

SPRING 2025

Strategies for Metro Area Sales and Use Tax for Housing

Team 1: Policy Analysis



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Executive Summary

Given Chaska’s existing housing stock, Chaska has the option of investing funds in preservation or development of affordable housing. However, due to the limited resources, we will provide recommendations for both, including which recommendations can work together, and which are better served as individual projects. For development, we recommend that the city of Chaska purchase a plot of commercial land and partner with an existing organization, such as North County Foundation (NCF), to develop a co-operative housing manufactured home community. We also provide an outline for how to leverage a partnership with NCF to further engage the Brandondale Estate community to establish long-term affordability, community stability, and community engagement in the neighborhood.

As for preservation, we recommend that the City of Chaska provide home improvement grants to seniors looking to upgrade their homes to better suit their needs to age in place. Finally, we provide recommendations for the preservation of Naturally Occurring Affordable Housing (NOAH) in Chaskas’ downtown, and how it can work in tandem with a direct rental assistance program for low-income households to promote long term affordability while still meeting the imminent needs of residents.

Introduction

This analysis provides an overview of the 2024 Carver County housing market report to provide policy recommendations for how the City might invest funds to ameliorate demographic challenges posed by aging and growing population, and support affordable housing development and preservation. We will offer an overview of the housing market, Chaska’s current and projected demographics, name themes and concerns that arise in the market report, and present solutions that align with Chaska 2040 Plan’s primary goals. We will provide estimated costs for each of the options presented to determine which is most viable for implementation.

Overview of Chaska Housing Market

Chaska is the largest submarket in Carver County with a growing and changing population. Since 2010, Chaska has added over 5,000 residents, which is the most in the county. The Carver County Housing Study projected Chaska to grow to 37,559 people and 14,252

households by 2040. This is significant growth compared to the last census population of 27,810 and 10,682 households, or an increase of 35% and 33%, respectively, Housing tenure in Chaska is divergent from the county context with 69% of households owning their homes, which compares to 82% countywide. This is a relatively low rate of homeownership and a higher proportion of households relative to the county. This relatively low rate of home ownership can be contextualized with the fact that median sale prices for single-family detached homes increased 40% from 2017 to 2023. Multi-family housing in Chaska rose an astonishing 59% in resale price over the same period. The Chaska housing market is competitive, as demonstrated by its low vacancy rate of 2.2%. (Maxfield Research and Consulting, LLC, 2024)

Overview of Chaska Demographics

Chaska faces a demographic challenge in the future where the population is becoming older, exiting the workforce, and choosing to age in place. Chaska has the largest senior housing inventory in the county (737 units, or 33% of the total). Despite this large amount of senior housing, demand is expected to grow. Between 2023 and 2030, the age 75+ population is expected to grow by 52% in Carver County, an estimated 2,661 people. This growth outpaces the 33% increase expected in the Twin Cities metro for the same age group. Many of these seniors are choosing to age in place and stay in their detached single-family homes for longer. This presents problems in terms of allowing young families to move to Chaska, but also supporting older residents in the challenges they face in adapting their homes to their needs. (Maxfield Research and Consulting, LLC, 2024).

Overview of Fiscal Resources

Chaska provided us with projections of tax revenue information garnered from the MN Department of Revenue. These projections impact the amount of LAHA (local affordable housing aid) available to implement prospective initiatives. The LAHA funds are administered in two installments over the course of a fiscal year. In 2025, Chaska expects to have \$272,249.19 earmarked for related projects with the annual sum increasing 4.68% yearly through 2027. Our analysis and recommendations are centered around the following yearly projections.

Projections factoring in 4.68% yearly increases	
Base 2024	\$260,077.56
2025	\$272,249.19
2026	\$284,990.45
2027	\$298,328.01

Goals

Officials at the City have outlined policy goals and aspirations for the future of Chaska. They have outlined that they would ideally preserve the current split in housing tenure: $\frac{2}{3}$ homeowners and $\frac{1}{3}$ renters. The City hopes to provide a balanced housing supply of rented and owned units. The City is also chiefly concerned with preserving the naturally occurring affordable housing, or NOAH, in its downtown district. In recognizing these goals, we have also identified key themes and challenges that must be addressed.

Themes and Concerns within the Context of Resource Constraints

1. Chaska has limited funds. How can we leverage limited monetary resources to receive greater grant funding?
2. Chaska has a growing older population that needs assistance as they age. How can we help those folks maintain their homes and live with dignity?
3. Seniors are choosing to age in place in their homes. How can we encourage older residents to leave their empty nests to make room for new families?
4. Issues with poor housing affordability is exacerbated by the types of construction dominating Chaska. How can we build and increase the supply of affordable housing?
5. Chaska has a beautiful stock of downtown naturally occurring affordable housing. How can we help support the maintenance and preservation of this NOAH?

