

**STUDY SESSION
OF THE UNIVERSITY CITY COUNCIL**
5th Floor of City Hall
6801 Delmar
March 10, 2020

AGENDA

Requested by the City Manager

1. MEETING CALLED TO ORDER

The City Council Study Session was held in Council Chambers on the fifth floor of City Hall, on Tuesday, March 10, 2020. Mayor Terry Crow called the Study Session to order at 5:30 p.m.

In addition to the Mayor, the following members of Council were present:

Councilmember Steven McMahon
Councilmember Paulette Carr; *(Arrived at 5:32 p.m.)*
Councilmember Jeffrey Hales; *(Arrived at 5:32 p.m.)*
Councilmember Tim Cusick
Councilmember Stacy Clay
Councilmember Bwayne Smotherson

Also in attendance were City Manager, Gregory Rose; City Attorney, John F. Mulligan Jr., Director of Economic Development, Libbey Tucker; Louis Vlasaty, Real Estate Developer; Michael Afentoullis, Senior Vice President of CBRE; Tim Eagan of Eagan Design-Build, Mark Mehrhoff of Integrated Building Design Services, and Linda Schaeffer, as Acting City Clerk.

2. CHANGES TO REGULAR COUNCIL AGENDA

Councilmember Smotherson requested that the EOC remediation (item J3), be moved from the Consent agenda to the City Manager's report to allow for questions. Mayor Crow asked the City Manager to give update on the County's response to the Coronavirus at the beginning of the regular meeting.

3. PRESENTATION OF OLIVE/MIDLAND PROPOSED DEVELOPMENT

Mr. Rose stated in July of 2019, Council authorized staff to move forward with an RFP for the property owned by the City at Olive and Midland. There was (1) response to the RFP; Ms. Tucker will introduce the presenters that provided the response.

Ms. Tucker stated that there were several members of the project team present at tonight's meeting to describe the project to City Council. She went on to introduce the team:

The Team

- Louis Vlasaty - Successful Lawyer and Real Estate Developer since the 1980s. Mr. Vlasaty stated after recently purchasing and renovating two vacant buildings in University City into commercial units and apartments, he was intrigued by the idea of developing something at this site. After a preliminary meeting with two members of Council, he hopes that this proposal fits within the City's Codes and addresses the specific needs identified.

- Michael Afentoullis - Lawyer and Senior Vice President at CBRE - Capstone Financial's, St. Louis office, was the Managing Director of Capstone Financial Solutions for three years before their merger with CBRE. Mr. Afentoullis stated he has 20 + years of commercial real estate experience and over 25 years in asset management. His Company helps developers; like Mr. Vlasaty, who he has worked with over the years, find debt and equity to finance and refinance projects, as well as what will work financially in terms of market rents. CBRE is a Fannie, Freddie, and FHA licensed lender, and understands how developers can finance in the construction and permanent market. He has been involved in several transactions in the U City market and thinks this is going to be a great project for the City.
- Tim Eagan - Owner of Eagan Design Build, is a commercial construction contractor that has been in business for 12 years. Mr. Eagan stated he will be the general contractor for this project and understands the importance of developing a team and what it means to work in collaboration with officials, neighbors, and the community as a whole.
- Mark W. Mehrhoff - President of Integrated Building Design Services and the lead architect on this project. Mr. Mehrhoff stated he has several years of experience in the design-build realm, a diverse background in building design, to include multi-family housing, and is well-versed in ADA and space planning requirements. In addition, his firm strives to be experts in BIM Modeling (Building information modeling), which produces high-quality, highly coordinated building designs, as well as Virtual Reality Modeling (VRM) which provides the owner with an opportunity to stand in a space before it is constructed; thus reducing change orders, and miscommunications between designers, contractors, and owners. He stated his company has completed over 100 custom home designs around the St. Louis area and since he has worked with Tim on several of those projects, he is excited to be a part of this team.

The Vision Statement

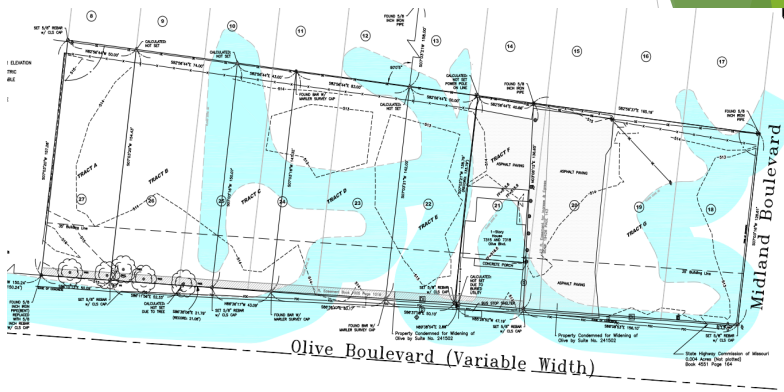
The intersection of Olive Boulevard and Midland Avenue lies along University City's two main thoroughfares and is walking distance to some of University City's most valued commercial and community resources, including Heman Park, Centennial Commons Recreational Center, and the Delmar Loop, not to mention more than twenty-five ethnic restaurants and grocery stores.

