

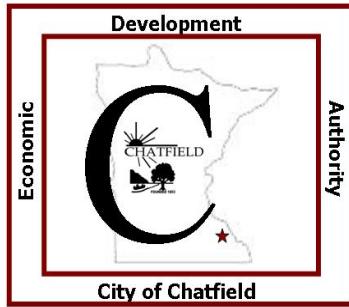
Chatfield Economic Development Authority
Thurber Community Center - Chatfield Municipal Building
21 Second Street SE
Chatfield, MN 55923
Voice 507.867.1523 Fax 507.867.9093
www.ci.chatfield.mn.us

SPECIAL MEETING NOTICE

CHATFIELD ECONOMIC DEVELOPMENT AUTHORITY
4:30 p.m., Wednesday November 15, 2023
Thurber Municipal Center
Chatfield, Minnesota

AGENDA

- I. Call to Order
- II. Business
 - A. New home development assistance program
- III. Other business
- IV. Adjourn



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November 15, 2023

MEMO

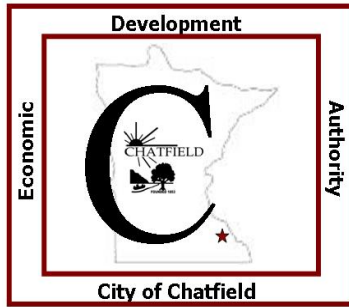
To: Economic Development Authority
From: Chris Giesen, EDA Coordinator
RE: New Home Development Assistance Program

Background

At the last EDA meeting, the board discussed the possibility of implementing a pilot program to assist with new home development. The particular structure of the program that has been under discussion is attached in the memo from the October EDA meeting.

No decisions were made at the last meeting and several thoughts, ideas, and concerns were discussed. The board asked to hold a special meeting to continue (and perhaps finalize) this discussion. Given the board is considering targeting the Hilltop Estates development for this pilot program, the board also asked to invite Geoff Griffin to the meeting to discuss questions/the potential program from the point of view of his housing development.

The meeting today is to continue the housing assistance program discussion, talk with a residential developer that could be impacted by such a program, and decide what/if further action is needed.



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October 23, 2023

MEMO

To: Economic Development Authority
From: Chris Giesen, EDA Coordinator
RE: New Home Construction Pilot Program

Background

The EDA and budget committees have spent a significant amount of time discussing the need to spur new home building in Chatfield, especially in order to maximize the remaining years of tax abatement the city receives for the Hilltop Estates development.

The EDA could not identify a funding source available to them to implement a program but did forward the funding question to the budget committee and reiterated the EDA's support of reviewing development standards to make new developments as economical as possible.

The budget committee discussed this item further at its October meeting, and it was requested to forward a possible framework and funding proposal to the EDA and city council for consideration.

Proposal for New Home Construction Pilot Program

Program overview:

1. A \$10,000 cash incentive would be made available to a buyer of a new home on a qualified lot.
2. Qualified lots would be pre-selected by the city council that further the development goals of the city and promote growth in unbuilt or underbuilt subdivisions.
3. The cash incentive will be paid to the buyer of the first home constructed on a qualified lot at the time of closing. This will ensure the homebuyer directly benefits from the city's assistance. Staff will coordinate with the lot seller and buyer's closing agent to provide the funds accordingly.
4. The construction incentive would spur development that otherwise would not occur and maximize other city goals/benefits (such as tax base, utility users, tax abatement payments or underutilized infrastructure).
5. The program would be structured as a pilot program to test its effectiveness.

Pilot Program:

1. The budget committee discussed selecting 6 lots in the Hilltop Estates subdivisions (Hilltop 1st-4th) for the pilot program.
2. If the council is agreeable to the pilot program, the EDA would further refine the program guidelines and oversee the processing of applications, as well as report impacts and findings back to EDA and council.
3. The budget committee discussed utilizing up to \$60,000 in excess funds from the Enterprise Drive lot sale fund to underwrite the program. Long term, other ideas were discussed for ongoing funding such as the increased Hilltop tax abatement revenue generated by this program.
4. In subsequent conversations since the October budget committee discussion, a new alternative funding source was brought forward – could the city create a new development fee for the purpose of providing a funding source for an incentive program? The developer could pay an “incentive fee” per lot and those funds would ultimately be provided to incent the construction of a new home and paid to the home buyer? I am checking on the legality of this concept with the city attorney.

Action Requested

Consider a recommendation to council for the creation of such a program and the allocation of funds.

Chatfield Development Fees

Fee Type	Amount	Notes
Sanitary Sewer Access (SAC)	\$2,000 per acre	Paid at plat. Less steep slope.
Water Area Access (WAC)	\$3,000 per acre	Paid at plat. Less steep slope.
Parkland Dedication	1/10th acre per unit.	Paid at plat. 1/10th of an acre per residential unit or cash equivalent; chosen by city.
Utility Hook Up	\$4,200	Paid at time of building permit application. \$1,600 water + \$2,600 sewer.

Most Recent Fees Paid on Hilltop

Hilltop 3rd (Wisdom Ct)

# of Lots		
9		
SAC	\$	8,860.00
WAC	\$	13,290.00
Parkland	\$	- Credit of 0.9 acres deducted from surplus of original Master Agreement (1.91 surplus in Hilltop 1st)
Utility Hook Up	\$	37,800.00 (only 4 lots built to date, 5th sold but no building planned)
Total	\$	59,950.00

		Homes in Subdivision	
		Sale Price	2023 Assessed Value
SAC/WAC/Park	\$	2,461.11	
Total Fees per Lot	\$	6,661.11 w/Hook Up Fees	\$ 511,517 \$ 380,343
Average Sale Price	\$	379,825.67	\$ 95,000 \$ 40,000
Average Tax Value	\$	275,916.67	\$ 532,960 \$ 407,407
Fees % of Sale		1.75% (average)	\$ 607,948 \$ 386,161
			\$ 492,500 \$ 358,558

Abatement Payments	2020	2021	2022	2023
75% County & School Taxes Only				
Hilltop 1st	\$ 21,317	\$ 22,508	\$ 24,857	\$ 28,982
Hilltop 2nd	\$ 10,866	\$ 11,728	\$ 12,230	\$ 12,238
Hilltop 3rd	\$ -	\$ -	\$ 69	\$ 1,612
Total	\$ 32,183	\$ 34,236	\$ 37,156	\$ 42,832

With City Portion of Taxes Included

Hilltop 1st	\$ 74,193	\$ 76,410	\$ 84,482	\$ 96,485
Hilltop 2nd	\$ 37,044	\$ 39,046	\$ 40,821	\$ 40,099
Hilltop 3rd	\$ -	\$ -	\$ 218	\$ 5,287
Total	\$ 111,237	\$ 115,456	\$ 125,521	\$ 141,871

Per House Average

	# of Homes	2023	
		Abatement	Abate + City Tax
Hilltop 1st	15	\$ 1,932.13	\$ 6,432.33
Hilltop 2nd	6	\$ 2,039.67	\$ 6,683.17
Hilltop 3rd	3	\$ 537.33	\$ 1,762.33
Total	24	\$ 4,509	\$ 14,878

Incentive Payback

Incentive Amount	Abatement	# of Years	
		Abate	+ City Tax
\$ 5,000		2.52	0.76
\$ 7,500		3.78	1.14
\$ 10,000		5.04	1.52
\$ 12,500		6.29	1.91
\$ 15,000		7.55	2.29
\$ 20,000		10.07	3.05