

**TERM SHEET FOR PROPOSED
TECHNOLOGY VILLAGE AND MEDICAL DISTRICT RAMP SALE AND
HOUSING DEVELOPMENTS ON EAST 1ST STREET CORRIDOR**

The Duluth Economic Development Authority (“DEDA”), the City of Duluth (“City”), and Beautiful City Development, LLC (“Developer”) agree to the following terms relating to sale of two municipally owned parking ramps and public subsidy for construction of residential housing units in Duluth, Minnesota. These terms will form the basis of a Development Agreement between DEDA, the City, and Developer. The terms expressed herein are subject to final approval by the Duluth City Council and the Duluth Economic Development Authority.

1. Name of Developer and Project Owner

Beautiful City Development, LLC (Developer)
Beautiful City 15 E 1st St, LLC (Phase I project owner)
Entity TDB (Phase II project owner)

2. Project and Site

On July 20, 2022, DEDA issued a Request for Proposals (RFP) for the sale of two municipal parking ramps (attached as Exhibit A) as part of a collaborative effort to redevelop the East 1st Street Corridor in the City’s downtown district. Developer submitted a response to the RFP on August 25, 2022 (attached as Exhibit B). Following from the RFP and the Developer’s response, Developer agrees to purchase each of the City-owned parking ramps described in the RFP (Technology Village Ramp and Medical District Ramp) and develop a two-phase residential development as described below. The purpose of the sale of the City’s assets is to support redevelopment along the East 1st Street Corridor by serving future residents of residential developments completed by Developer.

In summary, the Developer’s “Project” shall consist of:

- a. **Phase I** construction will result in no fewer than 130 residential units located primarily on St. Louis County Minnesota Parcels: 010-0930-00030, 010-0930-00040, 010-0930-00050, 010-0930-00060, 010-0930-00095, 010-0930-00090, 010-0930-00070, 010-0950-00620, 010-0950-00622, 010-0950-00660, and 010-0950-00720 (“Phase I”).
- b. **Phase II** construction will result in no fewer than 70 residential units located on one or more parcels on the northwest and southwest corners of the intersection of 1st Street and 3rd Avenue East, downtown Duluth, Minnesota (“Phase II”).

- c. In addition, Phase I and Phase II will each include:
 - i. On-site at-grade parking which are separate from parking provided at the two municipal parking ramps.
 - ii. Related utilities, landscaping and other amenities.
 - iii. Possible connection to City thermal system

The following provides a summary of dates and key terms more fully described below in this term sheet.

The sale of the **Technology Village Ramp** is associated with Phase I and contingent upon the occurrence of the following items in sequential order:

1. **Phase I completion.** Developer shall build no less than 130 units at the Phase I location, completion of which shall be evidenced by a Certificate of Occupancy by August 31, 2026;
2. **Exercise of option on Technology Village Ramp.** Developer may exercise the option related to purchase of the Technology Village Ramp after satisfaction of item 1 (i.e., date of the Certificate of Occupancy for Phase I) but no later than December 31, 2027; and
3. **Closing of purchase of Technology Village Ramp.** Developer shall pay \$7,000,000.00 to purchase the Technology Village Ramp and the conveyance must occur on or before April 30, 2028.

The sale of the **Medical District Ramp** is associated with Phase II and contingent upon the occurrence of the following items in sequential order:

1. **Phase II completion.** Developer shall build no less than 70 units at the Phase II location, completion of which shall be evidenced by a Certificate of Occupancy by December 31, 2027;
2. **Exercise of option on Medical District Ramp.** Developer may not exercise the option related to purchase of the Medical District Ramp prior to January 2, 2027, nor later than December 31, 2027, regardless of the completion date of the Phase II development;
4. **Medical District Ramp option contingent on closing of sale of Technology Village ramp.** Developer may not exercise the option related to the sale of the Medical District Ramp before Developer closes on the purchase of the Technology Village Ramp; and
5. **Closing of purchase of Medical District Ramp.** Developer shall pay \$1.00 to purchase the Medical District Ramp and the conveyance must occur on or before April 30, 2028.

3. Establishment of TIF Districts

Developer has requested financial assistance from the Duluth Economic Development Authority to support both phases of the Project through the creation of two Redevelopment Tax Increment Financing (“TIF”) districts within existing Development District No. 17 (“TIF Districts”), as shown in Exhibits C

and D. DEDA shall establish two scattered site Redevelopment TIF districts to support the residential development construction phases. Prior to establishment of the TIF districts, Developer shall submit to DEDA pro forma cost information for each of Phase I and Phase II residential development projects.

