



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.

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Attachments: A: Resolution
B: 3/8/2021 EDA materials
C: 3/17/2021 letter RE PIK property