



Legislation Text

File #: Res. 2019-041, **Version:** 1

City Council Meeting Date: May 7, 2019

To: Mayor and City Council
City Administrator

From: Janine Atchison, Housing Coordinator
Nate Carlson, Economic Development Coordinator

Call for Public Hearing of Business Subsidy/TIF Request by Schrom Construction.

Action Requested:

The Northfield City Council consider approving the attached Resolution Calling for a Public Hearing to be held on July 2, 2019. Staff is providing advance information only at this meeting. The public hearing and future regular meeting item will be an opportunity for the public comment, questions, and council deliberation on the issue.

Summary Report:

Schrom Construction, Incorporated is requesting Tax Increment Financing (TIF) incentives from the City of Northfield to assist with a major planned housing development. The project has the potential to increase affordable housing options in Northfield at Maple Street South and Ford Street East. Mr. Troy Schrom, owner of Schrom Construction, has submitted an application for Housing Development TIF District, which is attached to this report. The proposed “pay-as-you-go” TIF District requires the developer to pay all development costs with their own funds. The “pay as you go” reference is in relation to the owner taking on the full risk of future TIF increment payments annually to repay eligible up-front development costs. As the net tax capacity of the district increases, the increase in property taxes paid by the developer (tax increment) can be used to reimburse the developer for eligible costs such as land acquisition, site preparation, and public infrastructure.

Community Development staff began working with Mr. Schrom and his development team in Fall of 2017. Housing Coordinator Janine Atchison and several members of the Community Development Department met with the developer regarding the project scope and project area. After examining several potential options, it was determined that no other alternative would accommodate Schrom Construction other than the Maple Street project area.

City Planner Scott Tempel is working with the developer on the site plan and the staff Development Review Committee (DRC) will conduct a formal review of the proposed project once a final site plan is submitted. The Planning Commission conducted a review of the variance requests for the project on Thursday, April 18. The Planning Commission granted those variances.

Schrom Construction has proposed a \$3.8 million construction of 24 “workforce-housing” units in the area of Maple Street South and Ford Street East in Northfield, MN. The proposed development will include, four attached townhomes including six units for each one that will provide suitable market rate housing

accommodations. Each building will provide an equal amount of two and three bedroom units. Included with each unit, will be individual attached garage parking along with additional parking available in driveways, water and sewer, and individual refuse and recycling. Tenants will be responsible for electric, gas, and cable/internet services. The proposed development will also implement and enforce a no smoking policy inside all units. All buildings are designed for optimal energy efficiency for reduced environmental impacts and long-term reductions in operating expenses. Each unit is equipped with Energy Star appliances and high efficiency HVAC systems.

Building construction will consist of slab on grade foundation with wood framing. Each unit includes attached single stall garage with overhead wind rated garage door and opener. Exterior of the buildings will include CertainTeed 30 year shingles and Hardy board cement board siding. The site will be fully landscaped with trees, shrubs, sod and include a lawn irrigation system.

Schrom Construction has submitted an application for a total of 15 years of TIF to assist with the site improvements, foundation work and the annual cash shortfall.

Staff determined that a Housing Development Tax Increment Finance District would facilitate the needs of this project and has been working with Ehlers, Inc. to review the TIF application. Nick Anhut, a public sector advisor from Ehlers, provided an initial analysis of the TIF request and determined the housing project could create more than sufficient tax increment over the statutory maximum 25-year term of a Housing Development TIF District. Additionally, the developer is amenable to abiding by the regulations of a Housing District to set affordable rents for 20 percent of the units, which is five units at or below 50% of Area Median Income (AMI).

The HRA Board met on Tuesday, February 26 and reviewed the TIF request from Schrom Construction. The HRA Board voted unanimously to recommend City Council approval of the Business Subsidy/TIF request by means of a formal Resolution, which is attached to this report. Community Development staff has reviewed the application thoroughly and has determined that this application meets all eligibility criteria for Housing Development TIF District.

Alternative Options:

N/A

Financial Impacts:

- TIF Amount Requested: 15 years of TIF (Amount to be determined)
- Type of TIF District: Housing Development District (25-year Maximum District Life)
- TIF Uses: Site improvements, irrigation construction and engineering of footings and foundations and assistance with annual cash shortfall
- TIF Funding Structure: “Pay-as-you-go.” The Developer will incur all upfront costs and be reimbursed over time.

Tentative Timelines:

May 8 - Rice County and Northfield School District notified of draft TIF Plan

June 12 - Publication of notice of public hearing for Business Subsidy

July 2 - Council holds public hearing on Business Subsidy/TIF

July 2 - Council consideration of Resolution approving TIF District and Business Subsidy Agreement