

Red Leaf Court & 18th Avenue Proposed Project Questions and Answers

Question #1 Water Issues

How could we be guaranteed that the pond will eliminate everyone's problem? What are the plans for water controls?

The City has asked DGR to model the existing situation and utilize property that they intend to improve (create storage) to slow runoff in order to limit the effect on downstream properties. This question will be answered in more detail by DGR Engineering on October 2nd.

DGR Engineering Response – There is no way to guarantee everyone's problems will be fixed. Larger storms and the nature of sandy subsurface soils in this area will still allow the potential for damage.

A typical street storm sewer is designed to flow full a 5 to 10-year rain event. The 18th Avenue neighborhood is impacted by a large drainage area (~422 acres) that narrows and drains to the river along 18th Avenue. This compounds the water drainage issues. Refer to the map below.

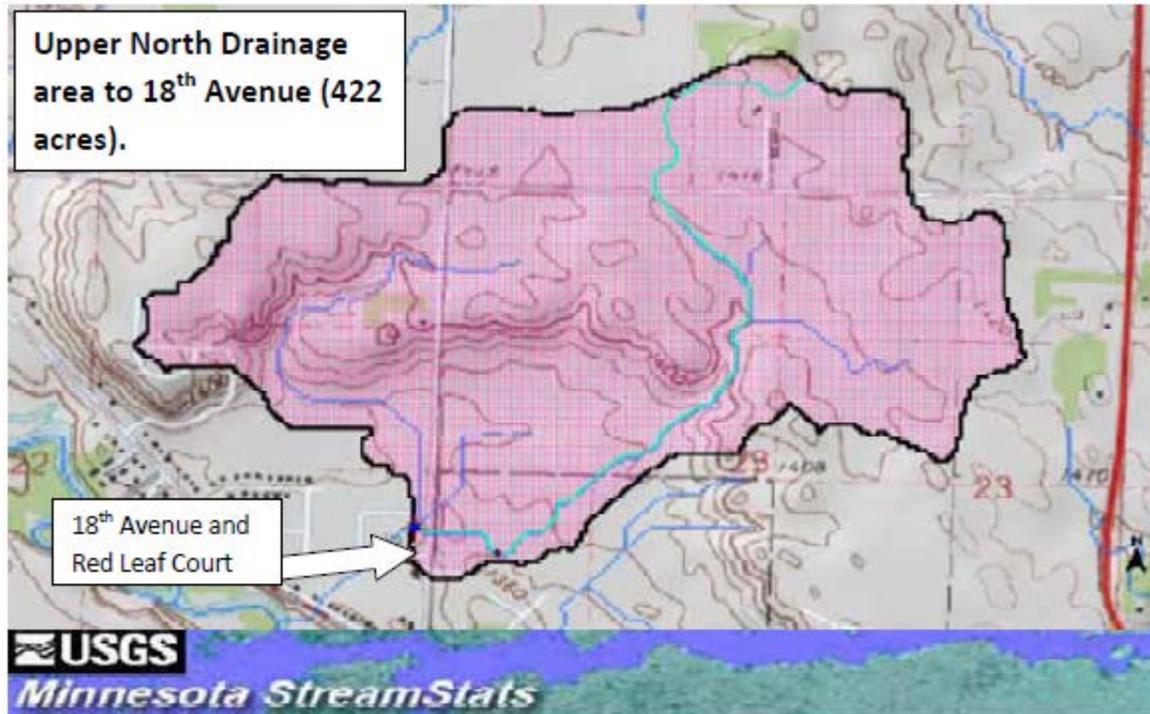
The 18th Avenue neighborhood was developed with a ditch system. The driveway culverts installed through time in the ditch system are not able to handle significant rain events. Improvements were researched and discussed with SEH Engineering previously. These improvements included a berm that would hold water back and flood the Kruse Property and the northwest portion of the school's property. Property rights would have to be acquired for that project.

The proposed 22-acre water retention/detention pond could potentially be able to handle a 35-50 plus year rain event depending on other drainage improvements in the watershed. If we are able to work with the school, a 26-acre retention/detention pond could potentially be able to handle an even larger rain event (50-85 year).