Senior Mobility Grant (Funding)

Establishment of several home improvement grants for residents to apply for could help to bridge the gap for many residents to make improvements on their homes. The implementation of a program like that could be what allows Chaska to provide some funding to go towards the preservation of NOAH and allow for some residents to continue to stay in their homes. This would enable each resident to identify their specific needs and amounts desired without more legwork by the city. To help drive down costs, the city can seek to partner with known and reliable vendors for various services needed and garner a discounted rate. Some statewide services and grants could be utilized to help provide additional funding for some of the more expensive renovation needs.

By providing a small amount of funds, the housing stock can be preserved and eventually return to the natural housing stock as those residents age out of being able to live there. A significant focus of this loan program(s) could be around helping to bring some homes in the area up to higher standards for energy efficiency to bring down utilities costs and improve the overall quality of the home. Chaska can also reach out to major companies like Xcel Energy and CenterPoint to see if they would be willing to provide assistance with these kinds of programs, as they do in other cities already, like Brooklyn Park. Various graphs showing cost estimates for many of the possible home improvement projects have been outlined in Fig 5.1 - 5.4 and are based on various sources, including a report by Minnesota Housing on Home Renovation and Rehabilitation needs in the State.

Based on the report and other online sources, the upfront costs are made up for in the long run through property value, reduced maintenance costs, lower utility costs, and reduced need for special care facilities. The state recognizes the need for these improvement programs as they could have a positive impact not just on the lives of the residents but also on the price of housing and help to bring some housing up into the middle market. Combined with other policy programs like these will help to preserve the current housing stock and are far cheaper than new construction.

Understanding the Value of Manufactured Homes

Manufactured homes, also called mobile homes, are often stigmatized. Manufactured homes and manufactured home parks are often associated with poverty or economic

hardship. Manufactured homes are often thought to be lower quality than traditionally built homes. Because of this, the value of manufactured homes is often questioned.

Private equity and investor-owners of manufactured home parks often reinforce and exacerbate conditions of poverty in these communities. Pimping communities for cash flow and aggressively raising land rents without reinvesting in those infrastructure and those communities can create adverse conditions where poverty is reinforced by aggressive value capture (Sullivan, 2018). An alternative to the investor-owned model is the co-op model of ownership, also known as the resident-owned community (ROC). A cooperative model has been shown to preserve affordability and therefore decrease precarity due to poverty. Co-op model manufactured housing communities average only 2% annual housing cost increases versus a market average of 6% or greater. Additionally, housing costs are reinvested in the community as opposed to being funneled to outside investors, which leads to improved quality of life for residents by fostering greater capital expenditures in critical infrastructure. (Goodman, Golding, Bai, & Stochak, 2024)

Manufactured homes are also thought of as low-quality substitutes for traditional housing. This is not an honest characterization of their quality. Manufactured homes are built according to codes established by HUD, and the factory-grade production enables manufactured home producers to build homes with a greater level of quality control and consistency relative to traditional construction, which may vary in quality and consistency with geography and project to project.

Manufactured homes do not depreciate in value like a car or other depreciating assets, provided they exist within a resident-owned cooperative or ROC. A study by the Federal Reserve Bank of Boston compared sales data between resident-owned and investor-owned manufactured home communities. It found that homes in ROCs sold, on average, 23 days faster on the open market versus investor-owned communities. They also commanded higher prices per square foot, with a 12% premium. Additionally, after a decade of ownership, residents in ROCs paid approximately \$40 less per month in lot fees than their counterparts in investor-owned parks.

Case Study of Brandondale

Brandondale is owned by a private investment firm based in Utah named Havenpark Capital Partners. We interviewed the Community Manager of Havenpark Communities. We asked

about the successes and challenges facing Brandondale Estates. The personnel at Havenpark were aware of infrastructural investments occurring at Brandondale but were not particularly in tune with the needs of their residents. They largely discussed big picture infrastructure improvements currently underway; namely, maintenance to the drinking water systems in Brandondale. The Community Manager was not able to go into further details about the concerns or needs of the resident, which potentially indicates the need for a more “boots on the ground” approach and greater community engagement in that manufactured home park.

In contrast, the Community Manager was able to speak confidently about rates for lot rent. They relayed to us that the average lot rent was \$1095/mo as of April 2025. This amount does not reflect additional debt burdens such as mortgage payments and utilities. Additional debt burdens for the average manufactured home from Clayton Homes-- the largest manufacturer in the U.S.-- measure approximately \$600 per month. All together, we might expect that Chaska residents of the Brandondale park to pay around \$1,695 per month or \$20,340 annualized. With this information, we can now ask the question: Is Brandondale affordable housing?

What is affordable housing, and is Brandondale a purveyor?

