



DATE: October 25, 2021

TO: Northfield HRA

FROM: Mitzi A. Baker, AICP, Community Development Director

Melissa Hanson, Housing Coordinator

Nate Carlson, Economic Development Coordinator

RE: Supplemental Memo #2 for 10.26.2021

TIF Review Item:

Staff received several questions in relation to the TIF review for a multi-family development in the Kraewood subdivision. Below is additional information about the project intended to address questions related to the TIF, past review of TIF and recommendations.

Questions:

1. *Slide #7 - Is \$1.8 million of the \$6.2 million requested by the developers? Is the \$1.8 million the maximum future foregone tax receipts to the City?*
2. *Slide #9 - Was the HRA asked to review and offer a recommendation for the Maple Brook and Fifth Street Lofts TIFs?*
3. *Slide #14 - Questions and Discussion - Please share with me your suggestion/recommendation of what the HRA should recommend to Council?*

Responses:

1. Staff learned Monday that the developer for Kraewood intends to complete the project as 4d (tax) classification. This reduces the amount of possible property taxes. The Total possible increment is now adjusted from \$6.2 million to \$5.1 million. Supplemental Memo #1, included the revised TIF plan staff received today.

The developer, Rebound Stencil Development, has requested \$1.8 million in present value TIF assistance. There is an interest factor that builds over the life of the district (i.e. 26 years). The total possible TIF



generated over the entire life of the district is estimated to be \$5.1 million, according to Ehlers. See Page 6 in the TIF Plan for more reference. That figure is for all local taxing jurisdictions (i.e. City, County and School Board). As it pertains to what is the “maximum forgone” in taxes over the life of the district, the final incentive could possibly be larger than the \$1.8 million with interest as negotiations are ongoing and project details are not finalized. However it should be noted, the City isn’t the sole entity that shares the burden of TIF incentives. Tax Increment Financing captures all increment gained across local jurisdictions unlike tax abatement, which only captures City taxes. This incentive is set up as a “pay-as-you-go” financial system. The developer only receives this incentive so long as the development abides by the affordability requirements and other provisions. The payments are set up as annual reimbursements following the developers payment of all property taxes owed. In its current format, the developer will likely still pay a substantial amount of property taxes over the life of the district.

2. The HRA reviewed the Maple Brook TIF request on February 26, 2019. The HRA did not review the 5th Street Lofts TIF. The EDA reviewed the full incentive package for the 5th St Lofts redevelopment project, and provided financial assistance to the project.

3. If the HRA wishes to make a recommendation, staff suggests a recommendation in favor of creating a TIF District, and using TIF for a mixed income multi-family development, in the Kraewood development. Some considerations:

- The Council’s use of TIF for the Kraewood project as it guarantees affordable rental units (40 of 100 units) for the duration of the TIF district, which is expected to be 26 years.
- Rapid absorption of recently constructed rental units reflects pent up demand in the local market. The most recently completed building was leased up within a month of opening, and the development rep estimates 15 people are on an interest list for a building that is in the development pipeline. They anticipate a quick lease up of the next building.
- An indicator, Rate.com, shows there is currently a homeowner vacancy rate of 0.3% in Northfield and a rental vacancy rate of 2.6%. A “healthy” rental vacancy rate is 6%. St.Paul Area Association of Realtors estimates that the September absorption rate is approximately 1 month, a healthy rate is 5-6 months.
- A healthy supply of housing contributes to more competitive and stable rents and expanded housing options for residents (for location, type of housing, space layout, cost, etc.). The proposed multi-family development would provide new and modern rental options and housing for the local workforce, which supports local businesses. As a mixed-income development, it will support inclusive and mixed income neighborhoods.



- The City’s Strategic Plan identifies several desired outcomes in relation to housing. Below is an expert from that Plan.

City of Northfield Strategic Plan 2021-2024, excerpt:

Housing availability

A community where everyone can afford to live

Desired outcome	Key outcome indicator	Target
Increased availability of housing at all levels	<ul style="list-style-type: none"> ◦ # of units added above need 	<ul style="list-style-type: none"> ◦ Vacancy rate for rentals increased to 6% 2021-24 ◦ Meet/exceed 2021 housing study supply needs by 2024
Increased affordability for cost burdened households	<ul style="list-style-type: none"> ◦ % decrease in cost burdened households 	<ul style="list-style-type: none"> ◦ Reduce by 5% renters that are cost burdened 2021-24 ◦ Reduce by 5% of owners that are cost burdened 2021-24
Improved housing quality throughout the city	<ul style="list-style-type: none"> ◦ % of non-compliant rental properties ◦ # properties stabilized 	<ul style="list-style-type: none"> ◦ Establish compliance baseline-all licensed rental properties by 2024 ◦ 90% or more compliance of rental properties by 2024 ◦ Assist 12 senior households to facilitate aging in place 2021-24

Strategic initiatives

- Implement rental housing strategy
- Implement housing stabilization program
- Implement a housing expansion strategy

