

Linden Hill Estates Tax Incremental District

Following is a preliminary analysis of the proposed “Linden Hill Estates” Tax Incremental District (TID.) This is a limited inquiry and does not take the place of a feasibility study and TID project plan.

District Boundary

The District will be bounded by N 20th Street on the east, N 24th Street on the west, W State Street on the south, and W Galena on the north. It would not include the Lindsay Commons development at 20th and Galena, which is in TID No 58. See the attached map.

Land Assembly

There are 23 City- and RACM-owned buildable lots. Acquisition of privately-owned properties through “Spot Acquisition” (see below) could create more building sites, but none are assumed because of the uncertainty.

5-6 additional building sites could be available if the tot lot at N 20th and W McKinley is razed and redeveloped. Carter School of Excellence uses the tot lot, but the City may own it. (Further investigation into the ownership would be necessary.) Regardless of who owns the land, using the tot lot for housing would probably be controversial and is not considered in this analysis.

Competition from Other Developments in the Area

There are 4 development sites with approximately 150 available lots in the immediate area: the Legacy, Walnut Circle, Josey Heights, and Highland Homes. Lots sell for \$15,000 in the Legacy, \$17,500 in Walnut Circle, and start at about \$20,000 in Josey. (Land costs in Highland are based on house-lot packages.) Because of challenges in the mortgage and housing markets, sales in Walnut Circle and Josey Heights are below projections.

Environmental

Based on a preliminary check of historic land use, it appears no environmental remediation is necessary except for 1016-22 N 24th Street, which would require Phase II testing. As with other developments in the area, the TID will reimburse builders if they find old buried foundations or rubble, or abandoned underground storage tanks. See the attached preliminary budget for more information.

Important to Address Problem Properties

Spot acquisitions will be important because of the number of problem properties (investor-owned and/or vacant.) Strategic acquisitions and demolition could increase the number of building sites. Along with spot, a CBO or NIDC could use federal HOME dollars to do acquisition and rehab of selected properties.

Public Improvements

The proposed public improvements are:

- Convert one-way streets to two-way
- Remove 3 cul-de-sacs (1-21st and McKinley and 2 at 23rd and Vliet,)
- Build traffic-calming bump-outs (locations yet-to-be-determined,)
- Develop Linden Hill Park.

If the tot lot were used for housing, there would be additional costs to relocate it and open W McKinley between 20th and 21st Streets.

The Developer

A CBO, DCD, or private developer will:

- assemble the vacant and improved properties,
- perform some spot acquisition,
- do the necessary land division (subdivision and certified survey maps,)
- work with DPW to build the public improvements,
- develop design guidelines and requirements for the homes,
- pre-qualify and select builders, and
- market the properties for sale to owner-occupants.

Incentives for Existing Owners

NIDC would administer a TID grant program providing funds for exterior improvements. The grant funds would be modeled after the programs we currently run in Lindsay Heights and Metcalfe Park.

NIDC could also sponsor a Targeted Investment Neighborhood in the District, to further encourage rehabs and help increase owner-occupancy. An impediment to making the TIN successful is there is no CBO active in the area, but the ACTS program operating out of St. Michael's church could help out.

Revenue for the Development

Approximately 2/3 of tax incremental revenue will come from capturing the natural appreciation of existing properties in the District and 1/3 from 15 new homes,

These forecasts are based on an 18-year TID life, lot sales of \$3,500 each, and house-lot packages with an average sale price of \$160,000 to \$175,000. District assessments grew 25.2% in 2006, 2% in 2007, and 13.4% in 2008; our assumption is a conservative annual growth rate of 2.2%.

Conclusion

We estimate 15 *may* sell over a 5-year period, but sales could be less. Further study is needed to see if the market will absorb the new homes, or if it would be better to wait until conditions improve.

A concern is the new homes may not meet design expectations. Existing homes in the district tend to be large 2-1/2 story structures, with historic features. It may be difficult to market appropriate new homes. To illustrate, NIDC spent \$235,000 for the house at 1127 N 20th, not including land costs. Construction was completed in spring, 2007 but NIDC has been unable to sell the home. We recently reduced the price to \$204,900.

Preliminary Budget for Linden Hill Tax Incremental District
Expenses

	Estimate
Administration	125,000
Feasibility Study	25,000
30 rehab grants @ \$10,000	300,000
4 spot acquisition	300,000
4 relocation (rental units)	24,000
Demo 4 houses	40,000
Enviro: Phase II, UST's & hauling / landfill for rubble	20,000
Open 3 cul-de-sacs:	
21st & McKinley	
23rd & Vliet (2)	75,000
Traffic calming	25,000
Linden Hill Park improvements	350,000
Land Division	11,000
Stormwater management plan	5,000
Total	<u>1,300,000</u>