

RESOLUTION 21D-23

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH NEW BURNHAM, LLC FOR THE DEVELOPMENT OF THE BURNHAM APARTMENTS PROJECT

WHEREAS, New Burnham, LLC (“Developer”), proposes to redevelop property located at 521 West 2nd Street, Duluth, Minnesota into a multi-family residential facility with apartment units (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. 35, 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; and

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 and stimulating the redevelopment of underutilized, blighted or obsolete land uses, expand the City's tax base and realize a reasonable rate of return on the public investment; encourage the development of housing and commercial areas in the City that result in higher quality development and private investment; and achieve redevelopment on a site which would not be redeveloped 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.

Approved by the Duluth Economic Development Authority this 23rd day of June 2021.

ATTEST:

DocuSigned by:

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Executive Director

STATEMENT OF PURPOSE:

This resolution authorizes a Development Agreement with New Burnham, LLC for the development of the Burnham Apartments (former St. Louis County Jail) project located at 521 West 2nd Street in downtown Duluth. The project will be located in an area identified as Tax Increment Financing District No. 35, a Redevelopment District. A resolution approving the creation of TIF District No. 35 will be on the July 6, 2021, City Council agenda.

The Development Agreement provides for the acquisition of the property and redevelopment of the existing buildings by Developer resulting in approximately 32 apartment units and common areas. Of these apartment units, not less than 4 units will be available at 60% or less of the Area Median Income, as posted annually by the Minnesota

Housing Finance Agency. The total development cost is estimated to be \$8,265,000. DEDA will provide up to \$1,200,000 of the TIF generated by this project plus interest at the rate of 4.25% to pay for public eligible costs of redevelopment on a pay-as-you-go basis. The term of the TIF Note is for a period of twenty six (26) 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 principle interest on the TIF Note has been paid in full, whichever is sooner.

Tax base impact statement: The current market value (2021, payable 2022) of the properties located in this 26-year Redevelopment TIF District (to be created by DEDA) is \$82,800 and the property is generating \$1,242 in net tax capacity. After the improvements are completed, the taxable market value will increase to approximately \$4,200,000 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 \$52,500 per year in net tax capacity (based on the County Assessor's valuation of the completed property, not including inflation).