



**SPECIAL CONCURRENT CITY COUNCIL AND HOUSING AND REDEVELOPMENT
AUTHORITY WORKSESSION
RICHFIELD MUNICIPAL CENTER, BARTHOLOMEW ROOM
APRIL 15, 2019
5:45 PM**

Call to order

1. Discuss Emerson Lane housing proposals

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.

CITY OF RICHFIELD, MINNESOTA
Office of City Manager

April 11, 2019

Council Memorandum No. 20

The Honorable Mayor
and
Members of the City Council

HRA Memorandum No. 3

Housing and Redevelopment
Authority Commissioners
City of Richfield

Subject: Development of Emerson Lane Site

Council Members and Commissioners:

On November 13, 2018, staff presented an overview of the HRA-owned site located at 6812 Emerson Lane and the proposal for five single-family homes submitted by Endres Custom Homes. No specific determination or direction was chosen at the work session; however, the builder continues to be interested in developing the property. At the upcoming HRA and Council work session on April 15, staff will revisit the site and the proposed development.

Site Background

The 1.3 acre property is located between Interstate 35W and Emerson Avenue, just north of Wood Lake Nature Center (Attachment A). The property was purchased by the HRA in 2005 and is zoned and guided for single family residential.

The property was purchased in 2005 for the purpose of building new single-family homes under the Richfield Rediscovered (RR) program. When staff began marketing the property to builders, the housing market had begun its downturn, and interest was scarce.

Over the past few years, the HRA has fielded the following inquiries for the property:

- **Summer 2014** – A neighbor expressed interest in subdividing the property and building three single family homes. No formal application was submitted.
- **Spring 2017**– An individual proposed building three slab-on-grade homes. No formal application was submitted.
- **Spring 2018** – A neighbor expressed an interest in building one single family home. No formal application was submitted.
- **Spring 2018** – A neighbor expressed an interest in purchasing the lot from the HRA for \$10,000.
- **Spring 2018** – Dustin Endres of Endres Custom Homes made inquiries about the lot and began researching the City requirements to build five homes.

- **Fall 2018** – Neighbors sent a letter to the HRA expressing their opposition to housing development and desire for it to be recognized as part of Wood Lake Nature Center.

Staff have also discussed the site with the Minnesota Department of Transportation (MnDOT), Public Works, and Recreation Services; however, none have expressed a need or interest in the property. In the case of Recreation Services, the only possibility for the site would be either a dog park or an archery range; however, costs of development are prohibitive.

Proposed Housing Development

The current proposal by Endres Custom Homes is for five single-family homes (Attachment B):

- The homes would be based on the same split-level model with varying rooflines, siding patterns and exterior colors. Each home would have four bedrooms, three bathrooms, and an attached two-car garage. The estimated sale price would be \$345,000.
- The homes would receive sound-attenuation upgrades to mitigate the noise of nearby Interstate Highway 35W.
- Two buyers have expressed interest in buying homes here, and the builder feels confident that other buyers would respond once listed on the Multiple Listing Service (MLS).
- A public road with turnaround would be constructed to provide access for emergency vehicles.

The cost to prepare the property for development of five homes is estimated at \$300,000. This includes the cost of site preparation, road construction and utility installation. These costs are beyond the normal costs undertaken at other RR lots because utility mains would need to be constructed, and the public road would need to be extended. The HRA would likely not receive any sale proceeds under this scenario because they would be used to offset the high cost to develop the property.

Alternative Housing Scenarios

At the work session on November 13 policymakers considered the development of fewer than five homes on the property. The feasibility of those alternatives is as follows:

- The construction of **three or four homes** would also require a public road and utility mains to be constructed, costing \$300,000. With fewer homes to absorb these costs, significant up-front investment from the HRA would be required for a viable development. An estimated \$60,000 - \$120,000 in additional cash would be needed to make three to four homes feasible. Staff does not view this as a wise use of scarce HRA resources so is not recommending this scenario.
- Reducing the development to **two homes** on the site allows for the construction of a private, shared driveway instead of a public road. This lowers development costs but also adds the additional cost and burden of installing and maintaining

shared utilities and the driveway. A small amount of sale proceeds may be realized, depending on the final cost of the shared utilities.

