

EDA Members:
Dan Roe,
President
Wayne
Groff,
Vice
President
Robert
Willmus,
Treasurer
Jason
Etten
Julie
Strahan



**Economic Development Authority
Meeting Agenda
Monday, March 22, 2021
6:00pm**

Address:
2660 Civic Center Dr.
Roseville, MN 55113

Phone:
651-792-7000

Website:
www.growroseville.com

Following guidance from state health officials, EDA Members will participate in upcoming meetings electronically pursuant to Minn. Stat. § 13D.021.

Members of the public who wish speak during public comment or an agenda item during this meeting can do so virtually by registering at www.cityofroseville.com/attendmeeting

1. 6:00 P.M. Roll Call
Voting & Seating Order: Groff, Willmus, Strahan, Etten, and Roe

2. 6:02 P.M. Pledge Of Allegiance

3. 6:03 P.M. Approve Agenda

4. 6:04 P.M. Public Comment

5. Business Items (Action Items)
 - 5.A. 6:05 PM Review Of Draft Roseville Residential Program Offerings With Center For Energy & Environment.

Documents:

[5A REPORT AND ATTACHMENTS \(UPDATED\).PDF](#)

 - 5.B. 6:25 PM Review Of Draft Roseville Business Loan Program With Metropolitan Consortium Of Community Developers.

Documents:

[5B REPORT AND ATTACHMENTS.PDF](#)

 - 5.C. 6:45 PM Consider Adoption Of A Resolution Memorializing A Pause On Public Finance Assistance Requests In Support Of Multi-Family Housing Projects

Documents:

[5C REPORT AND ATTACHMENTS.PDF](#)

6. 7:10 P.M. Adjourn To City Council



ECONOMIC DEVELOPMENT AUTHORITY INFORMATIONAL ITEM

Date: 3/22/21
Item No.: 5 a.

Department Approval

Executive Director Approval

Janice Gundlach

Paul J. Trueman

Item Description: Discussion of draft residential program offerings with Center for Energy & Environment

At the January 11, 2021 Roseville Economic Development Authority (REDA) meeting the board was provided information on existing residential rehabilitation loan programs and down payment assistance programs that are offered to Roseville residents, as well as what Fridley provides in rehabilitation loan programs. This information was provided as a precursor to this follow-up discussion. This information was also provided to elicit informal feedback from the board, allowing staff to incorporate board interests in regards to Roseville’s residential program offerings. Staff would note, there is no requirement to change Roseville’s existing residential program or to expand them. But, staff wanted to bring information forward for the REDA’s consideration given the growing fund balance and lack of utilization of the existing program.

Staff has prepared a detailed spreadsheet with the current Roseville Rehab Loan Program, along with potential other programs that would be targeted to a Last Resort Deferred Loan Program, Mobile Home Improvement Program and a Senior Deferred Loan Program (Attachment A). These draft programs aim to address either emergency situations or substandard conditions. Only the Senior Deferred Loan Program would require an inspection from Center for Energy & Environment (CEE) to prioritize improvements. Staff is not recommending any formal adoption of programs at this time, but is seeking direction from the REDA on whether or not to create new programs in cooperation with the CEE. A summary of the draft loan programs outlined in the spreadsheet are provided below:

Residential Revolving Loan Program

As of February 10, 2021, the REDA has a current account balance in the Revolving Loan Program of \$784,125 that could be used for any of the programs outlined on Attachment A. As outlined in the REDA’s materials from January 11th, the only loan funded by the Revolving Loan Program isn’t being utilized as much as it could be due to the interest rate not being very competitive. The program is referred to as the “Revolving Rehab” program on Attachment A.

Last Resort – Emergency Deferred Program

This program is designed to fund an emergency, which is defined as a condition that makes the house uninhabitable, extremely dangerous to the occupants, or is capable of causing severe health problems. The loan would be deferred, but not forgiven, at an interest rate of 0%. The maximum loan amount would be \$10,000. There is no debt-to-income ratio requirement and the loan would be due upon sale of the home, or refinancing when taking cash out.

Mobile Home Improvement Program

35 This program is designed to fund interior or exterior improvements to manufactured homes. The loan would
36 be amortized over a maximum term of 10 years at a 4% interest rate. The maximum loan amount would be
37 \$10,000. The loan would have debt-to-income and loan-to-value requirements.

38

39 *Senior Deferred Loan Program*

40 This program is designed to fund interior and exterior improvements. Because it is targeted to seniors, the
41 loan would be deferred, but not forgiven, at an interest rate of 0%. The maximum loan amount would be
42 \$25,000. There is no debt-to-income ratio requirement, but a loan-to-value of 110% would apply. The loan
43 would be due upon sale of the home. CEE would conduct an inspection to prioritize improvements that
44 should be done to the home.

45

46 *Down Payment Assistance Program*

47 With the January 11th REDA materials, information was provided regarding existing down payment
48 assistance programs offered through Ramsey County. Minnesota Housing also administered a First Time
49 Home Buyer program. Upon further review by staff and discussions with other communities, staff
50 discovered a deferred down payment assistance program that is targeted to First Generation Home Owners
51 being offered in Woodbury (Attachment B). The program is designed to help underserved communities who
52 seek to be first generation home owners. To qualify, the parents must not have ever owned a home. In
53 order to meet this criteria, the applicant would sign an affidavit representing their parent's status of never
54 owning a home and if it is found to be a false statement, the charges could result in a felony conviction,
55 imprisonment for up to two years, and a monetary fine of up to \$20,000.

56

57 Existing programs do not target these groups. If the REDA is interested in created a down payment
58 assistance program for first generation homeowners, the REDA could use existing HRA account balances
59 and/or our existing Affordable Housing TIF pooling balance of \$67,700 from the Sienna Green TIF district
60 to fund such a program.

61

62 Jim Hasnik from CEE will provide a general overview of the suggested loan programs and Martha Ingram,
63 the EDA's attorney, will be available to address any legal questions.

64 **BUDGET IMPLICATIONS**

65 The REDA has an existing Revolving Loan Program fund balance of \$784,125. Additionally, there are
66 existing HRA account balances and TIF pooling from Sienna Green Affordable Housing TIF district of
67 \$67,700. If, at any time, CEE determines funds to administer any of the programs are running low, they
68 would advise staff so the REDA could identify additional funds to administer the programs or whether to
69 cease offering the programs if additional funds couldn't be identified.

70 **STAFF RECOMMENDATION**

71 Receive information and provide direction on whether or not the REDA wishes to create additional
72 residential rehabilitation loan programs and/or a targeted down payment assistance program. Based upon
73 direction, staff will bring forward the programs for formal adoption at a future meeting.

74 **REQUESTED EDA ACTION**

75 Provide direction to staff regarding the REDA's interest in creating additional residential rehabilitation loan
76 programs and/or a targeted down payment assistance program. Based upon direction, staff will bring
77 forward the programs for formal adoption at a future meeting.

