



Urban Land
Institute

Minnesota

TECHNICAL ASSISTANCE PANEL

KAYAK BAY—SPIRIT MOUNTAIN AREA



CITY OF DULUTH MINNESOTA

November 3, 2014

URBAN LAND INSTITUTE MINNESOTA

ULI Minnesota is a District Council of the Urban Land Institute (ULI), a 501(c)(3) nonprofit research and education organization supported by its members and sponsors. Founded in 1936, ULI now has more than 40,000 members worldwide representing the full spectrum of land use and real estate development disciplines, including developers, builders, investors, architects, public officials, planners, real estate brokers, attorneys, engineers, financiers, academics and students.

As the preeminent, multidisciplinary real estate forum, ULI facilitates the open exchange of ideas, information and experience among local, national and international industry leaders and policy makers dedicated to creating better places.

REGIONAL COUNCIL OF MAYORS

Supported by ULI Minnesota, the nationally recognized Regional Council of Mayors (RCM) was formed in 2004 and represents Minneapolis, Saint Paul and 36 municipalities in the developed and developing suburbs and Greater Minnesota. This collaborative partnership provides a nonpartisan platform that engages mayors in candid dialogue and peer-to-peer support with a commitment towards building awareness and action focused on housing, sustainability, transportation and job growth.

“I am a better leader today because of the wisdom of the Regional Council of Mayors. Mayors are learning and working together to find good, progressive solutions to the real world problems we are facing at the city level. The conversations/topics are highly focused and I can guarantee that I take away a valuable lesson from every meeting.”

Mayor Brad Tabke, City of Shakopee

ADVISORY SERVICES

ULI has a long history of providing unbiased, market-based solutions and best-practice advice on land use and building resilient and competitive communities through Advisory Services. At ULI MN, three advisory service options are offered to policy leaders. Each option, including the Technical Assistance Panel (TAP), engages ULI MN real estate professionals who volunteer their time and talent to contribute their wisdom and expertise.

For more information visit minnesota.uli.org.

“With the assistance of a ULI MN TAP, our city has moved forward on a key redevelopment project that expands rental housing options for residents. The TAP provided immeasurable assistance and was vital in guiding the strategic directions for property.”

Mayor Sandra Martin, City of Shoreview

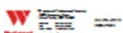
TECHNICAL ASSISTANCE PANEL

Technical Assistance Panels (TAP) of the Urban Land Institute Minnesota District Council (ULI MN) are convened at the request of a community to address specific development challenges, such as site redevelopment options, downtown revitalization or environmentally sound development in an area.

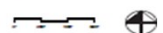
TAPs consist of nonpartisan experts who offer recommendations, not mandates, based on the issue at hand and the expertise of the panel. The goal is to offer ideas for realizing local and regional aspirations. The working session's focus helps synthesize local input with panel expertise to form a final set of recommendations. In this case, the **City of Duluth** asked the panel to review recent plans for an area near Spirit Mountain referred to as Kayak Bay to determine the feasibility of a mixed-use development, possibly including higher-density apartments and condos, single-family homes, a hotel and restaurants.

A TAP was assembled that included an interdisciplinary panel of experts in the real estate, landscape architecture, finance, planning and development fields to explore the site and its potential development and to provide local policy leaders with recommendations to guide not only future land uses for the site, but also future partnerships with developers.

CONCEPT SKETCH PLAN



RIVERSIDE PROPERTIES
DULUTH, MN



TECHNICAL ASSISTANCE PANEL

THE PANEL

Panel members are ULI MN members and experts who volunteer their time because of a commitment to the principles of redevelopment, planned growth, economic expansion and local and regional capacity-building.

Bill Beard, president, The Beard Group, Inc.

John Breiting, vice president retail advisory services, Cushman & Wakefield/Northmarq

Michael Fischer, senior vice president and Minneapolis office leader, LHB, Inc.

Beth Pfeifer, director of development, The Cornerstone Group

Danyelle Pierquet, project lead, Landform

Mark Ruff, senior financial advisor/executive vice president, Ehlers

ULI Minnesota Staff:

Cathy Bennett
Gordon Hughes
Linda Picone



TAP SUMMARY

THE PANEL'S CHARGE

The City gave the panel three questions to guide its recommendations. The panel considered the questions as it developed recommendations. Although these questions focused on the City's relationship with developers and the appropriate City commitments for financing and infrastructure, much of the TAP discussion looked at the specifics of the Kayak Bay site and surrounding area.

