

## City of Northfield – Accessory Dwelling Unit Incentive

### Intent

The purpose of the Northfield Accessory Dwelling Unit (ADU) Incentive program is to provide incentives to encourage the construction of new ADUs. The City of Northfield defines an ADU as a habitable dwelling unit detached from a single-family dwelling, on a permanent frost free 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.<sup>1</sup> Through an ADU incentive program, the city hopes to increase the city's housing stock through density, build tax base, prioritize infill development over greenfield development and align with the goals of the Northfield 2045 Comprehensive Plan. One should refer to chapter 4 of the implementation section of the 2045 Comprehensive Plan for further justification of the Northfield Accessory Dwelling Unit Incentive program.<sup>2</sup> One should also refer to the City of Northfield 2025-2028 Strategic Plan where top priorities for the future include expanding affordable and innovative housing options, strengthening economic development and diversifying the tax base.<sup>3</sup> *City of Northfield Website (Homeowners and Potential Owners), City of Northfield Comprehensive Plan, City of Northfield Strategic Plan*

### 2045 Comprehensive Plan Strategies:

- 4-1.6 Prioritize adaptive reuse and reinvestment in existing buildings
- 4-4.1 Support Housing development that increases the supply and variety of housing that meets the needs of Northfield's workforce
- 4-6.4 Lead actions to support the reuse and redevelopment of underutilized properties that are already served by local infrastructure.
- 4-8.1 Prioritize building new housing in walkable areas of the city and guide new development to areas most connected to the existing street system and water infrastructure
- 4-10.6 Use public financial resources to develop the types of housing that are needed and are not being supplied by the market
- 4-10.8 Explore fee waivers, reductions and other incentives for development that addresses city goals

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<sup>1</sup> [Accessory Dwelling Units | Northfield, MN - Official Website](#)

<sup>2</sup> [Comprehensive Plan | Northfield, MN - Official Website](#)

<sup>3</sup> [City of Northfield Strategic Plan](#)

### 2025-2028 Strategic Plan Priorities and Initiatives:

- ◆ Expanding affordable and innovative housing options
- ◆ Develop and implement single-family home expansion strategy and recruitment plan
- ◆ Create development subsidy standards and policy
- ◆ Strengthening economic development and diversifying the tax base

### Tax Abatement Availability

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.<sup>4</sup> The City of Northfield Tax Abatement Finance Policy states that 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.<sup>5</sup> An ADU incentive program achieves this. *City of Northfield Tax Abatement Policy, 2024 Minnesota Statutes*

### 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 increase as a result of building or improving an ADU for five years.<sup>6</sup> 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<sup>7</sup>
- ❖ Abatement will transfer with any sale of the property during the five-year abatement program<sup>8</sup>
- ❖ The city shall provide the awarded abatement payment following payment of annual real estate taxes<sup>9</sup>
- ❖ 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<sup>10</sup>
- ❖ One single payment shall be made to the owner of record at the time of payment, by December 30<sup>th</sup> for the previous calendar year<sup>11</sup>

*City of Springfield – Housing Development Initiative Program, City of Austin Home Initiative*

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<sup>4</sup> [Sec. 469.1813 MN Statutes](#)

<sup>5</sup> [City of Northfield Tax Abatement Policy](#)

<sup>6</sup> [City of Springfield](#)

<sup>7</sup> [City of Springfield](#)

<sup>8</sup> [City of Springfield](#)

<sup>9</sup> [City of Springfield](#)

<sup>10</sup> [City of Austin](#)

<sup>11</sup> [City of Springfield](#)

## 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<sup>12</sup>
- ❖ 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<sup>13</sup>
- ❖ Accessory Dwelling Units must comply with current Northfield Land Development Code and Building Code for the State of Minnesota

*City of Springfield – Housing Development Initiative Program, City of Austin Home Initiative*

## 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<sup>14</sup>. A complete application for abatement shall contain the following:

- ❖ A completed application for tax abatement with all supporting materials attached.<sup>15</sup>
- ❖ A non-refundable application fee of \$250<sup>16</sup>
- ❖ 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.<sup>17</sup>
- ❖ 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<sup>18</sup>
- ❖ A site plan and construction plan for the proposed project<sup>19</sup>
- ❖ A copy of the building/zoning permit once received<sup>20</sup>

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<sup>12</sup> [City of Springfield](#)

<sup>13</sup> [City of Austin](#)

<sup>14</sup> [City of Northfield Tax Abatement Policy](#)

<sup>15</sup> [City of Northfield Tax Abatement Policy](#)

<sup>16</sup> [City of Northfield Tax Abatement Policy](#)

<sup>17</sup> [City of Northfield Tax Abatement Policy](#)

<sup>18</sup> [City of Northfield Tax Abatement Policy](#)

<sup>19</sup> [City of Springfield](#)

<sup>20</sup> [City of Springfield](#)

*City of Northfield Tax Abatement Policy, City of Springfield – Housing Development Initiative Program*

Approved applications will move to the Housing and Redevelopment Authority (HRA) for approval or denial. If deemed eligible for this program, the HRA will recommend a specific amount for abatement, if any, to the City Council. The City Council will hold a public hearing. The City Council will act on a resolution that identifies conditions upon which an application is approved or findings upon which an application is denied. The City Council will grant final approval or denial of the project. This process is expected to take between three weeks and three months. *City of Northfield Tax Abatement Policy*

Each taxing entity retains its individual authority on property tax abatements. The city is solely responsible for its share of property tax abatements, and this policy does not allow the city to abate county, township, school district property taxes, or any other tax levied upon the property owner.

*City of Austin Home Initiative*

## 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, \$1,177 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 dwellings”, 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?  
\*In 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 to 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 the city like this program to exist for all ADUs?

## PDFs/Links

[Accessory Dwelling Units | Northfield, MN - Official Website](#)

[Chapter 34 - LAND DEVELOPMENT CODE | Code of Ordinances | Northfield, MN | Municode Library](#)

[Sec. 469.1813 MN Statutes](#)

[City of Northfield Tax Abatement Policy](#)

[City of Springfield - Housing Development Initiative Program](#)

[City of Austin - Home Initiative](#)