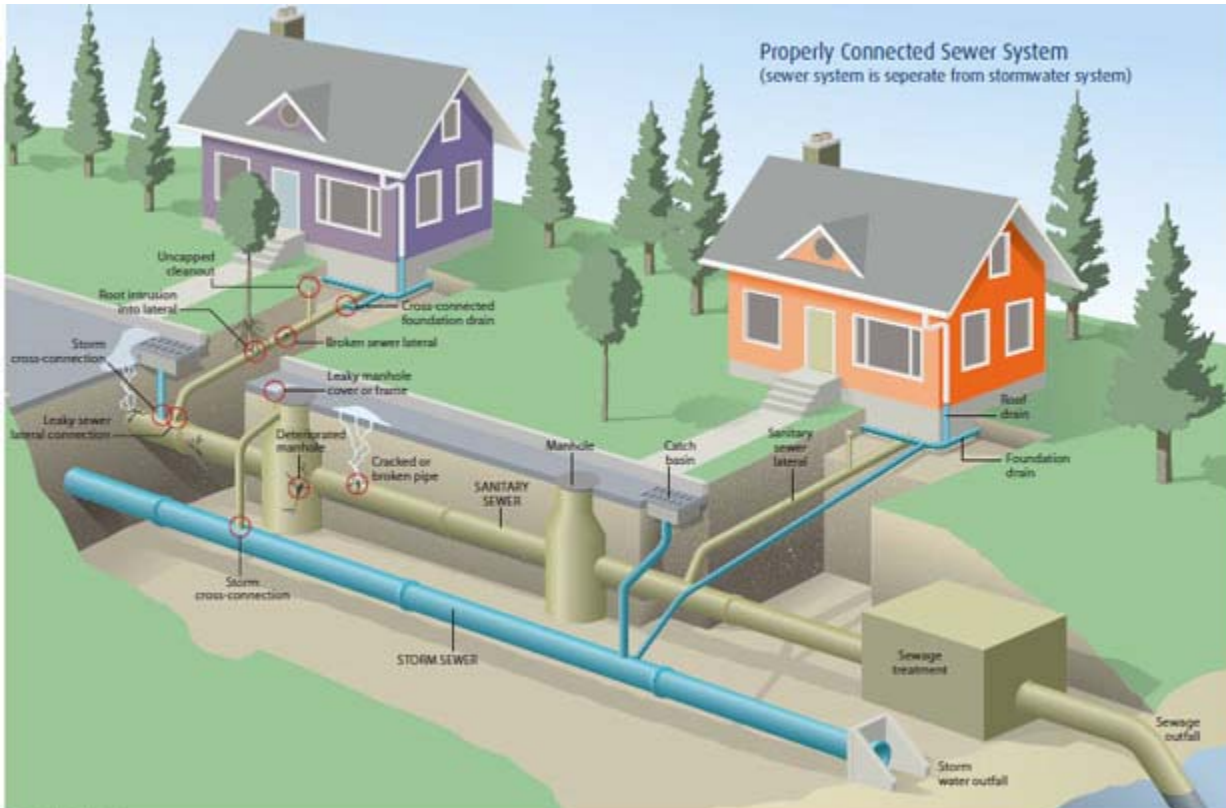




It's All in the Design

Development Fees



late updated november 2019

Development Fees

- Storm Water
- Water
- Sanitary Sewer
- Park Dedication



Setting Utility Fees – The Key Ingredients

State Statute

“On the Ground” Situation

Local Market

Local Policy



State Statute

What can utility development fees pay for?

“...a municipality or county may impose **just and equitable** charges for the use and for the availability of the facilities and for connections with them...”

- M.S. 444.075 subd 3(a)



What Does That Mean?

Pay for infrastructure needed to serve new development

- Expansion of treatment
- New or oversized distribution & collection systems
- Water towers
- Land, ponds, pipes for storm water

Should NOT pay for

- Operations & maintenance
- Utility replacement under streets
(unless oversizing)





“On the Ground” Situation

Terrain

Ability for existing infrastructure to serve growth

Development Patterns

- Contiguous vs. Leapfrog





Local Market

Can new development support the cost of infrastructure?



VS.





Local Policy: Who Bears Financial Risk?



- Collect fees when land is platted
- Specially assess fees
- Developers pay for leap-frog development

- Collect fees with building permit
- Defer assessments until land develops
- Identify available funding source if development doesn't occur



Local Policy Considerations

Regional vs. community-wide fees

Charge by acreage or by SAC Unit?

- Trunk fees (at plat) vs. connection fees (with permit)
- Implications for multifamily property
- Depends on infrastructure being funded

Affordable housing/multifamily discounts

- 1 apartment = .8 SAC units

Competitive advantage



Statute: Park Dedication Fees

“There must be an **essential nexus** between the fees ... and the municipal purpose sought to be achieved ... The fee ... must bear a **rough proportionality to the need** created by the proposed subdivision or development.”



- M.S. 462.358



Park Dedication Fees

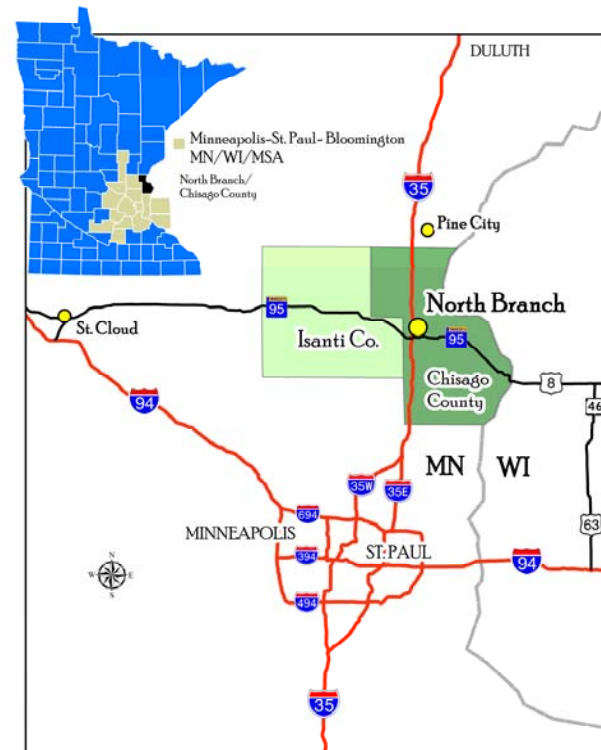
- Land dedication or cash fee
- Amount typically varies with land use
- Cash fee based on “Fair Market Value” established by city
- Put in separate fund used only for new & improved parks
- CANNOT use fees for operations and maintenance
- Must have Capital Improvement Budget & Parks Plan or Comprehensive Plan with parks component
- Developer may dispute fee & FMV



NORTH BRANCH

- Formed as result of the merger of the cities of Branch and North Branch 1994
- 36 square miles in size
- Approx. 10,700 residents
- Approx. 4,000 households
- 38% agriculture
- 43% rural residential
- 11% urban/suburban residential
- 8% commercial

Development Fees – A City's Perspective





Development Fees – A City’s Perspective

- 250+ acres of industrial land
- Majority of which remains undeveloped
- Water and sanitary sewer are installed



