



Business Subsidy Pre-Approval Report

ARPA Funding – HRA Fairmont Cottage Village Development

Business Subsidy Recipient Information

1. Name of Business or Organization: Housing and Redevelopment Authority of Duluth, MN (HRA)
2. Address: 222 E 2nd Street, Duluth, MN 55805
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 establish a cottage home village (special use permit – City of Duluth) involving construction of eighteen (18) new homes, not less than four (4) of which will be affordable to households at 50% or less of area median income, not less than four (4) of which affordable to households at 80% or less of area median income, and not less than five (5) of which will be affordable to households at 90% or less of area median income. The remaining and five (5) will be affordable to households at 100% of area median income. The single-family rental homes will be managed by the HRA. Homes will be a mix of one- and two-bedroom units. Two surface lot parking areas will be constructed to accommodate tenants and guests. On-site circulation trails and sidewalks will connect each dwelling to parking and open community green space.

2. Total value of proposed project

Total Development Costs:	Approximately \$ 5,100,000
Total projected estimated market value:	\$2,610,000

3. Summary of type(s) of subsidy and total dollar value for each
 - a. Grantor of assistance
 - i. American Rescue Plan Act Funding
 1. City of Duluth

- 2. Total value of assistance: \$1,150,000
 - ii. Private Loan
 - 1. HRA Duluth
 - 2. Total value: \$2,571,000
 - iii. HUD HOPE VI Grant
 - 1. HUD
 - 2. Total value of assistance: \$1,000,000
 - iv. Cash Contribution
 - 1. HRA Duluth
 - 2. Total Value: \$379,000
 - b. Total dollar value of assistance (from City)
 - i. \$1,150,000 million or approximately 23% of the total project cost.
4. What other financing avenues were pursued?
- a. ARPA allocation from St. Louis County

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. No.

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 these criteria.
 - a. High quality jobs.
 - i. This project does not create any permanent high-quality jobs but will provide temporary jobs during construction.
 - b. Job retention
 - i. See (a) above.
 - c. Diversify Duluth's economy
 - i. The current property is vacant and new construction of residential units will provide investment in the neighborhood and Duluth at large. Increased traffic from this residential development will contribute to greater patronization of

businesses in nearby neighborhoods as well as to existing recreational opportunities in west Duluth. The availability of both market rate and affordable single-family homes citywide is limited. More single-family homes available to a mix of income levels in the Fairmont neighborhood allows for housing diversification and access to nearby business sectors in Duluth.

- d. Quality of life
 - i. Development on this currently vacant property will provide quality housing while improving the neighborhood and instill greater confidence and pride in our community. Housing both at and below 100% AMI are in high demand in this neighborhood. With access to public transportation, parks and trails and local businesses, tenants will be able to work and live independently.
 - e. Tax Base
 - i. The tax base is projected to increase from the current net tax capacity of \$415 to a net tax capacity of approximately \$19,575 after construction completion; however, being owned by the HRA, this property is exempt from property taxation. Adjacent properties will see a benefit in valuation of their properties due to construction of this new development.
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. The selected contractor from the RFP process is locally owned and operated and employs local workers to complete on site construction.
 - ii. 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.
 - b. Protected class business owners
 - i. See above.
 - c. Other community benefits
 - i. The availability of both market rate and affordable single-family home housing citywide is limited. More single-family homes available to a mix of income levels in the Fairmont neighborhood allows for housing diversification and access to nearby business sectors in Duluth. Construction of this cottage home park provides an opportunity to pilot a new model of housing; one with a smaller footprint of residential units and a common open space, which provides renters a sense of privacy while still fostering a sense of community.
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 Urban Residential (UR). According to the Imagine Duluth 2035 Comprehensive Plan, the “UR” provides for the greatest variety of residential building types:
 - 1. Median to high densities; 8 units/acre and up
 - 2. Live/work units

3. Connection to adjacent parks and open space
 4. Design standards to ensure pedestrian orientation and mix of housing
- b. Additionally, the project adheres to the following principles identified in the Comprehensive Plan:
 1. Principle #5 – Promote investment in neighborhoods
 2. Principle #6 – Reinforce the place specific
 3. Principle #7 – Create and maintain connectivity
 4. 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. A special use permit for this cottage home village has already been approved by the City of Duluth. No zoning or permitting exemptions are required. The Developer will finalize a wetland delineation and purchase of wetland credits to offset minimal impacts to existing wetlands on the site.

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 be the construction of eighteen new residential single-family home rental units
 - 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, 2023, it shall have constructed the Project on the Property in accordance with the Development Agreement. The units will vary in affordability from 50-100% AMI.
 - c. Target Attainment Dates
 - i. See above.