- The construction of **one home** would include the installation of a private driveway and single-user utility lines, both of which would be significantly longer than a typical development and therefore more costly. Sales proceeds and an additional \$10,000 would likely be required to cover development costs.

Since 2005, the HRA has spent over \$335,000 for the acquisition, demolition and maintenance of this property. Under no scenario does the HRA recoup these acquisition and holding costs, except through property taxes over the long-term. (Attachment C)

Policies

The following policies provide guidance in considering the development of the property:

1. The main objectives of the **Richfield Rediscovered Program** include:
 - a. To remove substandard, functionally obsolete housing on scattered sites throughout the City and replace with new, higher-valued housing;
 - b. To eliminate the blighting influence of substandard housing, thus improving residential neighborhoods;
 - c. To alleviate the shortage of housing choices for families; and
 - d. To facilitate the construction of larger three- to four-bedroom, owner-occupied homes designed for families.

There is high demand for new single family homes in Richfield, with nearly 200 individuals on the notification list for the program.

2. The **Comprehensive Plan** is the policy document that describes the community's vision for the future of Richfield. The Housing Goals and supporting policies included in the document support the goals of the Richfield Rediscovered program: the desire to provide a full range of housing choices and the creation of "move up" housing.
3. The **Inclusionary Housing Policy** states that "With regards to "scattered-site single family housing development," at least 20% of the units newly constructed or rehabilitated and converted to long-term affordability in any three-year period must meet the proscribed affordability requirements."
 - a. With the addition of five market-rate homes built at 6812 Emerson Lane, the percentage of affordable new homes constructed would be 24% for the 2018-2020 time period.

Land Use/Zoning Considerations

The property at 6812 Emerson Lane is designated for Low Density Residential in the Comprehensive Plan and is zoned for single-family residential housing. In this zoning district, single-family dwelling units are permitted uses, up to seven units per acre.

If the development of five homes on the property proceeds for approvals, the plat of the property would come before the Richfield City Council for approval. Some of the proposed lots may be non-conforming in width (i.e., less than 50 feet).

Neighborhood Input

The neighbors have expressed their concerns over the proposal for five homes. The attached letter to the HRA commissioners, dated October 2, 2018, states their opposition to any development of the property (Attachment D). A number of neighbors also attended the November 13, 2018, work session and voiced their concerns regarding the impact of development on property values, increased traffic on Emerson Avenue, house height and design, and impact of added households on a property that has been vacant since 2005.

Postcard notifications for this work session were mailed to the neighborhood on April 3. If a housing development proceeds for the site, an open house will be scheduled for the neighborhood to get more information about the builder, house plans and construction schedule.

Timing

Mr. Endres, of Endres Custom Homes, initially contacted staff in the spring of 2018. He has buyers interested in building new homes in Richfield, who are awaiting a decision about this property for future construction.

Emerson Lane is scheduled for mill and overlay to be completed in 2020, so any utility improvements necessary for development should be completed beforehand to avoid damaging the newly refurbished road.

Questions to Consider

The proposal raises the following questions for policymakers to consider:

1. Is housing the appropriate use for this HRA-owned site?
2. If housing is appropriate, what number of homes do you support for the property?

Next Steps

- If policymakers support development of five housing units on the property, staff will encourage Endres Custom Homes to submit a formal proposal and request for development of the property. A development agreement would be brought to the HRA, and a plat application to the Council.
- If support is for one or two units, staff will encourage Endres to submit an application for the lot(s). If he is not interested, the lots will be marketed for sale through the Richfield Rediscovered Program.
- If policymakers determine that housing is not the appropriate use for the site, consideration of the appropriate use will be referred to the Planning Commission.

