



## MEMORANDUM

DATE:	January 14, 2019
TO:	EDA President Krant, EDA Board Members, and Administrator Meyer
FROM:	Cynthia Smith Strack, Community Development Director
RE:	Item 5.1 Residential Development Opportunities

### GENERAL INFORMATION

The EDA's 2019 goals include hosting a joint meeting of the City Council, Planning Commission, and EDA in Q1 to plot efforts to increase rooftops. Staff has conferred with the City Administrator who suggests the meeting be held in March.

Staff has compiled the attached list of residential development opportunities discussed over the past three years for presentation at the EDA meeting. Background on the 23 properties includes discussion history, parcel opportunities, and parcel challenges. In addition, staff has followed up with a number of the property owners and/or representatives for perspective on the outlook for 2019, barriers to the creation of new, improved residential lots, and comparison to other communities including Carver, Elko New Market, Jordan, and New Prague.

The attached information and presentation is intended to provide perspective on local housing opportunities in advance of the joint meeting.

### ACTION

This item is for information.

# RESIDENTIAL DEVELOPMENT OPPORTUNITIES

	Owner	AKA	Acres	Planned Use	EMV	Challenge	Opportunity	History
1	Fogarty Trust	Site by Kwik Trip	1	High density residential - minimum 12 du/ac	\$ 99,000.00	Small lot	Shovel ready	Previous apt proposal
2	Fogarty Trust	State St, Court St, Forest St	22	Transitional residential medium to low density - minimum 3-6 du/ac	\$ 288,500.00	Small distance between State St, Xcel lines/easement, and southern property line; not platted; no utilities; large trust	Abuts utilities and roadways. Potential parkland parcel north of creek.	Information gathered re: utility extension. Schrom reviewed. Numbers didn't work.
3	Margaret Hunter Property	Gregory Farm	16	Transitional residential medium to low density - minimum 3-6 du/ac	\$ 209,000.00	Small distance between State St, Xcel lines/easement, and southern property line; not platted; no utilities; access to Old Hwy 169 issue	Abuts utilities and roadways. Manageable size of acreage. Willing property owner.	Schrom looked at, had purchase agmt which expired. List price \$500,000
4	Provence 2nd	Outlot E - POTR First	24	Low density residential - 3 du/ac	\$ 310,700.00	Development financing	Prel & final plat approved, devel agmt prepared, construction plans/specs completed	Platted as POTR 2nd, final plat filing date expired
5	Chatfield On The Green 3rd	Ames Property	22 acres - two separate parcels	Transitional residential medium to low density - minimum 3-6 du/ac	\$ 403,700.00	Loomis Homes tried to purchase, went to a different community instead. Ames not interested in developing.	Concept planned, abuts existing urban development	Loomis had kicked tires on development, invested in another community. Ames will not pursue additional lots in 2019. The numbers don't work. Even if bldg permit incentive was available the cost of bringing improved lots to market aren't close.
6	Farmers 3rd	Kubes/McCue	80 acres (part of)	Low density residential - 3 du/ac	\$ 914,300.00	Large acreage; addl utility expense; parkland issue	Abuts existing development	Randy and Chris Kubes met with staff to review concept plan in 2018; numbers didn't work; will likely try again in the future but may not be 2019
7	Kes Property	Former TLHA property	4	Medium density residential - 6+ du/ac; zoned R-7	\$ 231,000.00	Access from private drive	Shovel ready	Previously approved for two 40 unit apartment bldgs; previous concept - townhomes/patio homes; Schrom current.
8	CLC property	Elk/Commerce	2.3	High density residential - minimum 12 du/ac	\$ 110,200.00	Flat level of interest in selling previously	Shovel ready	Previous site discussion re: workforce hsg development

