

Attachment 1



**Business Subsidy Agreement Pre-Approval Report**  
**TIF District #32- Board of Trade Redevelopment Project**

**Business Subsidy Recipient Information**

1. Name of Business or Organization: Three D I, LLC
2. Address: 607 Academy Drive, Northbrook, IL 60062
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 reconfiguring and remodeling the approximately 96,400 square foot, nine-story Board of Trade building. The building will host approximately 17,000 square feet of commercial space and 84 apartment units. Of the apartments units, 17 will be available at 50% or less of the Area Median Income. The building currently hosts some commercial tenants but remains largely vacant. This project will utilize state and federal historic tax credits and will reinvest in deferred maintenance for critical elements of the building, including the roof and elevators. The proposed business subsidy funds will be used toward the creation of the housing elements of the project.

2. Total value of proposed project

Total Development Costs:	Approximately \$20 million.
Total projected estimated market value:	\$9.2 million.

3. Summary of type(s) of subsidy and total dollar value for each
  - a. Type of assistance:
    - i. Tax Increment Financing
  - b. Grantor of assistance
    - i. DEDA/ City of Duluth

- c. Total dollar value of assistance
  - i. \$1.8 million or approximately 9% of the total project cost.
- 4. What other financing avenues were pursued?
  - a. Tax abatement
  - b. State historic tax credits (secured)
  - c. Federal historic tax credits (secured)
  - d. EPA Brownfield Revolving Loan fund (secured)

**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 is covered by the business subsidy statute as defined in Minnesota Statutes 116J.993-.995 and subject to reporting?
  - a. It is covered under the City's Business Subsidy criteria and will be subject to reporting.

**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 improved office and commercial spaces for expanding local businesses and new business looking for a downtown location close to housing and retail amenities.
  - b. Job retention
    - i. See (a) above.
  - c. Diversify Duluth's economy
    - i. The downtown district contains the highest concentration of the Duluth's workforce; the vast majority of downtown employees commute from outside the employment core. This is in part due to the limited availability of housing downtown, particularly housing with rents in the 50-100% AMI range. Additionally, the building is largely vacant, in part due to serious storm-related damage caused in the summer of 2016. This redevelopment will reinvest and make use of a historic building, reducing blight to our downtown.

- d. Quality of life
    - i. The removal of several blighted buildings and creation of quality housing improves our downtown and instills greater confidence and pride in our community. Again, housing below 100% AMI is in high demand and the direct connection to the skywalk system will enable employees without independent transportation to safely and conveniently walk to a variety of employment opportunities.
  - e. Tax Base
    - i. The tax base is projected to increase from the current net tax capacity of \$17,824 to a net tax capacity of approximately \$112,000.
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 remodel and improve 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 that is connected to the skywalk system may help reduce traffic in our downtown, extending the life of our infrastructure. Additionally, more people living downtown helps support our local businesses; people will be downtown both day and night, spending money. Lastly, an occupied building is a safer building: the Board of Trade is a beautiful remnant of our architectural past and this business subsidy enables this project to move forward.
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 Central Business Primary (CBP). According to the Imagine Duluth 2035 Comprehensive Plan, the CBP “encompasses a broad range of uses and intensities:
      - 1. - Governmental campus
      - 2. - Significant retail
      - 3. - Entertainment and lodging
      - 4. - Opportunities for high-density housing
      - 5. - Central plaza, public/ open space
      - 6. - Public parking facilities”

- 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 #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. No.

**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. All public purposes will be achieved by the reinvestment in and reuse of the nine-story, 96,400sf historic building.
  - 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 31, 2021, 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 March 1 for the preceding year (see Section 8 (d) - Business Subsidy Criteria), and provided to the Council by April 1.