Respectfully submitted,

A handwritten signature in dark ink, reading "Katie Rodriguez". The signature is fluid and cursive, with the first name "Katie" and last name "Rodriguez" clearly distinguishable.

Katie Rodriguez
City Manager

KR:ka

Email: Department Directors

ATTACHMENT A

6812 Emerson Lane, Aerial Photo of the site



ATTACHMENT B

Site plan and house design for proposal submitted for **5 homes** on Emerson Lane



Proposed House Plan and Photo of Constructed Homes submitted by Endres Custom Homes.



*Perspective
from West*



*Perspective
from East*



*Same house
design/plan, built in
2018 on 16th Avenue
double-lot*

ATTACHMENT C

Summary of Development Costs - 6812 Emerson Lane

	1 Home	2 Homes	3 Homes	4 Homes	5 Homes
Development Costs*	\$ (70,700)	\$ (95,000)	\$ (300,000)	\$ (300,000)	\$ (300,000)
Lot Value <i>Estimated at \$60k/lot</i>	\$ 60,000	\$ 120,000	\$ 180,000	\$ 240,000	\$ 300,000
TOTAL HRA (Cost)/Gain	\$ (10,700)	\$ 25,000	\$ (120,000)	\$ (60,000)	\$ -
CITY TAX GAIN <i>Estimated at \$2,050/house in annual tax to City and HRA</i>	\$ 2,050	\$ 4,100	\$ 6,150	\$ 8,200	\$ 10,250
RETURN ON INVESTMENT (YEARS)	169.2	75.9	74.2	48.3	32.8

**Acquisition and holding costs of \$335,000 not included.*

ATTACHMENT D

Letter sent to HRA Commissioners from Emerson Lane neighbors, dated October 2, 2018

Authentisign ID: 68B61720-81B0425D-80A642B E0B6E2D95

October 2, 2018

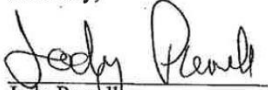
City of Richfield
6700 Portland Ave S
Richfield, MN 55423

Dear Ms. Mary Supple, Mr. Michael Howard, Mr. Pat Elliot, Ms. Sue Sandahl and Ms. Erin Vrieze Daniels:

It has come to our attention that the vacant lot located at 6812 Emerson Lane, Richfield, MN 55423 is being considered for development. As current and adjacent property owners we, the undersigned, are vehemently opposed to any development of the property located at 6812 Emerson Lane, Richfield, MN 55423, which is greenspace and functions as part of the Wood Lake Nature Preserve. Furthermore, the existing and only access point is inadequate in size for accessing the lot.

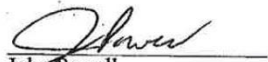
We would also request of you formal, written notification prior to the next Public Hearing notifying us of when and where we can go on public record for the City of Richfield's Comprehensive Plan and voice our opposition for any development of 6812 Emerson Lane, Richfield, MN 55423.

Sincerely,


Jody Powell

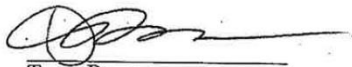



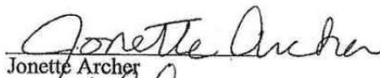
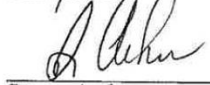
Nancy D. Paxon CDT


John Powell
6800 Emerson Ln

X 

David Paxon CDT
6732 Emerson Ave S


Taryn Broer

Bronson Broer
6738 Emerson Ave S

X 
Jonette Archer

Steven Archer
6720 Emerson Ave S

Authentisign
Kellie Zabeck
Kellie Zabeck

Authentisign
Paul Zabeck
Paul Zabeck
6714 Emerson Ave S

X *Jana Pan*
Jana Pan
6708 Emerson Ave S

Ohnarrath Minh
Ohnarrath Minh

X *Sothy Minh*
Sothy Minh
6726 Emerson Ave S

cc: Mr. Steve Devich, Ms. Mary Tietjen, Mr. John Stark and Ms. Melissa Poehlman