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# Duluth Housing Summit

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# Duluth Housing Facts

- 38,190 housing units
  - Approximately 36,000 occupied
- **46%** of housing built before **1939**
  - Only 12.2% built since 1990
  - 4.2% built from 1980 to 1989
- 60% of housing is owner occupied and 40% is rental
  - Median household value of approximately **\$148,600**
  - Median rent is approximately **\$689/month**



# Attracting Builders for Single-Family

- National builders not looking at this time
- Need low overhead builder
  - ✓ Carrying costs are biggest deterrent for them to build
  - ✓ Don't necessarily have the credit or ability to buy lot or finance project
- **Solution**
  - ✓ City/HRA finance the land and/or lot improvements
    - Repaid at time home sells
  - ✓ Work with local lenders to provide low interest, no interest or interest deferral loans for builder participating in the program
    - Loan and interest paid at time of closing
    - City/HRA may need to do some form of guarantee



# Don't Forget about your existing homes

- Aging housing stock that you want to see reinvestment in
- Great source of market rate housing
  - ✓ Can be remodeled to meet today's needs
- **Solution**
  - ✓ City/HRA sponsored housing rehab program
    - Set parameters for scope of work required
    - Provide gap funding up to X dollars to qualified developers that meet the program criteria
    - Can be set up as grant, loan or soft second mortgage



# Housing Rehab – Brooklyn Park

- Provided gap financing for rehab of homes by private developers
  - Developers went out and found the homes and provided scope of work
    - Administrative task oriented so leveraged staff time to do other projects in the City
  - Screened and selected set of developers
  - Provide up to \$30,000 in gap funds for rehabilitation
    - Provided 100% interim financing on some
      - » Due to inability to obtain financing; or
      - » To provide lower interest than bank financing to preserve funding
  - Rehabilitation scope had to meet program guidelines
  - City had to approve sale price (agreed upon up front)
- Funded by foreclosure dollars, TIF and EDA funds



# Housing Rehab Program



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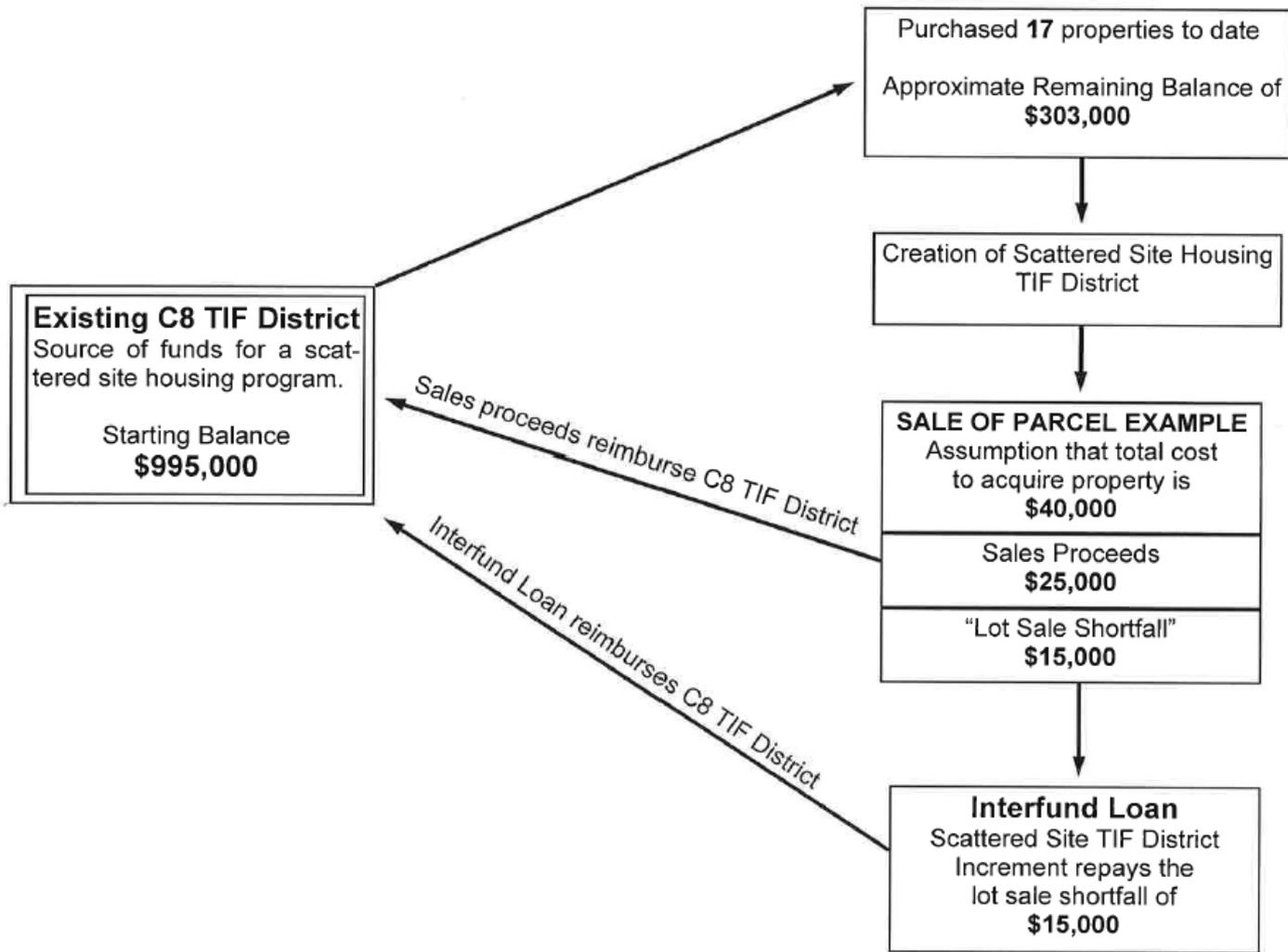