To support Project construction and other necessary work to allow the Project to move forward, the City intends to enter into a Development Agreement with the Developer that provides for Tax Increment Financing (“TIF”) assistance. The Project is within the area subject to a special law passed by the 2023 Minnesota Legislature (Laws of Minnesota 2023, Chapter 64, Article 8, Section 10). This law, approved by the Duluth City Council in Resolution 23-0507R, authorizes the City to use a streamlined process to establish one or more TIF redevelopment districts in the area in which the Project is located. The City and its financial advisors estimate the approximate length of the TIF District to be the full 26 years allowed for Redevelopment Districts under state law.

The TIF District and the City’s capabilities under any Development Agreement shall be subject to existing laws of the State of Minnesota. Developer shall agree that the City will not be held liable if the City is unable to fulfill its obligations under the Development Agreement due to changes in the laws of the State of Minnesota.

City will retain any available tax increment in excess of the total TIF funds paid to the Developer.

4. Development Agreements

DEDA and Developer shall enter into two Development Agreements, one for each Phase, that at a minimum include the terms stated in this Term Sheet. Additional terms are anticipated in the Development Agreements. The Development Agreements shall guide the development of the Project and be controlling over any conflicting term in this Term Sheet.

5. Due Diligence Documentation

Prior to signing the development agreement for each Phase Developer will submit the following documentation to DEDA for its review:

- a. Proof of control of Phase I and Phase II residential development properties.
- b. Proof of construction financing sufficient to complete Phase I.

6. Terms of Sale of Technology Village Ramp and Linkage to Phase I Construction

It is understood that the sale of the Technology Village Ramp is tied to the completion of Phase I construction. The City and DEDA will enter into an option agreement for DEDA to purchase the Technology Village Ramp. DEDA and Developer will enter into an option agreement for Developer to

purchase the Technology Village Ramp. Exercise of the option between the City and DEDA will precede exercise of the option between DEDA and Developer. Developer's option shall have the following terms:

- 6.01 **DEDA/Developer option agreement and purchase price.** DEDA will sell Developer an option to purchase the Technology Village Ramp from DEDA for a purchase price of Seven Million Dollars (\$7,000,000). The cost of the option will be One Dollar (\$1). Developer will not be permitted to exercise the option until Phase I has been substantially completed, as determined by the Executive Director of DEDA.
- 6.02 **Option term.** Developer may exercise the option and remit payment to DEDA in full no later than December 31, 2027.
- 6.03 **Transfer limited.** Developer will not assign, sell, or otherwise transfer any interest in the Technology Village Ramp for a period of 7 years after the date of closing without prior written approval of the Executive Director. This restriction will be incorporated into the deed running in favor of DEDA and will run with the land.
- 6.04 **Phase I construction deadline.** Developer agrees that Phase I of the proposed residential construction resulting in no less than 130 residential units shall receive certificate of occupancy by August 31, 2026.
- 6.05 **Parking use shall continue.** After exercise by Developer of the option described in paragraphs 6.01 and 6.02, to ensure the public benefits of the linked Technology Village Ramp sale and Phase I development are maintained, Developer will operate the Technology Village Ramp as a parking ramp for a period of 7 years after the date of closing. Such restriction shall be recorded with the deed and run with the land; and if the property is not operated as a parking ramp, title to the property shall automatically revert to DEDA.
- 6.06 **Post-closing provision of public parking.** At closing of the sale of the Technology Village Ramp from DEDA to Developer, DEDA and the City will terminate the 1999 development agreement, city contract #18502, requiring that Technology Village Ramp be operated for public parking. However, Developer will continue to provide public parking in the amount of no fewer than 100 stalls that must be held open for hourly public parking at all times for a period of 7 years after the date of closing. Such restriction shall be recorded with the deed and run with the land.
- 6.07 **Level of maintenance.** For a period of 7 years after the date of closing Developer will maintain the Technology Village Ramp in a condition equivalent to or better than the condition of the ramp at the time of transfer.
- 6.08 **Assumption of leases, easements, and agreements.** Developer will take title to Technology Village Ramp subject to all leases, easements, and agreements in effect at time of closing.
- 6.09 **Skywalk.** At closing, Developer shall assume ownership, operation, and maintenance of the skywalk system associated with Technology Village Ramp subject to an easement in favor of the public for skywalk purposes, including ingress and egress from street level.

