

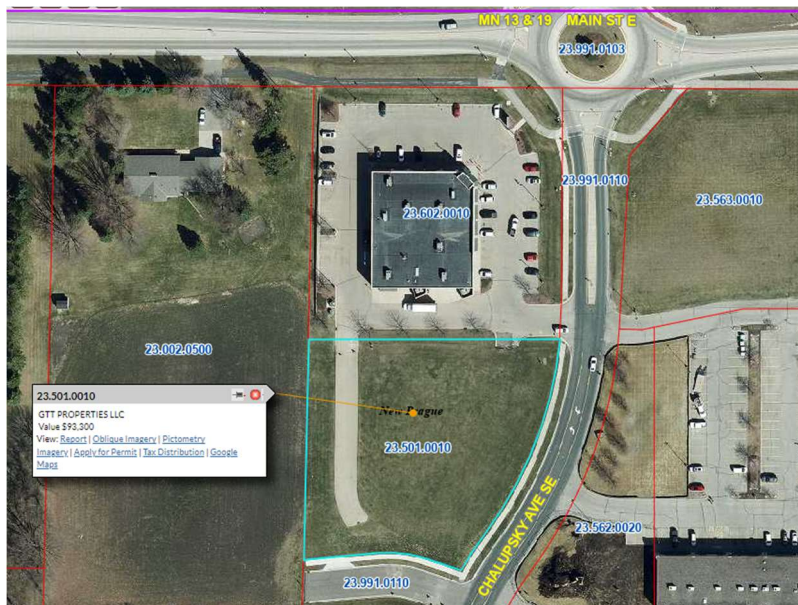


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## MEMORANDUM

**TO:** HONORABLE MAYOR AND CITY COUNCIL  
**CC:** JOSHUA M. TETZLAFF, CITY ADMINISTRATOR  
**FROM:** KENNETH ONDICH, PLANNING / COMMUNITY DEVELOPMENT DIRECTOR  
**SUBJECT:** PUBLIC HEARING FOR POSSIBLE TAX ABATEMENT FOR 54 UNIT MARKET RATE APARTMENT BUILDING  
**DATE:** OCTOBER 16, 2024

Since this spring, the City staff has been working with Ebert Construction on the possibility of constructing a 54-unit market rate apartment building on PID 23.501.0010 (Lot 1, Block 1, Deutschland First Addition) which is the vacant lot immediately south of Walgreens.



The developer asked the City about any incentives that might be available to make the project financially feasible and it was discussed that the state has the Workforce Housing Development Program that assists eligible recipients (the City is an eligible recipient as a city in “Greater Minnesota”) to finance qualified expenditures to develop market rate residential rental properties to address the lack of workforce housing

in Greater Minnesota. While the City did apply for the Workforce Housing Development program for this project, it was not awarded funds which could have totaled up to \$499,999.

In order to spread the tax abatement burden, the City has approached LeSueur County and the School District about participating as all three taxing entities will share in the benefits of the new apartment building which would not otherwise occur without the tax abatement. The School District held their required public hearing on September 23<sup>rd</sup> to consider the tax abatement request and approved a resolution and is anticipated to approve the abatement agreement at their meeting on Monday October 28<sup>th</sup>. Le Sueur County held their public hearing on October 15<sup>th</sup> and ultimately voted 4-0-1 to not approve the resolution to approve the tax abatement.

Since this matter was last in front of the City Council, the terms of the abatement have been reduced to an amount that we believe will be agreeable to all parties involved.

Mikaela Huot with Baker Tilly (the City's consultant) has provided the attached memo showing what the shared tax abatement among all three entities would be over a 15-year time period with the abatement starting at 100% for 5 years, reducing to 66% for the next five years and again reducing to 33% for the final five years. Also attached is the abatement agreement.

Additional information provided with this memo includes the anticipated unit mix, picture of the site, site plan, and draft building elevations.