78

79 Prepared by: Jeanne Kelsey, Housing & Economic Program Manager, 651-791-7086

80 Attachments A: Roseville Rehabilitation Loan Program
81 B: Down Payment Assistance Program
82

	A	B	C	D	E	F
2		Revolving Rehab Loan Program		" Last Resort " Emergency Deferred	Mobile Home Improvement Program	Senior Deferred
3	Interest Rate	4.0%		0%	4.0%	0%
4	Amortization Type	Amortizing		Deferred Payment (NOT FORGIVEN)	Amortizing	Deferred Payment (NOT FORGIVEN)
5	Loan Amount	Minimum: \$2,000 Maximum: \$40,000		Minimum: \$500 Maximum: \$10,000	Minimum: \$ 500 Maximum: \$ 10,000	Minimum: \$5,000 Maximum: \$25,000
6	Total Project Cost/Match	It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. In the event the final cost exceeds the requested loan amount, the borrower must obtain the additional funds and show verification of the additional funds in order to be approved for the loan.				
7	Term	Minimum: 1 Year Maximum: 10-Years Generally, one year per \$1,000 borrowed * No prepayment penalties apply	The Deferred Loan is 100% due when the borrower sells, transfers ownership or no longer occupies the property as the borrower's primary residence or in 30 years, whichever comes first.	Minimum: 1 Year Maximum: 10-years * Generally 1 year per \$1,000 borrowed * No prepayment penalties apply	The Deferred Loan is 100% due when the borrower sells, transfers ownership or no longer occupies the property as the borrower's primary residence or in 30 years, whichever comes first.	
8	Eligible Borrowers	All borrowers must be a legal resident of the United States, as evidenced by a social security number, including: *U.S. Citizens *Permanent Resident Aliens *Non-Permanent Resident Aliens * Tax identification numbers (ITIN) are not acceptable Properties held in a contract-for-deed are eligible as long as both parties, the purchaser and seller, both sign the mortgage and the contract for deed holder signs a letter giving their approval of the project.			All borrowers must be a legal resident of the United States, as evidenced by a social security number, including: *U.S. Citizens *Permanent Resident Aliens *Non-Permanent Resident Aliens * Tax identification numbers (ITIN) are not acceptable	All borrowers must be a legal resident of the United States, as evidenced by a Social Security Number AND at least one borrower must be at least 62 years of age, including: * US Citizens * Permanent Resident Aliens * Non-Permanent Resident Aliens * Tax identification numbers (ITIN) are not acceptable * Contract for deeds are eligible * Properties held in a trust
9	In-Eligible Borrowers	* Non-Occupant Co-Borrowers * Non-real person entities (such as Partnerships, Corporations, Trusts, etc.)			* Non-Occupant Co-Borrowers * Non-real person entities (such as Partnerships, Corporations, Trusts, etc.)	* Residents with not legal ownership in the subject property and business entities.
10	Eligible Properties	Residential properties located with the geographical boundaries of the City of Roseville.		1-4 unit residential properties located with the geographical boundaries of the City of Roseville.	Residential mobile homes located with the geographical boundaries of the City of Roseville.	1-4 unit residential properties located with the geographical boundaries of the City of Roseville.
11	In-Eligible Properties	*Non-owner occupied (aka Absentee Owned) *Dwellings with more than 2 units *Co-ops * Mobile Homes * Manufactured Homes * Properties used for commercial purposes * Properties held in the name of a trust		*Non-owner occupied (aka Absentee Owned) *Dwellings with more than 4 units *Co-ops * Mobile Homes *Manufactured homes * Properties used for commercial purposes * Properties held in the name of a trust	*Non-owner occupied (aka Absentee Owned) *Dwellings with more than 4 units *Co-ops * Mobile Homes * Properties used for commercial purposes * Properties held in the name of a trust	*Non-owner occupied (aka Absentee Owned) *Dwellings with more than 4 units *Co-ops * Mobile Homes *Manufactured homes * Properties used for commercial purposes

	A	B	C	D	E	F
2		Revolving Rehab Loan Program		" Last Resort " Emergency Deferred	Mobile Home Improvement Program	Senior Deferred
12	Ownership/Occupancy	Owner Occupied		Owner Occupied	Owner Occupied	Owner Occupied
13	Loan-to-Value	115%		Not Greater Than 125%	115%	110%
14	Income Limits/ Requirements	None		Less than 115% of current HUD based on household size	None	None
15	Debt-to-Income Ratio	Max 50%		NA	Max 50%	N/A
16	Multiple Loans per Property/Borrower	More than one loan per household/property is permitted based upon the availability of funds and the borrower's ability to qualify. The cumulative outstanding balance of all Roseville loans on the property, including deferred loans cannot exceed \$50,000		More than one last Resort Emergency Loan is permitted based upon the availability of funds and the borrower's ability to qualify. The cumulative outstanding balance of all Roseville emergency loans on the property, including cannot exceed the maximum loan amount of \$10,000.	More than one loan per household/property is permitted based upon the availability of funds and the borrower's ability to qualify. The cumulative outstanding balance of all Roseville Mobile Home Loans on the property cannot exceed \$10,000.	More than one Senior Deferred Loan is permitted based upon availability of funds and ability to qualify. The cumulative outstanding balance of all Senior Deferred Loans cannot exceed the maximum loan amount allowed per program guidelines.
17	Eligible Improvements	Most Interior and Exterior		* Eligible improvements will be determined through a required analysis of the emergency condition of the property. CEE's Rehabilitation Counselor will perform the analysis to determine the severity of the situation and whether the intended improvement is an emergency. An emergency is defined as a condition that makes a house uninhabitable, extremely dangerous to the occupants, or is capable of causing severe health problems. * Property Emergency Inspection Fees apply and will be Invoiced to the City.	Most Interior and Exterior improvements	Most Interior and Exterior Improvements
18	Ineligible Improvements	Work initiated before the loan has been approved and closed. Recreational items including gazebos, pools, hot tubs, saunas, lawn sprinklers, play ground equipment; Furniture and non permanent appliances (unless part of kitchen remodel); Funds used for working capital, debt management or to refinance existing loans; Personal property items, and repairs to property used for business or trade purposes. Funds cannot be used to rent or purchase equipment needed to complete the project.				

	A	B	C	D	E	F
2		Revolving Rehab Loan Program		" Last Resort " Emergency Deferred	Mobile Home Improvement Program	Senior Deferred
19	Sweat Equity/Homeowner Labor	Work can be performed on a "sweat equity" basis. Loan funds cannot be used to compensate for labor, only for materials. The homeowner must demonstrate to CEE that they have the ability to complete the work within the program time requirement. Materials must be purchased and installed prior to the disbursement of the loan proceeds. When applicable, a signed city permit must be obtained.		Not permitted	Work can be performed on a "sweat equity" basis. Loan funds cannot be used to compensate for labor, only for materials. The homeowner must demonstrate to CEE that they have the ability to complete the work within the program time requirement. Materials must be purchased and installed prior to the disbursement of the loan proceeds. When applicable, a signed city permit must be obtained.	Not permitted
20	PRE Property Inspection	None		A property inspection will be performed by a CEE representative prior to the loan closing to determine that the project is an emergency as defined by the description in eligible improvements.	None	A property inspection will be performed to determine project eligibility and prioritization
21	Post-Install Inspection	Prior to the release of loan proceeds, the property is subject to inspection by a CEE inspector or, where a permit is required, work must be signed off by a City inspector.				
22	Contractors/ Permits	Contractors must be properly licensed. Permits must be obtained when required.				
23	Bids	1 bid is required. Bids must detail the scope of the work to be completed, the associated cost(s) and any rebates.				
24	Work Completion	All work must be completed within 120 days of the loan closing. However, when warranted, CEE may authorize extensions on a case by case basis as warranted.		All work must be completed within 30 days of the loan closing. However, when warranted, CEE may authorize extensions on a case by case basis as warranted.	All work must be completed within 120 days of the loan closing. However, when warranted, CEE may authorize extensions on a case by case basis.	
25	Underwriting	In addition to CEE's standard underwriting criteria, applicants must: * Not have any payments more than 60-days late in the past 12 months; (Or must have written "OK" confirmation from the City of Roseville) * No Bankruptcy in the past 18 Months (without reasonable explanation) * Be current on all mortgage payments * Be current on all real estate taxes		Applicant's must not be able to qualify for any other financing to be eligible for the Emergency Last Resort Program. In addition, applicants must also: * Be current on all mortgage payments * Be current on all real estate taxes and assessments * Not have any unpaid judgments or liens * Have a pending Bankruptcy or foreclosure	A In addition to CEE's standard underwriting criteria, applicants must: * Not have any payments more than 60-days late in the past 12 months; (Or must have written "OK" confirmation from the City of Roseville) * No Bankruptcy in the past 18 months (without reasonable explanation) * Be current on all mortgage payments * Be current on all real estate taxes * Any liens or judgments against the property must be used in the TLTV calculation	Applicants must: * Be current on all mortgage payments * Be current on all real estate taxes and assessments * Not have any unpaid judgements or liens * Not have a pending bankruptcy or foreclosure
26	Disbursement of Funds	<p>Funds are held by CEE in a and payment is made to the contractor (or owner in sweat equity situations) upon completion of work. An inspection will be performed by the City and/or CEE to verify completion of the work. The following items (and any additional as determined by CEE) must be received prior to final disbursement of funds:</p> <ol style="list-style-type: none"> 1. Final invoice from contractor (or materials list from supplier) 2. Final inspection verification by CEE (if necessary) 3. Completion certificate(s) signed by borrower and contractor 4. Lien waiver for entire cost of work and 5. Evidence of required city permit, where applicable 				

Attachment A

	A	B	C	D	E	F
2		Revolving Rehab Loan Program		" Last Resort " Emergency Deferred	Mobile Home Improvement Program	Senior Deferred
27	Annual Admin Fee	\$2,500				
28	Borrower Fees	1% Origination Fee and a Document Preparation Fee, mortgage filing fees, title work, credit report, flood cert and any other applicable closing costs associated with the loan.				