The Chaska 2040 Plan characterizes, as of 2016, that an owner occupied home worth “\$243,500 or less in value,” is considered affordable and NOAH (City of Chaska, 2018 pg. 9). Figure 1.1 which maps property values across the Chaska reveals that the vast majority of housing units in Brandondale are not considered to be affordable by the City’s own standards. We might also consider the 30% income rule, which suggests that a household is considered cost-burdened if housing expenses exceed 30% of its total income. Figure 1.2 demonstrates that Chaska’s median household income is \$91,823 across all age groups. This would mean that \$27,546.90 or less in annual housing costs (\$2,295.57 monthly) would be considered affordable for a household in Chaska. However, when you examine young people under 25 and retirement age folks over the age of 65, we see that annual housing costs of \$15,000 (\$1,250 monthly) or less would be considered in the affordable range for these Chaska residents. Given the demographic projections that show an aging of Chaska’s general population, viewing affordability through the lens of the median income for the elderly population becomes imperative. Given the fact that land rent plus additional

debt burdens in Brandondale likely amount to around \$1,695 per month, which necessitates a household income of \$67,800 annually for that housing to be considered affordable, we can definitively say that investor-owned manufactured home parks do not offer an affordable solution to Chaska's highest need demographic.

Adjusting Expectations

While our original intention was to support the revitalization of an existing manufactured home community, our conversation with the Community Manager of Brandondale Estates revealed that they are not currently seeking major renovations or revitalization efforts. They appear to have sufficient funding and are already planning to expand by adding more homes in the near future. While we feel that providing maintenance assistance to homeowners in the Brandondale community would be a worthwhile endeavor, it is worth noting that there would likely be some value capture of these renovations by the investor-owners of the park, which would dampen the effectiveness of the investment of LAHA dollars in the long run.

Instead, we suggest that the City of Chaska leverage LAHA dollars to engage with the Brandondale residents in partnership with the North Country Foundation, a not-for-profit focused on helping existing manufactured home park residents transition from investor-owned to resident-owned communities, to explore the idea of transitioning the park to a ROC. As previously mentioned, cooperative model resident-owned communities tend to have premium market values compared to investor-owned communities, they tend to be more self-efficacious, more stable, and generate higher tax revenues for the municipality in which they reside as a result of higher property values. Most importantly, a cooperative model would be a more effective investment for LAHA monies in creating and preserving affordable housing long term.

We imagine the greater affordability of a cooperative model Brandondale to achieve the following purposes: heightened affordability in manufactured home stock could offer downsizing opportunities for seniors and empty-nesters, freeing up single-family homes for new families, or provide an accessible entry point for new residents looking to establish themselves in Chaska. More community engagement would be needed to explore this option, which was beyond the scope of the project and the resources available at this time.

Securing a right of first offer or “ROFO” or organizing residents to purchase the park from Havenpark would be ideal outcomes of this engagement and organizing process.

Expansion of Manufactured Homes: A Land Purchase in Cooperation with NCF

The best way to increase affordability is to increase the supply of affordable housing. We suggest leveraging the LAHA dollars to purchase 12 acres of land just outside of the city’s downtown area. On 12 acres of land, the city could allow for development of a new, small-scale, manufactured home community with up to 35 new households. In the following paragraphs we will lay out key partnerships needed to make this development a success and financial modeling to demonstrate the return on investment of LAHA funds.

Parcel and Location

We suggest using a portion of the funds to purchase Parcel ID: 300340111 at the corner of Chaska Blvd and Enger Blvd. As can be seen in Figure 2.1, the parcel (<https://www.crexi.com/properties/738979/minnesota-chaska-blvd-engler-blvd-land>) is approximately 12 acres. A portion of this parcel is wetlands, but between 5 and 6 acres appear buildable. The parcel is on the market for \$195,000, which is within budget for the 2025 LAHA sum of \$272,249.19. A 5-acre parcel can support about 35 home sites or about 7 sites per acre. This location is also within walking distance of some amenities on Gateway Dr, in addition to being directly on the Minnesota River Bluffs Regional Trail.

Land Acquisition

The City would be able to deploy a portion of its capital to purchase the land outright for at or below the asking price of \$195,000. The parcel has been on the market for over 2 years, and the price has been reduced multiple times.

Preparing the Land

Preparing the land would require additional LAHA funds in subsequent years to fully prepare each homesite for a structure and residents. Site clearing and land grading, paving egress, water and sewer hookups, additional utility hookups, compliance, landscaping, and miscellaneous expenses all need to be considered. According to Mobile Home Investment

forums, the cost to develop a homesite can vary drastically. We will be continuing the analysis by conservatively assuming the cost to develop each homesite will be around \$32,000, which is on the high end of estimates (Figure 3.1). In total, \$1.12 million of LAHA funds will need to be allocated over several years to fully develop all sites.

Partnerships

We recommend partnering with the Northcountry Cooperative Foundation (NCF) to ensure long-term affordability, resident empowerment, and community resilience in the development of this manufactured home community.

NCF has traditionally specialized in supporting the conversion of investor-owned manufactured home parks into resident-owned communities (ROCs). They would be an ideal partner for the City of Chaska because of their experience providing technical assistance, putting together financing, and long-term organizational support to ensure residents can collectively own and manage their communities successfully.