Our development team proposes the design and construction of a brand new 36 unit quality apartment complex that will attract a diverse mix of residents varying in age, ethnicity, and social-economic backgrounds. Residents seeking a small town, close-knit community, and the ability to walk, bike or run to various recreational and entertainment destinations. We believe our design is both modern and visually appealing. And based on the prominent location of the project we believe it would be a bold statement to the wider community that will attract new investment and interest in the neighborhood.

Site Survey

The Site Survey as it currently exists was provided by U City. This tract of land has a 100-year floodplain, which means it has a 1% chance of annual flooding over a 100-year period. Although no serious due diligence has been performed in advance of this project's approval, consideration has been given to the fact that the finished floors of any structures on this site will have to be at least 2-feet above base floodplain elevations.

Site Survey



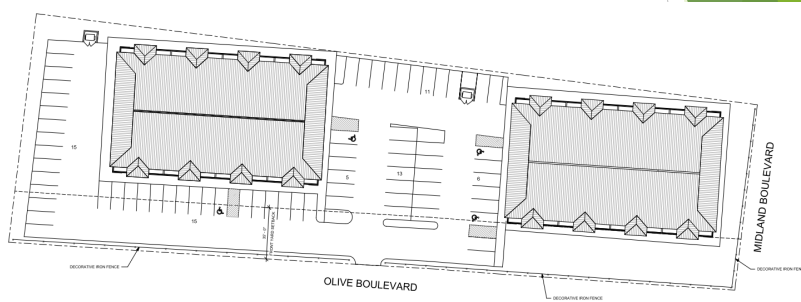
Proposed Site Plan

The original Site Plan proposal contained three buildings. However, after receiving feedback during their first meeting with City officials regarding the need for additional parking, the proposal was reduced from the three smaller buildings to two larger buildings, with expanded parking to meet the City's Code.

As proposed, there is one entrance onto Olive Blvd., however, that can be increased to two entrances if there is a need to address any concerns related to access.

Islands will be located around the perimeter and within the parking lot to provide green spaces. Barriers needed to separate the site from neighboring properties to the north can be included, and if requested, a photometric lighting plan to address any concerns about light pollution can be submitted.

Site Plan



Site Renderings/Drawings-3D

Conceptually, the team wanted to create a design that was both modern and low maintenance. So, on the ground level of the apartments, they are exploring the use of a horizontal metal panel to provide both a modern look and impact resistance. The panel will have a metallic finish to complement the building materials, which will be EIFS. While they are still working on defining a color scheme, they have envisioned brighter colors to fit in with the overall Mediterranean style of the building.

Accent bands have been introduced between the material transitions to provide a more distinct definition. They are also exploring the use of an insulated metal panel with an EIFS finish because of its durability and cost-effectiveness. All of the trim, gutters, downspouts, doors, and windows, will have either a black or dark brown finish. Each structure will have a lower sloped roof with standing seam metal roofing.