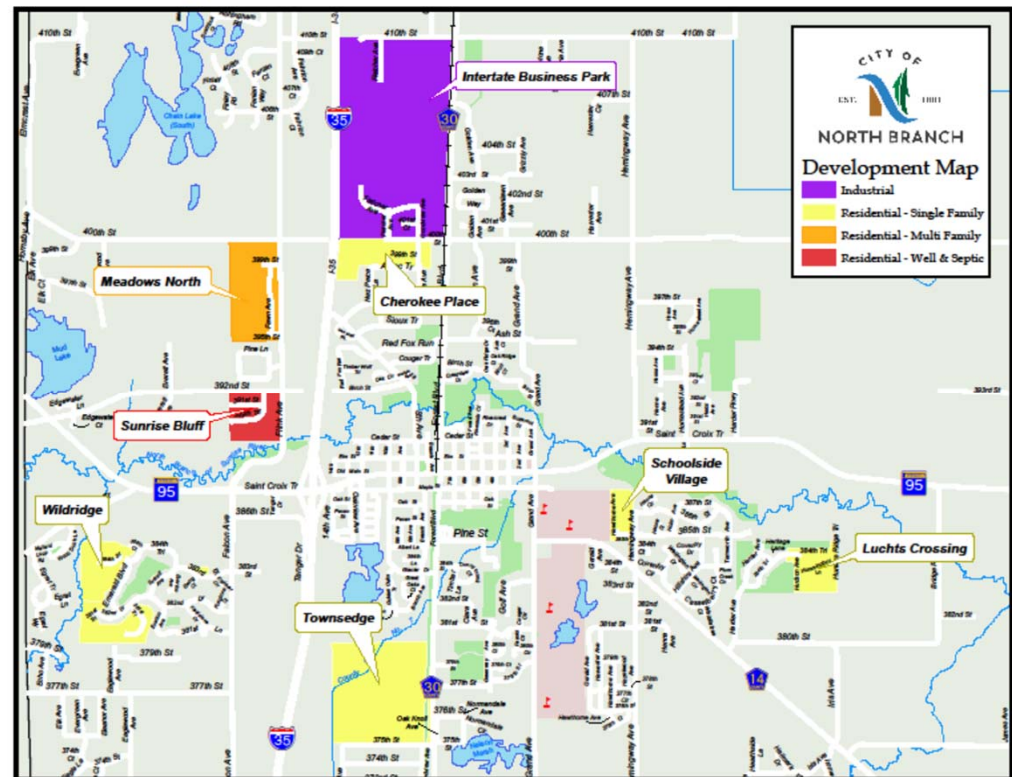


NORTH BRANCH

- 50 – 75 new single family homes per year
- All served by municipal utilities except Sunrise Bluff 2nd
- Public improvements constructed by developer at developer's cost

Noteworthy: Expansion of public utilities for Meadows North was undertaken at the developer's cost but with concessions

