

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 229 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 – Revised preliminary and final development plan – Approved (Case 8317A-77).

City Council Action: Major revision to preliminary and final development plan for a hotel addition and surface parking lot (Case 7727A-85).

CHRONOLOGY

Planning Commission: 03/25/2021 – Public Hearing - Recommended approval

City Council: 05/03/2021 – Consent Business

DEADLINE FOR AGENCY ACTION

Application Date:	02/17/2021
60 Days:	04/18/2021
120 Days:	06/17/2021
Applicable Deadline:	06/17/2021 – Extended by applicant
Newspaper Notification:	Confirmed – (03/11/2021 – 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

The Crowne Plaza Hotel is a 13-story, full-service hotel at 3 and 4 Appletree Square. The applicant is proposing to convert a substantial portion of the hotel tower into 229 apartments. The proposal includes small studio apartments often referred to as “micro-units,” a residential product not currently 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. Twenty percent of the units would be affordable; 35 units (15 percent of total) would be affordable to households earning up to 50 percent of the Area Median Income (AMI) and 11 units (five percent of total) would be affordable to households earning up to 60 percent of AMI. No public financial assistance is being requested.

A hotel would remain under a new flag and in the form of an extended stay hotel. The hotel room count would be reduced from 430 to 135 on four floors. No exterior changes to the building are proposed except for additional bike racks and an egress sidewalk to 34th Avenue. The existing drop-off area, lobby coffee bar, and hotel restaurant would remain. Parking would continue to be provided at the adjacent parking structure for both the hotel and apartment uses. The applicant may proceed in the future with adding ground level retail at the corner of American Blvd. and 34th Avenue, but that concept is not part of the current application.

ANALYSIS

Land Use

Hotels and high-density multiple-family residential development are land uses consistent with the South Loop District Plan and are permitted uses within the HX-R Zoning District. The applicant identifies the hotel as underperforming and given the number of hotels developed in recent years, the hotel may not be able to compete without repositioning. The project would improve 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 public benefit to "right-sizing" a hotel and converting the remaining floor area to apartment units.

Code Compliance

The proposed development would convert 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 requested
Unit size – one bedroom	650 square feet	687 to 851 square feet	Yes
Unit size – two bedroom	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 to be confirmed	Storage unit quantity is compliant (with OHO incentive); unit volume to be confirmed prior to building permit
Parking	619 stalls	302 stalls	Deviation requested

Noise attenuation	Noise attenuation when 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 22 dwelling units affordable at a 60 percent AMI level. The applicant is proposing to exceed the requirement with 46 affordable units. The applicant's Affordable Housing Plan identifies the following affordable unit mix of apartments affordable at a 50 or 60 percent AMI level:

- Micro units: 18 units
- Alcove: 15 units
- One bedroom: 9 units
- Two bedroom: 4 units
- Affordable unit total: 46

By meeting the OHO requirement, the development is entitled to incentives outlined in Chapter 9 of the City Code. 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 30 percent parking reduction is available. Even with the OHO parking reduction, the applicant is seeking an additional deviation from City Code to further reduce parking. 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 – 35 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 – 46 micro units. These micro units are not proposed to be specifically reserved as affordable units. However, due to the characteristics of the development and their 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. These units do not qualify for OHO flexibility and hence are requesting planned development flexibility.
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 229 storage units. The applicant depicts 115 storage units within the building, which meets requirement when applying the OHO’s 50 percent storage unit reduction. Pending confirmation the storage unit volumes meet the City standard, the proposed storage units meet City Code requirements. All 46 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 229 dwelling units, 229 enclosed parking spaces are normally required. A recent amendment to the OHO increased the enclosed parking reduction to 50 percent for developments that incorporate at least nine percent of units at a 50 percent AMI affordability level. Applying that OHO incentive, the development would be required to provide 115 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 19 stall difference between the required and proposed enclosed parking stalls is marginal and staff is supportive of the deviation. Ultimately, the success of this development will depend on some tenants not needing a parking space.

