



Legislation Text

File #: 21-603, **Version:** 1

City Council Meeting Date: October 26, 2021

To: Members of the Housing and Redevelopment Authority

From: Mitzi Baker, Community Development Director
Nate Carlson, Economic Development Coordinator

HRA review of a proposed Housing Development Tax Increment Financing District and multi-family development at Kraewood.

Action Requested:

The Northfield HRA will consider a proposal to designate property within the Kraewood development as part of a TIF District for a multifamily residential development that would incorporate affordable housing. The HRA has the opportunity to provide a recommendation to the City Council.

Summary Report:

Rebound Stencil Development, LLC is requesting Tax Increment Financing (TIF) from the City of Northfield to assist with a multi-family residential development within the Kraewood subdivision. The property is located between Lincoln Parkway and Greenvale Ave W, across from Greenvale Park elementary school.

The City Council will be holding a public hearing on November 2, 2021 to consider expanding the Southbridge TIF District to include property within the Kraewood development. TIF Districts can include non-contiguous property. Expanding the existing TIF District which has been used to support affordable housing, creates the opportunity to use TIF tools for additional development. Please note that the public hearing notice for the City Council hearing and site map for the TIF District currently includes the entire Kraewood (aka Paulson tree farm) site, reflecting the existing parcel of record. The property is in the process of being subdivided. Once the final plat is recorded, and the new lots are created, the TIF Certification will reflect the lot adjacent to Lincoln Parkway for the proposed apartment development, not the entire property.

At a later date (TBD), the City Council will consider a TIF assistance agreement for development of a multi-family residential development that would include affordable housing units as well as market rate units. The proposed TIF project would expand affordable housing options in Northfield by committing 40-percent of the units at 60-percent Area Median Income (AMI). This affordability would need to be maintained for the duration of the TIF agreement, which staff anticipates will be 26 years.

Rebound Stencil Development has proposed a \$17-18 million apartment project that will add 100 new rental units to Northfield's rental stock, with 40 units dedicated to being affordable to households at 60-percent of the Area Median Income.

The TIF being considered would be a "pay-as-you-go" TIF District, in which the owner is responsible for all up

-front 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. Those can include land acquisition, site preparation and other development costs. Use of TIF is subject to financial analysis and verification that TIF assistance is needed in order proceed. Staff has been working with Ehlers, Inc. to review the TIF application. Nick Anhut, a public sector advisor from Ehlers, is assisting with technical analysis of the TIF request, including conformance with requirements and verification it could create more than sufficient tax increment over the statutory maximum 26-year term of a Housing Development TIF District.

City Council is holding a Public Hearing on the TIF District request at the November 2 meeting. Following the Public Hearing the City Council will contemplate creating the district. Consideration of a TIF Assistance Agreement will be reviewed at a date.

HRA Review:

The City's consideration of TIF for affordable housing development has traditionally been reviewed by the HRA, with the HRA taking action to make a recommendation to the City Council. This step is not required by MN Statutes, and no action by HRA is required for this project. Some projects, such as the Spring Creek I and II developments, have required formal actions by the HRA, primarily due to the HRA's ownership in land interests and participation in the project as a funding partner. While the HRA is not required to take action, the HRA has the opportunity to make a recommendation (via motion & vote) to the City Council on the establishment of the TIF District and/or the proposed use of TIF for the multi-family development.

Alternative Options:

N/A

Financial Impacts:

- TIF Amount Requested: 26 years of TIF. (Amount to be determined)
- Type of TIF District: Housing Development District. (26-year Maximum District Life)
- TIF Uses: Site improvements, construction and engineering 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.
- TIF Request: \$1,800,000.

Tentative Timelines:

September 3 - Rice County and Northfield School District notified of draft TIF Plan

September 16 - Planning Commission reviews TIF conformance with City Plan

October 20 - Publication of notice of public hearing for TIF District

October 26 - HRA reviews TIF request

November 2 - Council holds public hearing on TIF District

November 2 - Council consideration of Resolution approving TIF Plan and District

Date TBD - Council considers/approves TIF Assistance Agreement