Development Fees – A City's Perspective



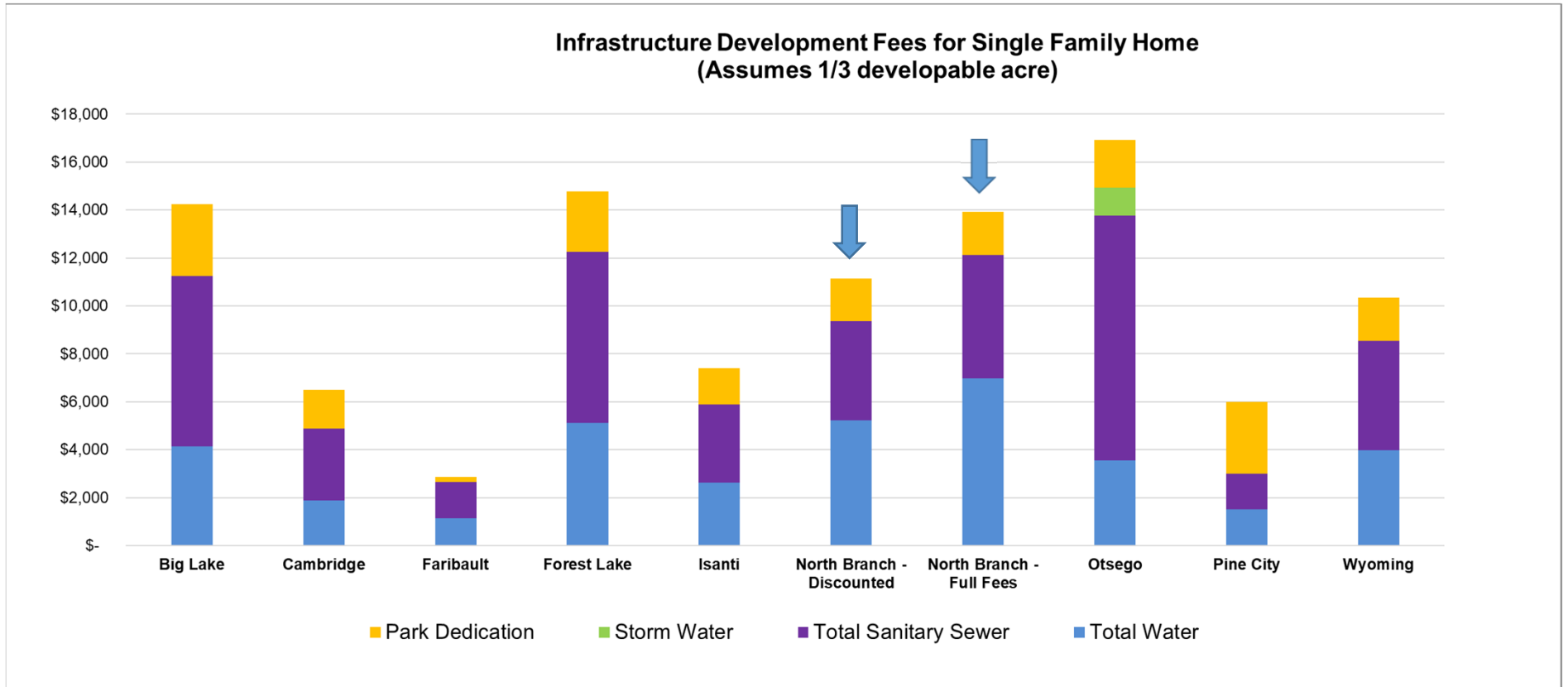


NORTH BRANCH

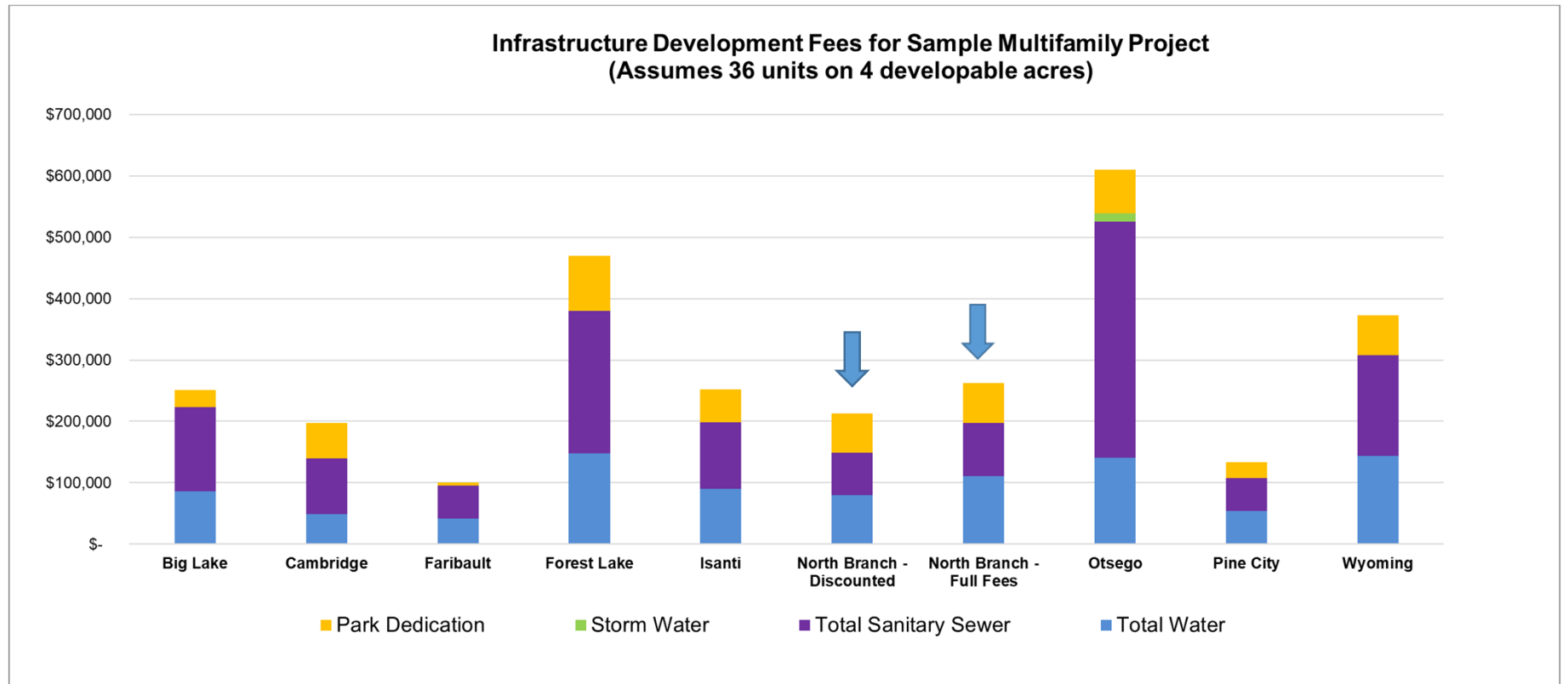
Development Fees – A City’s Perspective

- Rates designed to reimburse City for utility expansion
- Discounted to spur development
- Developer push-back
- Analyzed competitive position

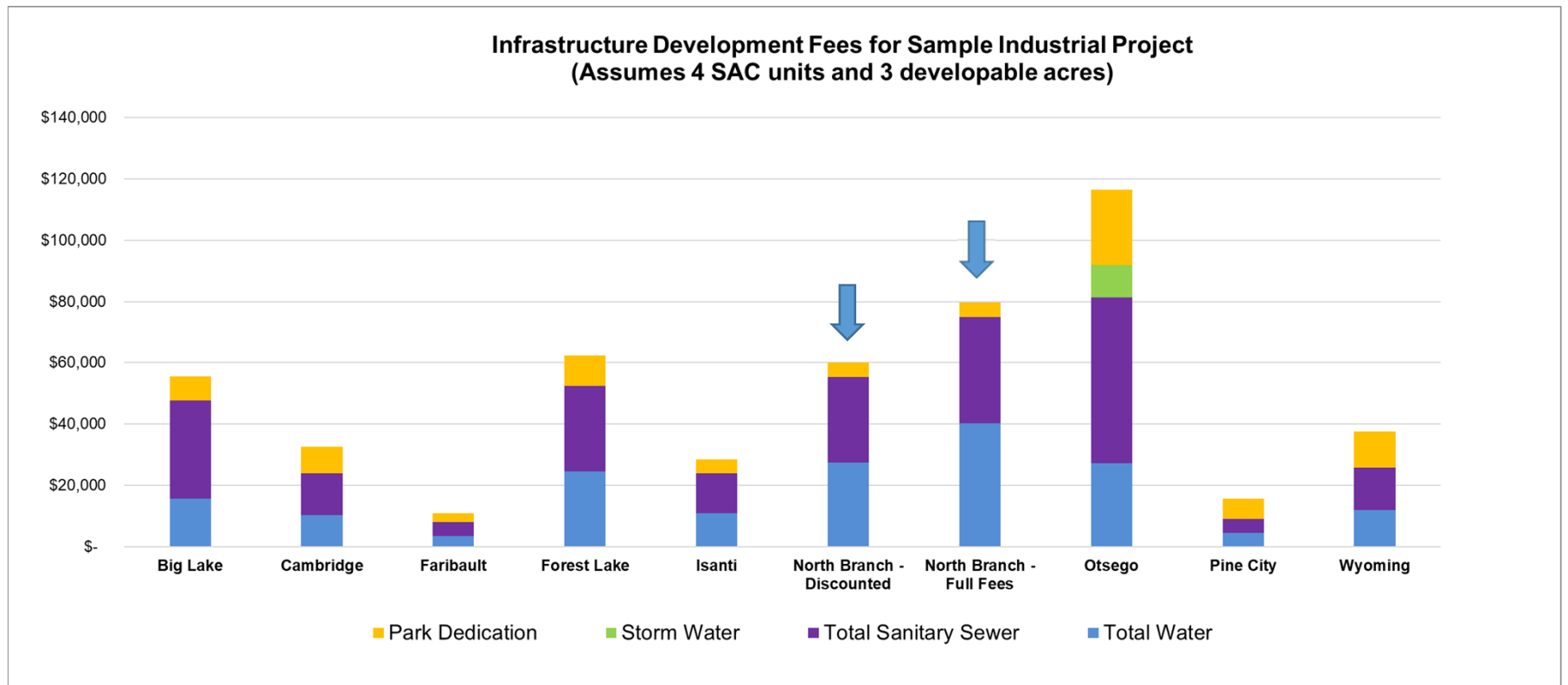
Development Fees – Single Family (\$11,151/unit)



Development Fees – Multi-Family (\$5,924/unit)



Development Fees – Industrial (\$20,008 per SAC unit)





NORTH BRANCH

Development Fees – A City’s Perspective

Reflections on the results of the Ehlers Study

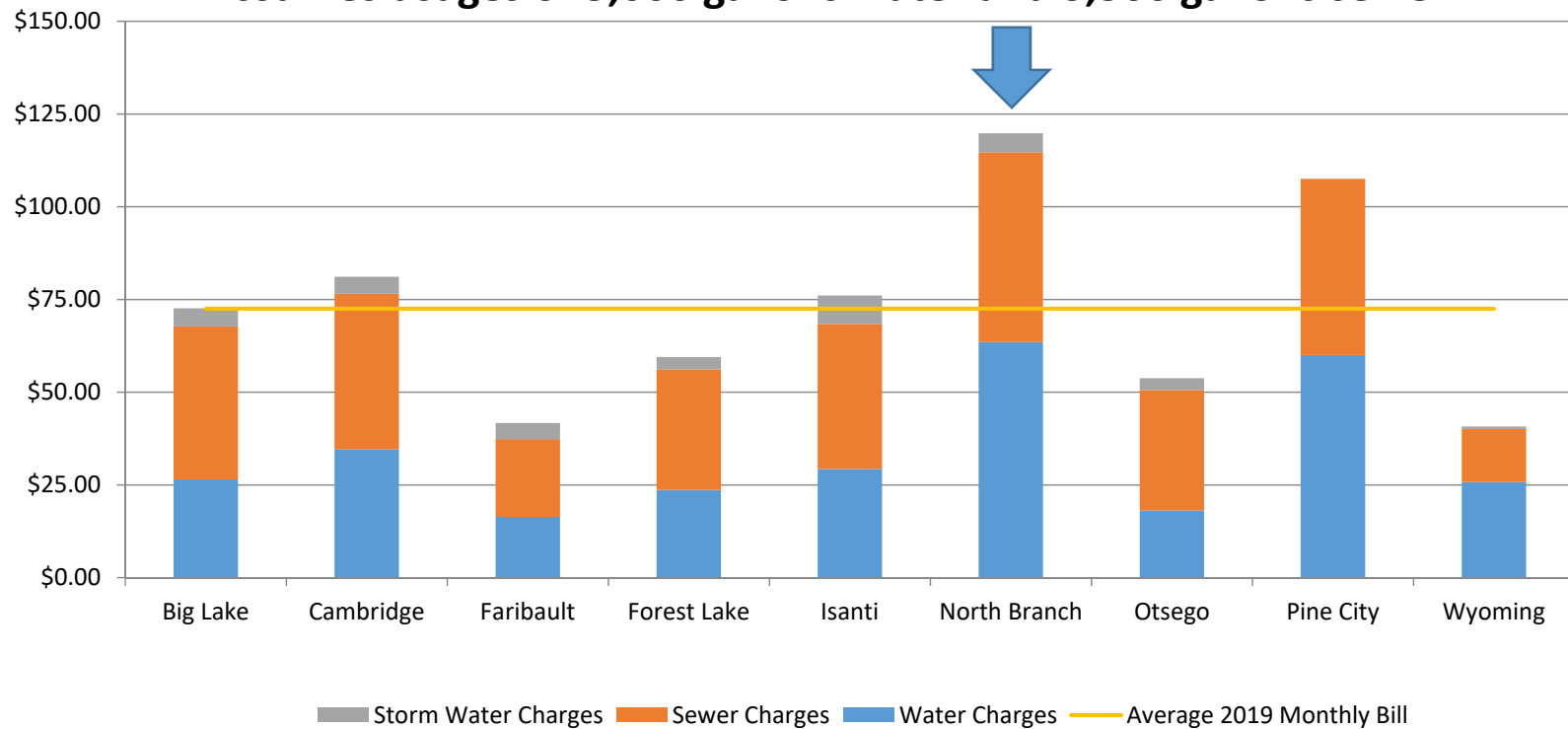
Can the structuring of fees have (unintended) disparate impacts on development?