	Existing Downpayment Assistance Programs		
	Ramsey County FirstHOME Program	MHFA Downpayment Program	Roseville Proposed Downpayment Assistance
Interest Rate	0.0%	Various 0%-Current 1st Mortgage Rate	0.0%
Amortization Type	Deferred Payment (NOT FORGIVEN)	Deferred Payment (NOT FORGIVEN) and Payment Plan	Deferred Payment (NOT FORGIVEN)
Assistance Amount	Buyer Minimum: \$2,000 Ramsey County Maximum \$15,000	Buyer Minimum lesser of \$1,000 or 1% of purchase price State Maximum \$10,000-\$17,000	\$25,000
Term	Deferred until Sale of Home or Refinancing and Taking Cash out	The Deferred Loan is 100% due when the borrower sells, transfers ownership or no longer occupies the property as the borrower's primary residence. Higher amount of \$17,000 payments are monthly.	The Deferred Loan is 100% due when the borrower sells, transfers ownership or no longer occupies the property as the borrower's primary residence.
Eligible Use	Downpayment or closing costs.		First Generation Only Purchaser
Maximum Purchase Price	\$256,000	\$340,000	Roseville Median Value x 1.10%
Ownership/Occupancy	Owner Occupied	Owner Occupied	Owner Occupied
Income Limits/ Requirements	80% AMI - Family of 4, \$78,500	Upto \$118,900 depending on the program that is used	100% AMI based on household size and adjusted gross income from the most recent tax return. If a tax return is not required to be filed by the borrower(s) then income will be determined by the projected income over the next 12 months. Income limits are adjusted annually. 2020 Limit for household of 4 is \$103,400
Eligible Borrower/Home Buying Class			The borrowers must be legally residing in the United States. The homebuyer(s) MUST attend a Home Stretch workshop or other valid homebuyers course offered through an approved counseling agency by the US Department of Housing and Urban Development and provide evidence prior to closing. Borrowers must be considered as a first generation homebuyer.

2020 HUD Income Limits (new)

Published 04/01/2020

Family Size	30%	50%	60%	70%	75%	80%	100%	110%	115%	120%	125%	150%
1	\$21,700	\$36,200	\$43,450	\$50,700	\$54,300	\$54,950	\$72,400	\$79,650	\$83,250	\$86,900	\$90,500	\$108,600
2	\$24,800	\$41,400	\$49,700	\$57,950	\$62,100	\$62,800	\$82,800	\$91,100	\$95,200	\$99,350	\$103,500	\$124,200
3	\$27,900	\$46,550	\$55,850	\$65,150	\$69,850	\$70,650	\$93,100	\$102,400	\$107,050	\$111,700	\$116,400	\$139,650
4	\$31,000	\$51,700	\$62,050	\$72,400	\$77,550	\$78,500	\$103,400	\$113,750	\$118,900	\$124,100	\$129,250	\$155,100
5	\$33,500	\$55,850	\$67,000	\$78,200	\$83,800	\$84,800	\$111,700	\$122,850	\$128,450	\$134,050	\$139,650	\$167,550
6	\$36,000	\$60,000	\$72,000	\$84,000	\$90,000	\$91,100	\$120,000	\$132,000	\$138,000	\$144,000	\$150,000	\$180,000
7	\$39,640	\$64,150	\$77,000	\$89,800	\$96,250	\$97,350	\$128,300	\$141,150	\$147,550	\$153,950	\$160,400	\$192,450
8+	\$44,120	\$68,250	\$81,900	\$95,550	\$102,400	\$103,650	\$136,500	\$150,150	\$157,000	\$163,800	\$170,650	\$204,750



ECONOMIC DEVELOPMENT AUTHORITY INFORMATIONAL ITEM

Date: 3/22/21
Item No.: 5 b.

Department Approval

Executive Director Approval

Janice Gundlach

Randy Trueman

Item Description: Discussion of a draft Roseville business loan program with Metropolitan Consortium of Community Developers

At the January 11, 2021 Roseville Economic Development Authority (REDA) meeting the board was provided information on an existing business loan program that is targeted to energy improvements that is offered by Center for Energy and Environment. The Roseville Economic Development Authority (REDA) works with Metropolitan Consortium of Community Developers (MCCD) through the Open to Business program to provide small business and entrepreneurs with free consulting, paid for by Ramsey County. Because of this existing relationship, staff has engaged in conversations with MCCD for developing a program based on their experience working with small businesses throughout the metro area. Additionally, MCCD has experience administering loan programs to small businesses.

Business Assistance Program

MCCD is proposing a 50/50 partnership with the REDA for businesses located or looking to locate in the City of Roseville. The maximum loan amount would be \$100,000 split by MCCD and REDA. The funds can be used for building improvements, start-up or equipment purchase. The applicant would have a minimum of 10% cash into the project costs. The proposed program would be a blended rate of an MCCD interest rate of 7% and a REDA interest rate of 2%, which would equate to a 4.5% interest rate for the business to pay. MCCD would collect the interest and principle payments and keep the REDA's 2% interest as their administration fee for the program. The loan fees would be a 1% origination fee and a minimum \$100 due at closing. The draft MCCD/REDA loan program would require collateral, such as the real estate of the business, business equipment, the business owner's personal home, or a personal guarantee that would be based on underwriting.

BUDGET IMPLICATIONS

In 2020, the REDA budgeted \$48,575 for creation of a business loan program. Then, in 2021 the REDA budgeted \$98,575, bringing the total to \$147,150 currently available for use and creation of a business assistance program.

STAFF RECOMMENDATION

Receive information and discuss the draft Roseville Business Assistance Program as outlined in Attachment A. Based upon direction, staff will bring forward the program for future adoption.

REQUESTED EDA ACTION

Receive information and discuss the draft Roseville Business Assistance Program as outlined in Attachment A. Based upon direction, staff will bring forward the program for future adoption.

32

33

34 Prepared by: Jeanne Kelsey, Housing & Economic Program Manager, 651-791-7086

35 Attachments A: Roseville Business Assistance Program

36



MCCD/Open to Business and City of Roseville Loan Program

2% Roseville Loan Fund

The Roseville 2% Loan fund is a program that is intended for businesses who are located or looking to locate in the City of Roseville. The funds can be used for building improvements, start-up or equipment purchase. An applicant would have to have a minimum of 10% of the overall project cost. Another financing organization (bank or CDFI) would have to come up with a 50/50 split of the remaining project cost, up to \$50,000. The terms of the loan are set for by the partner and fees may vary. The cost for the city's portion is 1% origination fee and a minimum \$100 due at closing.

Money is transferred to partner organization before closing from the city.

Principal is sent back to city and interest is kept by the partner.

Collateral: Shared position with City and partner

Blended interest approach,

A blend of the Partner's interest rate on their portion and 2% interest rate from the city on their portion. This would result in a blended lower rate.

Example: MCCD \$50,000 @ 7%. City of Roseville \$50,000 @ 2%. This would equal a total blended interest rate of

$$\$50,000 \times .07 = \$3,500$$

$$\$50,000 \times .02 = \$1,000$$

$$\$3,500 + \$1,000 = \$4,500, \text{ or } 4.5\% \text{ Interest rate}$$

City's Interest rate of 2% is the approximate cost to service the loan.

Cash Equity will be required for projects TBD by partner organization. Typical equity requirements are 10%-25% of total project cost. Find any assets to latch onto as collateral.

Equity in owned building could have equity built into the project. Additional cash equity may not be required based on current market value of building

Terms and Conditions:

- Applicant repayment of loan is a must
- Applicant must have acceptable credit score and financial profile to pass underwriting and loan committee.
 - o Require Cashflow to be stronger. 1.15% cashflow ratio strength.
 - o Will look pass collateral shortfall.
- Contractors or other payees from loan funds must be businesses that are certified and in good standing with state of Minnesota and/or licensed by the city. Permitting and code compliance is required.

- Must conform to all state and local building and business codes
- Must be for future expense (No Work can begin or materials delivered prior to permitting)

Who is Eligible:

- All businesses located or looking to locate in the City of Roseville (proof of movement into city limits is required)
- The applicant may be individual owners, partnership or corporations
- Business that benefit low-to-moderate income persons by creating jobs or improving services
- New startups or existing businesses

Eligible Uses:

- Permanent improvement to the building or lot
 - o Lighting
 - o Windows
 - o Walls, ceilings, floors
 - o Roofs
 - o Plumbing
 - o Electrical
 - o Mechanical systems or HVAC
 - o Cosmetic improvements
 - o Signage
 - o Etc.
- Start-up Cost
- Equipment Purchase
- Building Purchase
- Business Purchase

Ineligible Uses:

- Non-profits (The City would have to find another partner to pursue these opportunities)
- We do not finance losses
- We do not finance salaries
- Businesses not located in the City of Roseville

Total Roseville Allotment Amount: \$147,150

Loan Size: Up to \$50,000 to an individual borrower/business

Owner Equity: minimum 10% of total project cost or TBD by underwriter based on overall project risk.

Loan term: Up to 60 months (5 Years), loan maturity is maximum five years, however amortization could be up to ten years on real estate projects. A balloon payment/refinancing will be required at the end of five years. If lease improvement, term should not exceed the lease term.

Interest Rate: 2%, plus rate from partner to get a blended rate

Underwriting: Normal partner Guidelines

Approval: MCCD Economic Development Director and Loan Program Manager, final approval by loan committee.

Collateral: City of Roseville and partner organization are in a shared position.



REQUEST FOR ECONOMIC DEVELOPMENT AUTHORITY ACTION

Date: 03/22/21

Item No.: 5 c.

