

RESOLUTION 19D-26

**RESOLUTION APPROVING A DEVELOPMENT AGREEMENT
WITH THREE D I, LLC FOR THE
DEVELOPMENT OF THE BOARD OF TRADE MULTI-FAMILY
RESIDENTIAL AND MIXED USE PROJECT**

WHEREAS, Three D I, LLC ("Developer"), proposes to redevelop property located at 301 West First Street in Duluth, Minnesota into a multi-family residential and mixed use facility with apartment units and commercial/retail space (the "Project");

WHEREAS, DEDA has determined that it is reasonable and necessary to provide certain financial assistance to Developer in order to facilitate Developer's plans for the Project and to that end, DEDA and Developer have negotiated a Development Agreement for the Project; and

WHEREAS, DEDA has approved the establishment of Tax Increment Financing District No. 32, a Housing District (the "TIF District") pursuant to Minnesota Statutes §§469.174 to 469.1794, as amended; and

WHEREAS, pursuant the terms of the Development Agreement, DEDA proposes to provide certain tax increment financing assistance to Developer consisting of a pay-as-you-go tax increment revenue note (the "TIF Assistance") payable from the TIF District; and

WHEREAS, the TIF Assistance constitutes a business subsidy within the meaning of Resolution 18-0515R of the City of Duluth (the "Business Subsidy Resolution"), and the Development Agreement constitutes a "business subsidy agreement" under the Business Subsidy Resolution; and

WHEREAS, pursuant to Minnesota Statutes §§116J.993 through 116J.995 (the "Business Subsidy Act"), after a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero; and

WHEREAS, DEDA on this same date held a duly noticed public hearing on the granting of a business subsidy to Developer pursuant to the Development Agreement and on setting the wage and job goals at zero in accordance with the Business Subsidy Act; and

WHEREAS, Developer's lender, Minnwest Bank ("Lender"), requires as a condition of its loan to Developer, that the Development Agreement is subordinated to the Lender Mortgages, Security Interests and Indebtedness as those terms are defined in the Subordination Agreement; and

WHEREAS, Lender further requires as a condition of its loan to Developer, that Developer collaterally assign to Lender the Developer's interest in the Development

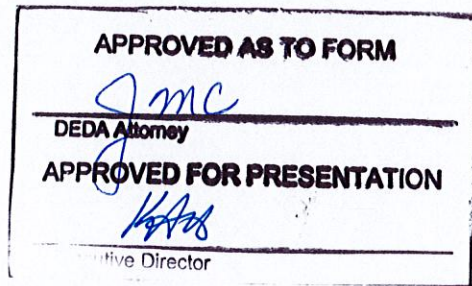
Agreement. Under the assignment, Lender has no right to enforce the provisions of the Development Agreement until an event of default has occurred.

NOW, THEREFORE, BE IT RESOLVED:

1. DEDA finds that the Development Agreement is in the best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of the applicable State and local laws and requirements under which the development will be undertaken.
2. DEDA hereby determines that the Project will enhance the economic diversity of the City and the City's tax base; enhance the quality of life of the City's residents by investing in neglected neighborhoods or business areas or stimulating the redevelopment of underutilized, blighted or obsolete land uses including rehabilitation or demolition of commercial areas in the City and substandard structures; expand the City's tax base and realize a reasonable rate of return on the public investment; encourage the development of commercial areas in the City that result in higher quality development or redevelopment and private investment; and achieve development on sites which would not be developed without assistance. DEDA hereby determines that the creation or retention of jobs is not a goal of the Project for purposes of the Business Subsidy Act. Therefore, the wage and job goals may be and hereby are set at zero in the Development Agreement in accordance with the Business Subsidy Act.
3. DEDA hereby authorizes the proper DEDA officials to enter into a Development Agreement with Developer substantially in the form of that attached hereto (DEDA Contract No. _____), together with any related documents necessary in connection therewith.
4. DEDA staff, officials and consultants are authorized and directed to implement the terms of the Development Agreement as provided therein and carry out DEDA's obligations under the Development Agreement.
5. DEDA hereby authorizes the proper DEDA officials to enter into a Subordination Agreement with Lender substantially in the form of that attached hereto (DEDA Contract No. _____), together with any related documents necessary in connection therewith.
6. DEDA hereby authorizes the proper DEDA officials to execute the Acknowledgement, Consent and Agreement of DEDA attached to the Assignment of Development Agreement between Developer and Lender substantially in the form of that attached hereto (DEDA Contract No. _____), together with any related documents necessary in connection therewith.

Approved by the Duluth Economic Development Authority this 10th day of July, 2019.

ATTEST:



Executive Director

STATEMENT OF PURPOSE:

This resolution authorizes a Development Agreement with Three D I, LLC for the development of the Board of Trade project located at 301 West First Street. The project will be located in an area identified as Tax Increment Financing District No. 32, a Housing District. A resolution approving the creation of TIF District No. 32 will be on the July 15, 2019, City Council agenda.

The Development Agreement provides for the development/redevelopment by Developer of a multi-family residential and mixed use development with not less than 84 studio, 1-bedroom and 2-bedroom residential apartments, not less than 20% of which will be occupied by households at 50% or less of area median income, and up to 19,280 square feet of retail/commercial space on the property together with related utilities and other amenities at a cost of approximately \$20,000,000. DEDA will provide 90% of the TIF generated by the project up to \$1,800,000 plus interest at the rate of 5% to pay for public eligible costs of construction on a pay-as-you-go basis. The term of the TIF Note is for a period of twenty (20) years from the date of receipt by DEDA from the St. Louis County Auditor's Office of the first payment of Captured Tax Increment, or until the principal and interest on the TIF Note has been paid in full, whichever is sooner.

Additionally, this resolution authorizes DEDA to execute two documents required by Developer's Lender: a Subordination Agreement and an Acknowledgement, Consent and Agreement of DEDA which is attached to the Assignment of Development Agreement between Developer and Lender.

Tax base impact statement: The current market value (2019, payable 2020) of the properties located in this 25 year Housing TIF District (to be created by DEDA) is \$928,700 and the property is generating \$17,824 in net tax capacity. After the improvements are completed, the taxable market value will increase to approximately \$9,000,000 and the annual tax increment will be provided to the Developer to facilitate the redevelopment. After the TIF District is terminated, the development is anticipated to generate over \$112,000 per year in net tax capacity (based on the County Assessor's valuation of the completed property, not including inflation).