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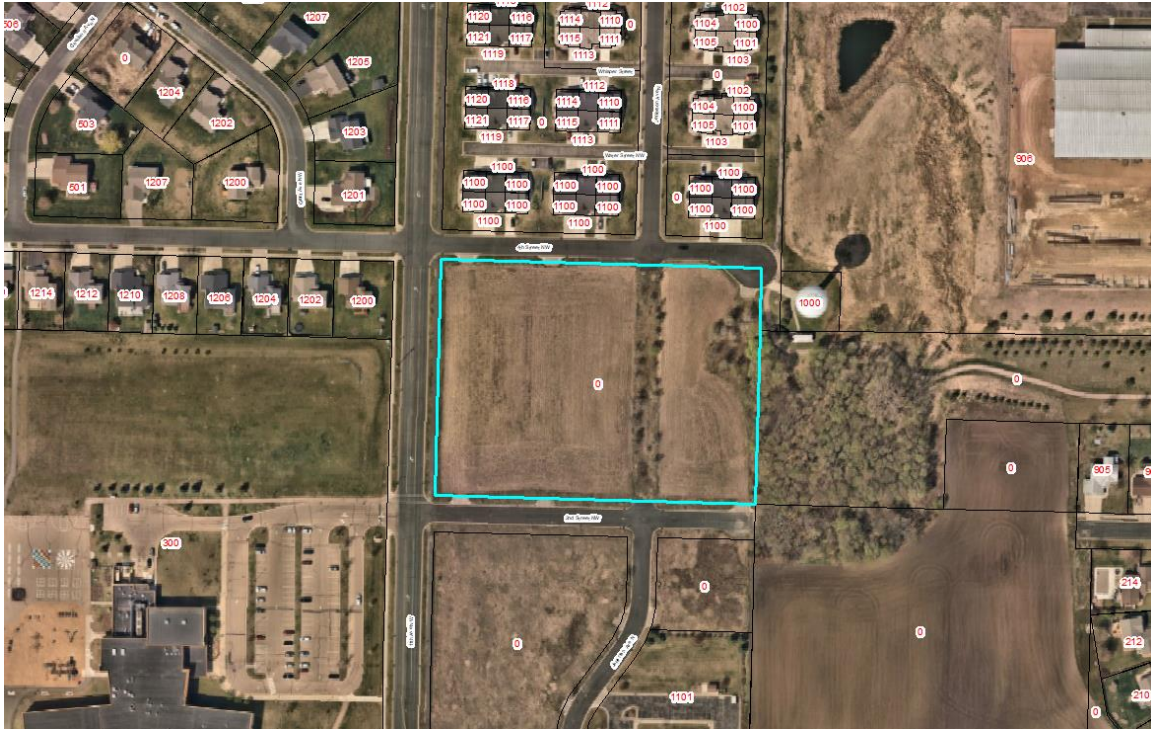
MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: JOSHUA M. TETZLAFF, CITY ADMINISTRATOR
KEN ONDICH, PLANNING / COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: PUBLIC HEARING FOR POSSIBLE TAX ABATEMENT FOR +/- 167 UNIT
MARKET RATE APARTMENT BUILDING– AS PROPOSED BY YELLOW TREE
DATE: NOVEMBER 1, 2024

At the City Council meeting on September 3rd, 2024, Yellow Tree introduced their possible +/- 155-unit 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. 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. In order to make the project feasible, Yellow Tree further refined their plans and increased the number of units to possibly 167 with some townhomes on the north edge of the site. Ultimately the City Council called for a public hearing for tonight's meeting at their meeting on October 7th.

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 +/- 167 units (the plan attached to this memo shows possibly an additional 18 rental townhome units, but both are subject to change).



The developer is currently completing their due diligence on the property, and this includes an inquiry to the City Council regarding their request for Tax Abatement to close the financial gap that exists to make the project a reality. Also attached to this memo is Yellow Tree’s Company Profile which includes a listing of awards and publications that they have appeared in.

Information included with this memo, in addition to the memo from Baker Tilly (which is based on 155 units and has not been revised based on 167 units as we have not been provided an updated proforma), a concept site plan and renderings of Yellow Tree’s apartment project that is under construction in Farmington as a depiction of the type of product that they would build in New Prague.

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, but recommends further analysis from Baker Tilly with an updated proforma from the developer before moving forward with final approvals (resolution and abatement agreement).

Staff Recommendation

Hold the required public hearing and direct City Staff, including Baker Tilly, to conduct further analysis based on an updated proforma for future consideration of the drafted abatement resolution and abatement agreement.