

GENERAL INFORMATION

Applicant:	Ron Clark Construction (applicant) Bloomington Hotel Ventures, LLC (Property owner)
Location:	3 & 4 Appletree Square
Request:	Major revision to the Appletree Square preliminary development plan and final development plan to convert a portion of the Crowne Plaza Hotel into 185 apartments (Aire Apartments) at 3 and 4 Appletree Square
Existing Land Use and Zoning:	Hotel; zoned HX-R(PD) High Intensity Mixed Use with Residential (Planned Development)
Surrounding Land Use and Zoning:	North – Hotel and remote airport parking; zoned HX-R(PD) South – Office; zoned HX-R(PD) East – Surface parking lot; zoned HX-R(PD) West – Multiple-family residential; zoned HX-R(PD)
Comprehensive Plan Designation:	South Loop Mixed Use

HISTORY

City Council Action:	September 9, 1977 – Approved revised preliminary and final development plan (Case 8317A-77).
City Council Action:	Approved major revision to the preliminary and final development plan for a hotel addition and surface parking lot (Case 7727A-85).
City Council Action:	May 3, 2021 – Approved major revision to preliminary and final development plans to convert a portion of an existing hotel located at 3 and 4 Appletree Square into 229 apartments.

CHRONOLOGY

Planning Commission:	07/28/2022 – Recommended City Council approval of the modifications to the hotel/apartment unit mix.
City Council:	08/08/2022 – Consent Agenda item

DEADLINE FOR AGENCY ACTION

Application Date:	06/22/2022
60 Days:	08/21/2022
120 Days:	10/20/2022
Applicable Deadline:	08/21/2022
Newspaper Notification:	Confirmed – (07/14/2022 – 10-day notice)
Direct Mail Notification:	Confirmed – (500 buffer – 10-day notice)

STAFF CONTACT

Mike Centinario
Phone: (952) 563-8921
E-mail: mcentinario@BloomingtonMN.gov

PROPOSAL

Last year the applicant proposed, and received approval for, converting a substantial portion of the hotel tower located at 3 and 4 Appletree Square into 229 apartments. Now named Aire Apartments, the conversion includes small studio apartments often referred to as “micro-units,” a residential product that had not been available in the City of Bloomington. Staff will refer to dwelling units as “micro” when they are proposed to be less than 400 square feet, the City Code minimum. Since the approval, several hotel floors have been converted to residential units, and according to the applicant, leasing has been positive. The hotel remains in operation.

The proposed modifications to the final development plans relate to the mix of hotel rooms versus apartment units. The mix approved in 2021 was 135 hotel rooms and 229 apartment units. The proposed mix is 178 hotel rooms and 185 apartment units – under the new application, one floor that was intended for apartments would remain as hotel rooms. Eighteen percent of the units would be affordable; 33 units (18 percent of total) would be affordable to households earning up to 50 percent of the Area Median Income (AMI), and 11 units (six percent of total) would be affordable to households earning up to 60 percent of AMI. No public financial assistance is requested.

No exterior building changes are proposed except for additional bike racks and an egress sidewalk to 34th Avenue. Aire Apartments will incorporate signage on the building elevations. The existing drop-off area, lobby coffee bar, and hotel restaurant remain. An outdoor patio space along 34th Avenue has been administratively approved and will be under construction soon.

ANALYSIS

Land Use

Hotels and high-density multiple-family residential development land uses are consistent with the South Loop District Plan and are permitted uses within the HX-R Zoning District. The applicant identified the hotel as underperforming and given the number of hotels developed in recent years, the hotel may not be able to compete without repositioning. In addition, the project improves the district's housing mix by providing another housing choice currently unavailable in the Bloomington market in the form of small efficiency units with access to high building amenities. Generally, there is a public benefit to "right-sizing" a hotel and converting the remaining floor area to apartment units.

Code Compliance

The development is converting a portion of an existing hotel into apartments. The review focuses on multiple-family development and Opportunity Housing Ordinance (OHO) requirements. Table 1 provides a Code analysis of items that meet or exceed City Code or require revision. The table is followed by commentary related to deviations requested and Opportunity Housing Ordinance (OHO) development incentives.