Department Approval

Janice Gundlach

Executive Director Approval

Randy Trueman

Item Description: Consider adoption of a Resolution memorializing a pause on public finance assistance requests in support of multi-family housing projects

BACKGROUND

On March 8, 2021 the EDA reviewed information provided by staff illustrating the volume of multi-family units that have been added to the community since 2018. This information was compared against the City’s 2018 Housing Needs Assessment and affordable housing goals identified in the City’s 2040 Comprehensive Plan. These materials are provided as Attachment B.

The EDA discussed this information and the demands this influx of housing places on Police, Fire, Parks and Public Works staff.

Given several housing goals have been met and there are staffing concerns regarding the service demands these projects could have in the coming years on Police and Fire staff, the EDA directed staff to initiate a pause on acceptance of public finance applications in support of new multi-family housing projects.

The EDA recognized a proposed pause in acceptance of public finance assistance applications in support of new multi-family housing projects would not cause all multi-family housing projects to cease. As such, projects could still materialize if underlying zoning was appropriate and no public finance assistance is requested.

The EDA directed staff to proceed under Option 2 outlined in the March 8th Request for Economic Development Authority Action, but added the following additional exemptions:

- Projects by BIPOC-owned developers,
- Smaller, niche projects.

Following the March 8th discussion, developers were not deterred from submitting public finance assistance applications, leading staff to advance a Resolution memorializing the EDA’s direction, which would be provided to the development community.

Staff also wishes to seek clarification on four details in regards to enacting the pause, including:

1. What constitutes “smaller” projects? Staff has received some feedback since the March 8th meeting, suggesting 40-60 units is considered small. The actual unit count should be decided as part of the resolution (see exception h of the resolution).
2. Whether or not certain, already collected Hazardous Substance Subdistrict (HSS) tax increment of which the City received special legislation to expend could be used to fund projects (see exception e of the resolution),

- 30 3. Whether or not Sewer Access Charge (SAC) credits could be used for assistance (see
31 exception f of the resolution), and
- 32 4. Whether tax abatement at Rosedale Center for infrastructure costs would be allowed
33 (abatement of only the increased taxes generated by the proposed project – not all of the City’s
34 tax). The current resolution does NOT include this as an exception based on the Council’s
35 prior discussion and the understanding the infrastructure costs arise solely because of the
36 introduction of multi-family housing at Rosedale Center.

37 Finally, while subsidized units (generally seen as 30% AMI units) remain a need in the community,
38 and the EDA has provided an exception to fund these projects, it’s worth noting the financial
39 practicality of funding a 100% subsidized building is nearly impossible without Section 8 vouchers.
40 Staff wanted to make sure the EDA understood this reality. Typically, 30% AMI units are more easily
41 achieved when they are incorporated into 50%-80% AMI unit buildings. To date, Roseville has been
42 able to secure 26 new units affordable at 30% AMI across three projects (Edison I with 4, Edison II
43 planning 14, and Owasso Gardens with 8), which all have Section 8 vouchers. The developer
44 interested in the PIK property is proposing 6, 30% AMI units within a 275 unit senior building that is
45 otherwise affordable at 50% AMI. Staff also understands that, at this time, the Met Council does not
46 have any section 8 vouchers for new projects. This means projects will need greater subsidy to make
47 30% AMI units work.

48 **POLICY OBJECTIVE**

49 As a matter of adopted policy, Roseville may consider using public financing, which may include tax
50 increment financing, tax abatement, bonds, and other forms of public financing as appropriate, to assist
51 private development projects.

52 **BUDGET IMPLICATIONS**

53 Redevelopment projects increase the tax base, which may limit the impact to taxpayers on future tax
54 levy increases. But, the use of public finance assistance may impact the amount of new tax revenue
55 available to fund an increase in the demand on City services. Also, all the tax increment districts
56 created in the last few years have been for terms far less than the full 26 years allowed under statute.
57 This means the obligation to the developer is forecasted to be paid off early, allowing early
58 decertification of the district, bringing tax revenue back to the City for general taxing purposes early.

59 **STAFF RECOMMENDATION**

60 Discuss the four additional details, outlined in lines 24-36 above. Then, adopt the resolution with
61 exceptions a – h that reflect the EDA consensus.

62 **REQUESTED EDA ACTION**

63 Adopt a resolution formalizing a 12-month pause on the acceptance of applications for public finance
64 assistance in support of new multi-family housing projects, subject to certain exceptions.

Prepared by: Janice Gundlach, Community Development Director, 651-792-7071
Attachments: A: Resolution
B: 3/8/2021 EDA materials
C: 3/17/2021 letter RE PIK property

**EXTRACT OF MINUTES OF MEETING
OF THE
ROSEVILLE ECONOMIC DEVELOPMENT AUTHORITY**

* * * * *

Pursuant to due call and notice thereof, a special meeting of the Board of Commissioners of the Roseville Economic Development Authority was duly held on the 22nd day of March 2021, at 6:00 p.m.

The following members were present: Etten, Willmus, Groff, Strahan, and Roe.

and the following were absent: None

Member introduced the following resolution and moved its adoption:

RESOLUTION No.

**RESOLUTION DIRECTING A TWELVE-MONTH PAUSE ON CERTAIN
APPLICATIONS FOR PUBLIC FINANCE ASSISTANCE RELATED TO NEW
MULTIFAMILY HOUSING**

WHEREAS, during the March 8, 2021 meeting of the Roseville Economic Development Authority (the “Authority”), at the request of City of Roseville (“City”) staff, the Board of Commissioners (the “Board”) of the Authority discussed a recent increase in the number of new multifamily housing units approved for construction in the City; and

WHEREAS, the Board’s discussion included a comparison of the new multifamily units against the City’s 2018 Housing Needs Assessment and affordable housing goals established as part of the City’s 2040 Comprehensive Plan; and

WHEREAS, the Board received input from the Police, Fire, Parks, and Public Works departments regarding the City’s ability to meet service demands expected to arise from the new multifamily units; and

WHEREAS, the Authority examined data indicating that since 2018, the City has approved nearly 1,000 units of new multifamily housing; and

WHEREAS, several other multifamily projects have been identified and are in various planning stages, potentially adding up to an additional 1,258 multifamily housing units to the City; and

44 WHEREAS, these multifamily housing units include a range of affordable and market
45 rate units for both general occupancy and seniors; and

46
47 WHEREAS, the addition of these housing units has resulted in meeting or exceeding the
48 following housing needs established in the City's 2018 Housing Needs Assessment:

- 49 1. 346 units of general occupancy affordable rental units (at 60% AMI) through year 2030
50 when 131 units were identified as a need, and
- 51 2. 337 units of senior affordable rental units (ranging from 50%-60% AMI) through year
52 2030 when 38 units were identified as a need, and
- 53 3. 196 units of senior market rate rental units through year 2030 when 138 were identified
54 as a need; and

55
56 WHEREAS, while great progress has been made to meet identified housing goals, the
57 Authority recognizes that certain multifamily housing needs remain, including:

- 58 1. General occupancy market rate rental units, and
- 59 2. General occupancy subsidized rental units (at 30% AMI), and
- 60 3. Senior subsidized rental units (at 30% AMI); and

61
62 WHEREAS, the Authority recognizes that support of public finance assistance for
63 multifamily projects can affect the project's financial viability and opportunity to bring the
64 project to fruition;

65
66 NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the
67 Roseville Economic Development Authority authorizes a 12-month pause on the acceptance of
68 applications for public finance assistance for new multifamily housing projects, subject to the
69 following exceptions:

- 70 a. Projects consisting of up to 100 units of 30% AMI rental housing, including
71 either general occupancy or senior.
- 72 b. Projects of up to 120 units of general occupancy market rate rental housing.
- 73 c. Preservation projects.
- 74 d. Projects that consist of amendments to previously approved public finance
75 assistance requests.
- 76 e. Projects seeking use of existing Hazardous Substance Subdistrict tax
77 increment which the City obtained special legislation to expend.
- 78 f. Projects seeking Sewer Access Charge (SAC) credits.
- 79 g. Projects by BIPOC-owned developers.
- 80 h. Smaller, niche projects, regardless of unit type, in unit counts ranging from
81 50-100.

82
83 BE IT FURTHER RESOLVED, that the Board of Commissioners of the Roseville Economic
84 Development Authority reserves the right to extend or shorten the 12-month pause on the
85 acceptance of applications for public finance assistance for new multifamily housing projects if

86 evidence is presented that such projects will not have a detrimental impact on the City's ability to
87 meet service demands.

88

89 The motion for the adoption of the foregoing resolution was duly seconded by Member _____,
90 and upon a vote being taken thereon, the following voted in favor thereof:

91

92 _____, _____, _____, and _____.

93

94 and the following voted against the same: _____.

95

96 WHEREUPON said resolution was declared duly passed and adopted.

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Certificate

I, the undersigned, being the duly appointed Executive Director of the Roseville Economic Development Authority, State of Minnesota, do hereby certify that I have carefully compared the attached and foregoing resolution with the original thereof on file in my office and further certify that the same is a full, true, and complete copy of a resolution which was duly adopted by the Board of Commissioners of said Authority at a duly called and specially held meeting thereof on March 22, 2021.

