



Northfield ADU Incentive Program

George Perry – Housing Intern

Problem



- Add 50 Single-Family Homes Annually through 12/2028
- Add 50 Multi-Family Homes Annually through 12/2028
- Strengthen Economic Development and Diversify Tax Base
- Expand Affordable and Innovative Housing Options

➤ Northfield 2025-2028 Strategic Plan

Intent



- Increase Housing Stock
- Build Tax Base
- Maintain Small-Town Aesthetic through Infill Development
- Develop Innovative Housing throughout Northfield
- Collaborate with Residents interested in Multi-Generational Living and Secondary Income Opportunities

➤ Northfield 2045 Comprehensive Plan

Overall Goals



Educate residents on the benefits of ADUs through public outreach, information sessions, and connecting community members

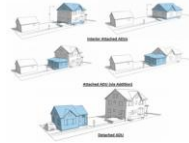
Present the opportunity for ADU owners to apply for tax abatement on the increase in property value

Collaborate with residents to make ADUs feasible on their properties by connecting residents with developers, sending city inspectors to properties, etc.

Accessory Dwelling Units



A habitable dwelling unit detached from a single-family dwelling on a permanent foundation, connected to sanitary sewer and water services, that provides basic requirements for living, sleeping, eating, cooking and sanitation and conforms to applicable building codes.



[City of Seattle Department of Planning and Development](#)

[Accessory Dwelling Units in Seattle](#)



613 Union Street – Rental License








714 Highland Ave – Vicki and Lee Dilley

Property Value (2023-2024): \$253,400 -> \$337,000

- ❖ Increase of 33%
- ❖ Neighbors experienced increases of 4%, 4%, 6%, 9%, 14%, 16%
- ❖ Taxes Increased by \$1,306


ADU Tax Abatement Proposal



"The fundamental purpose of tax abatement in Northfield is to encourage desirable development or redevelopment that would not otherwise occur but for the assistance provided"


-City of Northfield Tax Abatement Finance Policy

ADU Tax Abatement Proposal



Minnesota Statutes Section 469.1813 gives authority to Minnesota cities to grant an abatement of taxes imposed by the City if certain criteria are met. Minnesota Statute 469.1813 Subdivision 8 places limitations on tax abatement.

Program Details



The goal of this program is to eliminate the increase in taxes that a homeowner would face from increasing their property value with an ADU. Eligible participants may be eligible to receive 100% tax abatement of the city's real estate tax increases as a result of building or improving an ADU for five years. The City will not abate more than \$____ annually.

- Real estate taxes collected for the value of the land or any existing structure value are not eligible for tax abatement and will not be abated as part of this program
- Abatement will transfer with any sale of the property during the five-year abatement program
- The city shall provide the awarded abatement payment following payment of annual real estate taxes
- The abatement period will begin in the tax year the property realizes a value increase over the original value due to construction of the ADU
- One single payment shall be made to the owner of record at the time of payment by December 31st for the previous calendar year

Eligible Participants



Any person who constructs a new ADU or renovates an existing ADU within the City of Northfield may be eligible to receive 100% tax abatement of the increase in the portion of the city's real estate taxes provided all of the following are met:

- Property is located within the City of Northfield and a permit for an ADU is applied for and received from City Staff.
- Program approvals must be obtained **prior** to the start of construction of new ADU.
- In the event the property owner refuses access to County Assessor staff to perform an appraisal for tax assessment purposes, the tax abatement shall expire for the remaining term of the abatement period.
- Accessory Dwelling Units must comply with current Northfield Land Development Code and Building Code for the State of Minnesota.

Application



A written application form from a homeowner, private business or developer, available from the HRA of the City shall be submitted for all projects seeking an ADU tax abatement from the City. A complete application for abatement shall contain the following:

- A completed application for tax abatement with a supporting material attached.
- A non-refundable application fee of \$250.
- A refundable processing fee of one percent of the requested amount of abatement. Refunding will be prorated to corresponding staff time if the application is denied by the City or removed by the applicant. The actual cost of searches, credit reports, filing fees, and legal fees will be paid directly by the applicant.
- Financial projections. An independent financial analysis may be requested. For the purposes of underwriting the proposal, the developer shall provide any requested market, financial environment, or other data requested by the City or its consultants.
- A site plan and construction plan for the proposed project.
- A copy of the building/zoning permit once received.

Questions for Next Steps



- ♦ Should the City partner with a local developer to build pre-designed models for ADUs? Should the City partner with a prefabricated housing manufacturer?
- ♦ Should the City mandate that rental ADUs are at HUD fair-market rates? (\$897 for one-bedroom, \$1,077 for two-bedroom)
- ♦ What cap should the City place on annual tax dollars abated through this program?
- ♦ The City of Northfield defines an ADU as part of a "single-family dwelling", will we permit ADUs on properties with duplexes?
- ♦ Under our current definition of ADUs this program will only apply to detached ADUs. Do we want to rewrite our LDC and work to expand this program to include attached ADUs? An Minneapolis, an Accessory Dwelling Unit, or ADU, is defined as a room or set of rooms with its own cooking, sleeping, and sanitation facilities, and which is located on the same lot as a single- or two-family home. The ADU must be smaller in area compared to the main dwelling in which it is accessory.
- ♦ Would the city seek to have this program narrow to exclusively rental units for ease of classification, given we already have a system of permits for rental units, or would they like this program to exist for all ADUs?