Table 1: City Code Requirement Analysis for HX-R Development

Standard	Code Required	Proposed	Compliance
Site area	120,000 square feet minimum	610,520 square feet (entire PD)	Yes
Floor area ratio	1.5 minimum 2.0 maximum (w/o credits)	1.63 (entire PD)	Yes
Residential density	30 dwelling units/acre minimum	39.7 units/acre (entire PD)	Yes
Unit size – studio and alcove	400 square feet	357 to 702 square feet	Deviation previously approved
Unit size – one bedroom	650 square feet	687 to 851 square feet	Yes
Unit size – two bedrooms	800 square feet	917 to 1,109 square feet	Yes
In-unit storage space	Equal to unit count; minimum 96 cubic feet with 4 foot horizontal and vertical dimensions	Unit quantity – 115; Unit volume compliant	Yes
Parking	539 stalls (previously 619 stalls)	302 stalls	Deviation previously approved

Noise attenuation	Noise attenuation when a project is located at or above the 60 dBA DNL Contour	Building outside of 60 DNL boundary	Yes
Trash and recycling	Internal trash and recycling	Internal trash and recycling	Yes

Opportunity Housing Ordinance Requirements and Incentives

The Opportunity Housing Ordinance (OHO) affordability requirement is 17 dwelling units affordable at a 60 percent AMI level. The applicant is proposing to exceed the requirement with 44 affordable units. The applicant's Affordable Housing Plan identifies the following unit mix of apartments affordable at a 50 or 60 percent AMI level:

- Micro units: 17 units
- Alcove: 15 units
- One bedroom: 8 units
- Two bedrooms: 4 units
- Affordable unit total: 44

The development is entitled to incentives outlined in Chapter 9 of the City Code by meeting the OHO requirement. Below is a summary of the OHO development incentives that apply to this development:

1. ***Parking*** – located in the South Loop District steps away from an LRT station, a reduction from standard parking requirements is warranted. By incorporating at least nine percent of the units affordable to a 50 percent AMI level, a 15 percent parking reduction is available. At the time of the original approval, the OHO afforded a 30 percent parking reduction based on the level of affordability. The applicant sought an additional deviation from City Code to further reduce parking, which was ultimately approved. The parking analysis is provided below.
2. ***Dwelling unit size*** – efficiency apartments (studios/alcoves) must be at least 400 square feet in area. The OHO permits a reduction in unit size, with larger unit size reductions for increasingly affordable units. For dwelling units affordable at a 60 percent AMI level, the unit size reduction is 10 percent – 360 square foot minimum for efficiency apartments. For dwelling units affordable at 50 percent AMI level, the unit size reduction is 20 percent – 320 square foot minimum for efficiency apartments. The applicant proposes micro units at various affordability levels:
 - a. 50 percent AMI – 33 units, of which 14 are micro units eligible for OHO flexibility. These micro units are compliant with City Code due to the OHO incentive.

- b. 60 percent AMI – 11 units, of which 4 are micro units eligible for OHO flexibility. The 357 square foot micro units are 3 square feet smaller than the 360 square foot requirement after use of the 10 percent OHO flexibility. The applicant is seeking a deviation from City Code which is addressed below.
 - c. 80 percent AMI – 47 units. These units are not proposed to be reserved explicitly as affordable units. However, due to the development's characteristics and size, the applicant contends the initial rents for these units would be affordable at an 80 percent AMI level. Rent levels for these units would fluctuate over time with market conditions. Therefore, these units do not qualify for OHO flexibility, and planned development flexibility is requested.
3. ***Storage units*** – non-age restricted apartment buildings are required to provide a separate storage unit within the building for each dwelling unit. Without the OHO incentive, this would mean 185 storage units. The applicant depicts 115 storage units within the building, which exceeds the requirement when applying the OHO's 50 percent storage unit reduction. All 44 OHO-designated units would have access to a storage unit at no additional cost to the tenant.
4. ***Enclosed parking*** – each dwelling unit must have one fully-enclosed parking space. For 185 dwelling units, 185 enclosed parking spaces are required. A recent amendment to the OHO increased the enclosed parking reduction to 50 percent for developments incorporating at least nine percent of units at a 50 percent AMI affordability level. Applying that OHO incentive, the development would be required to provide 93 enclosed parking stalls. The applicant is proposing 96 enclosed parking stalls. In compliance with OHO standards, all OHO-designated units would have access to an enclosed parking stall at no additional cost to the tenant. While only 96 stalls are enclosed, all 300 stalls would be located within the parking structure – much of the proposed parking would be on the top parking structure level. The original approval has a 19-stall difference between the required and proposed enclosed parking stalls. The proposed changes reduce the deficiency to only three stalls.

