Applicant's communication with City Staff, Planning Commissioners and elected officials.
4. While at the Sketch Plan meeting before the Planning Commission, certain commissioners requested additional detail on the Applicant's plan, including the relationship between pedestrians and the buildings on the North Parcel, the Applicant is not able to present more detail because the users and market factors are unknown. This is a market driven project. Certainty and time efficiency is necessary for success in today's market: which is a different paradigm then previous market conditions.

5. As discussed in this Narrative and illustrated in the Exhibits, Pentagon Park as a PUD will satisfy the PUD requirements of the City Code, because, as the Applicant has represented, the project will:
  - a. Create a development that is consistent with the Comprehensive Guide Plan;
  - b. Promote creative and efficient approach to land use;
  - c. Provide variations to the strict compliance of the Code in order to improve design and to incorporate design elements that exceed City Standards to offset the effect of the Code deviation;
  - d. Include sustainable design, greater utilization of new technologies in building design, special construction materials, landscaping, lighting, storm water management, pedestrian-orientated design and podium height at a street or transition to residential neighborhoods and parks;
  - e. Ensure a high quality of design;
  - f. Maintain or improve the efficiency of public streets;
  - g. Preserve and enhance site characteristics; and
  - h. Allow for mixing of land uses.
6. The Applicant requires preliminary approval of the PUD and the Preliminary Development Plan by March 18<sup>th</sup> (which is the last City Council meeting in March), so the Applicant has certainty on the uses, height and densities that will be allowed for the project. The Applicant is willing to proceed to move or terminate the existing tenants based on preliminary approvals, even though the PUD ordinance and Final Development plans will not be approved until the Applicant has submitted for Final Development approval, for each phase.
7. The risk/reward of granting preliminary approval without submittal of detailed plans (including architectural plans) are properly weighted, because the Applicant bears more risk than the City; and, notwithstanding the lack of 'architectural' detail, the Applicant is willing to include items in the preliminary approval that include, without limitation, the following (which line up in large part with the 6 disciplines that the Council members, staff,

Planning commission and neighbors have requested and are discussed in detail below):

- a. A higher % of green space (including water/ponding areas) than what is required by code.
  - b. Storm water management (a majority) to be an amenity.
  - c. Storm water retention and clarification/treatment to current standards.
  - d. Encourage bicycle and pedestrian transit; we need to provide more than an outside bike rack and one stall shower at Pentagon Park.
  - e. Provide upgraded transit shelters (two at a minimum).
  - f. 77<sup>th</sup> Street upgraded consistent with November 6, 2013 plans and details, once 100,000 square feet or more of new development is in process or completed.
  - g. 76<sup>th</sup> Parkway and green streets (north/south) once 80-85% of Pentagon Park's new development construction is in process or completed.
  - h. Upgrade Parklawn once 80-85% of Pentagon Park's new development construction is in process or completed.
  - i. Design similar/consistent with LEED standards; TBD (needs more study and understanding).
  - j. Consideration of solar, especially on buildings north of 77<sup>th</sup> Street.
  - k. Upgrade streets; upgrade pedestrian access around south parcel once construction on the South parcel is 80-85% in process or completed.
8. The Preliminary Approval will have more than sufficient project detail, procedural conditions, goals and standards to guide and define what is required in the Final Development Plan for each phase. Architectural details would have to be reviewed and approved under the current MDD-6 category in any event: a PUD provides commercial densities to enable meaningful redevelopment of the Property to be feasible.

## The Vision

The Applicant proposes to transform the Pentagon Park project area in phases, into a state-of-the-art development with an emphasis on office use. Other uses, including a hotel, restaurants and convenience retail, are all planned for the project. Housing will also be considered. The final mix of uses will depend on market demands.

The Applicant has: (i) held two neighborhood community open houses; (ii) conducted a series of interviews, meetings and presentations with City Staff and elected officials; (iii) appeared at numerous joint City Council and Planning Commission workshops; (iv) appeared at multiple Rotary meetings and Chamber of Commerce events; and (v) presented the project at Sketch Plan review before the Planning Commission in December 2013 and to the City Council on January 7, 2014. These were productive and informative sessions that led the Applicant to identify various issues (Exhibit 7) and to develop an overall goal of integrating green infrastructure throughout the site, resulting in improved connectivity and porosity and linking transit, open space and the broader community to Pentagon Park (Exhibit 12). An additional **six primary principles** (Exhibits 7 and 8) were developed through intake and discussions over many months of meetings with Council members, City Staff, neighbors and professionals, all of which will be integrated into any future plan of the site:

**Establish Green Streets** (Exhibits 22 – 26) – The project will include a familiar pattern of streets and blocks as opposed to the current superblock design. The green streets will serve multiple needs, with the following goals:

- Allow access into and out of the district, parking structures and to the City-owned property.
- Provide “front door addresses” for businesses and other uses.
- Integrate space for stormwater management.
- Include on-street, parallel parking, to help reduce dependence on surface parking lots.
- Provide continuous sidewalks for pedestrians on both sides of streets.
- Include additional amenities, such as street trees, pedestrian-scale lighting, landscaping.

**Develop Integrated Stormwater** (Exhibits 9 - 10 and Exhibits 16 – 21) – Stormwater currently sheet drains off the Pentagon Park site without clarification/treatment, or any substantive retention, burdening city infrastructure on 77<sup>th</sup> Street and negatively impacting adjacent water bodies in the Fred Richards Golf Course area. The new development proposes to properly manage all stormwater on-site or in conjunction with a change in use of the Fred Richards with the following goals:

- Celebrate water creatively as an amenity (Exhibit 9), and integrate it into the overall Master Plan.
- Connect the northern and southern sites with a surface water course.

- Provide “urban” infiltration basins (in lieu of standard basins) and/or “treatment trains” to cleanse water and allow it to penetrate and recharge the groundwater system.
- Capture and re-use stormwater for irrigation and other potential uses.
- Use the stormwater system as a focus for recreation throughout the site.

**Create a Pedestrian Friendly 77<sup>th</sup>** (Exhibit 22) – W. 77<sup>th</sup> Street is currently a five lane arterial road, with a continuous center lane used to turn both north and south into businesses at numerous locations. Currently, there is an inadequate 4’ sidewalk immediately behind the curb on the south side and no sidewalk on the north side. There is a lack of access to transit stops along 77<sup>th</sup> and poor connections to business for pedestrians or bicyclists. The City right-of-way only extends from curb to curb. The new development proposes the following:

- Work with private land owners (e.g. Pentagon Park, Seagate, and other businesses) to gain easements for gracious pedestrian sidewalks, enclosed transit shelters, street trees and pedestrian-scale lighting on both sides of 77<sup>th</sup>.
- Connect to Green Streets (to the north) and consolidate and align business access roads (to the south) to allow for development of a landscaped center median with left turn lanes at new intersections.
- Provide safe and clearly defined crosswalks at green streets/business access roads, with pedestrian “refuge” areas in the center median.
- Identify one significant intersection of the redevelopment site to potentially receive a traffic signal.
- Provide two 11’ through-traffic lanes in each direction to retain current street capacity for through traffic.

**Provide Key Connections** (Exhibits 10, 14 and 16 – 21) – Presently, the south/west site – also called the “Tower Site” is an isolated island in the district and completely disconnected from the north/east site. Roads and fences further isolate Pentagon Park from its immediate and more distant neighbors. Links to transit do not meet current accessibility standards. The project will include the following:

- If the golf course on Fred Richards is decommissioned and transformed to a multi-purpose public space, the Applicant will pursue connections between the Tower Site and the North Parcel with a new bridge and underpass(Exhibit 10) beneath W. 77<sup>th</sup>, with enough clearance to allow bikes, pedestrians and a water channel to all pass beneath.
- Provide one connection to the new regional trail at the 77<sup>th</sup> underpass to the south/west site and another near the east end of the site to 77<sup>th</sup> to allow safe and easy access to improved transit shelters.
- Integrate the North Parcel with Fred Richards, by extending “green streets” south through the new development to 77<sup>th</sup> (Exhibit 25).

- Provide sidewalks, safe crosswalks and other pedestrian-friendly facilities within the site to promote walking within the development, to transit and to other nearby places.

**Promote Multimodality** (Exhibits 12 and 22 – 26) – At present, Pentagon Park and the surrounding district still rely heavily on car use. With all the issues related to favoring the car – oil dependency and the cost of gas, air pollution and ensuing climate change, social equity, etc. – this development will strive to promote multimodal access to the site, promoting easy access to the public . The proposal recommends the following:

- Provide safe access to transit shelters on 77<sup>th</sup>, and make them comfortable and inviting.
- Link the regional trail to and through the new development to connect with transit to promote bicycle use as a serious form of transportation as well as a recreational one.
- Provide state-of-the-art bicycle facilities, including a repair facility, dedicated spots for shower and inside bike lockers.
- Create “complete streets” within the new development by calming traffic and providing safe and inviting sidewalks throughout.
- Establish sidewalk connections to adjacent land uses to reduce dependence on the car and encourage walking.
- Develop a recreational system both that promotes walking, health and wellness.