How can fees be used to entice certain types of development?

What are the costs the fees are intended to support and how do you know that you are accomplishing that goal?

Monthly Utility Fees

2019 Monthly Residential Bill for Water, Sewer, and Storm Water
Assumes usages of 5,000 gallons water and 3,500 gallons sewer





NORTH BRANCH

Pay 2019 Taxes

City	City Tax Rate	Total Local Rate**
Otsego	36.060%	97.305% - 127.476%
Forest Lake	39.580%	98.113% - 103.770%
Wyoming	45.719%	102.996% - 143.645%
North Branch	49.466%	155.385%
Big Lake	50.898%	143.138%
Faribault	54.803%	112.059%
Isanti	61.818%	157.602%
Pine City	63.706%	154.666%
Cambridge	76.653%	172.181%

**Includes County Rate and School District Rate. Tax rate depends on school district and watershed district.



Development Fees – A City’s Perspective

Next Steps - The city is conducting a deeper review of:

- city utility operations costs
- debt structure
- capital improvement plans
- rates

to determine if rate adjustments are warranted or advised
(increase or decrease)

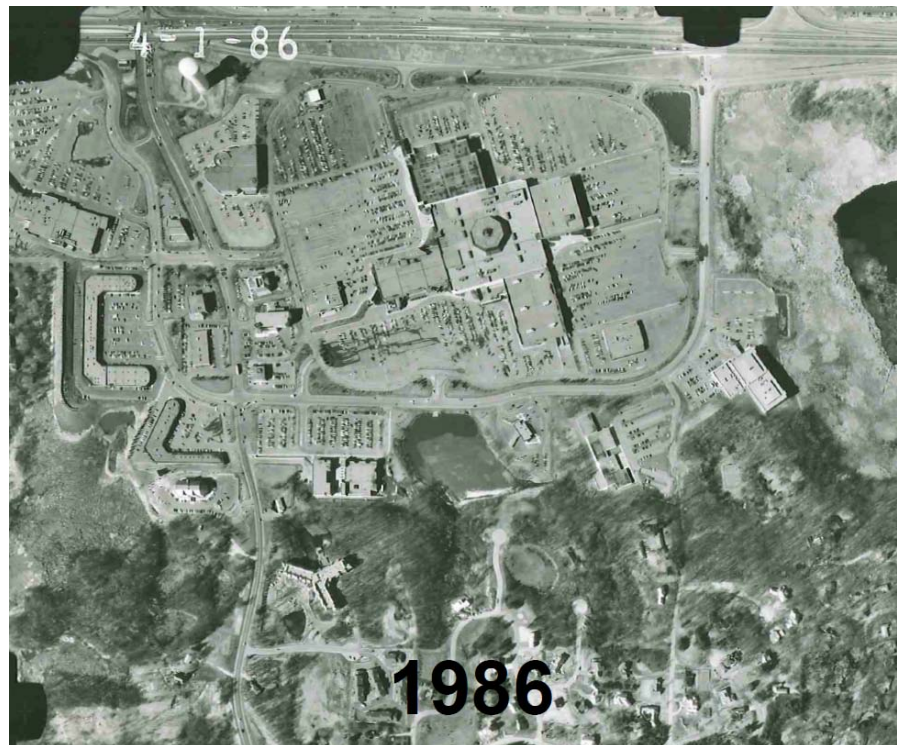
ANOTHER TWIN CITIES “DALE” EMERGES



ANOTHER TWIN CITIES “DALE” EMERGES



ANOTHER TWIN CITIES “DALE” EMERGES



RIDGEDALE FACTS

100 acres – North of Ridgedale Drive
1.3 M SF at mall
In total Value (west to BB - \$350 M in value)

- 650 new units to Ridgedale area in the last few years
- Approximately 10,000 jobs – 5600 in service and retail
- 653 businesses
- About 50/50 Renter vs Owner Occupied



2012 RIDGEDALE VILLAGE CENTER STUDY: A VISION FOR 2035



APPROPRIATE ELEMENTS FOR RIDGEDALE AREA

- Housing – low and mid-rise
- Office & Hotel – mid-rise
- Conference Center
- Restaurants
- Multiplex cinema
- Additional Retail
- Outdoor park/plaza/multi-use
- Expanded YMCA



CONCEPT PLAN ELEMENTS



- Transform Retail Center into Mixed-Use Community
- Rebuild Ridgedale Drive into a Parkway
- Enhance Natural Features
- Improve Mobility and Circulation
- Encourage Green Practices

RIDGEDALE AREA PUBLIC REALM GUIDELINES

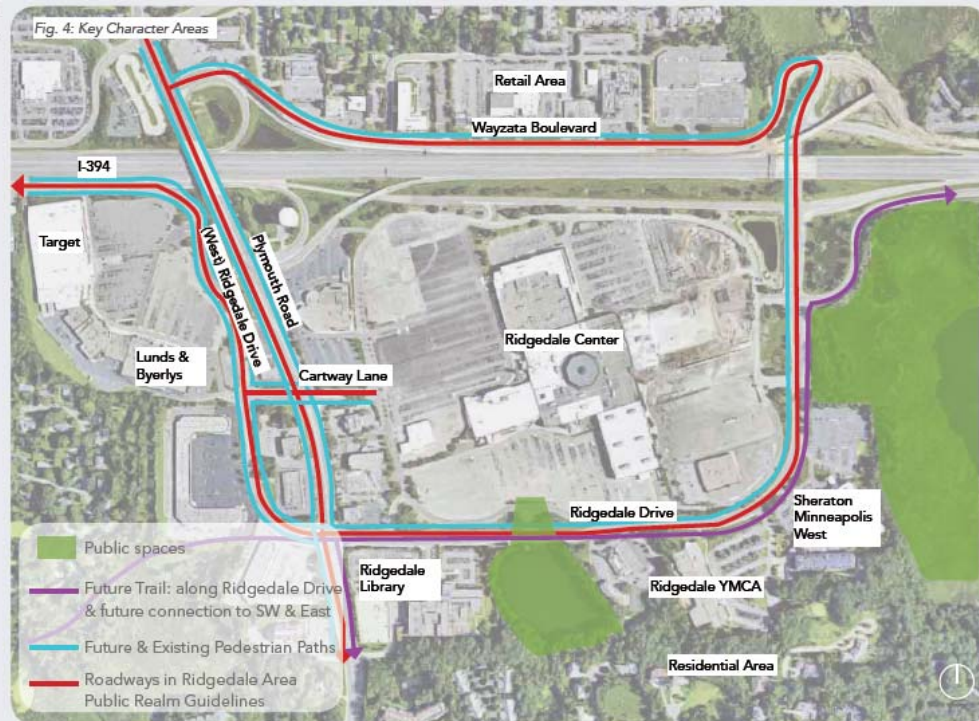
Key Character Areas

These guidelines are intended to coordinate design of the public realm to achieve a character and sense of place that expresses the area's evolution, its intentions to integrate with Ridgedale Center, and expand and improve the pedestrian facilities within the area.

