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MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: JOSHUA M. TETZLAFF, CITY ADMINISTRATOR
KEN ONDICH, PLANNING / COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: POSSIBLE TAX ABATEMENT FOR +/- 166 UNIT MARKET RATE APARTMENT
BUILDING – AS PROPOSED BY YELLOW TREE
DATE: NOVEMBER 14, 2024

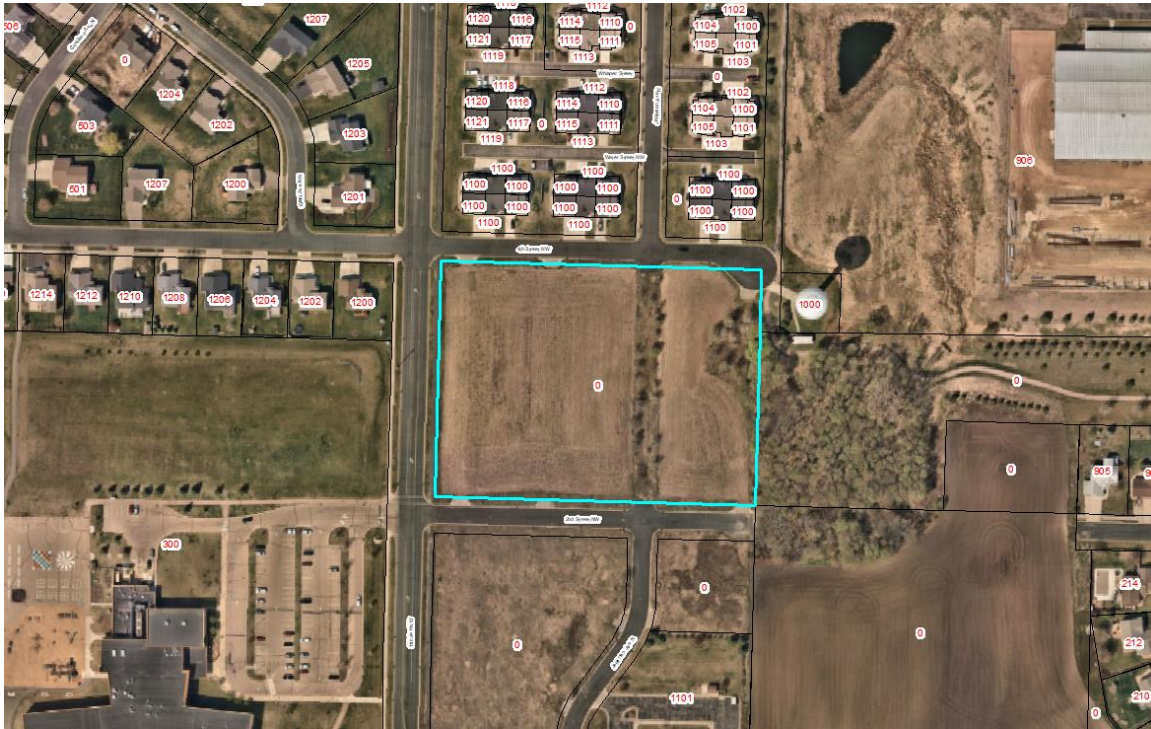
At the City Council meeting on September 3rd, 2024, Yellow Tree introduced their possible +/- 155-unit (later revised to 166 units) market rate apartment development that could occur on PID 25.113.0050 (Outlot C, Raven Stream Village Third Addition) which is a 4.86-acre vacant lot near Raven Stream Elementary. At the meeting, the City Council expressed interest in the project and a possible tax abatement and directed staff to contact Scott County and School District regarding their possible interest in participating in the tax abatement. The County indicated they do not participate in housing tax abatements and the school district staff indicated it was unlikely they would participate.

That said, staff continued discussions with Yellow Tree, and narrowed down the request for tax abatement to a 75% abatement of City taxes only, for a 15-year period which would not exceed more than \$2,072,895. A public hearing regarding the abatement request was held at the City Council meeting on November 4th, 2024. Three public comments were received (Brook Sticha, Austin Reville and Brian Paulson) in addition to submitted e-mails/letters. The City Council ultimately voted to postpone consideration of the resolution which would have approved the tax abatement so that staff and the developer could update information and analysis based on a revised proforma for a 166 unit project.

Staff and the developer have continued discussions and reviewed updated information which is included in the packet for tonight's meeting. Attached is a memo from Mikaela Huot with Baker Tilly, who is the City's financial consultant, regarding the tax abatement request and how said request could be accommodated per the noted terms which have been revised to a blended 75% rate which more closely resembles the approach taken with the Ebert abatement request which was a blended 66%. The revised abatement amount would total \$2,071,999.

As a refresher, the current owner of the property is JRD Holdings, LLC with whom Yellow Tree has a purchase agreement. The property is currently zoned RM Medium Density Residential and has utilities directly adjacent to the site. Since the property is currently an outlot, it does need to be platted and the site would also need to be rezoned to RH High Density Residential which would match the City's

Comprehensive Plan designation for the site to accommodate +/- 166 units (the plan attached to this memo shows possibly an additional 18 rental townhome units, but both are subject to change).



The current estimated mix of units is as follows which staff believes would be attractive as a housing option for the City in general as well as for some new families which could benefit the School District’s enrollment and revenues.

APARTMENTS UNIT COUNT BY TYPE	
UNIT TYPE	COUNT
1BR	52
1BR+D	49
2BR	42
3BR	10
ALC	13
ROOF	1
Unit Count: 167	

In terms of school age children that would live in the apartments, approximately 23 would be K-12 age students (based on a national average of .14 students per apartment unit in buildings with 20 or more units).

Staff believes that the apartment building would provide the City with needed rental units, particularly for those seeking some additional amenities and that the long-term tax benefits to the City would far

outweigh the short-term abatement of property taxes. Staff also believes that the project does need abatement for the project to move forward based on Baker Tilly's analysis, but also notes that in order for the project to financially work, additional adjustments to the project need to be made by the developer for viability.

Staff Recommendation

Approval of the attached abatement resolution approving a blended 75% abatement of City taxes over a 15 year time period not to exceed \$2,071,999.