

**From:** cityclerk@stacymn.org  
**Sent:** Wednesday, April 7, 2021 4:59 PM  
**To:** 'David Chmielewski'  
**Cc:** 'Nancy Hoffman'; Dan Boyum; Carlson, Phil; 'Mark Ness'; Mark Utecht  
**Subject:** RE: 040721 STACY PONDS APARTMENTS

David,

You mentioned the WAC and SAC fees; I wanted to let you know our WAC fee is \$2,672 and SAC is \$4,855. Our City Code states:

**§ 50.07 SEWER/WATER AVAILABILITY CHARGE.**

(A) *General.* In addition to all other charges set forth in this title, all applications for building permits for new structures shall be accompanied by a sewer availability charge in an amount as established in this chapter.

(B) *Sewer availability charge.* The sewer/water availability charge shall be as set forth in the city fee schedule.

(C) *Computation of units for residential units.* The number of units which are connected, or for which a building permit is issued, shall be computed as follows:

- (1) Single family houses, town houses and duplex units shall each comprise 1 unit;
- (2) Apartments shall each comprise 80% of a unit.

So if I've calculated correctly the SAC will be \$310,720 based on 80 units; WAC at \$171,008.

Thanks



Sharon MT Payne, City Clerk  
30955 Forest Blvd  
Stacy, MN 55079  
651-462-4486, 651-605-1851 Cell  
Hours: Monday, Wednesday, Thursday 9-5, Tuesday 11-7, Closed on Friday

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**From:** David Chmielewski <dave@blackhoof.com>  
**Sent:** Wednesday, April 7, 2021 3:42 PM  
**To:** cityclerk@stacymn.org  
**Cc:** Nancy Hoffman <nancy@chisagocounty.org>  
**Subject:** RE: 040721 STACY PONDS APARTMENTS

Sharon,

I read through the minutes. I would like it if you could forward my comments to the Council prior to the next meeting, to be read aloud. I want to make sure the Council fully understands that aspects of TIF on a development like this and why it is required. Feel free to share with the regulatory staff, the PC and the EDA.

Comments:

A ten year time frame was discussed for a TIF district. This is too short for this submarket. It is not as much the value of the note that is critical, it is the duration of the affordability (both are related). Since we do not have plans to monetize the note, we are most concerned about a reduction in operating costs over time. How does this help us do the deal? It helps attract investors that see a stable cash flow. We are not only competing against stock market returns, but other real estate investment products in states with lower taxes and faster growth. This is our reality and we must face it head on. A TIF commitment shows the investors that the City is committed and cares about the project. It shows the appraiser and lender that there is enough value to support the cost of the project. The TIF is the gap. The district in Lindstrom is estimated to last 14 years. While the parcel in Stacy should be more shovel ready than Lindstrom, we also need to look at rents and what people can afford.

The rent structure Mr. Hoekstra suggesting starting at \$700 is not possible with TIF. I do not know where that number came from. Currently, Lindstrom is proposed to be \$877 for a Studio up to \$1452 for a 2BR 2BA which even at market rate, is 50-60% of AMI. Many of the materials for this project were purchased before 2021. Currently, the wholesale price for a sheet of OSB is \$50 and a 2x4 is \$10. That is not realistic.

It takes time to bring a project this size to market. We are hoping that prices attenuate. However, in the future, rents go up. We also expect inflation to increase- and we are seeing that dramatically in building materials. Our goal would be to hold to Lindstrom prices, but it will require debt to remain low and materials prices to come down, or other gap financing sources. We simply don't know what will happen.

City Fees

For a project this size, there would be around \$700K in WAC/SAC charges plus the sale of the land. These costs ARE TIF eligible expenses. Sometimes Cities waive these expenses, other times Cities make sure there is enough TIF in the deal to cover these expenses over time. The City can be paid all of these expenses at the start of the project.

Tax basis

Currently, the property is tax exempt? There will be an immediate increase in taxes, of which, the City receives a share. When the TIF note is paid, the taxes increase substantially. This costs the City NOTHING out of pocket.

Noise

If there is excessive noise, we also remain concerned about this site and we are trying to understand this risk. This far, we have seen no significant noise generation. We can be screened from the south by garages and proposed vegetation from the auto repair shop. There is a park to the north, the concrete plant is to the northwest over 1000' away. There is SF residential immediately to the west across CSAH 61. There is a row of trees between CSAH 61 and the property. Noise would have to come from existing or proposed uses immediately east. Our current apartment design has no balconies on the short ends of the building. All balconies would be facing either to the north, or to the south. Part of the site planning process may be to reduce the number of units, explore how close the building can be to existing easements, and to possibly add berming to the south and east. That site planning shapes the unit count, the proforma, and the TIF discussion.