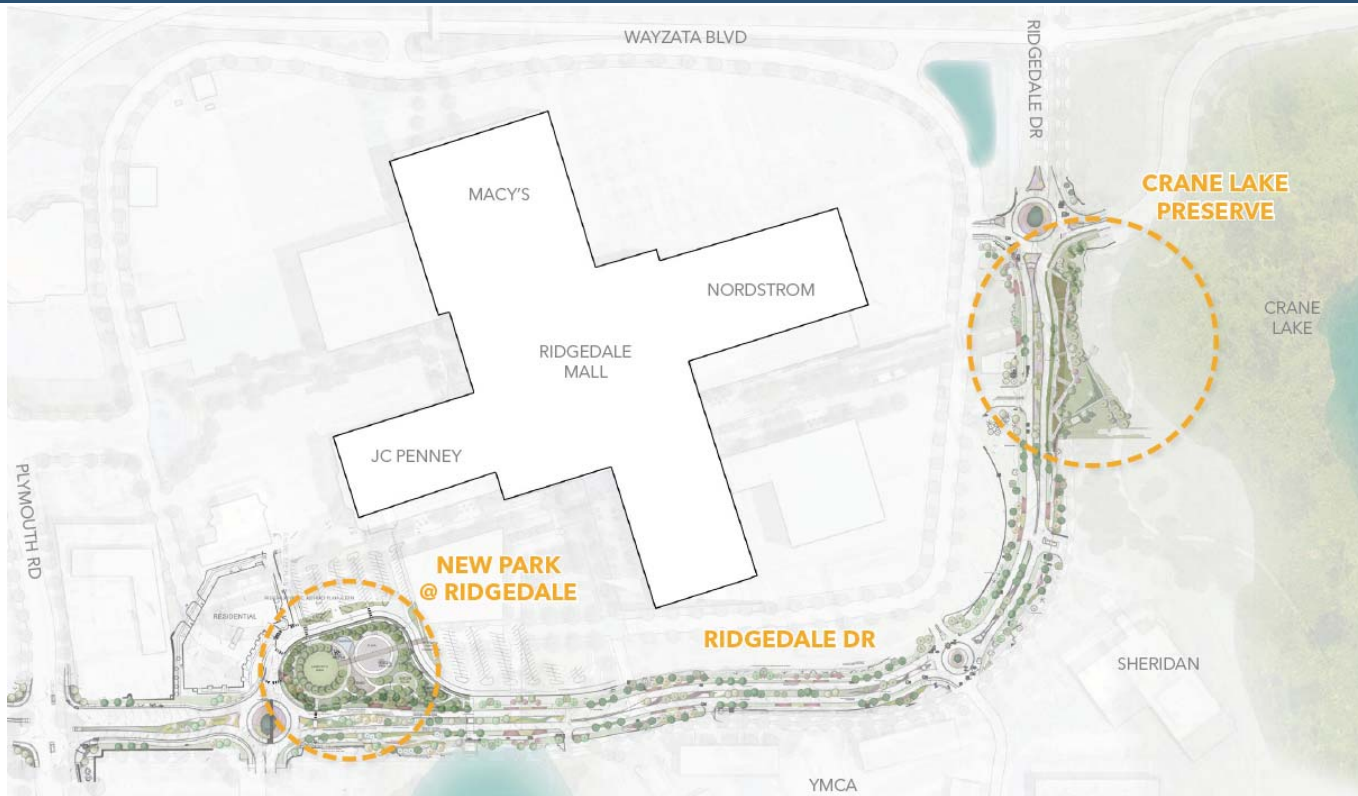
Elements of Public Realm Guidelines

1. Transform retail to mixed-use development
 - Catalyst Project: 1700 Plymouth (2017)
2. Complete Streets
 - Integrate complete streets and improve connections
 - transform Ridgedale Drive to parkway
 - improve intersections
3. Planting Improvements
 - cohesive street & intersection planting strategy
4. Create public art & gateway opportunities
5. Cohesive & comprehensive site furnishings & lighting*
6. Improve surface parking lots*
7. Screen loading & trash areas*
8. Encourage sustainable practices*

*guidelines integrated throughout the study area



RIDGEDALE AREA PUBLIC REALM PROJECTS



FUTURE THINKING – LONG VIEW



- ~ 2 acre community park/plaza
- Unique identity
- Vibrant and welcoming
- Community gathering place
- Multi-use

BY THE NUMBERS

- Nordstrom/Macys construction
- Tax Abatement on Part of the Mall - \$1.7 Million
- Payment for betterments relating to mall that enhanced the following:
 - Pedestrian connections
 - Aesthetic/Design improvements
 - Stormwater
- Fee support for construction, sewer, water



FUTURE THINKING – LONG VIEW

- No special assessments
- Donation of land for public improvements! Very successful!
- Capital Improvement Planning
 - West Bound Ramp at I-394 = \$8 M
 - Ridgehaven Road improvements/access out of Ridgedale – access to 394 = \$12 M
 - Ridgedale Drive = \$10
 - Ridgedale Park/Crane Lake Park = \$6 Million
 - Overall \$36 million
- Showing the private sector that the city was ready to invest just as much as private
- Collected Sewer/Water Hookup - \$1 M, helps offset reinvestment in road. Park \$3 M collected for area improvements



RIDGEDALE AREA TRANSITION TO A COMMUNITY

Avidor

- 6 stories, 168 units
- Active Adult apartments
- Aligns with public realm guidelines
- Property dedication for new park space