Studio Unit Size

Table 2 below identifies the affordability level for micro efficiency units across several affordability 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, result 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 requested for 3 square feet

80 percent AMI units	400 square feet (no incentive)	357 square feet	Deviation requested for 43 square feet
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Staff is supportive of the unit size deviations for the 60 and 80 percent AMI micro units. The units would be the same size and finish across the affordability levels. Staff agrees that 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 would be 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 agrees. 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 public benefit to the deviation given the 46 affordable units.

Access, Circulation, and Parking

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

Table 3: Parking Analysis

Use Mix	Standard	Proposed	Parking Requirement
Hotel Rooms	1.1 stalls per unit	135	149
Studio & 1 BR	1.8 stalls per unit	208	374
2 BR	2.2 stalls per unit	21	46
Party Room	1 stall per 100 square feet	1,000	10
Restaurant (seats)	1 stall per 3 seats	120	40
Total parking required (stalls)			619
Deviation from City Code			51%
Deviation after OHO incentive – 30% reduction for apartments			26%
Deviation after OHO incentive and discounting restaurant parking requirement			18%

The parking deviation from City Code is substantial and 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. Staff included a calculation in Table 3 that discounts the restaurant parking requirement. The study included the potential retail development phase in the study, although the retail component is not part of the proposal.

Appletree Square will be undergoing significant changes over the next several years given the residential developments that have been approved. The parking study has been reviewed several times due to multiple iterations of development proposals and takes into consideration 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 deficient 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.

Because the proposed parking deviation is significant, staff has requested the applicant consider what overflow parking alternatives might exist should the parking study model turn out to be an underestimation. The applicant is prepared to present those ideas at the meeting, if requested.

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. The revised water and sewer demands have been reviewed by Staff and it has been 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 to 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 10 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 insure continued compliance with the fire code.

Status of Enforcement Orders

There are no open enforcement orders for the property.

FINDINGS

Required Preliminary Development Plan Findings - Section 21.501.02(d)(1-6):

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) 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 choice within the South Loop District. The deviations would not have an adverse impact on the surrounding neighborhood and are in the public interest.
(4) Each phase of the proposed development is of sufficient size,	Finding made – The planned development is one phase and is not dependent on subsequent phases.

composition, and arrangement that its construction, marketing, and operation is feasible as a complete unit without dependence upon any subsequent unit	
(5) 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.
(6) The proposed development will not be injurious to the surrounding neighborhood or otherwise harm the public health, safety and welfare	Finding made – The proposed development is not anticipated to be injurious to the surrounding neighborhood or otherwise harm the public health, safety and welfare. The hotel to apartment conversion must meet all building and rental licensing requirements.

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 the preliminary development plan, as proposed to be 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 choice within the South Loop District. 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	Finding made – The planned development is one phase and is not dependent on subsequent phases.

as a complete unit without dependence upon any subsequent unit	
(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 PL2021-30, having been able to make the required findings, I move approve a major revision to preliminary development plans and final development plans to convert a portion of an existing hotel located at 3 and 4 Appletree Square into 229 apartments, subject to the conditions and Code requirements attached to the staff report.

RECOMMENDED CONDITIONS OF APPROVAL

Case PL2021-30

Project Description: Major revision to the Appletree Square preliminary development plan and final development plan to convert a portion of the Crowne Plaza Hotel into 229 apartments at 3 and 4 Appletree Square.

Address: 3 & 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 Permit A Site Development Agreement, including all conditions of approval and memorializing the affordable housing plan, 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 Permit Sewer Availability Charges (SAC) must be satisfied.
3. Prior to Permit Parking lot and site security lighting plans must satisfy the requirements of City Code Section 21.301.07.
4. Prior to Permit Bicycle parking spaces must be provided and located throughout the site as approved by the City Engineer.
5. Ongoing All construction stockpiling, staging and parking must take place on site and off adjacent public streets and public right-of-way.
6. Ongoing Alterations to utilities must be at the developer's expense.
7. Ongoing A uniform sign design must be submitted for approval by the Planning Manager (Section 19.109).
8. Ongoing All trash and recyclable materials must be stored inside the principal building (Sec. 21.301.17).
9. Ongoing Access to 302 parking stalls within the planned development must be maintained.