**Institute Shared Parking Strategies** (Exhibit 11) – Currently, Pentagon Park is characterized by large surface parking lots, single-use facilities that consume vast amounts of land and sat empty at many times even during the heyday of the office park. This development aims to reduce surface parking lots using a multi-pronged strategy for parking. The following are recommended:

- Invest in parking structures that are integrated into and serve the architecture of newly constructed buildings on the Property to the extent possible.
- Locate at least one parking structure in close proximity to the Fred Richards site for events that may take place there.
- Provide on-street parallel parking on all internal streets, including “bay parking” on the parkway street.
- Provide one level of below-grade parking beneath buildings (one level is feasible).

A number of concept diagrams were developed to illustrate how these principles could be translated onto the Pentagon park site and illustrate potential redevelopment scenarios (Exhibits 16, 17, 19-21). Based upon feedback provided by Staff, Community, Planning Commission and Council a hybrid concept was developed (Exhibit 18) that reflected additional public comments. Although, the details of the redevelopment will change depending upon market forces, it reinforced the strong community interest in the site and the

redevelopment process. It was clear a strategic process was needed to achieve the results all stakeholders desired.

### **Planned Unit Development (PUD)**

The creation of a Planned Unit Development District is appropriate for a site of this size and potential. The Mayor, Council and Planning Commission, in addition to the Applicant and Staff, are in agreement that this project offers unique opportunities that exceed normal City standards for the current zoning classification (MDD-6).

In addition, the land use, height and density requests of the Applicant are either consistent with or less intense than requirements described in the Guide Plan, Code and AUAR.

A two-step planning process is required to achieve the redevelopment goals the community has identified and the quality of development the Applicant envisions (Exhibit 1). The redevelopment of approximately 42 acres will take a number of years to achieve and flexibility is needed to capitalize on opportunities as the market forces change over time. The two-step approach envisions a preliminary PUD approval (step-one) which will set the overall land use, height and density requirements for the site and allow the Applicant to begin to market the overall concept of the Pentagon park redevelopment to potential tenants. The second-step will bring forward individual site development proposals for final PUD approval, allowing the City to review detailed project features at a sketch plan level and at a final development level. This provides the City with final approval of any projects to be constructed at Pentagon Park.

As summarized above, the Preliminary PUD approval being sought in this submittal focuses on three primary aspects: land-use, density and height (Exhibits 13-15).

### **South Parcel and 7710 Computer Avenue**

The South parcel or “Tower Site” envisions approximately 500,000 gross square feet(GSF) of office use in multiple buildings that do not exceed 12 stories in height, approximately 25,000 GSF of service retail and restaurants to support proposed uses and the surrounding community and an approximately 375-425 room hotel that may exceed 12 stories depending upon the proposed hotel operator. The Applicant seeks approval of a 12 story concept in the Preliminary PUD approval, but may seek approval for additional stories at the time of Final approval if the hotel concept warrants consideration beyond the Preliminary PUD approval.

Parking ramps to accommodate approximately 1,400 vehicles to support the density and use envisioned on the South Parcel.

### **Walsh Title Parcel**

Directly north of the South Parcel is the existing Walsh Title site. This is a remnant parcel from the historic Pentagon Park campus and provides a key connection point to link the South Parcel to the future regional trail and to Fred Richards. A two story of approximately 20,000 GSF Retail/Medical/Office use is envisioned for this site that supports surrounding

uses and enriches the connection between the south parcel and the northern public green space. A combination of underground and surface parking is likely to support the proposed uses on this parcel.

### **North Parcel**

The North Parcel situated between 77<sup>th</sup> Street and the southern edge of the Fred Richards site envisions approximately 900,000 GSF of office uses and approximately 15,000 GSF of retail. A residential component could potentially be included in the North Parcel if the market demand exists. A stepped approach to height is envisioned, transitioning from 5 stories adjacent to 77<sup>th</sup> Street to a maximum of 4 stories along Fred Richards to relate to the public open space and neighborhood to the north.

