



## Business Subsidy Agreement Pre-Approval Report

### TIF District #33- Superior Street Apartments

#### Business Subsidy Recipient Information

1. Name of Business or Organization: Duluth Lincoln Park1, LLC
2. Address: 4180 Napier Court NE, St. Michael, MN 55376
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 demolishing existing blighted structures and constructing a new four-story multifamily structure containing approximately 53,000 square feet of residential space and 17,600 square feet of parking garage. The building will host 74 apartment units, 23 of which will be made available to tenants earning 80% or less of the area median income (AMI). The building is currently vacant and contamination has been identified on the site. Finally, the site is located on a prominent corner of the Lincoln Park neighborhood commercial corridor. The proposed subsidies will be used to remediate contamination and for TIF eligible costs, including providing parking for tenants, public utilities and infrastructure costs, and offsetting acquisition costs.

2. Total value of proposed project

Total Development Costs:	Approximately \$13.8 million.
Total projected estimated market value:	Approximately \$10 million.

3. Summary of type(s) of subsidy and total dollar value for each
  - a. Type of assistance:
    - i. Tax Increment Financing
      1. Granted by DEDA/ City of Duluth
      2. Total value of assistance: \$2.35M

ii. Contamination Cleanup and Investigation Grant

1. Granted by Minnesota DEED
2. Total value of assistance: \$134,946

4. What other financing avenues were pursued?

- a. Tax abatement

**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? I  
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 high-quality jobs but provides quality construction jobs for the duration of the project.
  - b. Job retention
    - i. See (a) above.
  - c. Diversify Duluth's economy
    - i. The Lincoln Park Flats apartments will be the first new construction in Lincoln Park in decades. The neighborhood has experienced a small-business renaissance over the past five years; old, empty storefronts have been transformed, leading to the now vibrant Craft District. Despite this growth, new housing has not yet occurred in this area. This project will help stabilize the local economy: 74 units means 74 households living in the area, walking shopping and eating down the street. Additionally, apartments will encourage further development of the commercial corridor.

- d. Quality of life
    - i. The removal of several blighted buildings and creation of quality housing improves Lincoln Park and instills greater confidence in our community's future. Housing in high demand, particularly housing available under 100%AMI. This project provides much-needed studio and 1-bedroom units for those working in Lincoln Park. This is one of the most walkable neighborhoods in Duluth; tenants can live, work and recreate in the same neighborhood.
  - e. Tax Base
    - i. The tax base is projected to increase from the current net tax capacity of \$10,950 to a net tax capacity of approximately \$107,000.
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 construct 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 via a Community Benefit Agreement, including providing building trades-opportunities for women, minorities and those experiencing real barriers to employment.
  - c. Protected class business owners
    - i. See above.
  - d. Other community benefits
    - i. This project is further west than most of the redevelopment in Lincoln Park, but before the highway 53 overpass. This new development can catalyze future development and begin to bring reinvestment to the 2000 and 2100 blocks of West Superior Street and Michigan Street. Additionally, a new, occupied building is a safer building: the existing structures are largely vacant and blighted. The new building will reduce vandalism and activate and light up a prominent corner in the commercial corridor.
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 development site is Central Business Secondary (CBS). According to the Imagine Duluth 2035 Comprehensive Plan, CBS areas are intended for medium density neighborhood retail, employment centers, public spaces, and residential development. This land use is designated for the entire Lincoln Park commercial corridor east of highway 53. The proposed development meets the intent of this future land use.-
  - b. Additionally, the project adheres to the following principles identified in the Comprehensive Plan:
    - 1. Principle #1 – Reuse previously developed lands

2. Principle #3 -Support existing economic base
  3. Principle #5 Promote reinvestment in neighborhoods.
  4. Principle #8 – Encourage mix of activities, uses and densities
  5. Principle #12 Create efficiencies in delivery of public services
- c. Are there any special zoning or permitting exemptions that need to be made for this project? If yes, provide a brief explanation.
- i. Yes.
    1. The project is requesting to vacate the portion of Michigan St. directly behind the structure. Both property owners are amenable to this.
    2. The project is seeking to vacate an old slopes and fills easement.
    3. The project has already received a variance to allow parking at grade, subject to façade and design standards.

**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. All public purposes will be achieved by the removal of existing blight and new development of the four-story, 53,000sf building.
  - b. Specific Goals established
    - i. Achievement of the Business Subsidy Goal in accordance with City Council Resolution 18-0515 shall be measured as follows: Developer agrees that on or before August 31, 2022, 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.