A large water retention/detention pond will be able to store water and release it into the existing 36-inch drainage pipe along the east of 18th Avenue at a controlled rate. During the flooding this past spring, the 36 inch pipe was only half full, due to inefficiencies in the existing storm sewer network. The existing 36-inch drainage pipe will be able to handle flows from the 22 acre to 26 acre water retention/detention pond with other modifications to the storm sewer system.

Other culvert improvements (estimated cost of \$46k) are also needed to get water to the pond from the west side of the road and to allow for normal drainage along the 18th Avenue. DGR Engineering has been working with the Street Superintendent and the City regarding these flood mitigation projects.

In order to get data to review the watershed, survey crews will be out for a couple of days carrying a 5' tall rod. In order to collect data on the elevations of homeowners' property (to model the effects of the improvements), these surveyors would walk on your property and potentially stand for a few moments on the front step of your home (to determine the first-floor elevation of your home). The City/DGR will be asking your permission to complete this work.



Question #2 Project Benefits

Will this effect homeowners with costs from street and water improvements?

The tax revenue from the 46-unit apartment building and the townhomes will help the fund a flood mitigation project in the neighborhood. The annual gross tax increment to be generated by the 46-unit apartment and the townhomes is estimated at \$115,253. This revenue will help to purchase the property for the water retention/detention pond, water control improvements, culverts, etc. These revenue sources will substantially reduce the potential assessments to properties that benefit from the flood mitigation project.

Question #3 Proposed Housing vs Water Retention

Could the water issues be addressed as a separate issue?

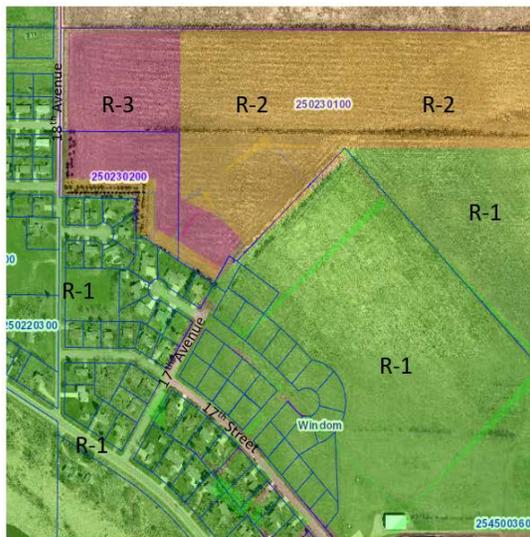
Yes, the costs of the entire water retention/detention project could be assessed to property owners who benefit from the project. The estimated cost for the 22-acre water retention/detention project is in excess of \$1.6 million with property acquisition.

Question #4 Land Uses

Properties were originally purchased with the idea that this would be only a residential neighborhood, not a housing development?

Multi-family housing is a residential use. The Kruse property is on the edge of town and is zoned R-1. The current use is agricultural or A-0. This area, along with other areas on the edge of the City, were discussed as potential R-2 and R-3 Zoning Districts during the planning meetings to update the Comprehensive Plan. Zoning designation R-1 is the lowest density for residential housing. Multi-family housing is a conditional use in an R-2 District and is a permitted use in an R-3 District. The Comprehensive Plan is still in the draft stage. Below is the proposed Future Land Use map for this neighborhood.

Kruse Property – Proposed Rezoning



Future Land Use Map – From Comprehensive Plan



Question #5 – Housing Demand

Is this multi-family project needed?

A Comprehensive Housing Study was finalized for the City of Windom in 2014 by Viewpoint Consulting Group. The Housing Study identified a need for 130 new housing units in Windom from 2014 to the end of the decade. The Housing Study identified the need for single-family homes, duplexes, quads, and multi-family units to accommodate market-rate housing, seniors, higher-income families, and lower-income families. The Housing Study was completed prior to Fast Global Solution's expansion and the opening of Prime Pork creating 500+ new jobs. As such, since 2014 the housing market has tightened and the demand for units has grown.