The current proposed mix of units is as follows which would be attractive as a housing option for the city in general as well as for school district employees and likely a few families as well:

- Alcove (Studio) – 12
- 1 Bedroom – 29
- 1 Bedroom + Den – 2
- 2 Bedroom – 11

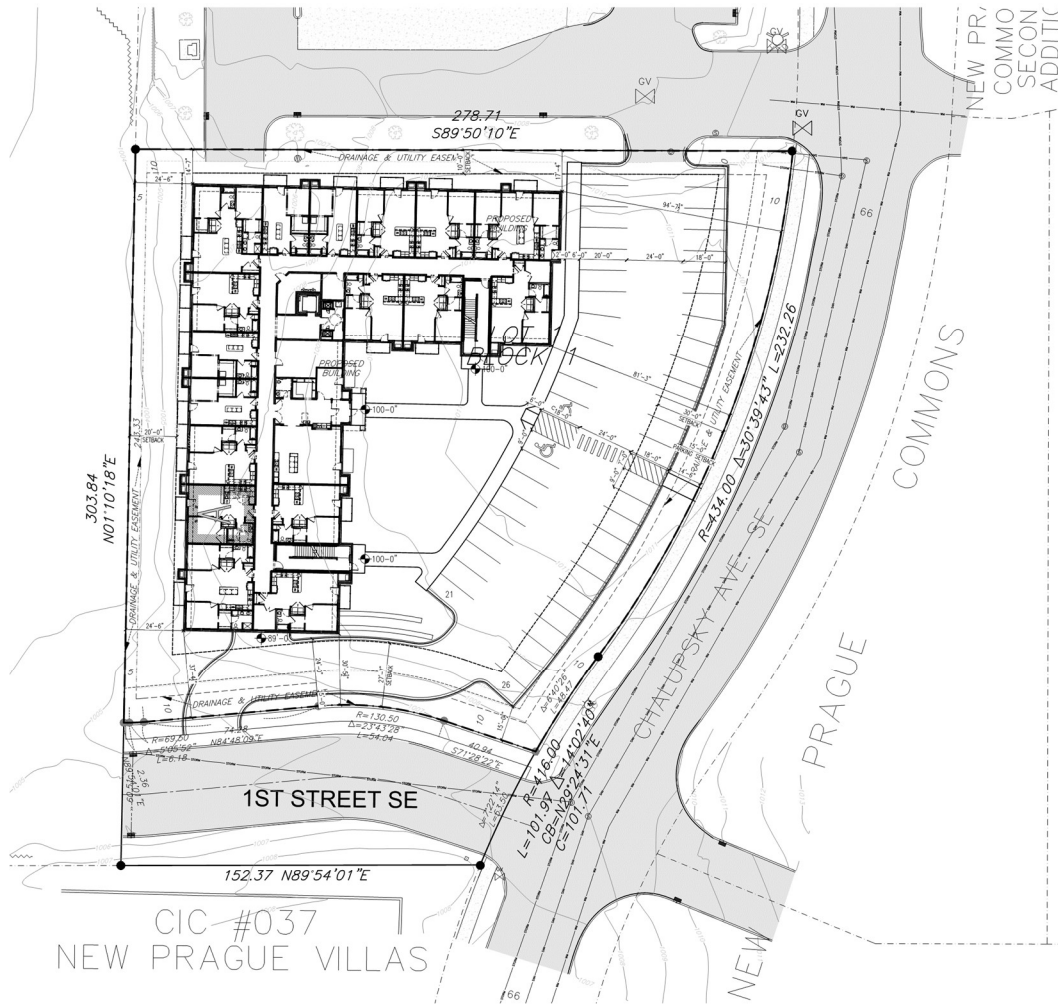
In terms of school age children that would live in the apartments, the general estimate from the Developer is that they would expect anywhere from 3-8 kids (age K-12) per 100 units. So with 54 units, we could estimate approximately 1.62 – 4.32 kids in this building. This is a general rule for estimates but can vary depending on many factors. Another national average estimate shows that for apartments with over 20 units, each unit would net .14 students per unit which would be about 7.56 kids in the building.

**Staff Recommendation**

Hold the required public hearing and consider approval of the attached resolution and abatement agreement.



(Google street view of the lot in question)



Site Plan approved for 54 Unit Building



(Current draft building elevations)