ADVANCE

Resources for Development, Inc.

DEVELOPMENT
DISTRICT NO. 40

MANKATO,
MINNESOTA

January 8, 2018

Business Finance and Economic Development Specialists

DEVELOPMENT DISTRICT NO. 40
(Rosa Parks Affordable Housing Project)

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MANKATO MINNESOTA

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INTRODUCTION

BACKGROUND

The City of Mankato has received a request from Joseph Development, LLC ("the Developer") to consider financial assistance in the form of "pay-as-you-go" tax increment financing to develop a 60-unit, affordable housing project (Rosa Place) on a 7.08 acre parcel north of the intersection Timberwolf Drive and Heron Drive.

DEVELOPMENT DISTRICT NO. 40



This project includes 15 one-bedroom units, 30 two-bedroom units, and 15-bedroom units. Rents are restricted to households earning less than 60 percent of the area median income. Rents range from $663 for a one-bedroom unit to $924 for a three-bedroom unit. Estimated monthly utility costs are between $35 and $43.

The Consolidated Planning process identified additional, affordable housing as the community's most prevalent need. In addition, housing has been identified as a need by area employers who pay wages from $11-$18 per hour (identified as workforce housing), as well as citizens living on fixed incomes. The recently completed Mankato Area Housing Study Update (2016) indicates that the availability and development of affordable multi-family housing units is not meeting this demand. The 2016 study update found that the overall vacancy rate for tax credit assisted housing was at 1.8 percent, which at the time was considered artificially high because one of the surveyed properties was undergoing renovation. Considering this, the vacancy rate was less than one percent with waiting lists for several projects. In 2013, the estimated number of new tax credit units that could be absorbed into the market was 150 or more units; however, since that time only 53 units were

added. The 2016 study update estimated a need of 150-200 tax credit units to meet the growth-generated demand. The proposed Rosa Place project, as well as the 50-unit Common Bond project on Dublin Road assists in meeting the demand by adding 110 units.

Application for Low Income Housing Tax Credits from Minnesota Housing are competitive and consider many factors including local leverage, such as TIF, to help projects to score higher – thus increasing the likelihood of receiving the tax credits necessary for the project to proceed. In addition, municipalities can further support a project by providing Project Based Housing Choice Vouchers, cash donations, low interest loans and land donations. The city of Mankato's recommendation of TIF and six Project Based Housing Choice Vouchers were major factors contributing to Minnesota Housing's decision to award Low Income Housing Tax Credits to the Rosa Place Project.

The Rosa Place Project has been through the planned unit development (PUD) process, with the Planning Commission recommending approval. Because this project would help meet the significant need for affordable housing, and has the added public benefit of improved storm water management the City Council has approved a resolution of support for the Rosa Place project. The resolution formalizes City support for the project, approves an allocation of project-based vouchers and indicates that the City will work with Joseph Development to establish a tax increment financing district following award of the tax credits. Creation of Development District No. 40 enables the use of tax increment financing to fund eligible housing costs.

DEFINITIONS

For the purpose of the Development District Plan, the following terms shall have the meanings specified below, unless the context otherwise requires.

"City" means the City of Mankato.

"Council" means the City Council of the City of Mankato, Minnesota.

"Development" means the parcels of property upon which identified activities will occur as described in the Plan; the purpose of which is for the proposed redevelopment a 60-unit, affordable housing project.

"Development District" means a specific area within the corporate limits of a municipality, which has been so designated and separately numbered by the governing body.

"Plan" means the Mankato Development District No. 40 Plan prepared pursuant to the provisions of Minnesota Statutes, Chapter 469, which provides an outline for the development or redevelopment of the area and is sufficiently complete (1) to indicate its relationship to definite local objectives as to appropriate land uses; and (2) to indicate general land uses and general standards of development or development.

"Project" is a development district as defined in Minnesota Statutes, section 469.125, subdivision 9.

"Tax Increment Financing District" or "District" means a contiguous or noncontiguous geographic area within a project delineated in the tax increment district financing plan, as provided by Minnesota Statutes, section

469.175, subdivision 9, for the purpose of financing redevelopment, housing or economic development in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district.