RIDGEDALE AREA TRANSITION TO A COMMUNITY

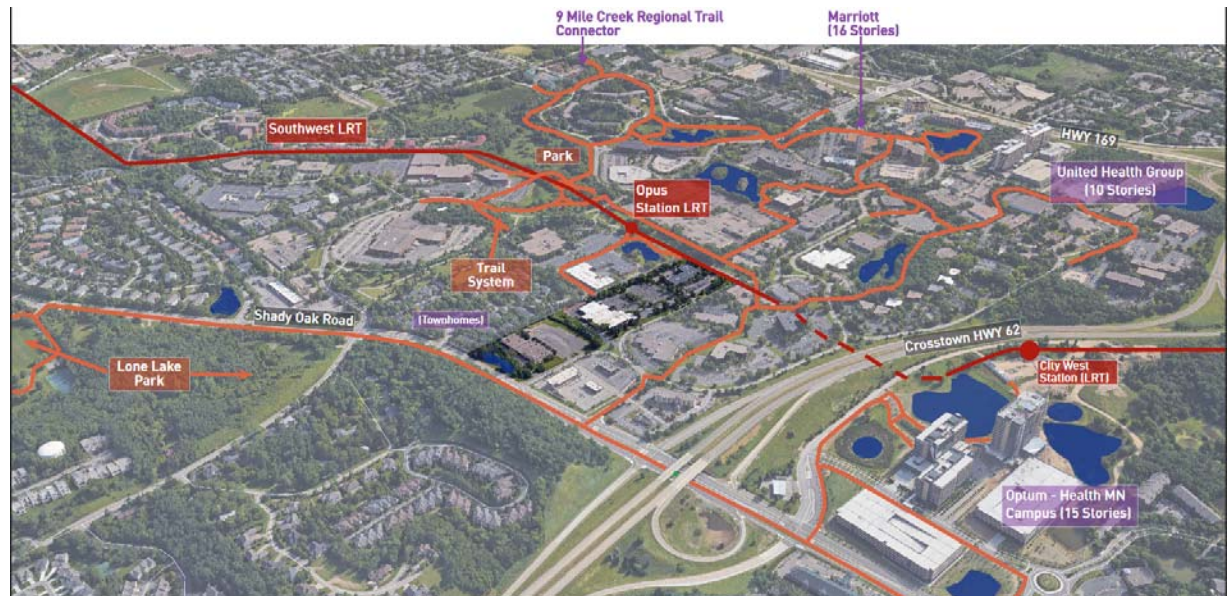


Ridgedale Executive Apartments

- 4 stories, 77 units
- Mixed-use development
- Aligns with public realm guidelines

OPUS AREA

- \$700 M property value
- Top 5 fiscal disparity contributor
- A lot of construction – 800 units
- More to come – 2000 more units?
- Aging streets, aging infrastructure
- No place in place



THEN AND FUTURE

- Wayfinding difficult
- Need a center
- Public investment = private confidence
- LRT investment = national interest
- Organized city/vision



OPUS - FINANCIAL

- Tax Increment Pooling –
 - Project near light rail for partial affordable
- Tax Increment and tax credits – Dominion Project
 - 482 Units
 - All affordable – 60%
 - Half senior
 - \$8 M TIF
- Organized efforts – prior to development
 - CIP
 - Placemaking and Public Realm Guidelines
 - Blight Assessments
 - AUAR
 - Consider Police/Fire
- Collected Park Fees/Sewer Water Hook up - \$5.3 M/\$2.6M
- Directly back into the area for public improvements – clear use



BREN ROAD DEVELOPMENT
MINNETONKA, MN
CITY SUBMITTAL - APRIL 6, 2018



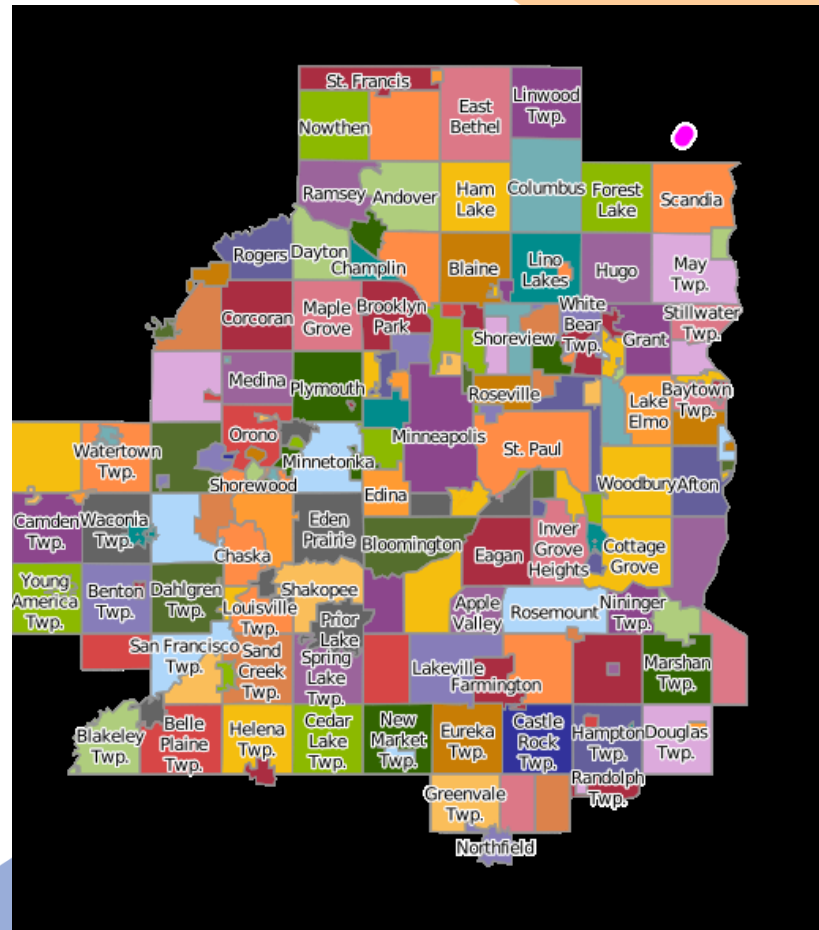


Housing & Development Conversations at the Capitol

Charlie Vander Aarde
Metro Cities

Metro Cities

Regional
association in
the seven-
county metro



Metro Cities

- Mission is to advance the shared interests of all metropolitan cities at the Executive Branch, Legislature and Metropolitan Council
- Metro Cities is the only metro-wide entity that lobbies and monitors the Metropolitan Council, and the only region-wide organization representing cities before the Legislature and Executive Branch.
- Metro Cities represents 92 member cities, comprising over 90% of the region's population, including the core cities, inner ring and developing communities.



**State, Regional and Local
Housing Conversations
Have Been Elevated**

Governor Dayton's Task Force on Housing 2017-2018



30 RECOMMENDATIONS

- Build More Homes - Build 300,000 new homes by 2030
- Increase the capacity of local leaders to implement tools and solutions
- Create a statewide review panel to evaluate regulations

External Actions



Legislative Interest

Regional & Local Housing Planning

- Cities Updated Comprehensive Plans
 - Housing Element
 - Planning for Growth in Affordable Housing Need

Building Industry Papers

- Priced Out – cumulative costs
- Permit Fees – collection and use of building permit fees

Legislature → 2 Committees

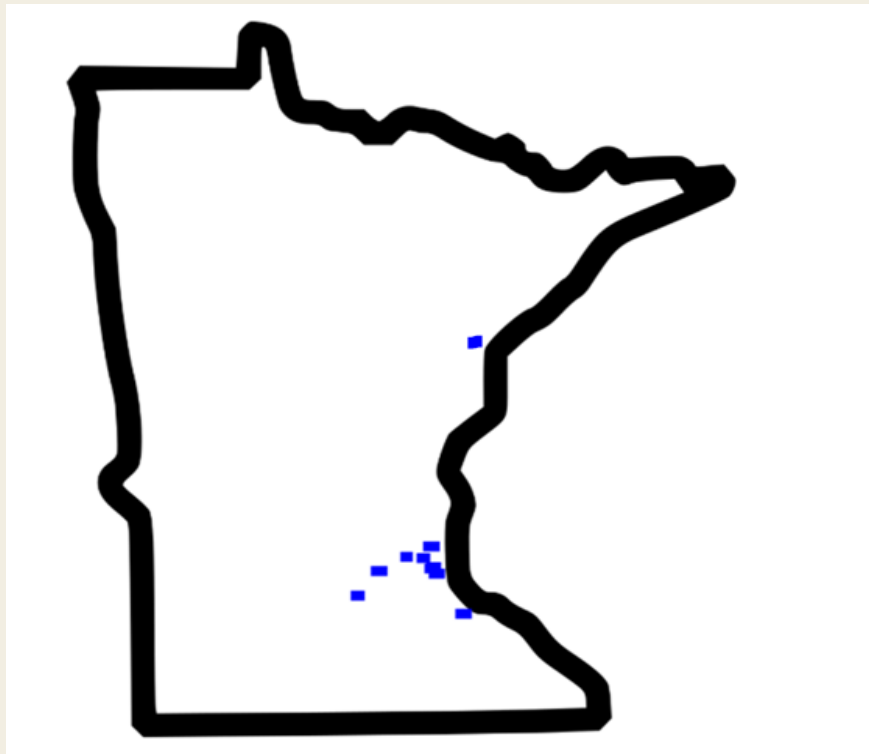
Legislative Commission on Housing Affordability