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9	Gary/Lynn Crosby	East (Elk St) Site	9	Medium density residential - 6+ du/ac; zoned R-7	\$ 115,200.00	Elk Street intersection; parkland; numbers working	Previously subject of concept plan	Previous concept plan discussion with staff and at Council level
10	Gary/Lynn Crosby	West (Commerce Dr) Site	16	Medium density residential - 6+ du/ac; zoned R-7	\$ 213,200.00	Numbers working	Previously subject of concept plan discussion with staff	Previously subject of concept plan discussion with staff
11	Wayne Schmidt	Outlot A - Southern Oaks (Elk St & South St)	10	Low density residential - 3 du/ac	\$ 130,000.00	Owner not interested in selling or developing at this time; not platted	Adjacent to existing utilities	Owner not interested in selling or developing at this time
12	Wayne Schmidt	Non platted south of Southern Oaks 1st Addition	17.5	Medium density residential - 6+ du/ac; zoned R-3	\$ 222,400.00	Owner not interested in selling or developing at this time; not platted	Adjacent to existing utilities	Owner not interested in selling or developing at this time
13	School property	Oakcrest Trail & South Street	20	Medium density residential - 6+ du/ac; zoned R-3	\$ 260,000.00			
14	Wayne Schmidt	Robert Creek outlot C	51	Medium density residential - 6+ du/ac; zoned R-3	\$ 628,800.00	Owner not interested in selling or developing at this time; not platted	Adjacent to existing utilities	Owner not interested in selling or developing at this time
15	Obrien Family Trust	Meridian Street & Orchard	4	High density residential - minimum 12 du/ac	\$ 72,100.00	Orchard St issue, not platted, site layout	Adjacent to existing utilities	Previous site identified for workforce housing
16	Roger Stier	Meridian St & Evergreen	4	High density residential - minimum 12 du/ac	\$ 53,800.00	Evergreen connection, foreclosure redemption period	Platted, utilities to site	Previous site identified for workforce housing
17	STIKO Properties LLC	Five lots that comprise Stier Bus property	1.85	Highway Commercial	\$ 829,000.00	Acquisition cost	Location	Previous site identified for workforce housing
18	Hubers	Bldg plus parking lot	1.13	Mixed use - residential & commercial	\$ 353,400.00	Acquisition and demolition costs; rectangular shaped parcel	Location	Previous site identified for workforce housing
19	Hennen property	Store plus warehouse bldg	0.32	Mixed use - residential & commercial	\$ 275,400.00	Acquisition and demolition costs; small parcel size	Location	On market for sale for extended period
20	Townsend Property	NW quadrant of Enterprise & Commerce	9.5	Mixed use - residential & commercial	\$ 112,700.00	Willingness of seller to sell	Location	Previous site identified for workforce housing
21	Donald O'Brien	Corner of Willow and South St	0.5	Mixed use - residential & commercial	\$ 16,500.00	Fill and heavy trees	Location	Previous discussion of small apartment bldg
21	Scott Schmidt	Meridian & Court - two lots	0.43	Mixed use & med density residential - zoned CBD and R7	\$ 35,800.00	Small lots, abut Valor	Shovel ready	Previously sketched six attached (duplex) for lots combined

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22	Stier Heritage Farm	Just east of Wildflower 1st - Ash/Evergreen/Century	11.88	Low density residential suitable for R-1, R-2, or R-3	\$ 80,800.00	In township, needs improvements. List price \$330,000 - 408% of EMV.	Improvements to property line, easy to develop	Previous information from realtor posted on website; email inquiry from one developer. Estimate total cost to develop a lot (R-3; 25 lots; 30% of area for roads/easements) is \$75-\$85K. Land cost = \$13,130/lot; annexation, trunk fees, parkland fees = \$3,690/lot; improvements = \$55,200/lot; platting & construction contingency = \$13,800/lot.
23	Phil Morris - Haralson Drive (east side of street)	Gary Crosby townhomes	6 town home lots platted as Apple Acres	Zoned R-3	\$11,000/lot	In developed area. Water and sanitary in; storm and road needed. City owns lot by South Street where Haralson will intersect. That lot will be dissected by Haralson, could use residual lot to the east of future Haralson as an incentive	Assessments likely to only be acceptable on east side of street. Haralson needs to be extended.	Staff have discussed completing improvements with builder over past several years. Est cost (2017) to complete improvements = \$180,600. Estimates based on narrowing road, connecting Haralson to South Street, adding 8' bit trail and 10 water/sanitary services