Renderings



Angled Elevation

Front Elevation



Renderings



Side Elevation

Aerial View

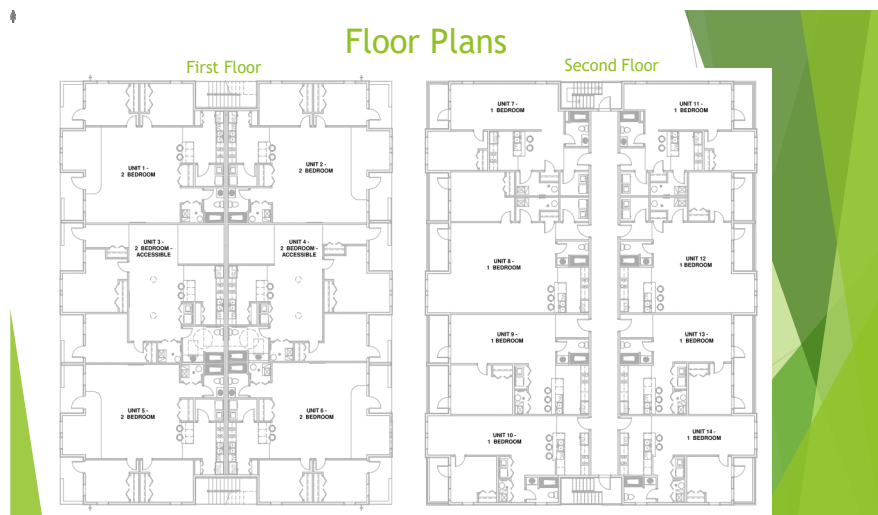


Unit Mix and Description

- Two buildings with a total of 36 units, consisting of 16 two-bedroom units and 20 one-bedroom units.
- Each building will include 4 ADA accessible units with a roll-in shower.
- Two-bedroom units will have approximately 1,200 to 1,300 square feet.
- One-bedroom units will range between 680 square feet and 1,200 square feet.
- Except for a few second-floor units all apartments will have at least two patios or balconies.
- Washer/dryer hookups will be available for each unit.

Floor Plans - 1st floor and 2nd floor

- The overall building footprint per building is 11,500 square feet per floor, for a total finished area of 23,000 square feet.
- The height of the buildings is anticipated to be less than 34 feet to the ridge.
- Construction will consist of a wood-frame structure and sprinkler system. The wood roof and floor trusses will provide ductwork chases and reduce the amount of barring walls and beams needed to support joists.
- Each floor will have a 9-foot ceiling height.
- Lower level apartments will consist of two bedrooms, a kitchen, living room, dining room with separate bar seating, bathroom, utility room, and washer/dryer space. Patios can be accessed from the living room and bedroom.
- Second-floor apartments will consist of one bedroom, a living room with bar seating, washer/dryer space, utility closet, and kitchen. Balconies can be accessed from either the bedroom or living room; and in most cases, both.
- Interior units with less natural light will include solar tubes to pipe in lighting.
- Code required sound ratings and one-hour separation between units will be met.
- Interior finishes are still in the design concept, but all units will have LVT flooring, carpeted bedrooms, and solid surface countertops.



Financing Considerations

- Land cost/expenses are critical to success and financial returns
- Floodplain grading/building elevation costs could impact the total cost of construction
- These market-rate units will constitute a good permanent loan investment in the future upon refinance

- Multifamily is the preferred property type in the capital markets
- There is a shortage of this level of rental housing across the country

Councilmember Cusick asked what range of rents had been established for these units? Mr. Afentoullis stated a one-bedroom would range from \$950, and a two-bedroom from \$1,300. And that could be either a plus or a minus because from a due diligence perspective there is still a need to make sure their final costs can support those rents. Councilmember Cusick asked if any consideration has been given to converting the units to condos and selling them individually? Mr. Vlasaty stated there are no plans for that type of conversion at this point.

Councilmember Clay thanked the team for their presentation and asked if the projected range for rent corresponds with the market rate? Mr. Vlasaty stated they believe that it does. Councilmember Clay stated this neighborhood has a Neighborhood Association. So after this project gets a little further down the road it might be a good idea to meet with them; if this team is amenable to doing so because he thinks they would be interested in learning about the plans for this site. Mr. Vlasaty stated they would be glad to meet with the Association. Councilmember Clay stated he believes Mr. Vlasaty already has his contact information so when the time comes, he can put him in touch with the Association's leadership.

Councilmember Carr stated originally this property was purchased for commerce; although the 2005 Comprehensive Plan says both residential and commercial. And while she understands that the depth of the lot could potentially limit a lot of commercial developments, she would like to know what the market demands are for residential rental properties in this neighborhood? Mr. Afentoullis stated as it relates specifically to U City, there are very strong market forces impacting the need for market-rate rental housing along the Olive Corridor based on the employment spillover from Clayton. So what they are seeing in all of their fundamentals from the standpoint of vacancies in the market and the amount of immersion that has occurred as a result of new construction projects in both U City and Clayton is that there has been a tremendous amount of absorption in the last 12 to 24 months. Councilmember Carr asked Mr. Afentoullis if he was speaking specifically of Centene? Mr. Afentoullis stated Centene would certainly be one of them.

Councilmember Carr stated from her perspective there seems to be quite a bit of residential in this area, so perhaps someone could give her an idea of what the split is between ownership and rental in this neighborhood? Mr. Rose stated staff would certainly be able to obtain that information and provide it to her.

Councilmember Carr questioned whether this project would be seeking any type of subsidy from the City? Because she would like to make certain the project is financed and there is a clear understanding of exactly what financial assistance is being anticipated. Mr. Afentoullis stated when it comes to the cash-flow stream of any project like this, a subsidy can be helpful. The dynamic in this situation relates to the fact that this site is owned by the City and will be sold or transferred to a developer. So he thinks whether it's in the form of tax abatements or something else, this topic is something that should be on the table and eventually discussed because when it comes to financing that can significantly help a project.