Established by the legislature in May 2019

Bicameral, bipartisan membership

Expires June 30, 2023

Legislative Commission Members



- . Rep. Peter Fischer (Chair, Maplewood)
- . Rep. Kaohly Her (St. Paul)
- . Rep. Jim Nash (Waconia)
- . Rep. Barb Haley (Red Wing)
- Sen. Rich Draheim (Madison Lake)
- Sen. Karin Housley (St. Mary's Point)
- Sen. Erik Simonson (Duluth)
- Sen. Kari Dziedzic (Minneapolis)

Legislative Commission Charge

The Legislative Commission on Housing Affordability was established in 2019 to:

1. **define housing affordability and study issues relating to housing affordability** and the construction, preservation, and rehabilitation of owner-occupied and rental housing, including subsidized housing, existing and future government regulations impacting housing;

2. review and **provide the legislature with research and analysis of emerging issues affecting housing affordability and homeownership access**, including but not limited to construction work force, innovation, building practices, and building material costs;

3. review and provide the legislature with research and analysis of **policies to reduce the homeownership equity gap**; and

4. **review and make recommendations on legislative and rulemaking proposals positively impacting personal housing affordability, access to homeownership, and other related barriers to homeownership**, especially with regard to first-time homebuyers and economically disadvantaged buyers and renters.

(Minnesota Special Session Laws 2019, Chapter 10, Article 2, Section 2)

Legislative Commission on Housing Affordability

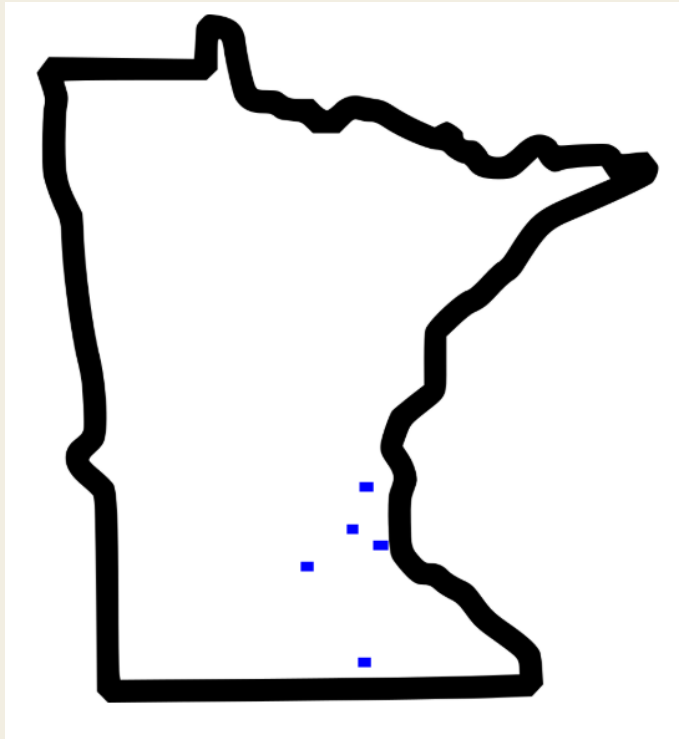
First meeting was to have been convened by June 15, 2019.

Senate Select Committee on Home Ownership Affordability and Availability

Established by the legislature in May 2019

Senate only - 3 GOP, 2 DFL members

Senate Select Committee Members



Senator Rich Draheim (Chair, Madison Lake)

Senator Kari Dziedzic (Minneapolis)

Senator Mark Koran (North Branch)

Senator Dan Sparks (Austin)

Senator Karin Housley (St. Mary's Point)

Senate Select Committee Charge

- Established to make findings and recommendations to the Senate regarding issues affecting the availability of affordable owner-occupied housing.
- Senate Resolution 101, adopted May 14, 2019.
- The Select Committee shall be dissolved upon the adjournment sine die of the 2020 Senate, 91st Session.

Senate Select Committee Activities to Date

- August
 - Statistics from Minnesota Housing – future demographic changes, homeownership disparities, barriers to homeownership
 - Presentations on Priced Out paper by BATC and Realtors - housing affordability and availability, sales trends, housing stock
 - Builders discussed state codes and land cost
 - Realtors noted flat household incomes have contributed to affordability challenges, with incomes not keeping pace with home prices

Senate Select Committee Activities to Date

- September
 - Site Visit to New Residential Development, Land Trust model
 - Presentation on Fee paper by BATC – limited 5-year lookback
 - City Roles in Housing – telling the city story (Lakeville, Cambridge, Corcoran, Metro Cities, League of MN Cities), who pays for growth, cost recovery via fees

Senate Select Committee Activities to Date

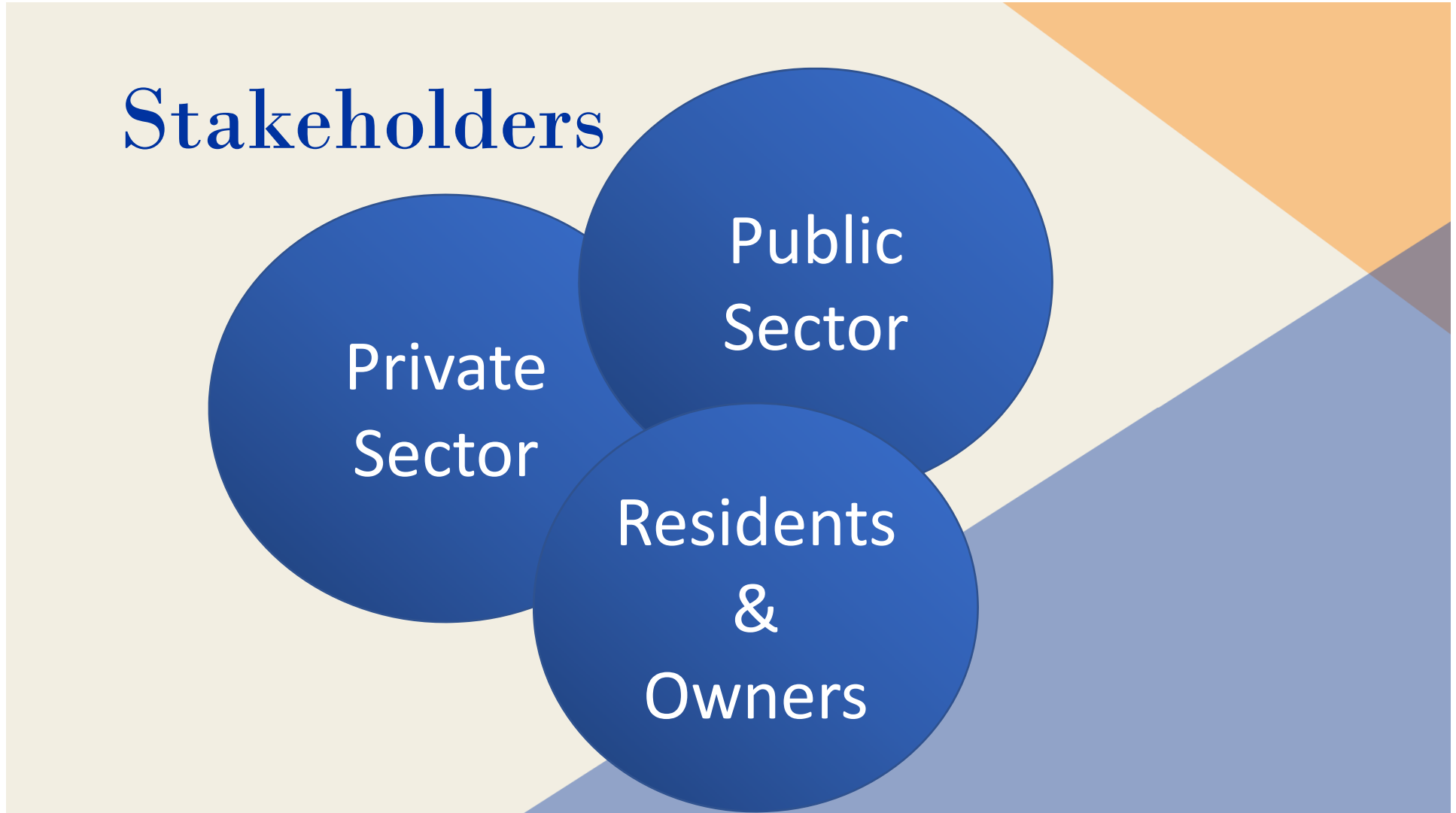
- October
 - Site Visit to Panelization Manufacturer
- November
 - Site Visit to Manufactured Home / Modular Home Factory
- February
 - Impacts of Zoning, Permitting, and Building Codes on Home Ownership
 - Financial Barriers to Home Ownership

