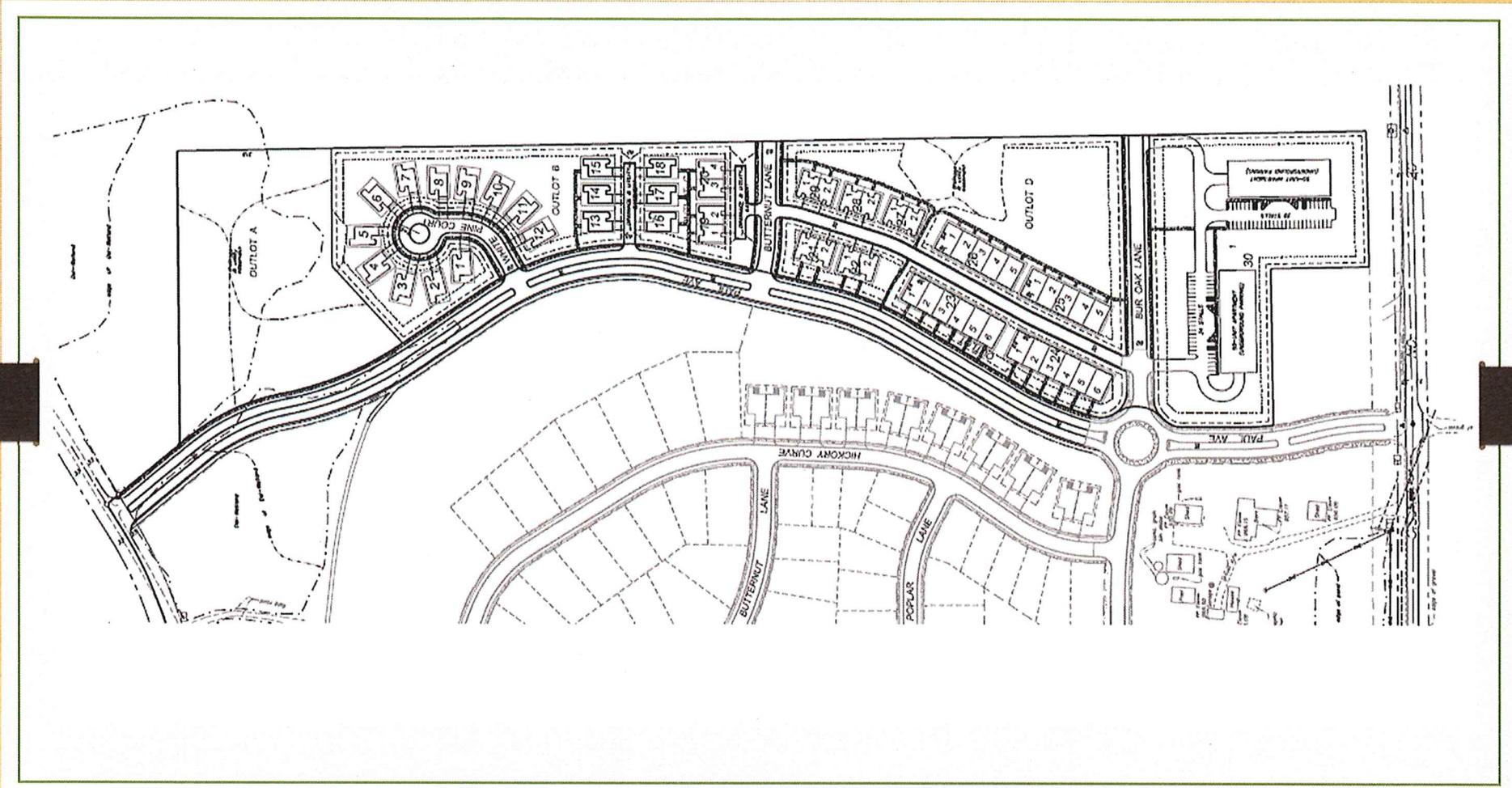




CARVER COUNTY
COMMUNITY
DEVELOPMENT
AGENCY

Watertown Land



The CDA provided this letter to the city in 2020 regarding development of the land and the challenges we were facing. The cost to construct the road was estimated at \$2.4M. At the time for the CDA to complete the road, we would have been unable to recoup our cost based on what we could sell the houses for. At the time in review of developing a rental building owned by the CDA, the gap in the financing was too big.

memo



To: Mayor Washburn
Shane Fineran, Watertown City Administrator

From: Julie Frick, Carver County CDA Executive Director

Date: March 10, 2020

Re: Carver County CDA Land

Thank you for your time recently to discuss the CDA's property in the Forest Hills development. Below is a summary of our discussion.

History

In 2016 the CDA acquired, through a donation, the easterly portion of the Forest Hills development, which was platted as an outlet for future development. This portion of the property was vacant at the time of the acquisition. Since the acquisition, the CDA has been looking at how to develop this 26-acre parcel and/or sell for development.

Current Concept

The current concept by the CDA envisions a mix of housing types on the site. The CDA would develop, own, and manage a 50-unit multi-family rental building for seniors on the south end of the site, with the possibility of a second building in the future. The remaining acreage is envisioned to be sold and developed with a mix of owner-occupied units such as townhouses, twin and patio homes and single-family homes at the north end of the property.

Challenges

This project presents several unique challenges. These challenges must be overcome before the CDA can move this project from concept to implementation.

The first challenge is the cost of constructing the road needed for the development. The original plat was developed in 2006, with some of the site grading and road work already completed on the CDA's parcel. For the CDA to sell the remaining land to a developer, the roadway (Paul Avenue) needs to be constructed as a collector street. The cost to do this exceeds \$2.4 million and because some preliminary work on the roadway has already been done, significant changes to this would be even more costly. While the intent is that the CDA would likely sell the owner-occupied lots, after review of what the lots could be sold at, the CDA is unable to recoup its cost of construction making this scenario financially unfeasible. The CDA also considered partnering with developers to construct the roadway thereby sharing the upfront cost. The

uncertainty of the real estate market and insufficient demand for the needed unit price point also makes this option not viable.

The second challenge is the cost of developing the multi-family rental building the CDA will own and manage at the south end of the property. Based upon a market study the CDA completed, a 50-unit senior, affordable building is feasible from a market demand; however, a financing gap of \$4.5 million exists with a development of this size. CDA staff has reviewed many potential funding sources but is unable to identify a source which would address the financing gap. Building a larger building at approximately 70 units is more financially feasible, but it cannot happen without market demand.

We appreciate the city's support of the CDA in trying to move this development forward, and we will continue to work to explore all options.

Sincerely,

Julie M. Frick
Executive Director
Carver County CDA