# Housing Demo and Lot Combination

- Columbia Heights and West St. Paul
  - Purchased foreclosed or dilapidated homes
  - Combined some lots where appropriate to provide larger lot
  - Sold lots at land value or discounted amount for new construction
  - Funded by TIF and EDA funds



# Scattered Site Housing TIF District Flowchart



# Columbia Heights - Before



# Columbia Heights - Before



# Columbia Heights - After



# Tax Abatement

- Average value home is \$148,600
- Annual tax of approximately \$2,200
  - City portion approximately \$493
    - 22% of tax bill
  - County portion approximately \$949
    - 43% of tax bill
- Rebate to homeowners who purchase a new or renovated home
  - ✓ Can be remodeled to meet today's needs



# Property Tax Breakdown

Home Value	Total Tax	City Tax	County Tax	School Tax
\$ 148,600	\$ 2,225	\$ 493	\$ 949	\$ 490
\$ 175,000	\$ 2,585	\$ 581	\$ 1,118	\$ 577
\$ 200,000	\$ 2,925	\$ 664	\$ 1,277	\$ 659
\$ 225,000	\$ 3,266	\$ 747	\$ 1,437	\$ 742
\$ 250,000	\$ 3,606	\$ 830	\$ 1,597	\$ 824



# Housing TIF District – For Sale

- 95% of the homeowners must qualify
- Only the first buyer has to meet test
  - All future owners can exceed
- Use greater of State or local income
  - Duluth uses State since local is lower
- State median income for 2013 was \$74,000
  - For a family of 2 or less income cannot exceed \$74,000
  - For a family of 3 or more income cannot exceed \$85,100



# Market Rate Rental Housing

- Current TIF Legislation
  - No income restriction if in a redevelopment district
  - Income restrictions for housing district
    - 20% affordable at 50%
    - 40% affordable at 60%



# Market Rate Rental Housing

- Proposed Legislation – League of MN Cities
  - 9 Year Economic Development TIF District for work force housing
  - City must meet certain tests
    1. Unemployment rate for county equal to or less than 90% of statewide rate
    2. More than 80% of adults between 16 and 64 need to be employed
      1. This would likely preclude Duluth due to students
      2. League is working on language fix to exempt “college” towns
    3. Average vacancy rate for rental housing in City must be less than 5% over last 2 years
    4. One or more businesses in 15 mile radius of City that employ at least 20 people must submit letter to City indicating the lack of available rental housing has impaired their ability to recruit and hire employees
    5. City must state intention to use TIF for development of rental housing to serve employees of businesses



# Market Rate Rental Housing

- Special TIF legislation – **Its all in your story**
  - Request ability to create non income restricted housing on limited number of sites and provide defined term to create them (i.e. within 5 years)
    - Possibly reduce term from 26 to 20 years
  - Request lowering base value to zero
    - Capture more TIF, but.....
    - **Tax impact to City and County**
  - Create a TIF district on existing industrial
    - Use big job generating businesses
    - Treat like a new TIF district with base value of land so TIF is based upon difference between that and the total market value (building)
    - Limit parcels to be included to generate an expected pool of funds over time
    - **Tax impact to City and County**



# Other Funding Sources – Local Tax Levy

PROPERTY TAX INFORMATION	
Actual Net Tax Capacity - Payable 2013	58,633,673
<b>Levy Increase</b>	<b>100,000</b>
Estimated Tax Capacity Rate:	
Payable 2013 City Tax Rate - Current	33.198%
Payable 2013 City Tax Rate - <u>WITH LEVY INCREASE</u>	33.369%
<b>Estimated Tax Rate Increase</b>	<b>0.171%</b>

TAX IMPACT ANALYSIS		
Type of Property	Taxable Market Value	Proposed Tax Increase*
Residential Homestead	\$ 100,000	\$ 1.22
	150,000	2.15
	200,000	3.08
	250,000	4.01
	300,000	4.94
	350,000	5.87
	400,000	6.80
Commercial/Industrial	\$ 500,000	\$ 15.78
	1,000,000	32.83
	1,500,000	49.89
	2,000,000	66.94



# Other Funding Sources – Local Tax Levy

PROPERTY TAX INFORMATION	
Actual Net Tax Capacity - Payable 2013	58,633,673
<b>Levy Increase</b>	<b>500,000</b>
Estimated Tax Capacity Rate:	
Payable 2013 City Tax Rate - Current	33.198%
Payable 2013 City Tax Rate - <b>WITH LEVY INCREASE</b>	<b>34.051%</b>
<b>Estimated Tax Rate Increase</b>	<b>0.853%</b>

TAX IMPACT ANALYSIS		
Type of Property	Taxable Market Value	Proposed Tax Increase*
Residential Homestead	\$ 100,000	\$ 6.12
	150,000	10.77
	200,000	15.41
	250,000	20.06
	300,000	24.71
	350,000	29.36
	400,000	34.00
Commercial/Industrial	\$ 500,000	\$ 78.88
	1,000,000	164.15
	1,500,000	249.43
	2,000,000	334.71



# Other Funding Sources – Local Tax Levy

## City Tax Levy For Housing

Levy Amount	Tax Rate Increase	Tax Impact on \$150,000 Home	Tax Impact on \$1M business
\$100,000	0.171%	\$2	\$33
\$200,000	0.341%	\$4	\$66
\$300,000	0.512%	\$6	\$98
\$400,000	0.682%	\$9	\$131
\$500,000	0.853%	\$11	\$164



# Funding Sources

Reuse and recycle as much as possible!!!





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