



Business Subsidy Agreement Pre-Approval Report
TIF District for the Residence– The Residence Housing Project

Business Subsidy Recipient Information

1. Name of Business or Organization: Merge, LLC, D/B/A Merge Urban Development Group
2. Address: 604 Clay Street, Cedar Falls, IA 50613
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 construction of a 4-story, 90,000 square foot apartment complex with 80 units comprising a mix of one and two-bedroom units. The project is located at 3401 Grand Avenue on the north side of the intersection of 3rd street, N 34th Avenue West, and Carlton Street next to Wheeler Athletic Complex. In the proposed eighty (80) unit development, 40% of units will be affordable to households at 60% area median income or less with the remaining 60% of units affordable to households at 80% or less of area median income.

- 32 units at 60% AMI
- 48 units at 80% AMI

2. Total value of proposed project

Total Development Costs:	Approximately \$23,686,811
Total projected estimated market value:	Approximately \$11,800,000

3. Summary of type(s) of subsidy and total dollar value for each
 - a. Grantor of assistance
 - i. Tax Increment Financing
 1. City of Duluth/Duluth HRA
 2. Total value of assistance: \$3,000,000

- ii. American Rescue Plan Act
 - 1. Total value of assistance: \$4,000,000
 - b. Total dollar value of assistance
 - i. \$7,000,000 million or approximately 30% of the total project cost.
4. What other financing avenues were pursued?
- a. None

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 covered by the business subsidy statute as defined in Minnesota Statutes 116J.993-.995 and subject to reporting?
 - a. Yes.

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 will provide new housing in a district that needs mixed income housing as well as development on a former brownfield.
 - b. Job retention
 - i. See (a) above.
 - c. Diversify Duluth's economy
 - i. The project location was the site of a former gas station that resulted in a brownfield. The proposed development is in close proximity to both the Spirit Valley and Lincoln Park Districts and will contribute to greater patronization of local businesses in both these districts as well as that of adjacent parks and trails. The development increases pedestrian traffic along one of the city's main corridors and provides affordable workforce housing within walking distance from both districts.
 - d. Quality of life

- i. The creation of quality housing in West Duluth improves the neighborhood and instills greater confidence and pride in our community. Mixed-income housing below 100% AMI is of high demand in our community. The proposed apartment complex is directly adjacent to Wheeler Athletic Complex and other nearby parks and trails, providing access to green space and other recreational opportunities. The proposed development will have direct access to main bus routes and be within walking distance of Lincoln Park amenities and businesses. This close proximity to amenities, businesses, and transportation will allow future tenants to have a high degree of independence.
 - e. Tax Base
 - i. The tax base is projected to increase from the current net tax capacity of \$3,474 to a net tax capacity of approximately \$220,083 (after the district terminates).
- 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 provide skilled building construction and exterior landscaping.
 - 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 and those experiencing real barriers to employment.
 - c. Protected class business owners
 - i. See above.
 - d. Other community benefits
 - i. The availability of multi-family housing located in West Duluth is currently very limited and largely public or transitional housing. This mixed-use project will provide both affordable and workforce housing units within close proximity to community parks and trails while within walking distance of many job opportunities. The site was formerly a gas station that resulting in a brownfield. Developing this site results in a cleaner and safer community.
- 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 a mix of Neighborhood Commercial (NC) and General Mixed Use (GMU). According to the Imagine Duluth 2035 Comprehensive Plan, these land use designations encompasses a broad range of uses and intensities:
 - 1. Small to moderate-scale commercial serving adjacent neighborhoods
 - 2. Office
 - 3. Commercial

4. Residential Use

- 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 #5 – Promote Investment in neighborhoods
 - 4. Principle #6 – Reinforce the place specific
 - 5. 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. Yes, the Developer has secured a front-yard setback and shoreland setback variance for the City of Duluth Planning Commission.

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 stated will be achieved after construction of an apartment complex resulting in 80 new housing units.
 - 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 December 31st, 2024, it shall have constructed the Project on the Property in accordance with the Land Sale Agreement.
 - c. Target Attainment Dates
 - i. See above.