Stakeholders

Private
Sector

Public
Sector

Residents
&
Owners



Telling the City Story to Legislators

League of Minnesota Cities
Four Kinds of City Development Fees
www.lmc.org/development

1. Safety/Inspection
These costs are related to the review and inspection of development in accordance with state and local standards to ensure the safety and well-being of residents.
Examples: Engineering, plan review, building permit fees

2. Infrastructure
Construction of public streets, sidewalks, curbs, and drainage are needed to support new development. These fees are used instead of charging special assessments or increasing property taxes for existing property owners.
Examples: Infrastructure, street improvement, stormwater fees

3. Utilities
These fees provide for services like water and sewer for residents in the new development. They cover the costs of the new connection or increased capacity.
Examples: Sewer/water connection fees, water availability charges (WAC), sewer availability charges (SAC)

4. Park and Recreation
These fees may be required of a developer instead of dedicating private land for public park and recreation purposes. Use of these fees reflects a community's goals to protect the environment and improve quality of life.
Examples: Park dedication, tree preservation, trail fees

Your LMC Resource
Contact Alesia Davis
Research Attorney
(651) 281-1271 or
(800) 925-1122
adavis@lmc.org

Contact Irene Kao
IGR Counsel
(651) 281-1260 or
(800) 925-1122
ikao@lmc.org

Contact Daniel Lightfoot
IGR Representative
(651) 281-1295 or
(800) 925-1122
dlightfoot@lmc.org

Cities help developers transform unimproved land into safe and enjoyable housing for new residents!

- Educate policymakers and the public on how and why cities work with developers to manage city growth.
- Ensure new construction is safe and new developments are consistent with local goals.
- Determine who will pay for growth.

Telling the City Story

- Metro Cities One-Pager

- City One-Pagers

City Actions Supporting Housing Development, Affordability & Affordable Housing

SUPPORTING DEVELOPERS & SUPPORTING DEVELOPMENT

P O L I C Y

- Reducing Parking Minimums
- Encouraging Innovative Housing Types, Lifecycle Housing
- Expedited Plan Review for Similar Homes
- Allowing Higher Density / Up-Zoning, Density Bonuses
- Encouraging Adaptive Re-use, Infill and
- Allowing Exterior Material Alterations
- Encouraging Mixed-Use and Mixed-Income Developments
- Adjustment of Setbacks
- Development Agreements
- Land Assembly
- Allow Reduced Lot Sizes, Smaller Homes and ADUs
- Loans
- TIF Pooling
- Local Fee Waivers, Reductions
- 4d
- Tax Abatement

P F U U B N L D **T C A O X D E**

CITY OF PRIOR LAKE MINNESOTA

ON A \$505,383* HOUSE, 3.5% OF THE PRICE, OR \$17,865 IN CITY FEES, PROVIDES NEW HOME OWNERS:

- 
Building Inspections \$4,391
 Average 15-20 inspections to ensure homes are built safely and to code.
- 
Water Charges \$4,697
 Funds water towers, treatment facilities, trunk watermain and wells.
- 
Park Dedication \$3,750
 Construction of new parks and trails.
- 
Storm Water Management \$1,042
 Provides storage and treatment of storm water runoff to protect property and preserve quality of wetlands, lakes and streams.
- 
Infrastructure Inspection \$975

Telling the City Story

- Street Impact Fee

SENATE STATE OF MINNESOTA NINETY-FIRST SESSION			S.F. No. 2442
<small>(SENATE AUTHORS: PRATT and Hoffman)</small>			
<small>DATE</small>	<small>D-PG</small>	<small>OFFICIAL STATUS</small>	
03/13/2019	867	Introduction and first reading Referred to Local Government	
03/18/2019	1011	Author added Hoffman	

1.1	A bill for an act
1.2	relating to local government; authorizing municipalities to charge a street impact
1.3	fee; amending Minnesota Statutes 2018, section 462.358, by adding subdivisions.
1.4	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
1.5	Section 1. Minnesota Statutes 2018, section 462.358, is amended by adding a subdivision
1.6	to read:
1.7	<u>Subd. 12. Street impact fee. (a) In addition to all other existing authority of a</u>
1.8	<u>municipality, a municipality may impose a fee as set by ordinance on an applicant based</u>
1.9	<u>on the net buildable acreage of the subdivision, the subdivision's impact on the municipality's</u>
1.10	<u>transportation system, or the municipality's transportation plan.</u>

- Modify Subdivision Regulations

SENATE STATE OF MINNESOTA NINETY-FIRST SESSION			S.F. No. 2443
<small>(SENATE AUTHORS: PRATT and Hoffman)</small>			
<small>DATE</small>	<small>D-PG</small>	<small>OFFICIAL STATUS</small>	
03/13/2019	867	Introduction and first reading Referred to Local Government	
03/18/2019	1011	Author added Hoffman	

1.1	A bill for an act
1.2	relating to local government; modifying municipal authority to regulate
1.3	subdivisions; amending Minnesota Statutes 2018, section 462.358, subdivision
1.4	1a.
1.5	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
1.6	Section 1. Minnesota Statutes 2018, section 462.358, subdivision 1a, is amended to read:
1.7	Subd. 1a. Authority. To protect and promote the public health, safety, and general
1.8	welfare, to provide for the orderly, economic, and safe development of land, to preserve
1.9	agricultural lands, to promote the availability of housing affordable to persons and families
1.10	of all income levels, and to facilitate adequate provision for transportation, water, sewage,
1.11	storm drainage, schools, parks, playgrounds, and other public services and facilities, a
1.12	municipality may by ordinance adopt subdivision regulations establishing standards,
1.13	requirements, and procedures for the review and approval or disapproval of subdivisions.

To Learn More

@MetroCitiesMN

Legislative Commission: www.lcc.leg.mn/lcha

Legislative Hearing Schedule: www.leg.state.mn.us/cal

How Development Works in a City: www.lmc.org/development



Your Presenters

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