Depending on the needs of the project as they develop, NCF could assist in vetting and designing the site layout and advise on community design to support cost-effective development. In addition to the design scaffolding NCF can provide, the organization has shown itself to be very hands-on in assisting residents to form co-operative structures, setting lot rents, and creating democratic governance systems. This ensures long-term stability and prevents future displacement in service of the mission of the LAHA funding, which is to increase housing affordability and availability. As mentioned above, per-site infrastructure costs might absorb a significant amount of funding. NCF has experience putting together infrastructure financing to secure amenities for manufactured home communities, which could mitigate high per-site development costs. But what truly makes NCF such a preferred partner for this kind of project is the fact that NCF stays involved in communities for a long period, which increases community viability and stability.

This set of recommendations, while ambitious, could serve as a virtuous cycle, where the initial investment provides a solid foundation for affordable housing in years to come. Manufactured home communities provide a space for aging communities to move into if their homes no longer meet their needs.

Financial Projections and Return on Investment

Below, we make a few key assumptions. We were given a growth rate of LAHA funds of 4.68% and we are assuming this will continue until 2029. We are taking conservative, high-end assumptions about the cost to develop land per homesite and estimating \$32,000. We are taking Chaska's current property tax rate of 1.05%. We are adding the average price of a new manufactured home with the capital investment per site: $\$75,000 + \$32,000 = \$107,000$ of total taxable value. We are assuming the property will appreciate at 2.5% annually, which is a conservative estimate. Over a 30 year period, this development project is expected to yield a modestly positive internal rate of return (IRR) of 0.26% annualized for Chaska's investment. More importantly, 35 additional affordable housing units will result from this investment in as few as 5 years. Success at this small-scale pilot project could result in much larger developments in the future. See figures 4.1, 4.2, and 4.3 for greater details.

NOAH and Downtown Chaska Revitalization

Naturally Occurring Affordable Housing (NOAH) is a key subset of affordable housing that must be preserved to maintain affordable housing in Chaska. Unlike subsidized housing developments, NOAH properties—typically older apartments or homes that remain affordable without government intervention—serve as anchors of economic diversity. When preserved, these properties maintain affordability, attracting new residents to Chaska while preventing the displacement of long-term residents. This preservation approach can spark broader revitalization efforts by stabilizing property values, encouraging additional investment from both public and private sources, and creating mixed-income communities. The sustainable model of NOAH preservation strikes a delicate balance between welcoming new investment and protecting current residents, ultimately fostering vibrant neighborhoods that grow economically without sacrificing their distinctive character or forcing out established community members.

Preserving NOAH in Downtown Chaska

Chaska is distinguished by its downtown district, which is designated on the National Register of Historic Places. The area showcases remarkably preserved yellow brick buildings from the 1880s, constructed from distinctive "Chaska brick" clay sourced locally. The downtown area's careful preservation efforts have maintained its historical integrity over time and can be further enhanced by preserving its naturally occurring affordable housing stock.

Preserving NOAH is crucial for maintaining the city's current affordable housing stock, and this can be achieved through financing rehabilitation projects. Collaborate with small landlords to encourage them to maintain affordability and reinvest in their properties by providing low-interest loans or grants for energy-efficient upgrades, façade improvements, and accessibility renovations. This approach could be modeled after the Greater Minnesota Housing Fund's ([GMHF](#)) Small NOAH Financing program. Their program offers various levels of low-cost impact capital loans to NOAH multi-family properties with 5 to 50 units. These loans provide funding for rehabilitation and renovation, as well as routine maintenance, without requiring landlords to pass these costs on to renters. If this program is implemented, there will be a choice between allocating the funds as loans or grants. GMHF has found success with this program, and with the restraint of funding for this initiative, this could be an excellent opportunity to provide small NOAH funding across downtown.

This can be paired with allowing for small-scale development through zoning to encourage gentle density increases without pressure to tear down existing structures. Zoning is a powerful tool that can facilitate increased development while preserving current NOAH units and other protected housing. This would enable the construction of Accessory Dwelling Units (ADUs) and the conversion of duplexes and triplexes. This should create an additional housing supply while preserving existing buildings. This would not be an overhaul of the existing zoning code but rather an easing of some of the restrictions in designated areas. Combining focused small NOAH grants or loans with zoning adjustments can facilitate an increase in housing units and affordability.

The NOAH grant or loan program can grow and adapt over time because it is not tied to any one specific project or funding amount. There could be a yearly round of project applications, and the amount of funding given out can change as the budget does. This

process would also allow projects to be funded during the pilot year and enable the selection criteria to change yearly as needed. Having a program that can be adjusted year to year allows for optimal flexibility and creativity in funding affordable housing.

Emergency Rental Assistance

Finally, the City of Chaska could establish a rental assistance program that supports families below 80% Area Median Income. An emergency rental assistance program provides direct financial assistance through rent payments, deposits, and utility payments for households that would otherwise be at imminent risk of eviction and/or homelessness. Modeled after a Family Homelessness Prevention Assistance Program ([FHPAP](#)), the City could design a one-time-use grant program for low-income renters to stay in their homes in the event of a financial crisis. This program is well within the guidelines of LAHA funds.