The **Navigating Your Competitive Future** discussion preceding the TAP session and provided a summary of considerations for the way cities, and Duluth in particular, can work with developers going forward. Those ideas are in the November 13 follow-up memo as attached.

In brief, the panel's answers to the questions were as follows:

Question #1: Are the City's land use/zoning standards and approval processes unduly limiting the developer's ability to implement the Kayak Bay vision?

- It is more a factor of weak market forces.
- The City will need to be a partner to help to create a vision and market the area.
- Market realities for land use will need testing.
- Developing through a PUD for will allow maximum flexibility.
- If a small area plan is needed, the zoning should be flexible—not so specific that it restricts creativity.

Question #2: What level of support does the development community expect for a project like Kayak Bay, especially in terms of code navigation and technical assistance?

- Create an agreement with the land owner/development partner.
- Be a collaborator – partner – with the developer in creating a development plan
- Offer information.
- Partner in phasing the infrastructure. Evaluate taking the lead on selling bonds for the road. Create a deferred assessment agreement with payback delayed until the housing is partially built out.
- Swap public land for private land to allow a hotel to be built near the Chalet and have public space on the river.

Question #3: What design and land use suggestions can be made to the Kayak Bay plan to meet the current and projected market demand in the Duluth area?

- Focus on the Spirit Mountain access drive as a node to build momentum for the first phase.
- Best use for the first phase would be: service-oriented/specialty recreational hotel; outfitter/recreational rentals; small specialty commercial, such as ice cream/coffee shop; higher-density small-lot housing with mix of ownership and rental.
- Create a destination on the water that is heavily programmed.
- Invest in infrastructure - road extension and utilities - along Spirit Valley Road to create a main street.
- Connect new uses to existing neighborhood and recreational uses with trails.

PANELIST COMMENTS

Leverage the history and culture of Duluth.

“Today, people are craving something different. The power of place is more important—and this is something Duluth has in spades.”

“Use historic tax credits to help replace some of the middle ground financing. Embrace the history and culture of Duluth.”

“Get developers to fall in love with Duluth; they’ve learned not to fall in love with a project.”

Invite developers in, work with them.

“Invite us in, don’t issue a lengthy Request for Proposal.”

“We all think real estate development is highly data-driven. Not true. Mostly projects get done because someone else had a good experience and the process was okay. This is still a relationship business.”

“The quality of the staff, the quality of the consultants. Will engineers be at the table? The fire department? I’ve seen council members give up their authority to community groups.”

“To get to a ‘no’ quickly is just as important as getting to a ‘yes.’”

“Does Duluth have a sketch plan review? It’s a good way to reduce the stress level.”

Plan for future use, as well as present needs.

“There’s a huge disconnect between what we crave and what we are allowed to build [cars vs. walkability]. It has to work today.”

“I call these awkward times for planning commissioners. We tend to be very proscriptive about how much parking—and 90 percent of the time, we’re driving more parking.”

Involve the community.

“No easy way to do it. We did an intensive community process in Edina, with 10 meetings in 20 days. You can do it over a year; you just have to do it.”

Do what you can do first.

“You need to start with what you have: This building you just built, this intersection. If you try to do all of this stuff at once over a large area, it’s going to get watered down.”

“Lighter, quicker, cheaper: What can we do as a city to add value to this area? For example, signage. How do you get the community engaged to help?”

STUDY AREA ANALYSIS

The panel considered the strengths, weaknesses, opportunities and threats for the Kayak Bay site.

STRENGTHS

- The natural beauty of the area and access to outdoor recreation during all seasons (canoeing, kayaking, fishing, skiing, biking, etc.).
- The mayor indicated that West Duluth will be a special focus for 2015.

WEAKNESSES

- Grand Avenue is not inviting and gives little hint that natural beauty and outdoor recreation is available.
- The area lacks “branding” and broader identity. Kayak Bay as a brand is too subtle.