Studio Unit Size

Table 2 below identifies the micro efficiency units' affordability level across several levels. To be clear, the units identified as affordable to an 80 percent AMI level are not specifically proposed to be Opportunity Housing Ordinance dwelling units. Rather, the small living area combined with cost savings by converting existing hotel rooms to apartments, results in the units being “naturally affordable” at an 80 percent AMI level.

Table 2: Micro Unit Size and OHO Incentives

Affordability Level	Minimum Size with Incentive	Proposed Unit Size	Compliance
50 percent AMI units	320 square feet (20% reduction incentive)	357 square feet	Yes
60 percent AMI units	360 square feet (10% reduction incentive)	357 square feet	Deviation previously approved for 3 square feet
80 percent AMI units	400 square feet (no incentive)	357 square feet	Deviation previously approved for 43 square feet

Staff has supported the unit size deviations for the 60 and 80 percent AMI micro units. The units are the same size and finish across the affordability levels. Staff agrees there should be no distinction between the micro units. Whether the unit is designated as affordable or not, the micro unit's size and finish are similar and distributed throughout the residential floors.

The applicant provided a three-dimensional graphic depicting 400 and 350 square foot efficiency apartments. The purpose of the graphics was to demonstrate that the "livability" of a 357 square foot unit is substantially equivalent to a 400 square foot unit. Staff generally agreed. The tenant interested in a micro unit would likely not be dissuaded by 43 fewer square feet when there is access to building amenities such as an indoor pool, fitness room, shared common spaces, an on-site restaurant and bar, rooftop patio, and convenient access to light rail transit. With no public financial assistance requested, staff believes there is a public benefit to the deviation given the 44 affordable units.

Access, Circulation, and Parking

Access and circulation within the development site will not change – the primary access to the main entrance is from American Blvd. E. The hotel has a multiple lane covered drop off area. While there are a few surface stalls on site, most of the parking is provided by the existing 1,195 stall parking structure. Three-hundred stalls are dedicated for hotel and apartment use. Table 3 below identifies the use mix between hotel and dwelling units and the City Code deviations.

Since the original approval in 2021, parking standards have changed significantly. Multiple-family parking requirements have been lowered and party room space no longer has a parking requirement. The OHO parking reduction incentive, however, has also been reduced overall. The parking deviation from City Code is substantial albeit less of a deviation from City Code than what was approved in 2021. An independent parking study was completed to determine if the proposed 300 structured stalls would be adequate. To be sure, the parking requirement using the "base" Code is higher than what we would expect to see in the South Loop District. For example, the hotel restaurant is fully integrated into the hotel operation and is not marketed independently. Nonetheless, the restaurant adds 40 parking stalls to the overall requirement.

Table 3: Parking Analysis

Use Mix	Standard	Proposed	Parking Requirement
Hotel Rooms	1.1 stalls per unit	178	196
Studio & 1 BR	1.6 stalls per unit	167	267
2 BR	2.0 stalls per unit	18	36
Restaurant (seats)	1 stall per 3 seats	120	40
Total parking required (stalls)			539
Deviation from City Code			44%
Requirement after OHO incentive – 15% reduction for apartments*			463
Deviation after OHO incentive			33.4%

* At the time of approval in 2021, the OHO afforded a 30% parking reduction incentive for the Aire Apartments project. The OHO's parking reduction incentive was amended in 2022.

Appletree Square is undergoing significant changes over the next several years, given the approved residential developments. The parking study has been reviewed several times due to multiple iterations of development proposals and considers pre-pandemic parking demands. The study concluded the proposed parking would be sufficient. Using Institute for Traffic Engineers (ITE) parking demand for the uses, the development would likely see a parking deficiency on Saturdays due to peak hotel parking demand. However, when implementing a shared parking model using observed parking demand, the study concluded there would be surplus parking.

Stormwater Management

The proposed project does not include any exterior modifications to the site. No additional stormwater management is required.

Utilities

The subject property is served by both City sanitary sewer and water. Staff has reviewed the water and sewer demands and determined there is adequate capacity to serve this development.

Traffic Analysis

No significant impacts to the adjacent traffic patterns due to this building conversion have been identified.

Transit and Transportation Demand Management (TDM)

This redevelopment will require a Tier 2 TDM plan, which allows the property owner to choose from a menu of TDM options. The owner has not yet submitted a Tier 2 TDM checklist.