I further certify that Commissioner _____ introduced said resolution and moved its adoption, which motion was duly seconded by Commissioner _____, and that upon roll call vote being taken thereon, the following Commissioner voted in favor thereof:

And the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Witness my hand as the Executive Director of the Authority this 22nd day of March, 2021.

Executive Director
Roseville Economic Development Authority



REQUEST FOR ECONOMIC DEVELOPMENT AUTHORITY ACTION

Date: 03/08/21

Item No.: 5.b

Department Approval

Executive Director Approval

Item Description: Discussion regarding future requests for public finance assistance in support of new multi-family housing

1 BACKGROUND

2 Over the past two-four years the City has seen an influx of multi-family housing projects. Several
 3 have received public finance assistance, in the form of Sewer Access Charge (SAC) credits, hazardous
 4 substance sub-district tax increment, and/or redevelopment tax increment. Going back several more
 5 years reveals many projects, none of which received public finance assistance. In recognition of the
 6 number of units added, or to be added to the community, staff thought it would be appropriate to have
 7 a broader discussion with the EDA about the continued use of tax increment in support of multi-family
 8 housing projects. The timing of this discussion is important because there are two known projects in
 9 the community that have either already submitted an application for public finance assistance, or one
 10 is imminent, those being the PIK Terminal property (on Prior Avenue) in Twin Lakes and Rosedale
 11 Center. The EDA has also directed staff to pursue an affordable housing tax increment financing
 12 district for preservation of affordable units at the Marion Street/The Brittany apartments. All of these
 13 projects include multi-family housing, with the PIK Terminal property exploring approximately 525
 14 units of new market rate, family and senior affordable and Rosedale Center, which is exploring 500+
 15 units of new market rate, serving general occupancy and 55+. And while the underlying zoning of
 16 these properties allow multi-family housing, albeit through a conditional use process, it's possible
 17 these projects might not be able to proceed if they are unable to secure public finance assistance.
 18 Knowing whether assistance would be supported sooner in the planning efforts of the project could
 19 impact whether or not certain developers proceed. For example, the PIK Terminal site will require
 20 preparation of an Environmental Assessment Worksheet, coupled with plan preparation (even in
 21 conceptual terms), that, when combined, could cost tens of thousands of dollars. Staff is
 22 uncomfortable allowing this developer to proceed through those steps knowing we've had a large
 23 number of multi-family units approved recently and public finance assistance may not be certain.

24 Staff has determined the following amount of multi-family housing has been added to the community
 25 since 2018, including projects approved/funded but not yet started construction, as well as the two
 26 pending projects previously mentioned (PIK Terminal & Rosedale Center), both of which have not
 27 yet been approved/funded:

Project Name	Pending (unit count is estimated)	2021	2020	2019	2018
Common Bond's Owasso Gardens			60		

(affordable @ 60% AMI) ¹						
Twin Lakes Station's The Oasis (affordable @ 60% AMI) ²			228			
Twin Lakes Station's The Harbor (affordable @ 50% AMI) ³		277				
Sands Phase I The Edison (affordable @ 60% AMI)					59	
Sands Phase II The Edison (affordable @ 60% AMI) ⁴		59				
Sands Phase III The Edison (study underway for market rate)	120					
The Isaac (Luxury market rate) ⁵			117			
The Sanctuary (aka The Preserve) (senior market rate w/services)					103	
The Pointe (senior market rate)				93		
Langton Shores (senior market rate)	83					
Rosedale Center (general occupancy & 55+ market rate) ⁶	530					
PIK Terminal (200 general occupancy market rate units, 50 general occupancy affordable units (50% AMI), 275 senior affordable units (30%- 50% AMI)) ⁷	525					
TOTAL	1,258	336	405	93	162	2,254

29 1: SAC credits – 1st affordable senior-only housing project

30 2: Redevelopment TIF – priority site, environmental clean-up, high-amenities

31 3: Redevelopment TIF – priority site, environmental clean-up, high-amenities

32 4: SAC credits

33 5: Redevelopment & HSS (existing – not new) TIF – priority site, 1st market rate project in 30+ years, environmental clean-up

34 6: Tax Abatement application pending – seeking assistance on infrastructure in support of revitalizing a shopping mall

35 7: HSS (existing – not new) & Affordable Housing TIF application submitted – priority site, environmental clean-up

36 This in-flux of multi-family housing units increases the City's tax base, but also contributes to a
37 demand on City services, such as Police and Fire calls for service and park use. Further, on projects
38 that have (or could) receive tax increment assistance (or tax abatement), the tax increase generated by
39 these projects has typically gone to the developer to fill the financial gap that exists inherent to
40 affordable housing creation and/or clean-up of contaminated sites, meaning the new taxes are not
41 always set aside to fund staffing needs in support of the increase demand on services. Having stated
42 this, additional Police and Fire staff were added with the 2021 budget, but it is not known if this new
43 staff has capacity to take on additional service demand. Police and Fire Department staff do expect
44 additional demands if all the units outlined above are added to the community over the next few years.
45 For these reasons, staff felt it was prudent to check-in with the EDA to determine the appetite for
46 additional public finance assistance on new multi-family projects. Some pros and cons to funding
47 additional projects (or not) are outlined below:

48

Pros	Cons
Clean up contaminated land	Funding for additional demand on police, fire, and park needs
Expand affordable housing options	Taking on too much of the immediate area's affordable housing share
Facilitate redevelopment of high priority redevelopment areas (such as Twin Lakes)	No increase in tax base, including ripple effects of surrounding tax base
Facilitate continued success in an otherwise outdated industry (shopping malls)	Future of housing market is uncertain – may have to wait longer for redevelopment
Take advantage of a strong housing market	Construction jobs & building permit revenue loss
Contribute towards providing more sustainable housing options near urban core & transit corridors	
One-time administrative fees related to conduit debt (when applicable)	

49 Staff has provided the needs summary table from the Housing Needs Assessment conducted in 2018
50 and Comprehensive Plan excerpts regarding Roseville's share of the metropolitan area's affordable
51 housing need (Attachments A & B). Based on the projects outlined in the above table, compared
52 against Roseville's "need", the following are noted:

- 53 • General occupancy affordable rental units (60%-80% AMI) are met through 2030.
- 54 • Market-rate active adult (55+) rental units are met.
- 55 • 117 units of additional general occupancy market rate rental units are needed (assumes Sands
56 Phase III proceeds at ~100 units of market rate).
- 57 • A need remains for approximately 60-100 units of 30% AMI (generally seen as "subsidized").
- 58 • A need remains for for-sale multi-family (condos, townhomes, twin homes) and for-sale single
59 family housing.
- 60 • It's likely additional congregate living, assisted living, and memory care units could be
61 absorbed, but in staff's experience these projects have not sought public finance assistance and
62 so were not reviewed in-depth for the purposes of this discussion.

63 Any time a City creates a new tax increment financing district, a fiscal impact questionnaire is required
64 to be completed by Police, Fire and Public Works. The intent with these is to try and capture additional
65 service needs arising from individual projects. The problem with these questionnaires is they look at
66 each individual project, but service demands typically arise out of several projects over time, not by
67 just one. Police, Fire, Parks and Public Works staff have reviewed and provided input on this topic
68 and will be available to address any questions the EDA may have regarding additional demand for
69 City services generated by new multi-family housing projects.

70 Lastly, the City can't control every multi-family housing project that materializes. For example,
71 several of the projects noted in the above table, as well as projects that have come online earlier than
72 2018, did so without public finance assistance and in full compliance with underlying zoning
73 regulations. So, regardless of the EDA's direction on the continued use of public finance assistance
74 in support of multi-family housing projects, additional multi-family units are likely to materialize in
75 the near future.

76 **POLICY OBJECTIVE**

77 As a matter of adopted policy, Roseville may consider using public financing, which may include tax
78 increment financing, tax abatement, bonds, and other forms of public financing as appropriate, to assist
79 private development projects.

80 **BUDGET IMPLICATIONS**

81 Redevelopment projects increase the tax base, which may limit the impact to taxpayers on future tax
82 levy increases. But, the use of public finance assistance may impact the amount of new tax revenue
83 available to fund an increase in the demand on City services. Also, all the tax increment districts
84 created in the last few years have been for terms far less than the full 26 years allowed under statute.
85 This means the obligation to the developer is forecasted to be paid off early, allowing early
86 decertification of the district, bringing tax revenue back to the City for general taxing purposes early.

87 **STAFF RECOMMENDATION**

88 Receive information and provide direction on the continued use of public finance assistance in support
89 of new multi-family housing projects.