At current funding levels, FHPAP and statewide rental assistance programs are not able to meet the funding needs for all eligible households. By implementing its own direct emergency assistance program, the City could close the gaps in financial burden and housing instability for lower-income households.

Emergency assistance becomes especially critical as Low Income Home Assistance Program (LIHEAP) funding, medical care, and other forms of social and economic welfare funds become increasingly precarious. With increasing financial pressure on low- and moderate-income renters, this type of direct intervention becomes not only critical but urgent for maintaining community stability and preventing cycles of housing instability. A direct grant program could work in tandem with the options above, specifically NOAH preservation, reserving a portion of LAHA funds for a rental assistance program.

Beyond the Scope of The Project

Originally, we recommended that the City of Chaska establish a permanent or semi-permanent position dedicated to finding and applying for grants and funding opportunities. Upon review, this recommendation is not within the bounds of LAHA use. However, we still believe this would be a way to leverage the currently limited funding resources and transform them into additional funding, which could be used to accelerate key projects outlined in this proposal. A centralized position would streamline the grant application

process, improving efficiency and success rates of funding acquisition. This position as an internship or contracted position would strengthen community ties with local universities, finding students who are looking for a part-time position in planning, grant management, and community development.

Conclusion

The city of Chaska is well-equipped to use LAHA funds to best serve its community without passing the funds on to the county. Keeping this fund as local as possible allows the City to use the funds in ways that most directly benefit the community. Using the funds through the provided recommendations– senior mobility grants, manufactured home development, NOAH preservation, and/or emergency assistance– Chaska could establish long-term housing affordability while simultaneously reducing housing instability for its residents.

