

City Council Agenda Memo

From: Mike Struck, Community Development Director

Council Meeting: March 23, 2021

Subject: TIF #8 Developer's Agreement

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.

Background:

Tax Increment District #8 was created to assist with infrastructure improvements in the Timberline Addition, specifically to provide access to 42 workforce housing lots. As part of the 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.

An additional stipulation in the Developer's Agreement restricts the final sale price of the lot and home to 80% of the South Dakota Housing Development Authority's First-Time Homebuyer Purchase Limits. The current purchase limits for the First-Time Homebuyer Program is \$275,000. Applying the 80% Developer's Agreement condition, the sales price of the lot and house cannot exceed \$220,000.

Item Details:

The developer has requested an amendment to Sections 3 and 4 of the Developer's Agreement. Specifically, the developer is requesting removal of the 80% of First-Time Homebuyer Purchase Limits condition and simply restrict the final sales price of house and lot to the First-Time Homebuyer Purchase Limits, which is currently \$275,000.

The developer has requested the amendment due to rising lumber prices.

Legal Consideration:

The City Attorney will draft an amendment to the Developer's Agreement upon City Council's directive. A draft amendment is provided with the 80% term highlighted for reference.

Strategic Plan Consideration:

The proposed amendment would be consistent with Goal 2 of the Workforce Development initiative of the 2018-2023 City Council Strategic Plan.

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 work session
5. Do nothing

Staff recommends amending the development agreement purchase price to \$245,000 as the developer is receiving a public subsidy through Tax Increment District #8.

Supporting Documentation:

Memo

Amendment Request

Amendment

Developer's Agreement

SDHDA Letter

Article – Lumber Prices