OPPORTUNITIES

- A critical mass of land has been acquired by one development team; allowing the potential for significant development to occur in the area.
- City staff is generally supportive of the development plan under consideration by the property owners.
- The proximity to the Spirit Mountain Chalet offers opportunities for collaborative programming and promotion.
- The natural amenities reduce the need for large lots and offer an opportunity for higher-density housing connected to public spaces.

THREATS/CHALLENGES

- Without improvements to the area, single-family homes in the existing older neighborhoods run the risk of becoming functionally obsolete and less attractive to younger people. With limited public and private investment, there could be an increase in homes being rented on a short-term basis and at lower rents, as owners age out of them and find them difficult to sell.
- Developers consider the area and neighborhood of east Duluth to be an "industrial company town" location with limited new market demand and potential. The staff and policy leaders indicated that there is a perception of old industry that is generally not visually appealing and the city is challenged to entice development based upon what the area could be in five to 10 years.

STUDY AREA UNDERSTANDING

55-acre site area called Kayak Bay along Grand Avenue, at the base of Spirit Mountain, with the St. Louis River at the south edge.

Currently, the area has a mix of public and private ownership:

- Northwest of Grand Avenue, the area is mostly undeveloped open space, with a few single-family homes and the offices of the U.S.D.A. Forest Service.
- Southwest of Grand Avenue, there is undeveloped open space on the east and residential and commercial uses in the central and west. The area is defined by its proximity to Tallis Island Nature Preserve and Recreation Area and the Riverside neighborhood and marina.
- Riverside Properties has been accumulating land in the area—most, but not all of it, contiguous—and has proposed a development that includes low-density single-family homes, multi-family housing, villas, a hotel, retail, restaurants, office space, a park/nature preserve and a ski lodge. The area is currently not zoned for mixed uses and would require a land use change to allow these proposed uses.

Several recent and planned projects make the site more attractive for development and redevelopment:

- Federal and State efforts have significantly improved the water quality of the St. Louis River and, as a result, there is more outdoor recreation on the river: fishing, kayaking, stand-up water boarding and canoeing, to name a few.
- A 26-mile cross-city bicycle trail, now under construction, will connect to the nearby Munger Trail.
- In 2015, MnDOT will be starting a \$55 million road improvement project on Grand Avenue that will provide better pedestrian access and increase connection of the existing neighborhoods along the river to Grand Avenue.
- The city has earmarked \$18 million for capital improvements related to outdoor recreation and education—and this area of West Duluth is “ground zero” for outdoor recreation.

RECOMMENDATIONS

Although some of the questions asked by the City focused on the City's relationship with developers and the appropriate City commitments for financing and infrastructure, much of the TAP discussion looked at the specifics of the Kayak Bay site and surrounding area.

The Navigating Your Competitive Future discussion preceding the TAP session and provided a summary of the way cities, and Duluth in particular, can work with developers going forward. Those ideas are in the November 13 follow-up memo as attached.

The TAP team agreed that there is great potential for the area along Grand Avenue, at the base of Spirit Mountain. They believed that, with a strong vision and some strategic public investments, the area would become a key destination for outdoor recreation and a location that could provide new desirable options for residents to live. At its core, the message from the panel was to start modest with a premier development at the intersection of Spirit Mountain Road and Grand Avenue. This first development could be build upon over time. In the TAP team's opinion, the Spirit Mountain Road/Grand Avenue intersection, and its extension to the river, is the "A Site." A well thought out development here may leverage (re)development of less attractive parts of the site.

Key recommendations for the Kayak Bay site and area:

- **Get the right team assembled.** The City should encourage the current ownership to partner with a mixed use developer for the "A Site." The site's current ownership/development group's expertise is primarily property assembly. The City and the ownership group is encouraged to seek out a partner/buyer with the expertise necessary to develop this "A Site" location to spur future development.
- **Become a partner.** The city should work in partnership with the developer to determine what would be needed in a Small Area Plan to allow a creative, mixed-use project. Once that is determined, then the city should proceed with creating that plan.
- **Build strength from strength in branding the area.** Shift away from trying to create a new brand by focusing on the name Kayak Bay. This name has no "outsider" connection to the area, even though kayaks are launched there, Spirit Mountain is the "brand" that is recognized for that area; connect any new development to Spirit Mountain, even if the name becomes "Kayak Bay at Spirit Mountain."
 - ⇒ In addition, create a vision for Grand Avenue from Lincoln Park to the Spirit Mountain Chalet by investing in community visioning and branding as a "recreational destination" all the way to the Duluth zoo.
- **Open up and connect the public amenities.** Create a Main Street from the Spirit Mountain Chalet to the river to serve the "A Site," then focus development from the street to the river. This intersection and road, along Spirit Mountain Road and Grand Avenue, is where the City's financial investment should be made in the form of public infrastructure and public space at the river's edge
 - ⇒ **Invest in Public Space.** Access legislatively authorized outdoor recreation funds to create a kayak launch on the river, just off "Main Street." Until that area is developed as a kayak launch, some "pop-up" concessions for kayaks and paddleboats can be located at the marina.
 - ⇒ **Connect New Development to Established Neighborhoods.** Plan for connections to the existing neighborhoods, starting with trail connections. Reduce the number of cul de sacs—the idea is connection, not dead-ends.

RECOMMENDATIONS

- **Start small.** Even before any development takes place, the City can create a destination by improving signage (using Spirit Mountain as the brand) and wayfinding for the area. Pop-up amenities by local businesses can enhance the outdoor recreation experience with minimal investment—and can test the waters for future business in the area.
- **Be patient with staged development.** After a signature development is completed at the main intersection, allow development to proceed when the market is ready, rather than requiring the larger development to be done all at once. A well-intentioned Main Street with public investment will draw more people to the area and will create a higher demand for more choices in housing (including shared vacation rentals/ownership). There will be risk for the City and any developer, but allowing for a gradual development will minimize that.
- **Partner and be intentional about programmed activities.** It will be important for the City and development partner to program and promote activities in and around a new Main Street with connection to the Spirit Mountain Chalet, making it a regional destination and drawing new residents to the area to live. The nearby Stowe School has a good reputation and already has an environmental learning focus, which should be built upon. Duluth currently programs Bayfront Park successfully. While the Chalet area is not as central as Bayfront Park, the City's experience can help create a plan for the Spirit Mountain area.
- **Invest in and focus on neighborhood reinvestment.** Explore options for helping residents of the neighborhoods along the river improve their properties before or after a sale (Richfield, for example, has a program of forgivable loans for up to \$25,000 in homeowner improvements). Many older homes have great character but are in need of repair. Helping to preserve the authenticity of the neighborhood through design and architectural assistance may be very beneficial.

Summary of Potential Land Uses:

- ⇒ At the key intersection "A Site," start with slightly higher density, such as two- or three-story multi-unit buildings, then low-density townhouses that begin to blend into the existing single-family neighborhood.
- ⇒ The key intersection "A Site" area can handle a minimum of 60 units of residential in small lots, with units at a value of \$225,000 to \$250,000. Because of the outdoor amenities nearby, there is no need for large lots or big yards.
- ⇒ Attract retail uses that would be successful all year round, such as a local outfitter that provides outdoor recreation retail and services: kayak rentals and related merchandise in the summer, ski rentals and merchandise in the winter.
- ⇒ Other small specialty retail services, such as an ice cream shop/coffee shop with a small footprint, could be an appropriate amenity for the area.
- ⇒ **Attract a hotel user to the city-owned Spirit Mountain property.** A small hotel can take advantage not only of the outdoor recreation activities in the area but of the Chalet. Because the Chalet can be used as an event center, a hotel doesn't need to be an event center as well. Weddings and receptions can take place in the Chalet, with the attendees staying at a hotel. However, the hotel should be located on the Spirit Mountain site as close as possible to the Chalet. In order for this to happen, the land adjoining the Chalet would need to be freed of the "LAWCON" restrictions that limit development. Perhaps this property could be traded for property closer to the river that would be more suitable for preservation as open space or natural areas in keeping with LAWCON restrictions.



CITY OF DULUTH

KAYAK BAY/SPIRIT MOUNTAIN AREA

TECHNICAL ASSISTANCE PANEL

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