



Business Subsidy Agreement Pre-Approval Report

TAF- Roers Lake and First Redevelopment Project

Business Subsidy Recipient Information

1. Name of Business or Organization: Roers Lake and First LLC
2. Address: 110 Cheshire Lane | Suite 120- Minnetonka, MN 55305
3. Does the recipient have a parent corporation?
No.
4. Did the recipient relocate as a result of signing this agreement?
No.

Summary Agreement Information

1. Brief description of the proposed project

The Project will consist of reconfiguring and remodeling the two buildings located at 1 (five-stories) and 5 (three-stories) East 1st street. Combined, the project consists of 55,000 square feet, including 9,000 square feet of commercial space and 47 apartment units (46,000 square feet). Of the apartments units, 10% will be available at rents affordable to those earning 80% or less of the Area Median Income. The buildings currently host commercial tenants on the first floors, but the upper floors of the buildings remain vacant. This project will utilize state and federal historic tax credits which the Developer will reinvest in the structure and integrity of the building, adhering to historic preservation requirements. The proposed business subsidy in the form of tax abatement will be used toward the renovation and establishment of housing within the project.

2. Total value of proposed project

Total Development Costs:	Approximately \$11 million.
Total projected estimated market value:	Approximately \$5.5 million.

3. Summary of type(s) of subsidy and total dollar value for each
 - a. Type of assistance:
 - i. Tax Abatement Financing

- b. Grantor of assistance
 - i. City of Duluth and St. Louis County
 - c. Total dollar value of assistance
 - i. Up to \$700,000 on or approximately 6% of the total project cost.
4. What other financing avenues were pursued?
- a. State historic tax credits (secured)
 - b. Federal historic tax credits (secured)
 - c. Opportunity Zone Equity Fund (secured)

Applicability of Current Duluth and State Laws

- 1. Is this project covered under Duluth's Prevailing Wage law as defined in Article 2, Section 2-25?
 - a. Yes.
- 2. Is this project covered under Duluth's Project Labor Agreement law as defined in Article 2, Section 2-29? If not, state the specific applicable exclusion.
 - a. Yes.
- 3. Is this project is covered by Duluth's Living Wage law as defined in Article 26, Chapter 2 of the Duluth City Code?
 - a. Yes.
- 4. Is this project is covered by the business subsidy statute as defined in Minnesota Statutes 116J.993-.995 and subject to reporting?
 - a. It is covered under the City's Business Subsidy criteria and will be subject to reporting.

Public Purpose and Public Benefit Criteria

- 1. Public Purpose Criteria. State which two (minimally) of the five public purposes this project meets with a brief explanation of why it the proposed project meets this criteria.
 - a. High quality jobs.
 - i. This project does not create any permanent jobs but will create prevailing-wage level construction jobs over its development.
 - b. Job retention
 - i. The limited housing supply is frequently cited as a challenge for Duluth businesses when recruiting and retaining employees. This project provides new market rate and affordable housing options in our city's largest employment center, creating more options for existing and would-be employees for our local businesses.
 - c. Diversify Duluth's economy
 - i. The downtown district contains the highest concentration of the Duluth's workforce; the vast majority of downtown employees commute from outside the employment core. Again, this is in part due to the limited availability of housing downtown. Additionally, the building is largely vacant and is

underutilized. This redevelopment invests in a historic building, reducing potential blight in our downtown, and provides market rate housing options at the heart of our downtown community. More people living downtown means more spending at local businesses throughout the week, year round.

- d. Quality of life
 - i. As previously mentioned, many employees working downtown commute from across and outside of the community. This project provides the opportunity for those employees to live where they work, rendering some households able to eliminate one or more automobile; this in turn should reduce both the number of parking spaces needed downtown and the impact on our streets. Lastly, more downtown residents means healthier service and retail businesses, which leads to growth opportunities and a more vibrant city-core.
 - e. Tax Base
 - i. The tax base is projected to increase from the current net tax capacity of \$19,482 to a net tax capacity of approximately \$84,000.
2. Preferential Public Benefit Criteria. Which other preferential public benefit criteria does this project meet, if any? Provide a brief explanation of how it meets the criteria.
- a. Locally owned businesses
 - i. When available, local contractors will be hired to remodel and improve the building.
 - b. Workforce development and hiring low-income, unemployed and hard-to-employ residents
 - i. The construction of the project will be accompanied by hiring goals through the City of Duluth's Community Benefit Program, including providing building trades-opportunities for women and those populations experiencing barriers to employment.
 - c. Protected class business owners
 - i. See above.
 - d. Other community benefits
 - i. The project will utilize existing parking on site and has entered into a Lease Agreement with the City for space within the Medical District parking ramp. This results in a more efficient use of public infrastructure.
3. Duluth Comprehensive Plan and other City Plans
- a. What current City plans, if any, cover this project? How does the project relate to the applicable plans?
 - i. The future land-use designation of the redevelopment site is Central Business Primary (CBP). According to the Imagine Duluth 2035 Comprehensive Plan, the CBP "encompasses a broad range of uses and intensities:
 - 1. - Governmental campus
 - 2. - Significant retail
 - 3. - Entertainment and lodging
 - 4. - Opportunities for high-density housing

5. - Central plaza, public/ open space
 6. - Public parking facilities”
- b. Additionally, the project adheres to the following principles identified in the Comprehensive Plan:
1. Principle #1 – Reuse previously developed lands
 2. Principle #4 – Support economic growth sectors
 3. Principle #8 – Encourage mix of activities, uses and densities
- c. Are there any special zoning or permitting exemptions that need to be made for this project? If yes, provide a brief explanation.
- i. No.

Specific project goals

1. For each public purpose state the specific, measurable and tangible goals that were set for the project:
 - a. Public Purpose - Type of goal
 - i. The public purposes discussed above will be achieved by the reinvestment in and reuse of the five-story, 55,000 square foot historic building.
 - b. Specific Goals established
 - i. Achievement of the Business Subsidy Goal in accordance with City Council Resolution 19-0629R shall be measured as follows: Developer agrees that on or before December 31, 2021, it shall have constructed the Project on the Property in accordance with the Development Agreement.
 - c. Target Attainment Dates
 - i. See above.
2. Progress toward these goals will be reported by the recipient of a business subsidy on an annual basis by March 1 for the preceding year (see Section 8 (d) - Business Subsidy Criteria), and provided to the Council by April 1.