Councilmember Carr stated the City moved towards selling some of the other properties under TIF funds at a reduced value as opposed to tax abatement since residential developments generate property taxes instead of sales taxes. So she would be interested to see what the needs are because her impression had been that this was more of a definite, rather than conceptual proposal.

Mr. Afentoullis stated while they have gone back and forth, they did not come here with anything specific in mind. Because when it comes to apartments the greatest fixed cost for operating expenses is the real estate taxes. And what he has found is that having some level of abatement can be helpful to the financing strategy and cash flow of the complex. He stated some of that weighs into the transfer and cost of the land to the developer, so they kind of all play together.

Which is why they did not want to close the loop by saying okay, we don't want any subsidies, and then run into challenges when the numbers can't be worked out because the taxes make it too expensive to operate the apartments. He stated although at this point they don't know whether a subsidy will be needed, he thinks Lou will agree that it could potentially be helpful down the line. So they would like an abatement to stay on the table until they can first figure out what the situation with the land is going to be.

Mr. Vlasaty stated it is very expensive to get a number for a project like this, so their initial goal was to develop a project that the City would find acceptable and then drive the numbers. He stated the numbers change dramatically over time, so you really do not want to go through the whole process of bidding out a project if you don't even know whether it's the right project for the right place.

Councilmember Carr asked Mr. Vlasaty if he could provide Council with some kind of a development portfolio so they can get a better picture of his completed projects and the types of subsidies associated with each one? Mr. Vlasaty stated that he could.

Councilmember McMahon thanked Mr. Vlasaty for his interest in this vacant area and stated one of the first things listed under the financing considerations is the land acquisition cost being critical to the success of this project. So if we can move forward from today, you really do want to leave everything on the table and have those discussions? Mr. Vlasaty stated that is correct, especially as it relates to the floodplain issue which at this point, is an unknown cost that will require a civil engineer and a significant amount of money to determine. Councilmember McMahon stated should the costs turn out to be more than anticipated, is this an area you would be willing to work with the City on? Mr. Vlasaty stated that it is.

Councilmember McMahon stated when counting the units, from the diagrams, it looks like four are missing. Mr. Vlasaty stated some of these plans are from their original proposal with three buildings. So upon eliminating that structure they were able to add two units on each floor.

Councilmember Smotherson asked if their ADA accessible apartments would only be available on the first floor of each building? Mr. Mehrhoff stated there will be two ADA accessible units on the first floor of each building. These are barrier-free units equipped with 32-inch countertops and all of the required clearances for fixtures and knee space for work areas. Accessible parking will be available in front of each unit with a barrier-free curb ramp.

Councilmember Smotherson stated one of the questions he had asked Mr. Vlasaty previously was based on a concern raised by one of his constituents, and that is, as it relates to quality, how does this project compare to the Vanguard Apartments located on Delcrest? Mr. Vlasaty stated although he was not familiar with that project, he did take a ride by the site to look at it. And while it is much grander in scale with four stories and a lot of common amenities like pools and gyms, in his opinion, the Vanguard looks similar to what they are proposing for this site. So he does not see a whole lot of difference in terms of the quality. However, a major difference is that they are 50 to 70 percent more expensive than what they are proposing. Councilmember Smotherson asked if any consideration had been given to expanding this footprint to the west through the purchase of other properties? Mr. Vlasaty stated there is no room for expansion on this site, but they would definitely be interested in purchasing more properties in the future.

Mayor Crow asked Mr. Vlasaty if he had ever built an apartment complex from the ground up before? Mr. Vlasaty stated he had not, but over the years he has owned approximately 30 apartments; most of which were renovated. He stated the building on Dartmouth was a total gut renovation which was about as close as you can get to building a complex from the ground up. Mayor Crow stated U City prides itself on diversity and inclusion, so Council and this administration always like to make sure there will be an appropriate percentage of minority participation on construction projects? Mr. Vlasaty stated he did not have a problem complying with that stipulation.

Mayor Crow stated Council appreciates their interest in investing in U City and thanked Mr. Vlasaty for his time and effort.

Mayor Crow informed Councilmembers Hales and Carr that Item J (3) had been removed from the Consent Agenda and added to the City Manager's Report.

Mr. Rose stated he would also ask that Item J (1) on the Consent Agenda be moved to the City Manager's Report.

Mayor Crow informed his colleagues that he has asked the City Manager to provide a brief update at the beginning of the regular City Council meeting on the County's response to COVID-19.

4. ADJOURNMENT

Mayor Crow adjourned the Council Study Session at 6:10 p.m.

LaRette Reese
City Clerk