



Legislation Text

File #: HRA Res. 2019-005, **Version:** 1

DATE: March 21, 2019

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator

Resolution 2019-05 in Support of Land Donation and Tax Increment Financing for Spring Creek II Project

SUMMARY AND ACTION REQUESTED:

The Housing & Redevelopment Authority (HRA) to consider adoption of Resolution 2019-05 in support of site control of parcel 22.07.3.03.003 and support of tax increment financing for the Spring Creek II Project.

SUMMARY REPORT:

In 2017, non-profit developer Three Rivers Community Action Agency (TRCA) agreed to partner with the HRA on a new project to increase the number of affordable rental housing units at the Spring Creek Townhomes. The proposed project will be located on a portion of the 11.18 acres owned by the HRA in the Southbridge area.

The HRA land is part of a larger development site that was initially platted by Arcon Development as the Southbridge Subdivision. A final plat for the Southbridge 1st Addition was approved in 2003, and development proceeded until the recession in 2008. At that time, the remaining land was split between the HRA and the neighboring property owners (Vern & Joan Koester).

In 2017, staff met with TRCA and the Koesters and considered numerous concept plans involving a potential land swap. In December of 2017, it was determined that the HRA and TRCA would move forward with a concept for development on the 11.18 acres owned by the HRA. The HRA agreed to a donation of up to 4.5 acres of HRA owned land for the creation of affordable workforce housing in the Southbridge area for the project.

It is anticipated that the remaining HRA land will be developed in two or more phases. The first phase will include the construction of 32 townhome dwellings (Spring Creek II) and required infrastructure.

Phase I Infrastructure

- Southbridge Drive extension to the western edge Phase I
- Millstream Lane constructed from Southbridge Drive to Brookside Drive
- Brookside Drive constructed from Millstream Lane to the western edge Phase I

On May 22, 2018, the Housing & Redevelopment Authority (HRA) adopted a resolution to donate up to 4.5 acres of land to Three Rivers Community Action Agency (TRCA) for a 32-unit townhome complex known as Spring Creek II. The HRA's land donation to TRCA was to serve as leverage to gain Low Income Housing Tax

Credits (LIHTC) and other financing tools for the project's successful completion. The land donation would occur only after the successful tax credit application by TRCA. Unfortunately, the TRCA tax credit application to Minnesota Housing Finance Agency (MHFA) was not successful.

David Berglund of Edina Realty was engaged by staff to provide a Brokers Price Opinion (BPO) to determine the value of the HRA donation of approximately 4.35 acres of land at Southbridge to TRCA for the project. The value of the land donation is set at \$225,000.

TRCA has continued to refine the Spring Creek II project as the agency prepares to submit a new application for LIHTC to the Minnesota Housing Finance Agency (MHFA) Multifamily RFP in June, 2019. Once again, the HRA has the opportunity to adopt a resolution to donate up to 4.5 acres of land to TRCA and to support Tax Increment Financing (TIF) for the Spring Creek II Project.

ANALYSIS:

The Spring Creek II project aligns perfectly with the City's strategic initiatives to provide affordable, workforce housing in Northfield.

The HRA's land donation to TRCA will serve as leverage to gain LIHTC and other financing tools for the project's successful completion. The HRA resolution confirming the land donation will assist with strengthening the TRCA application for LIHTC funding.

The land donation will occur only after the successful tax credit application by TRCA.

The competition for LIHTC funds is very intense throughout the state. The commitment for land donation and tax increment financing will play a vital role in the success of the LIHTC application.

RECOMMENDATION:

Staff recommends the HRA Board adopt Resolution 2019-005 for site control of parcel 22.07.3.03.003 and support of tax increment financing. The proposed public financing will include a pay-as-you-go Housing Tax Increment Financing District and the donation of up to 4.5 acres of HRA owned land. The financing will only be considered upon the successful application by Three Rivers Community Action Agency for Low Income Housing Tax Credits through the Minnesota Housing finance Agency. This resolution of support is needed for the MHFA application.