PURPOSE OF DEVELOPMENT DISTRICT

Development District No. 40 is being undertaken pursuant to Minnesota Statutes, sections, 469.124 to 469.134, in order to give the City Council the ability to carry out activities to provide additional affordable housing in order to promote and maintain the health, safety and welfare of the citizens.

In proposing the creation of Development District No. 40, the City is considering the financing of Project improvements using tax increment financing and other financing sources. Prior to commitment of any City financial assistance for Project activities within the Development District, the City will require evidence of the need as well as a sound financial plan showing Project economic feasibility.

SUMMARY

Adoption of the Plan improves the quality of life in the community by providing affordable housing, improving storm water management, enhancing the local tax base and promoting the health, safety and welfare of the community.

DEVELOPMENT DISTRICT NO. 40 DEVELOPMENT PROGRAM

BASIS FOR PROPOSING PROJECT

Mankato's planning process has identified needs and opportunities within the Development District for affordable housing and public improvements. The establishment of the Development District meets community needs previously identified through a detailed planning process including recommendations of the Community Development Director, the Economic Development Authority, City Council and Planning Commission.

PROJECT ELIGIBILITY

The Development District Act, Minnesota Statutes, sections 469.124 to 469.134, requires that areas proposed for development district designation must be found to be located in areas of the community that are "already built up". For the following reasons, the proposed Development District qualifies:

1. The vicinity of the Development District is urban. Existing land uses in the vicinity include residential properties public elementary school. Zoning in the vicinity corresponds to the land use pattern.

2. City sanitary sewer, storm sewer and water lines are available throughout the Project Area.

3. The vicinity of the Development District includes existing City streets and roadways.

4. The City's comprehensive plan has designated the Development District as an area for higher density, rental apartment development.

Minnesota Statutes, section 469.126, subdivision 2, in part, authorizes a municipality to accomplish the following activities: "Within these districts the municipality may adopt a development program consistent with which the municipality may acquire, construct, reconstruct, improve, alter, extend, operate, maintain or promote developments aimed at improving the physical facilities, quality of life and quality of transportation. The municipality may acquire land or easements through negotiation or through powers of eminent domain."

Proposed activities within Development District No. 40 will provide additional affordable housing, improved storm water management, enhance the tax base and further secure the health, safety and welfare of the community.

BOUNDARY DESCRIPTION

The Project Area a 7.08-acre parcel identified as parcel number R01.09.20.376.024.

DEVELOPMENT PROPOSAL

Within the Project Area, the proposed development activities will consist of a 60-unit, affordable housing project and storm water retention improvements. The City of Mankato and its Planning Commission will approve the design of the development via the planned unit development process.

Financing of specific activities using tax increment revenues and other public and private sources of funds will occur following the review and approval of the City Council.

DEVELOPMENT DISTRICT OBJECTIVES

The Council determines that it is necessary, desirable, and in the public interest to establish, designate, develop and administer a development district in the City pursuant to the provisions of Minnesota Statutes, sections 469.124 to 469.134, inclusive. The Council further determines that the funding of the necessary activities and improvements in the Development District may be financed through a wide array of funding mechanisms, including tax increment financing and other appropriate sources. Before involving itself in financing Project activities or a development, the Council shall determine financial feasibility of the Project or development. Any City financed public or private activity shall demonstrate how said financing is going to be repaid if is a loan. In the case of a grant or tax increment financing, the benefits to the community, such as additional affordable housing and increased tax base shall be demonstrated.

The Council seeks to achieve the following objectives through this development program:

1. Promote and secure the prompt development of property in the Project in a manner consistent with the City's zoning ordinance, with the City's Planning Commission, and with minimal adverse impact on the environment.

2. Promote and secure additional housing opportunities within the City for residents of the City and the surrounding area, thereby improving living conditions.

3. Secure the increase of property subject to taxation by the City, Independent School District No. 77, Blue Earth County and any other taxing jurisdictions in order to enable better such entities to pay for public improvements and governmental services and programs required to be provided by them.

4. Provide funds for the payment of the public development cost of the Project.

5. Provide maximum opportunity, consistent with the needs of the City for development by private enterprise.

6. Provide adequate streets, utilities, and other public improvements and facilities to enhance the area for both new and existing development.