Fire Preventions and Public Safety

The access and circulation design must continue to meet or exceed the minimum standards of the fire code and be maintained in accordance with the approved plan, including a surface to provide all weather driving capabilities. Apparatus access roads must be asphalt or concrete and support a minimum of 80,000 pounds with a turning radius to accommodate BFD Ladder 3. The applicant shall ensure the proposed landscaping plans do not interfere with access to the building.

The applicant must ensure the fire alarm system is code compliant for the new occupancy classification. Smoke alarms shall be in working order. Any smoke alarms ten years or older shall be replaced. Carbon monoxide detection may be required in the new R-2 units with gas fueled appliances.

Any changes made to the current plans, including building location, access roads, water supply, and addressing, shall be reviewed by the Fire Marshal to ensure continued compliance with the fire code.

Status of Enforcement Orders

There are no open enforcement orders for the property.

FINDINGS

Required Final Development Plan Findings – Section 21.501.03(e)(1-7)

Required Finding	Finding Outcome/Discussion
(1) The proposed use is not in conflict with the Comprehensive Plan	Finding made – There is no conflict between the proposed development and the Comprehensive Plan. The proposed hotel to apartment conversion is consistent with the Comprehensive Plan's South Loop Mixed Use designation.
(2) The proposed use is not in conflict with any adopted District Plan for the area	Finding made – The proposed development is consistent with the South Loop District's vision for dense development that takes advantage of and supports nearby transit options.
(3) The proposed development is not in conflict with the approved preliminary development plan for the site	Finding made – The final development is consistent with the preliminary development plan, as previously amended.

(4) All deviations from City Code requirements are in the public interest and within the parameters allowed under the Planned Development Overlay Zoning District or have previously received variance approval	Finding made – The proposed deviations would facilitate a development that offers additional housing choices within the South Loop District. Therefore, the deviations would not have an adverse impact on the surrounding neighborhood and are in the public interest.
(5) The proposed development is of sufficient size, composition, and arrangement that its construction, marketing, and operation is feasible as a complete unit without dependence upon any subsequent unit	Finding made – The planned development is one phase and is not dependent on subsequent phases.
(6) The proposed development will not create an excessive burden on parks, schools, streets, and other public facilities and utilities which serve or are proposed to serve the planned development; and	Finding made – Given the size and characteristics of the proposed development, an excessive burden is not anticipated on parks, schools, streets, the sanitary sewer system, or the water system once planned sanitary sewer improvements are completed in the area.
(7) The proposed development will not be injurious to the surrounding neighborhood or otherwise harm the public health, safety, and welfare	Finding made – Given the size and characteristics of the proposed development, an excessive burden is not anticipated on parks, schools, streets, the sanitary sewer system, or the water system once planned sanitary sewer improvements are completed in the area.

RECOMMENDATION

The Planning Commission and staff recommend approval using the following motion:

In Case PL2022-136, having been able to make the required findings, I move to approve a major revision to the final development plans to revise the number of hotel rooms and apartment units at 3 and 4 Appletree Square, subject to the conditions and Code requirements attached to the staff report.

RECOMMENDED CONDITIONS OF APPROVAL

Case PL202200136

Project Description: Major revisions to previously approved final development plans for the Aire Apartments located at 3 and 4 Appletree Square

Address: 3 and 4 Appletree Square

The following conditions of approval are arranged according to when they must be satisfied. In addition to conditions of approval, the use and improvements must also comply with all applicable local, state, and federal codes. Codes to which the applicant should pay particular attention are included below.

1. Prior to C/O An amended Site Development Agreement, including all conditions of approval, must be executed by the applicant and the City and must be properly recorded by the applicant with proof of recording provided to the Director of Community Development.
2. Prior to C/O An amended Affordable Housing Plan (AHP) must be executed by the applicant and the City.
3. Ongoing All construction stockpiling, staging and parking must take place on site and off adjacent public streets and public right-of-way.
4. Ongoing Food service plans must be approved by the Environmental Health Division (City Code Sec. 14.360).
5. Ongoing Alterations to utilities must be at the developer's expense.
6. Ongoing Unless no longer required by City Code, a uniform sign design must be submitted for approval by the Planning Manager (Section 19.109).
7. Ongoing Signs must be in compliance with the requirements of Chapter 19, Article X of the City Code and Uniform Design Plan.