Overall, market value of property in Windom grew by 19.2% over the past year to \$284.3 million in 2017 (S&P Global Ratings). From 2016 through 2017, Windom saw a number of large commercial\industrial projects and a number of expansions. Prime Pork created 500 jobs and invested nearly \$80 million in Windom to create a state-of-the-art pork processing

facility. Other new projects include: Windom Wash (a full-service truck wash with 35 new jobs), Duffy's Bar and Grill (a new family-friendly restaurant), New Vision Coop's new grain storage facilities and scale, a new building for the Fulda Area Credit Union and a new 47-unit AmericInn (opened August 2018).

According to the housing study, "A healthy rental market is expected to have a vacancy rate of about 5% to allow for sufficient consumer choice and unit turnover. With pent-up demand (a shortage of units), persons who would normally form their own rental households instead room with other persons in a housing unit, live with their parents, or live in housing outside of the area and commute to jobs."

The Housing Study identified a 3.7% vacancy rate in Windom in 2014. This vacancy rate includes market rate units and affordable rental units. In October and November of 2016, Viewpoint Consulting Group resurveyed the rental properties in Windom to confirm a vacancy rate below 5 percent. In November 2016, the vacancy rate in Windom was 2.3 %.

Viewpoint Consulting Group is currently surveying properties in Windom to confirm a vacancy rate below 5 percent.

Question #6 – Timing of Proposed Project

Why is this project so rushed?

In 2016 the City Council adopted a goal of growing the community to a population of at least 5,000 by 2020. This growth goal helps to energize the local economy by providing workers for new and existing jobs, shoppers for local businesses and children in the school district.

The 46-unit apartment has been in the planning stages since 2016. Multiple locations were discussed with the 46-unit apartment developer since 2016. Originally the developer was only interested in property by Cottonwood Lake, Des Moines River, or golf course. Property by the school was not an option until the water retention/detention pond project was developed over the Summer of 2018.

The 46-unit apartment developer would build on the property along 18th Avenue because the location is close to the school and there would be a 22-plus acre pond next to the property. The 46-unit apartment developer is not able to break ground until June or July of 2019. The City Council and the Planning Commission will have time to discuss the project and rezoning the property from R-1 to R-3. The 46-unit apartment building is not contingent on a grant.

The townhome developer has requested that the City and EDA apply for a Workforce Housing Grant through Minnesota Housing. The application is due October 11, 2018. The grant will not be awarded until early 2019. The City Council will need to decide on October 2nd or prior to October 11th if we should proceed with the grant application. The townhome project is likely to be contingent on a Workforce Housing Grant.

A major component (benefit) to the proposed project is the opportunity to undertake a major project to reduce the flooding in the Red Leaf Court and 18th Avenue neighborhoods. Work started on various plans in 2011 following the large September 2010 rain event that flooded these neighborhoods. Project options had been developed, but the costs of those options would have posed significant costs to the neighborhood residents.

Question #7 – Locations for Multi-family Housing

What properties were shown to or discussed with the Developers?

Multiple locations have been reviewed with the 46-unit apartment developer since 2016. Staff had also shown numerous locations to the townhome developer.

The Developers understand that the properties were simply being shown to him as examples of potential areas to consider in determining an appropriate location for an apartment building. The Developers are aware that the property owners had not yet been contacted regarding their interest in development of their properties for such a project. The Developers further understood that if he\she was interested in any of the properties, additional outreach with the existing property owners would need to occur regarding their interest in development and sale of their property prior to formulation of any final project plans.

The following are a list of locations shown to the Developers:

- Wolf Lake Development (east of Windom along County Road 17)
- Augustine property (between 6th Avenue and 4th Avenue)
- Prairie Meadow Subdivision (can only be developed for single-family housing)
- Mews Property (by funeral home)
- Visker Property (west side of 6th Avenue South/480th Avenue --- by River Bluff Subdivision)
- Cemstone Property (working on this project – dependent on location of quarry)
- Crowley Property by intersection of County Road 15 and County Road 13 (River Road)
- Bergendahl Property on the east side of 6th Avenue South/480th Avenue (south of River Bluff Townhomes) (access could be off of 3rd Avenue South)
- Good Samaritan Property
- Mattson Property (north Plum Avenue)
- Oltmans Property (Highway 62)
- Gove Properties (Highway 71 and 19th Street)
- Morphew Property (east of Windom on County Road 13)
- Thom Property (18th Avenue)

Question #8 – Traffic Concerns

Can 18th Avenue handle the residential traffic?