7. Create effective buffers, screens, and/or transitions between residential and non-residential uses to minimize the potential blighting effects of divergent land uses.

8. Achieve a high level of design and landscaping quality to enhance the physical environment.

9. Provide development sites of such size and character to assure the development of the Project area.

PROJECT ACTIVITIES

The City envisions the development of the Project Area in accordance with the Comprehensive Plan for the City, the zoning and subdivision ordinances, this Plan and such development proposals as may be submitted, provided individual proposals conform to the above plans and regulations.

Minnesota Statutes, sections 469.124 to 469.134, authorizes the City a broad array of powers to undertake a Project. The City will perform all Project activities pursuant to the statute and in doing so anticipates that the following activities may be undertaken:

1. Acquisition. The City may acquire property for the development of public improvements. Land acquisition will be completed within the requirements of the Uniform Acquisition and Relocation Act.

2. Site preparation and construction of buildings. Properties acquired by the City may be prepared for development of flood prevention improvements, subsoil correction, and the establishment of greenways, walkways, and common access corridors.

3. Incentives for private development. The City may provide financial incentives for the development of affordable housing projects.

CONFORMANCE WITH PLAN FOR THE CITY

The City Council, by approval of this Plan, believes that the establishment and implementation of Development District No. 40 meets the intent of City plans, policies and ordinances by maintaining the quality of existing development, and improving the quality of life through orderly planned improvements. Financing for the development activities will be made available through tax increment revenues generated within Tax Increment District No. 40-1. The proposed activities and expenditures of funds conform to allowable activities delineated and approved for the tax increment district.

PROCEDURE FOR MAKING MODIFICATIONS IN AN APPROVED DEVELOPMENT DISTRICT

The Development District Plan may be modified by the governing body of the City of Mankato, Minnesota, pursuant to the applicable provisions of Minnesota Statutes, sections 469.124 to 469.134, inclusive.

OPEN SPACE TO BE CREATED

The Project activities in the Development District will not result in the creation of open space.

PROPOSED REUSE OF PROPERTY

Ownership of property in the Development District will be by private parties and the City of Mankato. It is proposed that private property in the Development District will be developed with an affordable, rental apartment project and that the public property will be used to increase storm water retention in the area.

ENVIRONMENTAL CONTROLS

The environmental controls to be applied in connection with the execution of the development program shall consist of the applicable ordinances of the City, and the applicable provisions of Minnesota Statutes.

MAINTENANCE AND OPERATION OF PUBLIC IMPROVEMENTS AND ADMINISTRATION OF THE DEVELOPMENT DISTRICT

Upon completion of the Development District's activities, the public improvements shall be owned and maintained by the City.

Pursuant to Minnesota Statutes, section 469.131, the City Council designates the Economic Development Authority to administer the ongoing activities of the Development District.

REQUIRED DOCUMENTS

The City will review the Developer's proposal to determine conformance with this Plan and applicable rules, regulations laws, and ordinances. To facilitate this effort, the following documents shall be submitted for approval: site plan, construction, mechanical and electrical system drawings, landscaping plan, grading and storm drainage plans, utility network and site correction plans, lighting system plan, signage system plan, and any other drawings or narrative deemed necessary by the Developer and/or City staff to demonstrate the conformance of the development with the design standards.

DEVELOPER'S OBLIGATIONS

Development of properties in the Project Area will use the following general guidelines:

1. Development of the Project Area in accordance with this Plan.

2. Commencement and completion of the building and improvements in the Project Area within a reasonable period as determined by the City.

3. Not to discriminate based on race, color, sex, creed, or national origin on the lease or occupancy of the Development.

4. All public and private utility services such as water, sewer, gas, electric, and telephone, serving parcels of land under this Plan shall be placed underground except where physical conditions would prohibit such placement of utilities.

PROJECT FINANCING

The City may consider using tax increment financing to assist development in the project Area. Minnesota Statutes, Chapter 469, authorizes tax increment financing for development activities when a project created pursuant to Chapter 469 exists. Project financing will be important to the overall Project success. It is the intent of

the City to use tax increment financing to leverage private and public investment and to ensure that the Development is undertaken and operated in a successful manner.