Citations

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Appendix

Figure 1.1

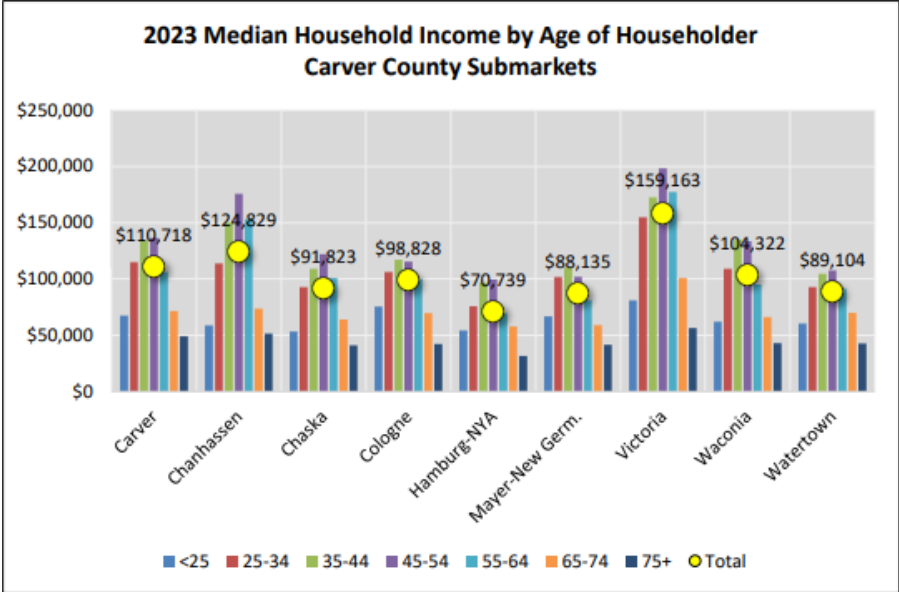


Figure 1.2

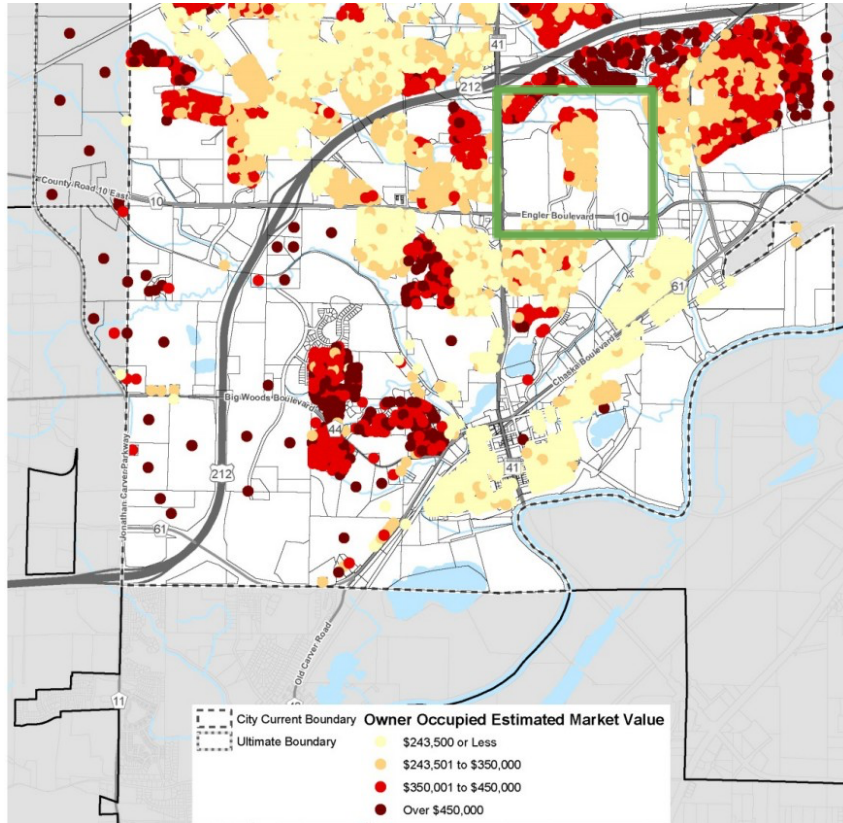


Figure 2.1



Figure 3.1

Component	Low Estimate (per lot)	High Estimate (per lot)
Site clearing and grading	\$1,000	\$3,000
Gravel or asphalt roadways	\$2,000	\$5,000
Water/sewer hookups	\$5,000	\$12,000
Electric, gas, telecom hookups	\$2,000	\$5,000
Permits/fees/impact studies	\$1,000	\$3,000
Landscaping/amenities	\$1,000	\$2,000
Contingency	\$1,000	\$2,000
Total per lot	\$13,000	\$32,000

Figure 4.1

Assumptions	
Growth of LAHA (annually)	4.68%
Development Costs Per Homesite	\$32,000
Property Tax Rate	1.05%
Taxable Value of Manufactured Home and Land	\$107,000
Property Appreciation Rate	2.50%

Figure 4.2

Year	2025	2026	2027	2028	2029
LAHA Funds	\$ 272,249.19	\$ 284,990.45	\$ 298,328.01	\$312,826.75	\$328,030.13
Expenses					
Land Acquisition	\$ (195,000.00)	\$ -	\$ -	\$ -	\$ -
Site Development	\$ 77,249.19	\$ 284,990.45	\$ 298,328.01	\$ 312,826.75	\$ 328,030.13
Property Tax Income					
Number of Sites Developed/yr	2	8	9	9	7
Running Count of Developed Sites	2	10	19	28	35
Total Property Tax Collected/yr	\$ 2,247.00	\$ 11,235.00	\$ 21,346.50	\$ 31,458.00	\$ 39,322.50
Remaining LAHA Funds	\$ -	\$ -	\$ -	\$ -	\$ 104,030.13

Figure 4.3 IRR Calculator

Years	Cashflows
1	\$ (270,002.19)
2	\$ (273,755.45)
3	\$ (276,981.51)
4	\$ (281,368.75)
5	\$ (184,677.50)
6	\$ 39,322.50
7	\$ 40,305.56
8	\$ 41,313.20
9	\$ 42,346.03
10	\$ 43,404.68
11	\$ 44,489.80
12	\$ 45,602.04
13	\$ 46,742.10
14	\$ 47,910.65
15	\$ 49,108.41
16	\$ 50,336.12
17	\$ 51,594.53
18	\$ 52,884.39
19	\$ 54,206.50
20	\$ 55,561.66
21	\$ 56,950.70
22	\$ 58,374.47
23	\$ 59,833.83
24	\$ 61,329.68
25	\$ 62,862.92
26	\$ 64,434.49
27	\$ 66,045.36
28	\$ 67,696.49
29	\$ 69,388.90
30	\$ 71,123.63
IRR	0.26%

