



Business Subsidy Agreement Pre-Approval Report
TIF District #33 - Esmond Demolition & New Construction Project

Business Subsidy Recipient Information

1. Name of Business or Organization: Merge, LLC
2. Address: 604 Clay Street, Cedar Falls, IA 50613
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 the demolition of the current Esmond Building located at 2001 West Superior Street in the Lincoln Park neighborhood. The new mixed-use building will host approximately 41,000 square feet of space, resulting in approximately 5 commercial storefronts and 42 apartment units. All 42 units will be available at 80% or less of the Area Median Income. The current building is vacant and in a dilapidated state. The construction of the new building will utilize private investment dollars and Tax Increment Financing to create much needed affordable housing and commercial space.

2. Total value of proposed project

Total Development Costs:	Approximately \$14,217,950
Total projected estimated market value:	\$6,734,700

3. Summary of type(s) of subsidy and total dollar value for each
 - a. Type of assistance:
 - i. Tax Increment Financing
 - ii. Demolition funding
 - iii. Supplemental Funding (modified revenue loss transfer from City ARPA allocation)
 - iv. Housing Trust Fund

- b. Grantor of assistance
 - i. Tax Increment Financing
 - 1. DEDA/City of Duluth
 - a. Amount of Assistance: \$1,785,000
 - ii. Demolition Assistance
 - 1. Housing and Redevelopment Authority of Duluth (HRA)
 - a. Amount of Assistance: \$125,000
 - 2. City of Duluth
 - a. Amount of Assistance \$75,000
 - iii. Supplemental Funding (modified revenue loss transfer from City ARPA allocation)
 - 1. DEDA/City of Duluth
 - a. Amount of assistance \$784,240
 - iv. Housing Trust Fund
 - 1. City of Duluth
 - a. Amount of Assistance: \$1,000,000 (non-grant; 0% loan)
- c. Total amount of assistance
 - i. \$3,769,240 million or approximately 26% of the total project cost.
- 4. What other financing avenues were pursued?
 - a. Tax Abatement
 - b. MN DEED Redevelopment Grants

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? I
 - 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. 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 or new businesses looking for a location close to housing and retail amenities.
 - b. Job retention
 - i. See (a) above.
 - c. Diversify Duluth's economy
 - i. The Lincoln Park district contains a high concentration of the Duluth's local commercial and retail businesses. Over the past years Lincoln Park has been transformed from a district with many vacant storefronts and buildings, to a vibrant local craft district. The proposed new housing units will increase pedestrian traffic, bolstering existing local businesses while the new small-scale commercial space will offer more affordable lease options for entrepreneurs and small businesses. The previously blighted and vacant building was razed in Spring of 2022. This redevelopment will reinvest and make use of a blighted parcel of land in one of the City's core investment areas.
 - d. Quality of life
 - i. The removal of one large blighted building and creation of quality housing improves the neighborhood and instills greater confidence and pride in our community. Housing below 100% AMI is in high demand and the direct access to local businesses and public transportation will enable tenants to live and work in the same neighborhood without having to own an automobile.
 - e. Tax Base
 - i. The tax base is projected to increase from the current net tax capacity of \$4,582 to a net tax capacity of approximately \$88,269 (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 demolish and construct the building. When completed, this complex will create 5 commercial units that will help develop more local businesses in the neighborhood.
 - 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 affordable housing that is located directly on the Superior Street corridor in Lincoln Park is currently limited. Additionally, more people living on Superior Street helps support our local businesses; people will be in the district both day and night, spending money. Lastly, an occupied building is a safer building: the Esmond building was vacant, unsafe, and a blighted structure

on one of the main commercial/retail corridors in the city. Replacing the now demolished blighted building with occupied housing will reduce the amount of petty crime that commonly is associated with those structures.

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 Secondary (CBS). According to the Imagine Duluth 2035 Comprehensive Plan, the “CBS” encompasses a broad range of uses and intensities:
 1. Medium Density Residential; multi-story and mixed-use buildings
 2. Mixed regional and neighborhood retail
 3. Employment Centers
 4. Public Spaces
 5. 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 #3 – Support existing economic base
 3. Principle #5 – Promote Investment in neighborhoods
 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. 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. The public purposes stated will all be achieved once the blighted building has been removed and the new mixed-use 41,000 square foot building has been constructed.
 - 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.
 - c. Target Attainment Dates
 - i. See above.