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Notes from discussions: Top price for vacant, improved resid lots in BP is about \$55,000. Takes \$70-\$80,000 per lot to create a shovel ready vacant lot. Who is building in New Prague = local builders. Who is building in Jordan = local builders. Who is building in Carver = national builders. Who is building in Chaska = national builders.

**MLS Survey - active listings & sold within past 12 months - vacant, improved residential lots (bring a builder)**

City	# Active Listings	Price Low	Price High	# Sold	Price Low	Price High
Belle Plaine	5	\$ 25,000	\$ 40,000	1	\$ 58,000	n/a
Jordan	5	\$ 60,000	\$ 68,000	1	\$ 65,000	n/a
New Prague	87	\$ 44,900	\$ 69,900	5	\$ 49,900	\$ 82,900
Carver	14	\$ 95,000	\$ 125,000	3	\$ 99,900	\$ 120,000

Notes from discussions: BP is different than New Prague in that there are really no vacant residential lots (i.e. bring your builder; not build to suit) available. New Prague has over 80 available but lot sales are slow. Most thought 2018 was going to be a good year. Buyers didn't show up in March and April weather cooled those looking. Second half slow. Bargain hunters are shopping now. During 2018 labor costs and material prices continued to increase. Hearing labor and materials are expected to hold steady in 2019. Local builders build quality because it's their name on the project. Better quality means higher price. People are not willing to pay \$450,000 for a new home if they can buy a ten year old home for \$350,000. Empty nesters often have equity but don't want another mortgage so have limited buying options - often around \$300,000 price. Local builders try to be responsive to market wants and diversify as per demand. One development in BP we looked at in 2018 cost to create vacant residential lot was \$65,000 before margin and holding costs. We haven't really seen a recovery from great recession. Housing gains were artificially influenced by banks selling off foreclosed lots. Now that that inventory is gone lot development isn't possible because cost of 'retail' lots exceeds what you can get for them on the market. Who is building in New Prague = local builders. Who is building in Jordan = local builders and now Lennar because SM Hentges functioned as developer/contractor and got a good deal on the land. Selling lots to Lennar at \$40K. Who is building in Carver = national builders. Who is building in Chaska = national builders. Outlook for 2019 hopeful. Advice - be patient and hopeful; mostly make projects that are proposed work - shoot for what's possible not perfection.

Notes from discussions: Not planning on bringing additional lots to market in 2019. The numbers don't work and aren't really even close. Market slowed in Spring 18 and didn't come back. A development we own in Jordan is just barely scratching by. Building permit incentives would help if we were close to break even, but were not there yet. Asked about contractor/developer scenario like that in Jordan with SM Hentges. Contact said even if land cost out of the equation it still takes at least \$40K to improve a lot and that's w/out fees or margin. Can't really sell a small lot for much more than that, so again, the numbers just don't work.

Thought: work around the edges vs big swing

Thought: how to bring down cost of improved lots? Smaller lot sizes. Will 8,000 sf lots sell in BP? According to R. Kubes they do in Lakeville, Rosemount. Not in BP or Savage. Flexibility is needed tho so a range of lot sizes.

Thought: how to increase value of improved residential lots - is this an appraisal issue or an issue of comparing list price with EMV? Appraisal problem add to perceived value of community - 'it' quality, desirability, quality of schools, quality of life. EMV - vacant residential lots owned by builders valued at \$27,500.

Thought: Who are the policy experts? Where are the top minds?

Thought: Time to invest in MF?