



## Legislation Text

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**File #:** 21-319, **Version:** 1

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**City Council Meeting Date:** June 1, 2021

**To:** Mayor and City Council  
City Administrator

**From:** Ben Martig, City Administrator  
Mitzi A. Baker, AICP, Community Development Director  
David Bennett, Public Works Director/City Engineer

Consider financial assistance request for Community Action Center (CAC) Hillcrest development.

**Action Requested:**

The Northfield City Council is asked to consider a motion to request staff to prepare legal authorization for Council consideration of the following incentives: (list options A-F).

**Summary Report:**

The Community Action Center (CAC) is re-developing the site formerly known as Hillcrest Motel or the Manger Inn, located along the west side of TH 3, east of Sheldahl Rd and north of Fremouw Ave. The parcel is approximately 2.2 acres, and is zoned N2-B: Neighborhood General 2. The site is proposed to create seven lots to support an affordable and sustainable housing community. A total of six buildings and 17 dwelling units will be included in the development. That includes two 4-plexes, one 3-plex, and three 2-plexes. This project also includes a solar array to supply energy to the homes, creating a net-zero project. Providing pedestrian facilities adjacent to the new roadway, and also along the east side of Sheldahl Rd from the new development to Fremouw Ave, will be required as part of this project.

Earlier this year CAC submitted a financial subsidy request to the City. Tax Increment Financing was deemed to not be a viable option for this project, since it will generate little or no tax revenue due to the project type and tax classification.

Following review of the subsidy request, the City of Northfield Housing and Redevelopment Authority (City HRA) held a public hearing this Spring to consider financial contributions to the Hillcrest development. The City HRA approved a cash contribution of \$250,000 as a forgivable loan to assist with project costs.

**Seeking Additional Financial Support:**

The CAC is seeking additional financial assistance from the City to support completion of the project. The financial subsidy review shows need for additional contributions to support the development.

CAC is requesting financial assistance in any area the City may be able to provide, including:

- Sewer and Water Access Charges;
- Parkland Dedication Fees;
- Expenses related to deconstruction of existing structures, including materials sorting, recycling,

repurposing and disposal;

- The Minnesota Pollution Control Agency estimates that 80% of the 1.6 million tons of construction and demolition (C&D) waste generated in the state of Minnesota was landfilled in 2013. Concrete, bricks, wood, lumber, roofing, and drywall are frequently wasted materials from C&D that could be reused or recycled. The CAC is in the process of getting bids to salvage materials for reuse, sort debris to be recycled and landfill the remaining material. If any hazardous materials are found on-site, those would need to be disposed of consistent with applicable rules or laws. This effort supports the Climate Action Plan as a test/demonstration and learning opportunity for local contractors with regard to deconstruction, materials reuse and waste reduction.
- Sidewalk construction, along the east side of Sheldahl Rd. to Fremouw;
- Building/Construction Permit Fees;
- Miscellaneous fees (escrow, zoning, subdivision, etc.).

Options for additional Financial Assistance:

Currently, City policy allows for an administrative reduction in SAC and WAC fees, and City policy allows for the Council to consider a reduction in Parkland Dedication fees. Excerpts of these policies are attached for reference. The City Council will need to determine whether additional assistance can be provided and how that assistance would be funded. Some options to consider are provided below.

A. Parkland Dedication Fees:

Parkland dedication fees (cash in lieu of land) applicable to the development are \$13,440. The development is in the N District. Per City Policy (see attached), the City Council could consider waiving this fee if they find the development meets criteria in City Code. Staff believes the criteria would be appropriate criteria with council findings. There would be no cost to the City just no fees received.

B. Sidewalk construction, filling the gap between CAC's Hillcrest Village and Fremouw Avenue by constructing a sidewalk along the east side of Sheldahl Road to provide connectivity.

The City could consider incorporating this sidewalk project into the CIP and construct with the 2022 projects. This sidewalk is required of the development and would have an estimated construction cost of \$125,000. This project could be included and funded with the 2022 NW Overlay Street Improvement project that we'd package with the financing.

C. Deconstruction Separation, Recycling and Re-Purposing

Final bids have not been received but estimates are \$15,000 or more, over costs for landfilling the material with no deconstruction. Reducing materials deposited in the landfill, helps extend the life of the landfill and can reduce greenhouse gas emissions.

The City Council recently approved establishing a Carbon Reduction Fund which could be a potential source of funding. The fund is new and has a limited balance estimated to be around \$3,600. Policies regarding the use of the funds have not yet been established.

The Shoger fund, which was established via a donation to support waste reduction, could be a potential funding source. It is estimated that \$10,000 could be available.

Another potential source would be the Garbage Fund. This fund has an estimated fund balance of \$1.5 Million. This project could be a good demonstration project that the City could learn from as an overall benefit to reducing the amount of waste to the landfill and extending the life of the Rice County Landfill. This fund has been explored to be potentially used in the future to expand service such as curbside composting, add a connecting road from Sechlar to the compost site to provide an additional exit due to train blockages, or to temporarily reduce fees for customers.

As the Carbon Reduction Fund is in development the recommendation for this option is 10,000 from the Shoger Fund and \$5,000 from the Garbage Fund.

**D. Building/Construction Permit Fees:**

Total fees related to building/construction permits are not yet known. For reference, Northfield area Habitat for Humanity recently requested assistance from the HRA to pay for building/construction permit fees for new home builds in Northfield. The HRA approved assistance to pay building/construction permit fees up to \$10,000 toward the total fees, using reserves as a funding source.

However, we do not have any excess reserves at this time so we would need to wait until the audit were completed to determine if there were any excess reserves.

**E. SAC/WAC:**

Per policy, an administrative reduction in fees would result in SAC charges of \$25,653 and WAC charges of \$11,208 after the 25% credit per City policy. This is what will be applied administratively without the need for Council approval.

There are currently no other programs or funding sources for further reducing these charges. However, if Council is interested in this option we'd recommend a transfer from reserves in the amount of \$36,861 from the general fund. However, we do not have any excess reserves at this time so we would need to wait until the audit were completed to determine if there were any excess reserves.

**F. Miscellaneous Fees:**

Fees related to rezoning, subdividing, and variances have already been incurred. There are no funding sources that would be specific to refunding these fees, though Council may be able to consider use contingency funds. If of interest a funding source for these expenses would need to be identified. Estimated fees paid to date are \$3,145. However, we do not have any excess reserves at this time so we would need to wait until the audit were completed to determine if there were any excess reserves.

**Alternative Options:**

Options for additional financial assistance are available to consider:

1. Options A and B: that would total \$138,440 new funding plus \$250,000 of prior City HRA funding totaling \$388,440 that would not include the item C.

2. Options A, B, and C: that would total \$153,000 new funding plus \$250,000 of the prior City HRA funding totaling \$403,440 and funds that are available at this time.
3. Options A, B, C, D, E and F: that would total \$203,446 of new funding plus \$250,000 of the prior City HRA funding totaling \$453,446 that includes all requests.
4. Some other combination of options as determined by the City Council.

**Financial Impacts:**

\$250,000 has been funded by the City HRA. Additional options include:

- A. \$13,440
- B. \$125,000
- C. \$15,000
- D. \$10,000
- E. \$36,861
- F. \$3,145

Subtotal if all are used \$453,446.

**Tentative Timelines:**

Agreements would be drafted for consideration at either the June 15 or July 13<sup>th</sup> meeting based on time needed for preparation by the City Attorney and other reviews.