90 **REQUESTED EDA ACTION**

91 Receive information and provide direction on the continued use of public finance assistance in support
92 of new multi-family housing projects. Direction could include one or more of the following:

- 93 1. Direct staff to communicate to developers a temporary pause on public finance assistance
94 requests in support of new multi-family housing projects.
- 95 2. Direct staff to communicate to developers that public finance assistance requests will only be
96 accepted (not necessarily approved) for the following types of projects:
 - 97 ○ Non multi-family rental projects, except projects of up to 100 units of 30% AMI rental
98 and projects of up to 120 units of market rate rental.
 - 99 ○ Projects that consist of amendments to previously approved public finance assistance
100 requests.
 - 101 ○ Preservation projects.
- 102 3. Direct staff to communicate to developers that public finance assistance requests will only be
103 accepted for certain projects deemed of City priority, which could include the Marion
104 Street/The Brittany apartments, PIK Terminal property, and/or Rosedale Center.
- 105 4. Direct staff to continue the status quo on public finance assistance requests.

Prepared by: Janice Gundlach, Community Development Director, 651-792-7071
 Attachments: A: Summary Table from Housing Needs Assessment
 B: Roseville's affordable housing share per Met Council
 C: Public Finance & Business Subsidy Policy

RECOMMENDATIONS AND CONCLUSIONS

Introduction/Overall Housing Recommendations

This section summarizes demand calculated for specific housing products in Roseville and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Market Analysis*. The following table and charts illustrate calculated demand by product type. It is important to recognize that housing demand is highly contingent on projected household growth; household growth could be higher with available land for development and increased densities.

TABLE H-1 SUMMARY OF HOUSING DEMAND CITY OF ROSEVILLE October 2018		
Type of Use	2018-2030	
General-Occupancy		
Rental Units - Market Rate	354	
Rental Units - Affordable	131	
Rental Units - Subsidized	75	
For-Sale Units - Multifamily	220	
For-Sale Units - Single-Family	110	
Total General Occupancy Supportable	890	
	2018	2023
Age-Restricted (Senior)		
Market Rate		
Adult Few Services (Active Adult)	141	334
<i>Ownership</i>	61	196
<i>Rental</i>	80	138
Independent Living (Congregate)	96	126
Assisted Living	120	143
Memory Care	98	113
Total Market Rate Senior Supportable	455	716
Affordable/Subsidized		
Active Adult - Subsidized	86	128
Active Adult - Affordable	16	38
Total Affordable Senior Supportable	102	166
Note: Due to limited land availability, not all of the demand may be able to be developed in Roseville		
Source: Maxfield Research & Consulting, LLC		

TABLE 5-1 SOURCE: METROPOLITAN COUNCIL EXISTING HOUSING ASSESSMENT 2016

	Cost-Burdened Households			Total percent cost-burdened
	≤ 30% AMI	> 30 - 50% AMI	> 50 - 80% AMI	
Roseville	11%	8%	5%	24%
St. Anthony	12%	8%	4%	24%
Falcon Heights	12%	9%	2%	23%
Little Canada	9%	12%	3%	24%
New Brighton	14%	8%	3%	25%
Shoreview	7%	6%	5%	17%
<i>Twin Cities Region</i>	<i>10%</i>	<i>8%</i>	<i>6%</i>	<i>24%</i>

Meeting the Regional Affordable Housing Allocation Share

Roseville, along with every community in the metro area, is responsible for retaining an adequate regional share of affordable housing. The Housing Element of Metropolitan Council's *Thrive MSP 2040* plan has determined the affordable housing requirement for every community by affordability level, based on a household's relationship to the area median income (AMI).

While Roseville's existing affordable housing is considered when determining its share of 2021-2030 regional affordable housing, the City's allocation is also driven by other factors, namely *forecasted growth* and the City's *low-wage jobs-to-workers* ratio. Based on Roseville's forecasted total growth of 400 households from 2020 to 2030, a regional factor first estimates that about one-third of those new households should be affordable. Next, an existing affordable housing factor is applied; in Roseville, the higher rate of existing housing affordability than the regional average actually reduces the initial affordable housing share estimate. Finally, with the goal of expanding household choice for low-income households and aligning low-income housing with low-wage jobs, the final adjustment is based on whether a city has more low-wage jobs than low-wage workers. Because Roseville's low-wage job to worker ratio is significantly higher than the regional average, the affordable housing allocation is adjusted upward. The final result is a total affordable housing allocation of 142 households between 2021-2030, or 36 percent of forecasted new households in that decade.

The affordable housing need allocation is then further broken out by affordability in terms of regional area median income levels. Roseville's affordable housing allocation is shown by affordability level in [TABLE 5-2](#).

TABLE 5-2 SOURCE: METROPOLITAN COUNCIL EXISTING HOUSING ASSESSMENT 2016

Affordable Housing Need Allocation, 2021-2030	
At or Below 30% AMI	72
From 31 to 50% AMI	50
From 51 to 80% AMI	20
Total Units	142
<i>AMI = Area Median Income</i>	

Housing calculations from [TABLE 5-3 AND TABLE 5-4](#) indicate that Roseville has guided sufficient high-density land at a minimum of eight units per acre to produce 245 units of housing at affordable densities in the 2021-2030 decade, which well exceeds the Metropolitan Council's affordable housing allocation of 120 units.

It is important to note that Roseville's current housing stock of single-family homes provides a source of affordable housing to new home-buyers moving into the city beyond the new development counted toward the Metropolitan Council's allocation. The smaller single-family homes constructed in the 1950s, 60s, and 70s (making up the vast majority of the single-family homes in the city), will be available to new home-buyers as older residents move out of those homes and seek other housing options in the coming decades.

Of the 4,661 acres guided residential in Roseville, only 50.9 of these acres are expected to be re-developable within the 2040 planning horizon. Affordable densities, as defined by the Metropolitan Council, are those with a minimum of eight units per acre. Because the minimum residential density in all of Roseville's high-density residential and mixed-use redevelopment areas is greater than eight units per acre, all housing expected to be developed in these districts within the 2021 – 2030 decade qualifies as affordable housing. [TABLE 5-4](#) below summarizes the residential redevelopment potential from the land use chapter, and highlights with a red outline the units that would be considered affordable to meet Roseville's regional affordable allocation.



**City of Roseville and
Roseville Economic Development Authority
Public Financing Criteria and Business Subsidy Policy
Adopted October 17, 2016**

INTRODUCTION:

This Policy is adopted for purposes of the business subsidies act, which is Minnesota Statutes, Sections 116J.993 through 116J.995 (the “Statutes”). Terms used in this Policy are intended to have the same meanings as used in Statutes. Subdivision 3 of the Statutes specifies forms of financial assistance that are not considered a business subsidy. This list contains exceptions for several activities, including redevelopment, pollution clean-up, and housing, among others. By providing a business subsidy, the city commits to holding a public hearing, as applicable, and reporting annually to the Department of Employment and Economic Development on job and wage goal progress.

1. PURPOSE AND AUTHORITY

- A. The purpose of this document is to establish criteria for the City of Roseville and the Roseville Economic Development Authority (“EDA”) for granting of business subsidies and public financing for private development within the City. As used in this Policy, the term “City” shall be understood to include the EDA. These criteria shall be used as a guide in processing and reviewing applications requesting business subsidies and/or City public financing.
- B. The City's ability to grant business subsidies is governed by the limitations established in the Statutes. The City may choose to apply its Business Subsidy Criteria to other development activities not covered under this statute. City public financing may or may not be considered a business subsidy as defined by the Statutes.
- C. Unless specifically excluded by the Statutes, business subsidies include grants by state or local government agencies, contributions of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient of the subsidy, any reduction or deferral of any tax or any fee, tax increment financing (TIF), abatement of property taxes, loans made from City funds, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

- D. These criteria are to be used in conjunction with other relevant policies of the City. Compliance with the Business Subsidy Criteria and City Public Financing Guidelines shall not automatically mean compliance with such separate policies.
- E. The City may deviate from the job and wage goals criteria outlined in Section 5 D and E below by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to the Department of Employment and Economic Development with the next annual report.
- F. The City may amend this document at any time. Amendments to these criteria are subject to public hearing requirements contained in the Statutes.

2. CITY'S OBJECTIVE FOR THE USE OF PUBLIC FINANCING

- A. As a matter of adopted policy, the City may consider using public financing which may include tax increment financing (TIF), tax abatement, bonds, and other forms of public financing as appropriate, to assist private development projects. Such assistance must comply with all applicable statutory requirements and accomplish one or more of the following objectives:
 1. Remove blight and/or encourage redevelopment in designated redevelopment/development area(s) per the goals and visions established by the City Council and EDA.
 2. Expand and diversify the local economy and tax base.
 3. Encourage additional unsubsidized private development in the area, either directly or through secondary "spin-off" development.
 4. Offset increased costs for redevelopment over and above the costs that a developer would incur in normal urban and suburban development (determined as part of the But-For analysis).
 5. Facilitate the development process and promote development on sites that could not be developed without this assistance.
 6. Retain local jobs and/or increase the number and diversity of quality jobs
 7. Meet other uses of public policy, as adopted by the City Council from time to time, including but not limited to promotion of quality urban design, quality architectural design, energy conservation, sustainable building practices, and decreasing the capital and operating costs of local government.