- 6.10 **Lease of parking prior to closing.** If Phase I residential construction is completed prior to sale of the Technology Village Ramp to Developer, City agrees to lease up to 1.25x the number of units constructed at a mutually agreed upon price stalls of parking to Developer, if and when such units are available given current leases and agreements.
- 6.11 **Duty to maintain.** During the time period between the effective date of the development agreement associated with Phase I and the date of closing of the sale of the Technology Village Ramp to Developer, City shall maintain the Technology Village Ramp in a condition substantially similar to the condition described in the “Summary of Observations” section of the document titled “2022 Annual Structural Condition Report for Technology Village Parking Ramp” dated May 17, 2022.

7. Sale of Medical District Ramp and Linkage to Phase II Construction

It is understood that the sale of the Medical District Ramp is tied to the completion of Phase II construction. The City and DEDA will enter into an option agreement for DEDA to purchase the Medical District Ramp. DEDA and Developer will enter into an option agreement for Developer to purchase the Medical District Ramp. Exercise of the option between the City and DEDA will precede exercise of the option between DEDA and Developer. Developer’s option shall have the following terms:

- 7.01 **DEDA/Developer option agreement and purchase price.** DEDA will sell Developer an option to purchase the Medical District Ramp for a purchase price of One Dollar (\$1.00). The cost of the option will be One Dollar (\$1.00). Developer will not be permitted to exercise the option until Phase II is substantially complete, as determined by the Executive Director of DEDA. Developer’s exercise of the option and closing of sale shall occur no earlier than January 1, 2027.
- 7.02 **Option term.** After January 2, 2027, Developer may exercise the option and remit payment to DEDA in full no later than December 31, 2027.
- 7.03 **Transfer limited.** Developer shall not assign, sell, or otherwise transfer any interest in the Medical District Ramp for a period of 7 years after the date of closing without prior written approval of DEDA. This restriction will be incorporated into the deed running in favor of DEDA and will run with the land.
- 7.04 **Phase II construction deadline.** Developer agrees that Phase II of proposed residential construction resulting in no less than 70 residential units shall receive certificate of occupancy by December 31, 2027.
- 7.05 **Lease of parking prior to closing.** If Phase II residential construction is completed prior to closing of sale of the Medical District Ramp to Developer, City agrees to lease up to 1.25x the

number of units constructed at a mutually agreed upon price stalls of parking to Developer, if and when such units are available given current leases and agreements.

- 7.06 **Parking use shall continue.** To ensure the public benefits of the linked Medical District Ramp sale and Phase II development are maintained, Developer will operate the Medical District Ramp as a parking ramp for a period of 7 years after closing. Such restriction shall be recorded with the deed and run with the land; and if the property is not maintained as a parking ramp, the property shall automatically revert to DEDA.
- 7.07 **Post-closing provision of public parking.** After closing of the sale of the Medical District Ramp from DEDA to Developer, Developer will continue to provide public parking in the amount of no fewer than 100 stalls that must be held open for hourly public parking at all times for a period of 7 years after the date of closing. Such restrictions shall be recorded with the deed and run with the land.
- 7.08 **Duty to maintain.** During the time period between the effective date of the development agreement associated with Phase I and the date of closing of the sale of the Medical District Ramp to Developer, City shall maintain the Medical District Ramp in a condition substantially similar to the condition described in the “Current Observations” section of the document titled “2022 Annual Structural Condition Report for Medical District Parking Ramp” dated May 17, 2022.
- 7.09 **Assumption of leases, easements, and agreements.** Developer will take title to the Medical District Ramp subject to all leases, easements, and agreements in effect at time of transfer. The following list are leases, easements, and agreements known at this time. Additional leases, easements, and agreements may become known prior to closing.
- 7.09.1 Pedestrian passageway easement;
 - 7.09.2 Lease of parking spaces in favor of Sheraton;
 - 7.09.3 Leases of parking spaces in favor of Lakeview;
 - 7.09.4 Lease of parking spaces in favor of First Presbyterian;
 - 7.09.5 Agreement with Essentia for parking spaces;
 - 7.09.6 Agreement with City for parking stalls; and
 - 7.09.7 Skywalk easements in favor of the public.
- 7.10 **Skywalk.** At closing, Developer shall assume operation and maintenance of the skywalk system associated with the Medical District Ramp. Ownership will either be retained by the City or transferred to Developer with a permanent easement in favor of the City for pedestrian use sufficient to satisfy state bond restrictions as set forth in the Restrictive Covenant recorded against the Medical District Ramp property, St. Louis County Registrar of Titles Document No. 860013.0, or such document as may be recorded in its place to secure the City’s interest and State of Minnesota’s bond financed-interest.
- 7.11 **Bus shelter.** Developer will have the option to either retain the existing bus shelter at the Medical District Ramp and maintain it in a condition acceptable to the Duluth Transit

Authority or to remove the shelter. Developer will be responsible for the payback of any grant funds to the Federal Transit Authority that result from removing the bus shelter at any time.

