



## City Council Memorandum

**TO:** Mayor and City Council

**THROUGH:** Tim Murray, City Administrator  
Deanna Kuennen, Community and Econ Dev Director

**FROM:** Kim Clausen, Community Development Coordinator

**MEETING DATE:** April 23, 2019

**SUBJECT:** Letter Supporting Joseph Development (MWF Properties) Application for Low-Income Housing Tax Credits

### Background:

In March 2019, Matt Yetzer of Joseph Development (MWF Properties) presented information to the City Council on a proposed 76-unit apartment complex located at 405 Western Avenue. The draft concept plan includes a 76-unit building, with:

- 90 underground parking stalls
- 84 surface parking stalls
- Community room and fitness center
- Controlled access
- Security cameras
- In-unit laundry
- Bike storage
- Secure package room
- 1, 2 and 3 bedroom units
- On-site property management and maintenance

Proposed rents for this development are estimated to range from \$875-\$1,215 per month, for a rate of approximately \$1.08-\$1.23/s.f. The units will be income restricted to 60-percent of the Area Median Income, but residents are responsible for the full amount of the rent. The approximate average rental rate in Faribault is around \$1.00/s.f.

As part of their financing package, they are seeking LIHTC from Minnesota Housing, as well as Tax Increment Financing (TIF) from the City of Faribault. As part of their LIHTC application (due June 4), the Developer requires a letter of support from the City. Preliminary analysis prepared by Ehlers, indicates the need for a 15-year TIF note with a principal amount of \$489,966. If Joseph Development is awarded the LIHTC, they will complete a formal TIF application process, including a public hearing.

### Recommendation:

The City Council is asked to approve the letter of support for the Joseph Development application for Low Income Housing Tax Credits.



April 18, 2019

Minnesota Housing Finance Agency  
400 Sibley Street, Suite 300  
St. Paul, MN 55101-1998

**RE: Letter of Support for Joseph Development**

The City of Faribault is supportive of Joseph Development's application for Minnesota Housing Tax Credits to construct a 76-unit apartment building (the "Project") for affordable workforce housing. The City intends to process an application for a Tax Increment Financing district supporting the Project, including a 15-year TIF Note in an amount up to \$489,966 in principal to address a funding gap for the Project.

Faribault is located in Rice County along the Interstate 35 corridor, approximately 45 minutes south of the Twin Cities metropolitan area. According to the Minnesota Demographer's Office, the City's Population (2017) is approximately 23,769. The City continues to grow and has a mix of housing including historic 19<sup>th</sup>-Century homes in older neighborhoods, new single-family developments and over 2,700 rental units.

The proposed project is located on the southeast intersection of Western Avenue and 4<sup>th</sup> Street NW. Single-family homes border the project on the east and across Western Avenue to the west. Manufactured home parks are located both south of the site and north of the site across 4<sup>th</sup> Street NW. The northwest intersection of Western Avenue and 4<sup>th</sup> Street NW is part of a large commercial area that includes Wal-Mart, Pet-Smart, JoAnn Fabrics, banking, laundromat, restaurants, office/retail uses and the food shelf. Hiawathaland Transit has a bus stop in front of Wal-Mart. This site also has easy access to T.H. 60 and Interstate 35.

In 2017, the Faribault Housing and Redevelopment Authority hired Maxfield Research & Consulting to conduct a Vacancy Study of the city and the surrounding area. The study found that vacancy rates have continued to decrease over the past four years, especially among properties that are income-restricted. Properties with income restrictions have few or no vacancies and many have long waiting lists. In 2015, the overall vacancy rate was 1.3-percent, in 2016 it was 1.2-percent, and in 2017 it was less than 1-percent. From 2010 to 2017, the proportion of renter households in the Faribault Draw Area increased to 27.2-percent from 25.2-percent. Large proportional increases in renter households in the Faribault Draw Area are shown primarily for the age categories, 25 to 34 and 35 to 44, the prime renter age cohorts.

Within Faribault, major employers include Faribault Foods, Daiken, Aldi, Sage Electrochromics, KGP Logistics, Minnesota Department of Corrections, Faribault School District 656, and Allina Hospital and Clinic. Of these, Faribault Foods, Daiken, Aldi and Sage have all recently completed, or are in the process of, major building and workforce expansions. Rice County's job growth surged between 2010 and 2017, increasing by 2,817 jobs, or 12.6-percent. The proportional increase in jobs in Rice County nearly matched that of the Twin Cities Metro Area, which experienced a 13-percent increase in jobs during the same period. Unfortunately, it has been difficult for these businesses to recruit new employees, due in part to the shortage of available housing.

Faribault is also an increasingly diverse community, with a large number of East African immigrants and residents of Hispanic ethnicity. According to a 2018 Housing Study commissioned by the Rice County Housing and Redevelopment Authority, Faribault is the most diverse city in the County, with a 19-percent minority population. This has also led to larger households, and a need for larger housing units.

Faribault is a diverse, independent community of neighborhoods, growing industries, and convenient access to interstates. It is our desire to increase housing options for all, and that the residents of this workforce housing project will remain in the City of Faribault and continue to be a part of our community as the families' incomes increase above the median income eligibility thresholds.

Sincerely,

Kevin Voracek  
Mayor, City of Faribault