3. PUBLIC FINANCING PRINCIPLES

- A. The guidelines and principles set forth in this document pertain to all applications for City public financing regardless of whether they are considered a Business Subsidy as defined by the Statutes. The following general assumptions of development/redevelopment shall serve as a guide for City public financing:

1. All viable requests for City public financing assistance shall be reviewed by staff, and, if staff so designates, a third party financial advisor who will inform the City of its findings and recommendations. This process, known as the “But For” analysis is intended to establish the project would not be feasible but for the City assistance.
2. The City shall establish mechanisms within the development agreement to ensure that adequate checks and balances are incorporated in the distribution of financial assistance where feasible and appropriate, including but not limited to:
 - a. Third party “but for” analysis
 - b. Establishment of “look back provisions”
 - c. Establishment of minimum assessment agreements
3. TIF and abatement will be provided on a pay-as-you-go-basis. Any request for upfront assistance will be evaluated on its own merits and may require security to cover any risks assumed by the City.
4. The City will set up TIF districts in accordance with the maximum number of statutory years allowable. However, this does not mean that the developer will be granted assistance for the full term of the district.
5. The City will elect the fiscal disparities contribution to come from inside applicable TIF district(s) to eliminate any impact to the existing tax payers of the community.
6. Public financing will not be used to support speculative commercial, office or housing projects. In general the developer should be able to provide market data, tenant letters of commitment or finance statements which support the market potential/demand for the proposed project.
7. Public financing will generally not be used to support retail development. The City may consider projects that include a retail component provided they meet a Desired Qualification as identified in Section 4.2.C(8) of this policy.
8. Public financing will not be used in projects that would give a significant competitive financial advantage over similar projects in the area due to the use of public subsidies. Developers should provide information to support that assistance will not create such a competitive advantage. Priority consideration will be given to projects that fill an unmet market need.
9. Public financing will not be used in a project that involves a land and/or property acquisition price in excess of fair market value.
10. The developer will pay all applicable application fees and pay for the City and EDA’s fiscal and legal advisor time as stated in the City’s Public Assistance Application.

11. The City will not consider waiving fees including, but not limited to, building permit fees, park dedication fees, SAC charges, and planning and zoning application fees. The City may consider using SAC credits, to the extent they are available, to off-set a project's SAC expenses.
12. The developer shall proactively attempt to minimize the amount of public assistance needed through the pursuit of grants, innovative solutions in structuring the deal, and other funding mechanisms.
13. All developments are subject to execution and recording of a Minimum Assessment Agreement.

4. PROJECTS WHICH MAY QUALIFY FOR PUBLIC FINANCING ASSISTANCE

- A. All new applications for assistance considered by the City must meet each of the following minimum qualifications. However, it should **not** be presumed that a project meeting these qualifications will automatically be approved for assistance. Meeting the qualifications does not imply or create contractual rights on the part of any potential developer to have its project approved for assistance.

4.1 MINIMUM QUALIFICATIONS/REQUIREMENTS:

- A. In addition to meeting the applicable requirements of State law, the project shall meet one or more of the public financing objectives outlined in Section 2.
- B. The developer must demonstrate to the satisfaction of the City that the project is not financially feasible "but for" the use of tax increment or other public financing.
- C. The project must be consistent with the City's Comprehensive Plan and Zoning Ordinances, Design Guidelines or any other applicable land use documents.
- D. Prior to approval of a financing plan, the developer shall provide any requested market and financial feasibility studies, appraisals, soil boring, private lender commitment, and/or other information the City or its financial consultants may require in order to proceed with an independent evaluation of the proposal.
- E. The developer must provide adequate financial guarantees to ensure the repayment of any public financing and completion of the project. These may include, but are not limited to, assessment agreements, letters of credit, personal deficiency guarantees, guaranteed maximum cost contract, etc.
- F. Any developer requesting assistance must be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed. Public financing will not be used when the developer's credentials, in the sole judgment of the City, are inadequate due to past history relating to completion of projects, general reputation, and/or bankruptcy, or other problems or issues considered relevant to the City.

- G. The developer, or its contractual assigns, shall retain ownership of any portion of the project long enough to complete it, to stabilize its occupancy, to establish project management and/or needed mechanisms to ensure successful operation.

4.2 DESIRED QUALIFICATIONS:

- A. Projects providing a high ratio of private investment to City public investment will receive priority consideration. Private investment includes developer cash, government and bank loans, conduit bonds, tax credit equity, and land if already owned by the developer.
- B. Proposals that significantly increase the amount of property taxes paid after redevelopment will receive priority consideration.
- C. Proposals that encourage the following will receive priority consideration:
1. Implements the City's vision and values for a City-identified redevelopment area
 2. Provides significant improvement to surrounding land uses, the neighborhood, and/or the City
 3. Attracts or retains a significant employer within the City
 4. Promotes multi-family housing investment that meets the following City goals:
 - a. Extensive rehabilitation of existing multi-family housing stock
 - b. Demonstration of need for the type of multi-family housing proposed through a market study or other reliable market data.
 - c. Multi-family workforce housing proposals that include amenities similar to those found in market rate housing
 - d. Workforce housing proposals that consider innovative and alternative forms of development and do not include high-rise buildings
 5. Provides significant rehabilitation or expansion and/or replacement of existing office or commercial facility
 6. Provides opportunities for corporate campus or medical office development
 7. Provides opportunity for hi-tech, med-tech, R & D facilities/office or major manufacturer
 8. Provides opportunities for small businesses (under 50 employees) that are non, start-up companies
 9. Provides opportunities for small businesses that may enhance the quality of life within neighborhoods
 10. Redevelops a blighted, contaminated and/or challenged site

11. Adds needed road, access and multi-modal improvements
12. Addition of specific project enhancements including, but not limited to, architectural upgrades, pedestrian and transit connections, green building practices and enhanced site planning features.

5. BUSINESS SUBSIDY PUBLIC PURPOSE, JOBS AND WAGE REQUIREMENT

- A. All business subsidies must meet a public purpose with measurable benefit to the City as a whole.
- B. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable. The City shall document the information used to determine the nature of the job loss.
- C. The creation of tax base shall not be the sole public purpose of a subsidy.
- D. Unless the creation of jobs is removed from a particular project pursuant to the requirements of the Statutes, the creation of jobs is a public purpose for granting a subsidy. Creation of at least **3** Full Time, or Full Time Equivalent (FTE) jobs is a minimum requirement for consideration of assistance. For purposes of this Policy, FTE's must be permanent positions with set hours, and be eligible for benefits.
- E. The wage floor for wages to be paid for the jobs created shall be not less than 300% of the State of MN Minimum Wage. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy. Wage goals may also be set to enhance existing jobs through increased wages, which increase must result in wages higher than the minimum under this Section.
- F. After a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero.

6. SUBSIDY AGREEMENT

- A. In granting a business subsidy, the City shall enter into a subsidy agreement with the recipient that provides the following information: wage and job goals (if applicable), commitments to provide necessary reporting data, and recourse for failure to meet goals required by the Statutes.
- B. The subsidy agreement may be incorporated into a broader development agreement for a project.
- C. The subsidy agreement will commit the recipient to providing the reporting information required by the Statutes.

7. PUBLIC FINANCING PROJECT EVALUATION PROCESS

- A. The following methods of analysis for all public financing proposals will be used:
1. Consideration of project meeting minimum qualifications
 2. Consideration of project meeting desired qualifications
 3. Project meets “but-for” analysis and/or statutory qualifications
 4. Project is deemed consistent with City’s Goals and Objectives

Please note that the evaluation methodology is intended to provide a balanced review. Each area will be evaluated individually and collectively and in no case should one area outweigh another in terms of importance to determining the level of assistance.



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March 17, 2021

Mayor Dan Roe
2660 Civic Center Dr, Roseville, MN 55113
Roseville, MN 55113

Dear Mayor Roe,

Roers Companies is the proposed developer for the PIK Terminal Site located at 2690 Prior Ave North and has been in negotiations with the Seller to purchase the site since November 2020. A letter of intent to purchase was signed on December 11th and we have been diligently working on a purchase agreement since that date.

Since then, we have completed a Phase I environmental study as well as a market study and have had numerous conversations with our consultants as well as the MPCA to better understand the environmental issues at the site.

We are requesting that the Economic Development Authority reconsider the changes to their Business Subsidy Policy that were discussed at the March 8th, 2021 meeting. If these changes go into effect, the redevelopment of the PIK Terminal site would not be possible.

The largest factors that contribute to the necessity for TIF assistance on this site include major environmental contamination, the high cost of land in Roseville, increasing construction costs, and reduced rents that are required for an affordable project.

There is a considerable amount of environmental remediation that needs to be addressed at the site. The site is registered as a "Superfund" site by MPCA, which means that it was determined that the site poses a threat or potentially poses a threat to public health or the environment.