Sincerely,

David M. Chmielewski  
Blackhoof Development LLC  
2020 14<sup>th</sup> Street  
Suite A  
Cloquet, MN 55720  
O: 218-384-9727

C: 218-310-9229

**From:** [cityclerk@stacymn.org](mailto:cityclerk@stacymn.org) <[cityclerk@stacymn.org](mailto:cityclerk@stacymn.org)>  
**Sent:** Wednesday, April 7, 2021 12:30 PM  
**To:** David Chmielewski <[dave@blackhoof.com](mailto:dave@blackhoof.com)>  
**Subject:** RE: 040721 STACY PONDS APARTMENTS

Hi,

Attached are the minutes from the meeting that Mr. Hoekstra attended; as well as a copy of items he wanted on the agenda. Please let me know if you want these on the agenda – I have included your prior email on the agenda.

Thanks



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**From:** David Chmielewski <[dave@blackhoof.com](mailto:dave@blackhoof.com)>  
**Sent:** Wednesday, April 7, 2021 12:01 PM  
**To:** [cityclerk@stacymn.org](mailto:cityclerk@stacymn.org)  
**Subject:** RE: 040721 STACY PONDS APARTMENTS

Sharon

Let me know if you'd like to take a call to prep me for the meeting- if there is anything you think I should know.

Thanks

Dave

**From:** [cityclerk@stacymn.org](mailto:cityclerk@stacymn.org) <[cityclerk@stacymn.org](mailto:cityclerk@stacymn.org)>  
**Sent:** Wednesday, April 7, 2021 11:59 AM  
**To:** David Chmielewski <[dave@blackhoof.com](mailto:dave@blackhoof.com)>  
**Cc:** 'Mark Ness' <[markness@stacymn.org](mailto:markness@stacymn.org)>; Mark Utecht <[mayor@stacymn.org](mailto:mayor@stacymn.org)>  
**Subject:** RE: 040721 STACY PONDS APARTMENTS

Thanks for the update, we will see you on Tuesday.



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**From:** David Chmielewski <dave@blackhoof.com>  
**Sent:** Wednesday, April 7, 2021 8:17 AM  
**To:** [cityclerk@stacymn.org](mailto:cityclerk@stacymn.org)  
**Cc:** [Phil.Carlson@stantec.com](mailto:Phil.Carlson@stantec.com); Nancy Hoffman <nancy@chisagocounty.org>; Paul Okeson  
([paulo@dynamichomes.com](mailto:paulo@dynamichomes.com)) <[paulo@dynamichomes.com](mailto:paulo@dynamichomes.com)>  
**Subject:** 040721 STACY PONDS APARTMENTS

Sharon, Phil and Nancy,

I will be taking over the project communication as developer in Stacy from Troy Hoekstra. Troy is no longer involved with our development apparatus.

I'd like to start out by suggesting that the schedule Troy proposed is not attainable from a production perspective at this time due to other projects in the production schedule as well as our current workload. We are also very cautiously watching the materials pricing. While we have the ability to buy in a way that gives us some insulation from price spikes, the pricing and availability of material is volatile and inconsistent. We are not immune from this. I'd like to start out by saying that we want to continue the dialogue on Stacy Ponds Apartments, but I do not expect the staff, EDA, PC and Council to adhere to the schedule proposed by Troy. If we are going to do this, let's take the time needed, because we have the time to do so. We should work on a schedule together that we know works for everyone.

What we do need to know is if the City Council is willing to utilize TIF to advance this development.

It is true we have a sister project in Lindstrom. However, Stacy Ponds Apartments needs to survive on its own merits, and will be analyzed from a TIF perspective accordingly. With current pricing and the aggressive rent schedule we have planned, I do not necessarily think the TIF application for Lindstrom should be viewed as universal. My intention is to be very aggressive on rents in Stacy, because that will be required to meet affordability challenges in this submarket. The apartment project in Stacy will not occur without TIF.

We have a meeting coming up on the 13<sup>th</sup>. Hopefully we can discuss more at that time.

Sincerely,

David M. Chmielewski  
Blackhoof Development LLC  
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