

City Council Agenda Memo

From: Mike Struck, Community Development Director

Meeting: June 11, 2024

Subject: TIF #8 Developer Agreement Amendment

Person(s) Responsible: Mike Struck, Community Development Director

Summary:

PEM Affordable Housing, LLC, is requesting an amendment to the Developer's Agreement associated with Tax Increment District #8. Staff recommends approval of the amendment.

Background:

Tax Increment District #8 was created to assist with infrastructure improvements in the Timberline Addition, specifically to provide access to 42 workforce lots. As part of the Tax Increment District, a Developer's Agreement between the City and PEM Affordable Housing, LLC was executed. The Developer's Agreement identified 32 development ready residential lots shall be made available at a cost not to exceed \$29,000 to Inter-Lakes Community Action Partnership (ICAP). Ten additional lots not exceeding \$29,000 shall be available to ICAP, Habitat for Humanity, and/or the private sector.

In March of 2021, an amendment to the Developer's Agreement was approved whereby the maximum sale price of a completed home and lot could not exceed \$245,000. Prior to the amendment, the maximum sale price was restricted to eighty (80%) percent of the South Dakota Housing Development Authority First-Time Homebuyer Program purchase limits. At the time the original agreement was approved, the First-Time Homebuyer Program purchase limits for Brookings County was \$250,200. The purchase limits have since increased for Brookings County to \$385,000.

Item Details:

The developer has requested an amendment to Sections 3 and 4 of the Developer's Amended Agreement. Specifically, the request is to set the maximum purchase price of a completed home and lot at eighty (80%) percent of the South Dakota Housing Development Authority First-Time Homebuyer Program purchase price limits. The proposed amendment would revert back to the original language in Sections 3 and 4 of the Developer's Agreement and would allow the price points to adjust with the South Dakota Housing Development Authority's program purchase limits.

The request is based upon the continuation of increasing lumber, materials, and labor costs associated with home construction. If approved, the maximum sales price would

be \$308,000 and adjusts annually based upon changes with the South Dakota Housing Development Authority's program purchase limits.

Legal Consideration:

None

Strategic Plan Consideration:

The proposed amendment is consistent with the Strategic Plan initiative of Economic Growth by supporting the development of workforce housing supporting the needs of our business and industry.

Financial Consideration:

None.

Options and Recommendation:

The City Council has the following options:

1. Approve as presented
2. Amend
3. Deny
4. Move the item to a study session
5. Discuss / take no action / table

Staff recommends approval.

Supporting Documentation:

Memo

Amendment #2

Amendment #1 – March 23, 2021

Developer's Agreement

Location Map