Based on the testing that's been completed to date, the contaminants of concern are petroleum, soil vapor, and trichloroethylene (TCE) that's been sinking into the groundwater. Based on calls with consultants and the MPCA, there is still a considerable amount of testing that needs to be completed before a Response Action Plan as well as a Remedial Action Plan could be approved. The initial estimates for the cost of the cleanup based on current information is \$4 - \$10 Million dollars.

Due to the complexity of the site and overlapping contamination, it would be difficult to break the site down into smaller projects since the MPCA will need a cohesive plan to address the overall remediation. This limits the potential buyers of the site and requires a larger and more experienced developer to tackle these issues. Roers Companies has developed over 5,400 units across the Midwest and is experienced in dealing with similar environmental issues.

Roseville is a desirable place to live due to its proximity to jobs, shopping, and entertainment and that has contributed to an increasing land price. The PIK Terminal site is also one of few remaining redevelopment sites in the City as well as the Twin Lakes Redevelopment area. In reviewing land sales of sites of similar scale, the average price for land has been about \$14/square foot.



Site	Cost	Size (acres)	Size (SF)	\$/SF
Boater's Outlet	\$9,400,000	13.18	574,121	\$ 16.37
2720 Fairview Ave	\$3,450,000	5.66	246,550	\$ 13.99
PIK Terminal Site	\$7,500,000	12.45	542,322	\$ 13.83

The high land cost coupled with the required environmental remediation make a larger scale project a necessity to make the site financially feasible for any use.

Our proposed project will bring a diverse mix of housing that will serve much needed populations in Roseville and the greater Twin City area. The project will bring Affordable active adult rentals at the 30% and 50% levels, affordable rentals at the 50% level and market rate housing, which are all identified needs in the 2018 Maxfield Market Study. Even with all of the recent development in the area, vacancy rates remain low at less than 3% in Roseville and the surrounding area.

	Units		Average Rent		Pct	Vacancy Rate		Pct
	Surveyed	3Q / 2020	3Q / 2019	Change	3Q / 2020	3Q / 2019	Change	
Mounds View / Spring Lake Park								
1BR	537	\$865	\$849	1.9%	1.3%	1.2%	0.1%	
2BR	525	\$998	\$986	1.2%	1.1%	1.8%	-0.6%	
Total	1,072	\$932	\$922	1.1%	1.2%	1.5%	-0.2%	
New Brighton								
1BR	653	\$1,005	\$989	1.6%	1.2%	1.7%	-0.5%	
2BR	1,148	\$1,104	\$1,068	3.4%	2.0%	1.2%	0.8%	
Total	1,850	\$1,073	\$1,049	2.3%	1.8%	1.5%	0.3%	
Roseville								
1BR	1686	\$1,016	\$1,001	1.5%	2.3%	1.7%	0.5%	
2BR	956	\$1,278	\$1,225	4.3%	2.7%	1.9%	0.8%	
3BR	78	\$1,633	\$1,612	1.3%	6.4%	7.0%	-0.6%	
Total	2881	\$1,117	\$1,089	2.6%	2.5%	1.9%	0.6%	
St. Anthony								
1BR	364	\$1,061	\$1,048	1.2%	2.7%	2.7%	0.0%	
2BR	473	\$1,268	\$1,253	1.2%	2.5%	2.1%	0.4%	
Total	967	\$1,215	\$1,206	0.7%	2.5%	2.3%	0.2%	
Shoreview / Arden Hills								
1BR	763	\$1,152	\$1,048	9.9%	0.9%	2.5%	-1.6%	
2BR	562	\$1,470	\$1,284	14.5%	3.2%	3.5%	-0.3%	
Total	1,460	\$1,314	\$1,155	13.8%	1.8%	2.8%	-1.0%	
St. Paul NW of Interstates 35E & 94								
Stu	360	\$964	\$931	3.5%	4.4%	0.7%	3.7%	
1BR	2,338	\$1,095	\$1,011	8.3%	1.6%	2.0%	-0.3%	
2BR	1,774	\$1,323	\$1,273	3.9%	2.4%	2.0%	0.4%	
Total	4,527	\$1,187	\$1,131	5.0%	2.2%	1.9%	0.3%	
Minneapolis NE								
Stu	566	\$1,064	\$990	7.5%	6.0%	3.8%	2.2%	
1BR	2,467	\$1,025	\$967	6.0%	3.9%	2.5%	1.3%	
2BR	1,697	\$1,306	\$1,273	2.6%	2.7%	1.2%	1.5%	
3BR	171	\$1,839	\$1,832	0.4%	1.8%	0.0%	1.8%	
Total	4,953	\$1,158	\$1,117	3.7%	3.6%	2.1%	1.5%	
Twin Cities Metro Area								
Studio	10,267	\$1,090	\$1,048	4.0%	4.7%	2.7%	2.0%	
1BR	69,543	\$1,148	\$1,115	3.0%	3.6%	2.5%	1.2%	
2BR	63,271	\$1,403	\$1,363	2.9%	3.5%	2.5%	1.0%	
3BR	7,870	\$1,701	\$1,656	2.7%	3.0%	2.6%	0.3%	
Total	159,380	\$1,293	\$1,265	2.2%	3.6%	2.5%	1.0%	

Sources: Marquette Advisors: Apartment Trends; Viewpoint Consulting Group, Inc.

We would be open to exploring the addition of more 30% units in our project, but an increase in 30% units requires additional subsidy to make the project financially feasible. The chart below shows the maximum rents for 30%, 50%, and 60% AMI's in the Twin City Metro. These rents are further reduced by a utility allowance for any utility that is paid by the tenant.

LIHTC Income Limits for 2020 (Based on 2020 MTSP Income Limits)						
	Charts	60.00%	60.00%	50.00%	30.00%	140.00%
1 Person	☞	43,440	43,440	36,200	21,720	60,816
2 Person	☞	49,680	49,680	41,400	24,840	69,552
3 Person	☞	55,860	55,860	46,550	27,930	78,204
4 Person	☞	62,040	62,040	51,700	31,020	86,856
5 Person	☞	67,020	67,020	55,850	33,510	93,828
6 Person	☞	72,000	72,000	60,000	36,000	100,800
7 Person	☞	76,980	76,980	64,150	38,490	107,772
8 Person	☞	81,900	81,900	68,250	40,950	114,660
9 Person	☞	86,880	86,880	72,400	43,440	121,632
10 Person	☞	91,800	91,800	76,500	45,900	128,520
11 Person	☞	96,780	96,780	80,650	48,390	135,492
12 Person	☞	101,760	101,760	84,800	50,880	142,464

LIHTC Rent Limits for 2020 (Based on 2020 MTSP/ALI Income Limits)						
Bedrooms (People)	Charts	60.00%	60.00%	50.00%	30.00%	FMR
Efficiency (1.0)	☞	1,086	1,086	905	543	820
1 Bedroom (1.5)	☞	1,164	1,164	970	582	971
2 Bedrooms (3.0)	☞	1,396	1,396	1,163	698	1,214
3 Bedrooms (4.5)	☞	1,613	1,613	1,344	806	1,722
4 Bedrooms (6.0)	☞	1,800	1,800	1,500	900	2,025
5 Bedrooms (7.5)	☞	1,986	1,986	1,655	993	

As you can see, the maximum allowable rent for a 30% unit is roughly half of a 60% unit. Looking at our proposed 275-unit affordable senior project, here are some scenarios at the different AMI levels.

275 Unit Project	Potential Revenue	Reduction in Revenue	NOI	Reduction in NOI	Supportable 1st Mortgage	Reduction in 1st Mortgage
100% at 30% AMI's	1,868,400	-54%	\$438,959	-82%	\$ 7,634,070	-82%
100% at 50% AMI's	3,309,300	-18%	\$1,750,003	-27%	\$ 30,434,835	-27%
100% at 60% AMI's	4,030,500	0%	\$2,411,163	0%	\$ 41,933,270	0%

The difference in a supportable mortgage between the 100% at 60% and 100% at 30% AMI levels is \$34,000,000, creating a huge financial gap. Some projects can utilize Project Based Vouchers (PBV's) to collect higher rent on the 30% units, but Metro HRA has announced that all of their federally subsidized housing vouchers are in use and helping low-income families pay rent. The payment standard for those vouchers is below:

Unit Size	Payment Standard
Efficiency	\$810
One Bedroom	\$960
Two Bedroom	\$1,200
Three Bedroom	\$1,700
Four Bedroom	\$2,000

Roers will be using high quality materials and finishes that are built to last since we intend to be the long-term owner of these projects. We will also be enrolling both of these projects in the Xcel Energy Design Assistance (EDA) program to ensure that the construction design is maximizing energy efficient features. We will also likely be adding environmentally friendly components such as electric car charging stations.

In conclusion, Roers requests that the EDA reconsider the planned changes to the Business Subsidy Policy and help bring this \$150 million investment to its community and we look forward to discussing this at the EDA meeting next Monday.

Thank you,



Brian Roers
Partner
Roers Companies