Yes, 18th Avenue is designed to handle projected residential traffic for the existing neighborhoods and the proposed developments. The route for hauling materials from the quarrying of the pond area on the Kruse property will be to the north along the existing gravel road. The apartment building and townhomes will increase the volume of residential traffic, but that will not impact the condition of a road. According to MN DOT weather, age and residential traffic impact the lifespan of a road at approximately the same level.

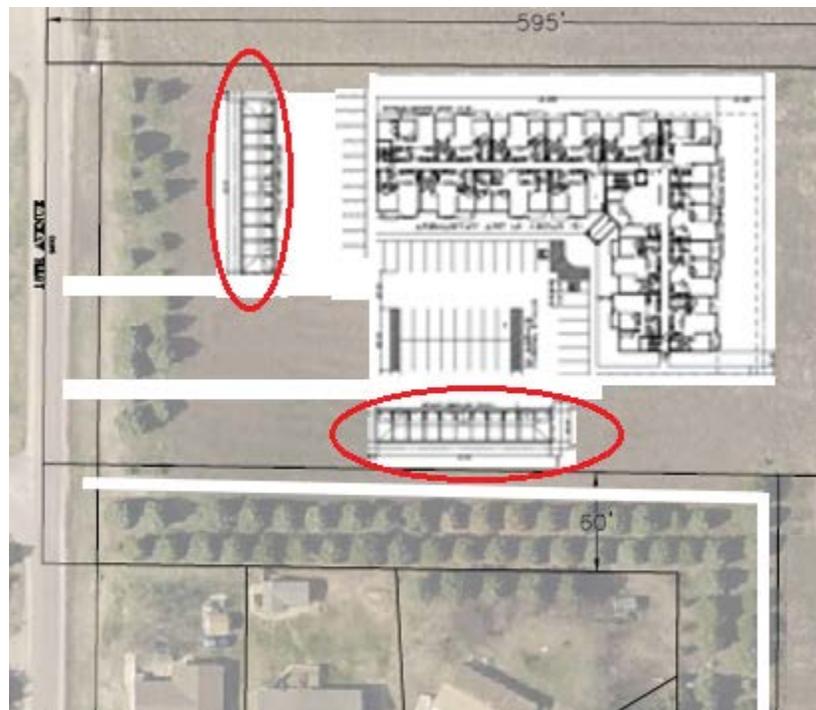
Improvements to address pedestrian safety are being planning as part of the project. An off-street sidewalk or trail will be built on the north side of the 60-foot City-owned buffer between the apartment building and existing single-family homes. The City would be happy to discuss other pedestrian improvements as part of this project to increase safety for all users.

Question # 9 – On-site Storage at the Multi-family Buildings

The apartment building and the four-plexes will not have garages?

The apartment building is proposing two single-story garage buildings. These single-story detached garages would be located along the south and west sides of the property. Please refer to the site plan below from the City Council presentation on September 18th.

The final townhome plan has not yet been finalized, however, garages for those units are planned. There will likely be a mixture of single and double garages.



Question #10 – Housing Types

Single-dwelling homes or duplexes vs multi-family?

Multi-family developments have a significantly better return on investment regarding infrastructure. A multi-family development includes more units in a smaller area, so infrastructure costs would be less than required for a new development for single-family homes. It is very difficult for a new single-family development to cash flow because of infrastructure costs. The cost of the property plus infrastructure costs are typically less than lot sales and the tax revenue generated over a 30 year period (the 30-35 year period is based on the useful life of a street).

A single-family development is more successful when the entire development is new. Jackson’s development on the west side of the City and Lakefield’s development on the east side of City are two examples.

Question #11 – Rental Housing vs Homeownership

Would it be more cost effective for residents to buy a home instead of renting an apartment?

There is extensive research around why millennials are renting more and why it works for them. According to recent [data](#) (click for link) from the Pew Research Center, young people today are more likely to rent than ever before. Developers are building apartments because demand is there.

Generation	Owner-Occupied	Rental Property
Early Boomers in 1981	35%	61%
Late Boomers in 1990	29%	67%
Gen Xers in 2000	34%	62%
Millennials in 2016	22%	74%

Question #12 – Return on Investment for Multi-family Units

Will a 46-unit apartment building cash flow?