Figure 5.1

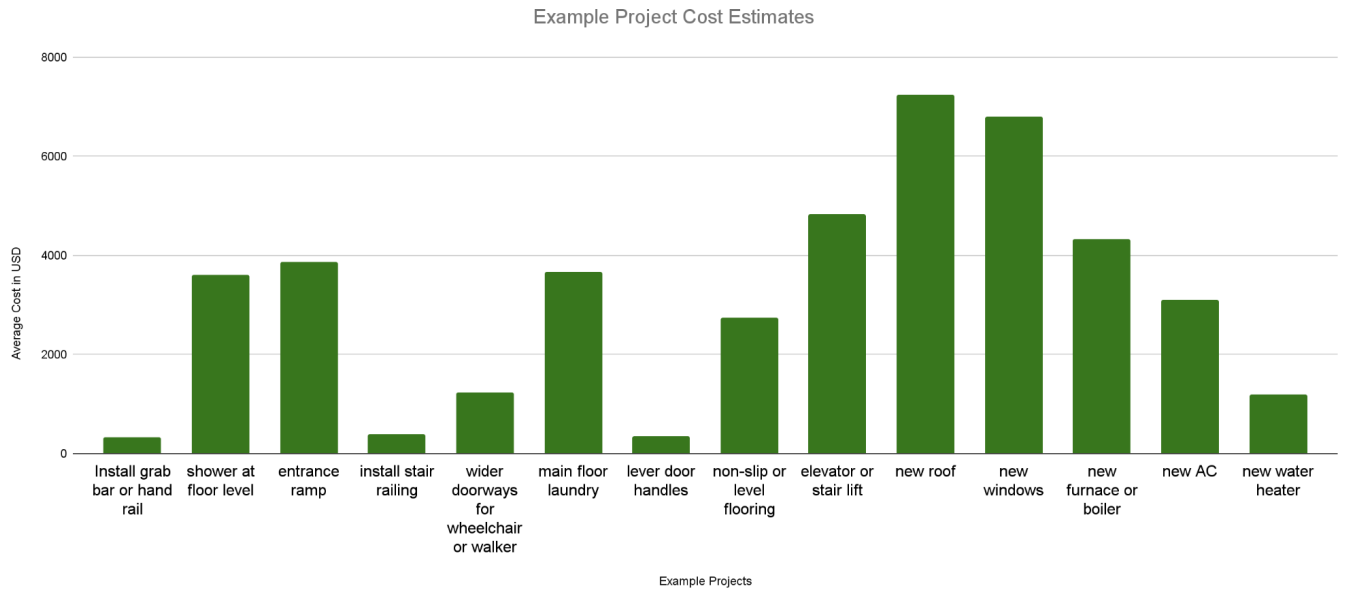


Figure 5.2

Insulation of an Attic in R-49 Zone PER 1000 SQ FT

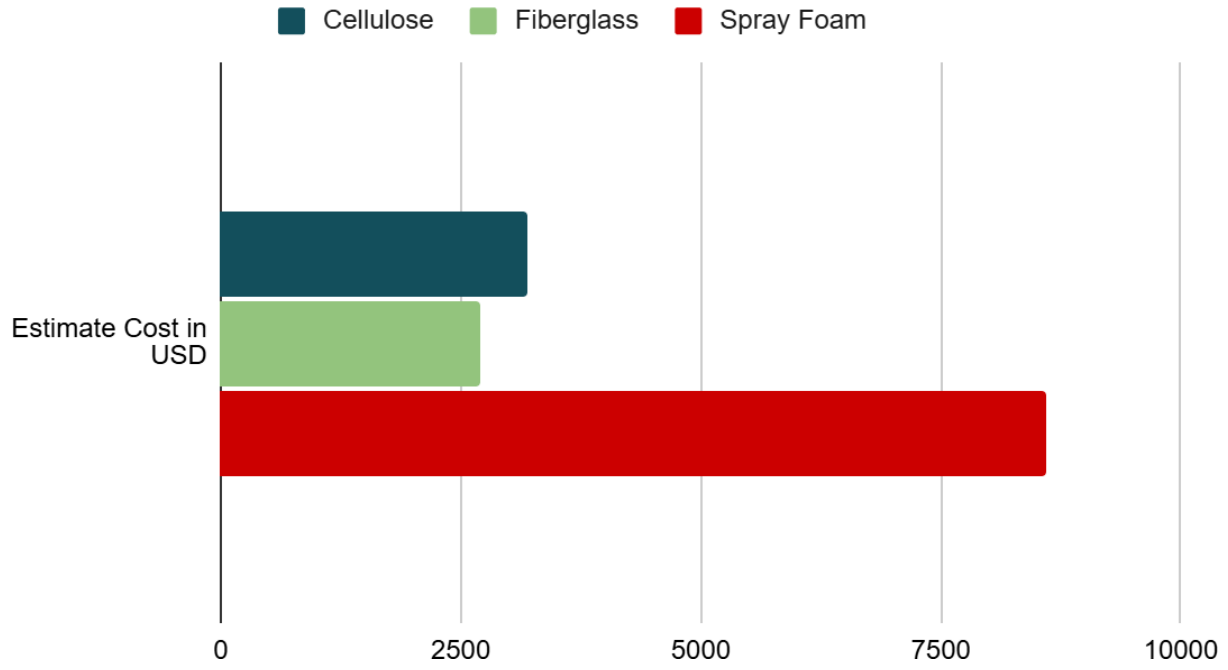


