Category: Population Greater than 10,000

When the city of Spencer asked area businesses and industries what was preventing them from attracting workers to the Spencer area, a common response was lack of affordable housing. That matched up with data the city already had – the most recent affordable housing project was more than 15 years ago and the last project never fully developed.

That prompted a housing survey of Spencer residents and those in the surrounding areas. “There were about 300 that responded that they would, under the right conditions, build a new house in the community,” Spencer City Manager Bob Fagen said.

In response, the city and Spencer Municipal Utilities worked to purchase the idle Stoneybrook housing development. “The utilities were there, the streets were there, the lights were there, so it was really ready to go,” Fagen said. “I think that helped the success of it tremendously.”

With the land acquired, Spencer then sought out a developer to build out the fairly specific type of home that the survey had identified: 1400-1600 square feet, priced below $200,000, with three bedrooms and a two-car garage.

The city engaged Steffes Companies to build 50 homes within a three-year schedule. Steffes broke the project up into two phases to give them two construction seasons to do the majority of the ground work. They were able to establish eight different front elevations, with three floor plans ranging from $140,000 to $195,000.

Also in response to the housing survey results, the city worked with Clay County and local banks to create incentives to spur interest in building homes in the community. The Spencer Quality Housing Initiative Grant Program offered 40 guaranteed grants of $12,500 for down payment assistance, with an additional $2,500 available if the buyers financed with a local participating bank. The city also offered a five-year tax abatement program that would abate the first $75,000 of valuation on newly constructed homes.

The community’s response was rapid. All 40 grants were spoken for, prompting a second round of grant funding for the incentives. All of the Stoneybrook lots were purchased and Steffes delivered a completed project 12 months ahead of schedule. The city and Spencer Municipal Utilities are continuing to partner in an effort to prime the pump for further affordable housing development, including multi-family units.

“The year prior to the Stoneybrook development, I believe there were four building permits issued,” Spencer Mayor Reynold Peterson said. “We issued a total of 55 new housing permits down in the Stoneybrook area, so it was a very, very big boom.”