- The developer has built apartment buildings since 1983 and has developed approximately 1,300 units. These units range from 1 to 3 bedrooms all of which are market rate units. The developer has worked primarily in Greater Minnesota.

The developer is assuming the risk of constructing the apartment building, so it is in the developer’s self-interest to ensure the apartment building can cash flow.

What are the rental rates? (from 2016 project proposal)

Target Rent Schedule 2019
Windom Apartments

Suite Rents Include Heat, Water/Sewer and Refuse

Unit Description	SF	Units	Ttl SF	\$/Month	\$/Unit	\$/SF
One Bedroom Suites	750	5	3,750	3,475	695	0.93

Suite Rents Include Heat, Water/Sewer and Refuse

Unit Description	SF	Units	Ttl SF	\$/Month	\$/Unit	\$/SF
Two BR One BA Suites	920	12	11,040	9,540	795	0.86

Unit Description	SF	Units	Ttl SF	\$/Month	\$/Unit	\$/SF
Two BR Two BA Suites	960	23	22,080	18,975	825	0.86

Unit Description	SF	Units	Ttl SF	\$/Month	\$/Unit	\$/SF
Three BR Two BA Suites	1,100	6	6,600	5,610	935	0.85

Unit Description	SF	Units	Ttl SF	\$/Month	\$/Unit	\$/SF
Garage Stalls		22		990	45	

Unit Description	SF	Units	Ttl SF	\$/Month	\$/Unit	\$/SF
Miscellaneous Income				500		

Unit Description	SF	Units	Ttl SF	\$/Month	\$/Unit	\$/SF
Abatement Rev (offset loan)				5,583		

Unit Description	SF	Units	Ttl SF	\$/Month	\$/Unit	\$/SF
Totals		68	43,470	44,673	657	1.03

Additional Questions Regarding Multi-family Housing

The City and EDA have answered a number of questions regarding the apartment project over the development of the project. Below are a number of these questions and responses.

- A. When was the last multi-family project in Windom?

The last multi-family housing project (more than a duplex) in Windom was the River Bluff Townhomes. This project was undertaken by the Windom EDA in 2001. This income-

eligible project was heavily subsidized by the State. Due to the cost of building, versus rate of return in Greater Minnesota vs the Metro, area many communities like Windom has not had serious interest in a sizable multi-family housing development. Due to the growth in jobs in Windom we have the demand for housing that is attracting Developers.

B. Why has the market not filled this gap in multi-family housing?

- a. The lack of available rental housing is the consequence of rents not keeping up with the cost of building new housing. There is a gap between existing local rents and the minimum rent that is needed to cash flow a new apartment building. The cost to build a home or rental unit is greater than the value of the unit when it is completed.
- b. The projected limited, zero, or negative return on investment restricts the ability of a developer or builder to secure financing from traditional lenders. Developers and builders are investing in communities where they are receiving a higher return on investment. Developers and builders are risk adverse, so without economic incentives, developers and builders of large projects are not choosing Windom.

C. Why are we not trying to rehabilitate existing rental units in town and or around the Square?

There are a number of rentals that could be repaired and added to the rental market. However Windom also needs new builds to meet the housing needs. Rental housing units need to include a mixture of options including units for low to middle-income individuals and families, young professionals, and senior citizens. The majority of Windom's existing rental stock is not attracting young professionals. There are multiple examples of professionals who work in Windom but do not rent or live in Windom. This new apartment building will be market-rate and will fill the existing deficiency in this type of available rental units.

D. Why 46 units?

The Developer identified the 46 units based on the housing study and his research into Windom. The EDA does not want to dictate to the private developer the number of units that should be built. The developer has constructed a number of apartment buildings in Greater MN, and the developer was given Windom's housing study.

E. Is the apartment low income?

No, the apartment is market rate. The developer has only built and managed market rate apartments. Since 1983 the developer has built some 1,300 units.

F. Who will manage the apartment building?

The apartment developer has a management arm that manages the property. The apartment developer has constructed several apartment buildings in Greater Minnesota and continues to manage a number of these complexes.