8. Additional City/DEDA Obligations

In addition to the foregoing terms, the City or DEDA shall do the following:

- 8.01 **Terminate management agreement.** Upon approval of the development agreement for each Project phase, the City or DEDA shall notify Interstate Parking of termination of their management agreement for the affected ramp as per requirements of existing agreement.
- 8.02 **Notify tenants.** Upon termination of the management agreement for each ramp, the City or DEDA shall notify existing contractual parking tenants of ownership and management change.

9. Additional Developer Obligations

In addition to the foregoing terms, Developer shall do the following:

- 9.01 **Timelines.** Developer shall submit to DEDA expected timelines for major tasks associated with each Project phase. Such timelines shall be incorporated into development agreements for the Project phases.
- 9.02 **Complete Project.** Developer shall construct Phase I and Phase II of the Project according to timelines incorporated in the development agreements for the Project phases.
- 9.03 **Project costs.** Developer shall be responsible for all Project costs.
- 9.04 **PLA and CBP.** As a requirement of development agreements for each Project phase, Developer shall enter into a Project Labor Agreement and Community Benefits Plan Agreement prior to commencing Project construction.
- 9.05 **Connect to City thermal energy system.** If deemed financially feasible and mutually agreed upon, Developer may connect the structures built as part of the Project to the City thermal energy system.
- 9.07 **Parking ramp improvements.** After closing of sale on either parking ramp, Developer shall be solely responsible for all costs associated with improvements by the Developer. Any improvements desired Prior to closing shall be the subject of a separate agreement between Developer and the City or DEDA, whichever is in possession at such time.

10. Management Agreement(s)

Before Developer is eligible to exercise the option to purchase the Medical District Ramp, the City and Developer will, at Developer's election, enter into an agreement or agreements for Developer to manage the Medical District Ramp. At a minimum, the Management Agreement will contain the following terms:

- 10.01 **Management of the Ramp.** Developer will manage and oversee day-to-day operations of the Medical District Ramp, and may subcontract another entity for this purpose. Developer will collect payment for all contracts, leases, daily parkers, and any other payment for parking at the Medical District Ramp subject to the Management Agreement.
- 10.02 **Payment.** Developer will remit to the City quarterly payments of \$81,000 each quarter during the agreement or prorated for any partial year. The first quarterly payment shall be due and owing on the date of signing of the Management Agreement. Developer will be reimbursed for any payment or portion of a payment made prior to closing that results in payment to the City for any period after the closing date.
- 10.03 **Improvements.** At no cost to the City, Developer will be permitted to make changes and improvements to the physical space, condition, management, security, and day-to-day operations of the Medical District Ramp, subject to the constitutional constraints and procedural requirements for parking rate increases that public ownership of the ramp entails and with prior written approval of the City, such approval not to be unreasonably withheld.
- 10.05 **Tax implications.** It is the intention of the parties that no property taxes result from Developer's management of the Medical District Ramp at any time prior to Developer exercising the option to purchase the Medical District Ramp. Developer will be responsible for any property taxes that do result from Developer's management of the Medical District Ramp before exercising the purchase option.
- 10.06 **Maximum term of Management Agreement.** The Management Agreement shall not remain in effect any later than sixty (60) days after Developer is permitted to exercise the option to purchase the Medical District Ramp unless an extension of the term has been agreed upon as evidenced by a new written agreement approved by the Duluth City Council.

The parties agree to the terms of this Agreement and have executed this Agreement this ____ day of _____, 2023.