Four parking ramps accommodating a total of 3,600 vehicles are proposed to support the density of use envisioned on the North Parcel. The potential to share this parking with the community to support uses on Fred Richards is a possibility as the vision for that site crystalizes over the next year.

Although, the redevelopment of Pentagon Park will be driven by market demand and the details of a final PUD plan will come at a later date, the Applicant envisions a master Preliminary Development Plan that is:

**Sustainable** – The redevelopment will strive to promote sustainability in every sense of the word, including creating a well connected, multi-modal project that encourages other means of movement than the car, employs active and passive solar energy systems, harvests, manages and re-uses rainwater on-site, promotes energy-efficient architecture and landscape, etc. This project has the potential to be a model for mixed-use office development. Consideration will be given to creating a LEED-ND (Neighborhood Design) project.

**Innovative** – The project will focus on innovation at all levels. The Preliminary Development Plan will propose integration of systems using district-wide strategies, including parking, management of water, circulation, heating and cooling. All systems will be addressed in concert. The synergies between systems can also extend to the adjacent City-owned property to further capture opportunities for innovation.

**Contextual** – The project will create a new paradigm for the Pentagon Park district, establishing a more familiar pattern of streets and blocks (may be of varying sizes). In essence, this new development will set the tone for the future of the district – more porous and more transit, bicycle and pedestrian friendly.

**Adaptable** – Cities typically consist of a framework of streets and blocks within which a variety of land uses can coexist and evolve over time. This project proposes to establish that framework and encourage all building to have adaptability as a key design criterion.

**Incremental** – It is also important to create a place that can evolve comfortably over time. This project will take many years to complete, but it needs to feel like a welcoming place early in the process. A well crafted public realm with well-conceived green and blue infrastructure will be critical to its success.

**Efficient** – Because this project will be designed from scratch, efficiencies in everything from road design, utilities layout, stormwater management, parking locations and synergies, to accommodations for increased transit service, can all be conceived during the final PUD planning process, resulting in a more cohesive and innovative development.

**Aesthetically Pleasing** – It is critical that the design of all facets of Pentagon Park, from architecture, landscape and infrastructure be aesthetically pleasing while functioning seamlessly together. With top-tier amenities and aesthetics, the project will set itself apart from the competition, much like Centennial Lakes and 50<sup>th</sup> and France have in the past.

**Health / Safety / Comfort** – The project will promote walking, bicycling and transit use that makes them attractive, safe, and viable alternatives to the car. The design will create “complete streets” that serve all users equally, calming the car and providing the necessary infrastructure for safe walking and cycling. In addition, the design will provide recreational walking trails that connect to the regional trail and nearby streets to encourage walking over the noon hour or before and after work.

**Economically Viable** – By providing the innovative features that have been discussed in this narrative, the renewed Pentagon Park will create a buzz and attract businesses that might otherwise look elsewhere. Cool and livable environments have become requisite in today’s competitive workplace; providing the perks will translate to a stronger bottom line.

**Podium Height** – Edina has spent a great deal of time considering the impact of building height on the public realm. This redevelopment will honor that work by establishing appropriate podium heights in relation to setbacks from the street. It is important to remember that the best street envelopes are well-defined by architecture and landscape; the project guidelines need to find the sweet spot where buildings don’t overwhelm pedestrians but still provide a strong and attractive edge that defines a better public realm.

The Comprehensive Guide Plan challenges the City in its mission to

*guide the development and redevelopment of lands, all in a manner that sustains and improved the uncommonly high quality of life enjoyed by our residents and businesses.*

It is a once in a generation opportunity to be presented with an application for approximately 42 acres by an Applicant that not only currently owns or controls all of the Property, but understands the importance of the City's mission statement and the relationship to a potentially re-purposed Fred Richards.

EXHIBIT 3  
PHASING DIAGRAM

*[SEE ATTACHED]*

## Key Statistics

### Land Use

South Parcel: Hotel - 375 - 425 Rooms  
 Office - 500,000 GSF  
 Retail - 25,000 GSF  
 North Parcel: Office - 900,000 GSF  
 Retail - 15,000 GSF  
 Walsh Tile: Retail/Medical/Office - 20,000 GSF

### Structured Parking

A 1,400 STALLS  
 B 1,400 STALLS  
 C 800 STALLS  
 D 800 STALLS  
 E 800 STALLS  
 F 1,200 STALLS