Figure 5.3

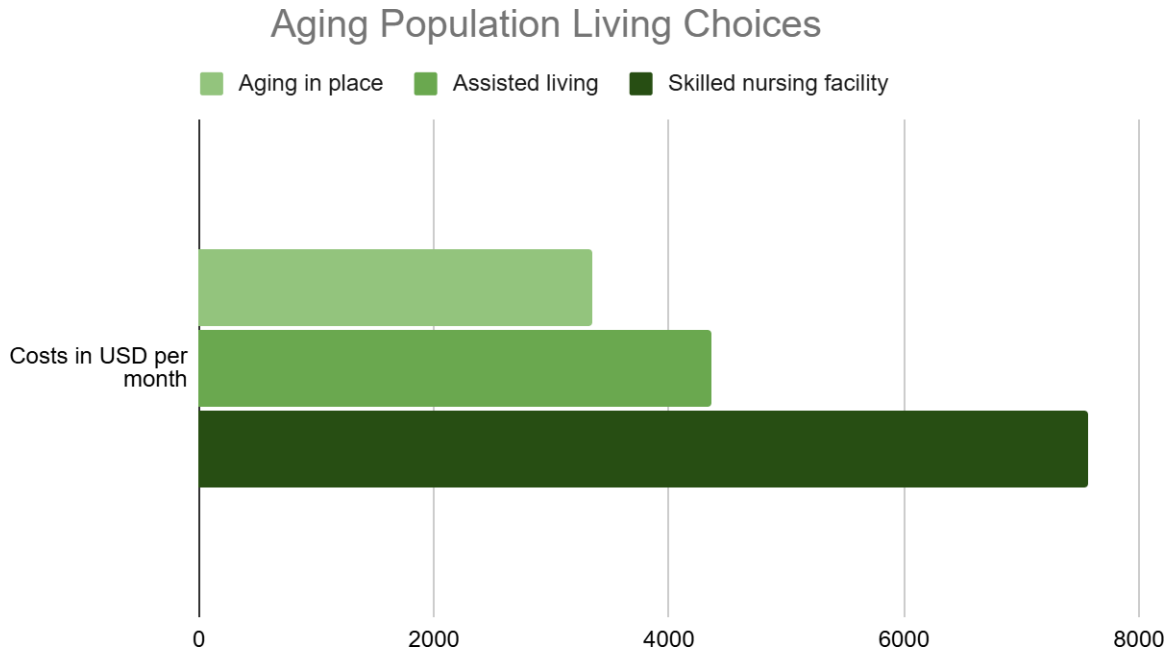
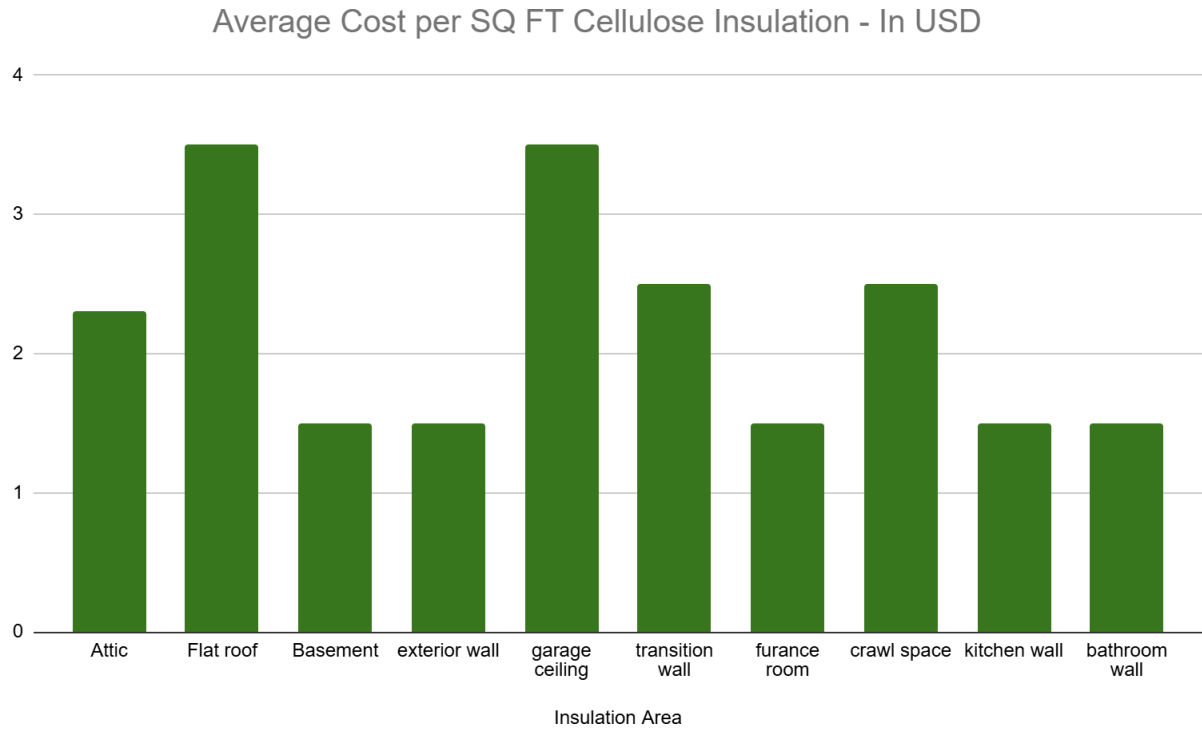


Figure 5.4






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