CITY OF DULUTH,
A Minnesota Municipal Corporation

DULUTH ECONOMIC DEVELOPMENT AUTHORITY
An Economic Development Authority under Minn.
Stat. 469

By _____
Emily Larson
Its Mayor

By _____
Its President

Attest:

By _____
Its Secretary

By _____
Its City Clerk

BEAUTIFUL CITY DEVELOPMENT, LLC

Date: _____

By _____
Its _____

Countersigned:

Its Auditor

Approved:

Its City Attorney

Exhibit A – Request for Proposals

Exhibit B – Response to Request for Proposals

Exhibit C –Tax-Increment Finance District No. TBD Phase I Project

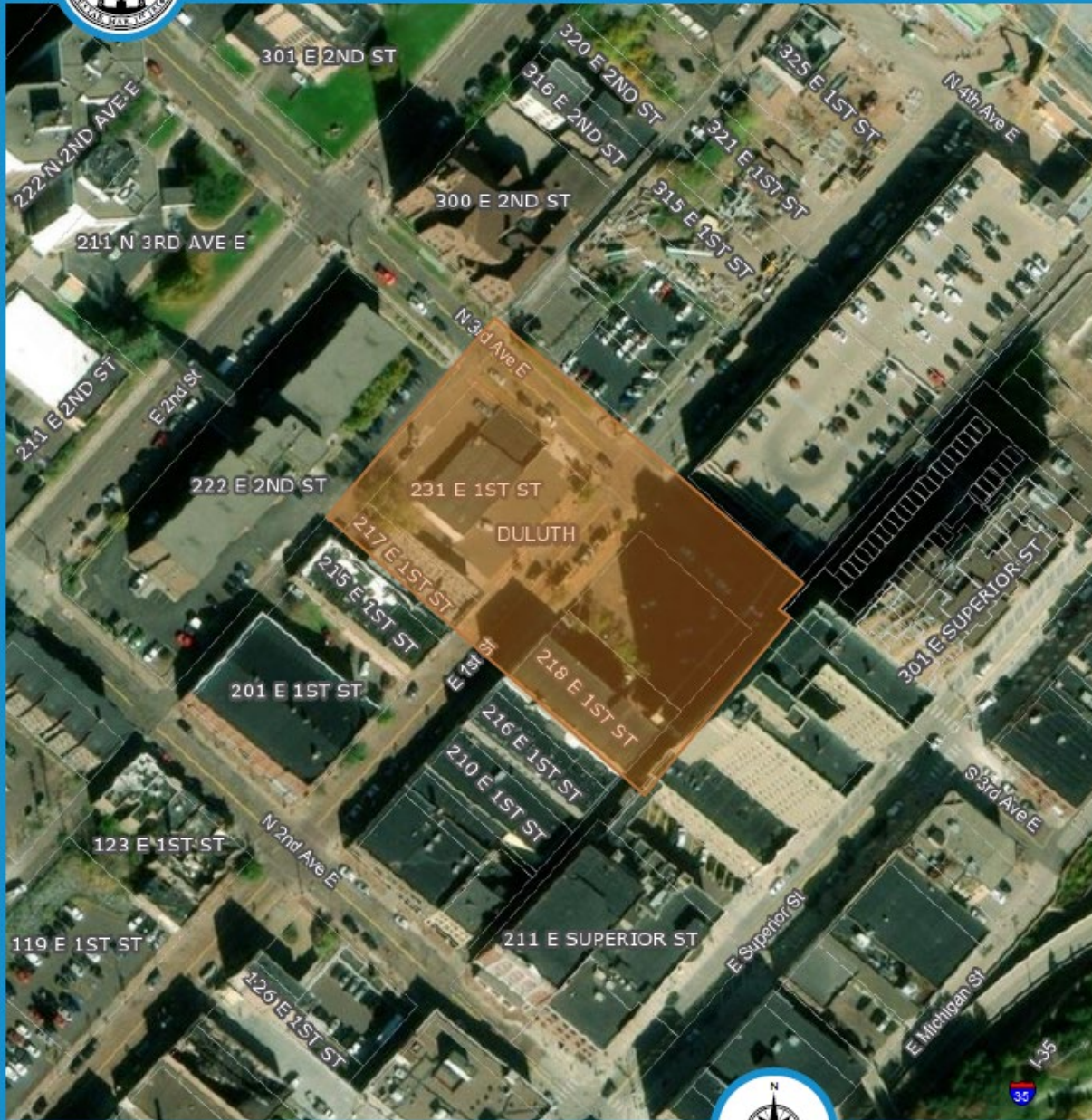


Exhibit D –Tax-Increment Finance District No. TBD Phase II Project



County Land Explorer

St. Louis County, Minnesota



Phase II-1st St. Redevelopment TIF District



County Land Explorer

St. Louis County www.stlouiscountymn.gov/explorer Minnesota

Disclaimer

This is a compilation of records as they appear in the Saint Louis County Offices affecting the area shown. This drawing is to be used only for reference purposes and the County is not responsible for any inaccuracies herein.

Map created using County Land Explorer
www.stlouiscountymn.gov/explorer

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