

RESOLUTION 18D-44

**RESOLUTION APPROVING A DEVELOPMENT AGREEMENT
WITH NORTHSTAR DEVELOPMENT INTERESTS, LLC FOR
THE DEVELOPMENT OF THE VOYAGEUR LAKEWALK INN
MIXED USE PROJECT**

WHEREAS, Northstar Development Interests, LLC ("Developer"), proposes to redevelop property located at 319, 321, 323 and 333 East Superior Street in Duluth, Minnesota into a 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. 31, a redevelopment 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.

NOW, THEREFORE, BE IT RESOLVED:

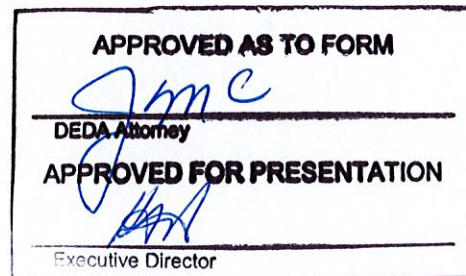
1. DEDA finds that the Development Agreement is in the best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of the applicable State and local laws and requirements under which the development will be undertaken.

2. DEDA hereby determines that the Project will help fulfill a need to develop an area of the State of Minnesota which is already built up, help renovate substandard properties, increase the tax base, diversify the City's economy, and enhance the quality of life of the residents by investing in neglected neighborhoods, and thereby serves a public purpose. 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.

Approved by the Duluth Economic Development Authority this 12th day of December, 2018.

ATTEST:

Executive Director



STATEMENT OF PURPOSE:

This resolution authorizes a Development Agreement with Northstar Development Interests, LLC for the development of the Voyageur Lakewalk Inn project located at 319, 321, 323 and 333 East Superior Street. The project will be located in an area identified as Tax Increment Financing District No. 31, a 25-year redevelopment district. A resolution approving the creation of TIF District No. 31 will be on the December 17, 2018, City Council agenda.

The Development Agreement provides for the construction by Developer of not less than 190 market rate residential and townhome units and not less than 20,000 square feet of retail/commercial space together with related utilities and other amenities at a cost of not less than \$69,650,000. DEDA will provide 90% of the TIF generated by the project up to \$6,200,000 plus interest at the rate of 5% to pay for public eligible costs of construction on a pay-as-you-go basis.

The Developer is working with City staff to lease sufficient parking space for the project in the Medical District Parking Facility or other parking facilities. The parking lease is anticipated to be on the City Council's January agenda.

Tax base impact statement: The current market value (2018, payable 2019) of the properties located in this 25 year Redevelopment TIF District (to be created by DEDA) is \$1,902,100 and the property is generating \$34,601 in net tax capacity. After the improvements are completed, the taxable market value will increase to \$26,311,000 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 \$394,443 per year in net tax capacity (based on the County Assessor's valuation of the completed property, not including inflation).