



## **Business Subsidy Agreement Pre-Approval Report**

### **TIF District – Brewery Creek Housing Project**

#### **Business Subsidy Recipient Information**

1. Name of Business or Organization: Brewery Creek Developer LLC
2. Address: 12 E 4<sup>th</sup> Street, Duluth, MN 55805
3. Does the recipient have a parent corporation?  
Yes. One Roof Community Housing
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 redevelopment of a blighted infill site in the Hillside neighborhood and Medical District in Duluth that will construct 52 units of mixed income housing. In the proposed development, 32 of the units will be reserved for individuals and families earning 30% or less of Multifamily Tax Subsidy Income (MTSP). The project will offer permanent housing with tailored services and subsidized rents for 26 homeless youth and 6 disabled households that will also be targeted towards youth. The remaining 20 units will provide workforce housing units in a neighborhood that is in need of more housing. The development is in close proximity to jobs and services in the Hillside, Downtown, and Medical District as well as immediate access to transit on both 6<sup>th</sup> Avenue East and East 4<sup>th</sup> Street; allowing for a higher degree of independence for future tenants.

2. Total value of proposed project

Total Development Costs:	Approximately \$ 18,316,358
Total projected estimated market value:	\$ 5,980,000

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: \$749,276
- ii. Low-Income Housing Tax Credit (LIHTC)
  1. Total value of assistance: \$12,598,740
- b. Total dollar value of assistance
  - i. \$13,348,016 or approximately 73% of the total project cost.
4. What other financing avenues were pursued?
  - a. Property 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?
  - 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 a new housing in a district that is in much need of affordable as well as revitalizing a blighted and vacant lot.
  - b. Job retention
    - i. See (a) above.
  - c. Diversify Duluth's economy
    - i. The proposed development is in close proximity to both the Central Business Primary and Medical Districts. Increased pedestrian traffic from this residential density will contribute to greater patronization of local businesses in both of these districts; this is much needed, particularly as the pandemic has resulted in additional vacant storefronts. This building also presents the opportunity to begin transforming the area into the future land use of Neighborhood Mixed

Use. This will provide easier transition from dense medical and commercial districts and provide easier access and transition into the residential district behind the proposed development. Additionally, the development will remove a blighted area from the community which results in a safer and healthier neighborhood.

d. Quality of life

- i. The revitalization of one vacant and blighted block and creation of quality housing improves the neighborhood and instills greater confidence and pride in our community. Housing both below 100% AMI and housing for high priority homeless are in high demand in the Hillside district. The building and management also plan to provide services for the high priority homeless that will be housed in the building; increasing the quality of life for those tenants. The proposed complex will have direct access to two main bus routes and will be within walking distance of downtown amenities and businesses as well as the Medical district. 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 \$9,986 to a net tax capacity of approximately \$44,850 (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 renovate 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 and those experiencing real barriers to employment.

c. Protected class business owners

- i. See above.

d. Other community benefits

- i. The availability of housing for high priority homeless is very limited. With the mixture of affordable and market rate units, there is a balance of services that will be made available for high priority tenants and workforce housing. More workforce units in close proximity to both the downtown and medical districts allows for more customers for the businesses in the district; as well as the potential to live in close proximity to jobs. The lot is currently vacant, blighted, and sitting on a very heavily used intersection in the Medical district; developing the blighted lot will create a safer and healthier community not only in the medical district, but in the adjacent residential neighborhood as well.

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 Neighborhood Mixed Use (NMU). According to the Imagine Duluth 2035 Comprehensive Plan, the “NMU” encompasses the broadest range of uses and intensities:
    1. Transitional mixed-use structures between intense commercial districts and purely residential neighborhoods; should maintain residential building character
    2. Conversion of houses to office or live-work spaces
    3. Commercial only space oriented towards neighborhood or specialty retail market
- b. Additionally, the project adheres to the following principles identified in the Comprehensive Plan:
  1. Principle #1 – Reuse previously developed lands
  2. Principle #5 – Promote Investment in neighborhoods
  3. Principle #6 – Reinforce the place specific
  4. Principle #8 – Encourage mix of activities, uses and densities
  5. Principle #14 – Integrate fairness into the fabric of the community
- 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. On Tuesday, April 13, 2021 the Planning Commission approved a height variance of 5 feet 7 inches over the 55 foot maximum height that is stated in the UDC.

**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 all be achieved once the building has been constructed and the 52 residential units have been created.
  - 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 July 31<sup>st</sup>, 2023, 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 February 1st for the preceding year (see Section 8 (d) - Business Subsidy Criteria), and provided to the Council by March 15th