



Legislation Text

File #: HRA Res. 2019-004, **Version:** 1

DATE: February 26, 2019

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator

Resolution in Support of Tax Increment Financing for 28-Unit Townhome Development.

SUMMARY AND ACTION REQUESTED:

The Housing & Redevelopment Authority (HRA) to consider adoption of HRA Resolution 2019-04 in support of tax increment financing (TIF) for a 28-unit townhome development in Northfield by Schrom Construction, Inc.

BACKGROUND:

Troy Schrom of Schrom Construction, Inc. would like to build a 28-unit rental townhome project in Northfield. Schrom has completed similar projects including:

- Eden Valley Place-Owatonna, MN (47 Units)
- Autumn Wind Townhomes-Eagle Lake, MN (90 units)
- Humboldt Townhomes-Humboldt, IA (12 units)
- Wedgewood Cove-Albert Lea, MN (30 units)
- Hawthorn Park-Spirit Lake, IA (30 units)
- Greyson Place-Belle Plaine, MN (12 units)
- Brecken's Place-Marshalltown, IA (48 units)
- Greystone Place-Dodge Center, MN (12 Units)

At the December 18, 2018, HRA meeting Mr. Schrom spoke of preliminary plans to build 28 workforce two and three bedroom rental townhomes in Northfield. The Northfield property would have on-site management provided by Lloyd Management. Lloyd Management currently manages Spring Creek Townhomes in the Southbridge area of Northfield.

To close a gap in the financing required for the project, Schrom will be seeking tax increment financing (TIF) through the City of Northfield. Schrom has expressed willingness to accept the statutory requirements of TIF financing which include making 20% of the units (6-units) available to renters at 50% of the area median income (AMI). The Northfield City Council has the authority to receive, approve or disapprove TIF application. However, Mr. Schrom is asking the HRA to support TIF for the project.

ANALYSIS:

According to a Maxfield Research market study completed in January 2018, for the City of Faribault, Northfield has a rental vacancy rate of .3%. A rental vacancy rate of 5% is considered healthy for a community. It indicates adequate supply of housing as well as demand. Based on current vacancy rates, Northfield is in

need of workforce housing, both affordable and market-rate.

The Northfield Strategic Plan includes increasing the number of affordable housing units in the City. The HRA has an emphasis on workforce housing as well. According to their mission statement, the HRA desires to be a partner in providing a sufficient supply of affordable, adequate, safe and sanitary dwellings in Northfield. The goal is to create a community with housing opportunities available along the entire housing spectrum.

Nick Anhut, Senior Municipal Advisor, Ehlers, Inc. has provided a preliminary assessment of the feasibility of providing TIF for the project. According to Anhut, the project is feasible and meets TIF requirements.

RECOMMENDATION:

Staff recommends the HRA consider adoption of the HRA Resolution 2019-04 in support of tax increment financing for the 28-unit rental townhome development proposed by Schrom Construction, Inc.