City of Carroll

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MEMO TO: Honorable Mayor and City Council Members

FROM: Mike Pogge-Weaver, City Manager

DATE: June 10, 2021

SUBJECT: Discussion on Rolling Hills South 4th Addition: Expanding and Revising the Carroll Urban Revitalization Plan

Staff is working on amendments to the Carroll Urban Revitalization Plan (Plan) after receiving direction from the City Council on June 14th. The current incentive of tax exemption for residential properties that make improvements to their property where the assessed value increases by more than 10% on the first seventy-five thousand dollars ($75,000) of actual assessed value added per living quarter by the improvements for a period of five (5) years from taxation would be expanded City wide. To complete the revised Plan, staff needs direction from Council on two items.

First, the City entered into a development agreement with 704 Development Corp. related to the development of Rolling Hills South 4th Addition. This is a 12 housing unit (in 6 separate duplex buildings) development including the development of infrastructure (water, sewer, storm sewer, and roads) to serve the new units at an approximate cost of $250,000 to the developer. Per the development agreement the infrastructure improvements were to be completed by June 1, 2020. The improvements were accepted by the City Council on March 9, 2020. The 12 housing units were to be completed on or before March 1, 2021. At this point, 3 of the 6 buildings are under construction; however, none of the buildings are completed. For completing these improvements, the development agreement included a rebate of tax increment financing (TIF) funds in the amount of up to $72,000 for the infrastructure improvements. This funding was being provided as a match for the Workforce Housing Tax Credit (WHTC) program. Under the WHTC program, the total cost per housing unit is capped at $215,000. At this point, it is not anticipated that the developer will be able to keep the cost under $215,000 per housing unit and will forfeit the Workforce Housing Tax Credit that was awarded to the project. The developer has indicated that the units were not complete on time due to labor shortage and the increased housing unit costs due to the coronavirus pandemic.

The main question related to the current development agreement is: should the agreement be amended to provide additional time to complete the remaining housing units and waive the requirement that the units be eligible for the Workforce Housing Tax Credit in order to receive the rebate of $72,000?

The second area for discussion is related to the revisions being made to the Carroll Urban Revitalization Plan itself. If this development is included in the revised Urban Revitalization Area and tax abatement is made available, there would be less available TIF funds to make the $72,000 TIF rebate payment. Running a proforma for the development, it would appear there would be sufficient TIF funds to make the full TIF rebate payment if this area is included in the revised Urban Revitalization Area.

Does the Council want to include Rolling Hills South 4th Addition in the revised Urban Revitalization Area and make tax abatement available?

Work to amend the plan is nearing completion and staff plans to present the completed plan to the Council on July 26th in order for them to set a public hearing on the revised plan for September 13, 2021.

RECOMMENDATION: Mayor and City Council review, discuss, and consider directing staff on how to proceed with the above items.