



**Business Subsidy Pre-Approval Report  
Harborview Phase V, LLC  
Skyridge Flats Senior Apartments**

**Business Subsidy Recipient Information**

1. Name of Business or Organization: Harborview Phase V, LLC.
2. Address: 222 E 2<sup>nd</sup> Street, Duluth, MN 55805
3. Does the recipient have a parent corporation?  
  
Yes. The Housing and Redevelopment Authority of Duluth, Minnesota (HRA) is the sole member of this Development LLC.
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 provide new construction of a three-story apartment building with 70 one-bedroom units for seniors 55+. All units will be reserved for those with a household income of 50% or less of area median income, 21 of which will be further restricted to 30% of area median income. Additionally, seven units will be set aside for homeless veterans who will receive services through the Twin Ports VA Clinic. The Housing and Redevelopment Authority (HRA) of Duluth, MN is the sole member of the Development entity, Harborview Phase V, LLC, constructing this project. The project is located on Tract D in the existing Harbor Highlands Development at the intersection of E Central Entrance and E Village View Drive and will be the fifth phase of the HOPE VI plan awarded back in 2002 that called for transformation of the site.
2. Total value of proposed project  
  

Total Development Costs:	Approximately \$ 19,421,765
Total projected estimated market value:	\$8,500,000
3. Summary of type(s) of subsidy and total dollar value for each
  - a. Grantor of assistance
    - i. Revenue Loss City of Duluth General Fund Transfer

1. Duluth Economic Development Authority
      2. Total value of assistance: \$300,000
    - ii. Deferred Developer Fee
      1. HRA Duluth
      2. Total value of assistance: \$940,000
    - iii. First Mortgage Loan (15 years, 2% interest)
      1. HRA Duluth
      2. Total value of assistance: \$500,000
    - iv. Loan Housing Infrastructure Bonds (30-year, 0% interest deferred)
      1. Minnesota Housing Finance Agency
      2. Total value of assistance: \$14,059,779
    - v. Loan Permanent Mortgage (30-year, 0% interest, deferred)
      1. HRA Duluth
      2. Total value of assistance: \$3,000,000
    - vi. Sales Tax and Energy Rebates
      1. State of Minnesota
      2. Total value of assistance: \$471,986
    - vii. American Rescue Plan Act
      1. St. Louis County, Minnesota
      2. Total value of assistance: \$150,000
  - b. Total dollar value of assistance (from City/DEDA)
    - i. \$300,000 or approximately 1.54% of the total project cost.
4. What other financing avenues were pursued?
- a. Grant or deferred loan opportunities from local foundations
  - b. Selected building contractor successfully value engineered the project to reduce construction costs by \$500,000

#### **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. A part-time tenant coordinator will be employed (or contracted for) after construction that will link residents to services that will allow them to age in place while accommodating any necessary changes to mobility/accessibility.
  - 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 the hillside neighborhood. The availability of affordable units is limited citywide. More units provided to seniors 55+ earning 30-50% or area median income in the existing Harbor Highlands development 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 below market rate is in high demand in our community. With access to public transportation, parks and trails and local businesses, tenants will be able to work and live independently. The project includes offices and support space to accommodate case management and senior service coordination activities.
  - e. Tax Base
    - i. The tax base is projected to increase from the current net tax capacity of \$2,112 to a net tax capacity of approximately \$76,125 after construction completion; however, being owned by the HRA, this property is exempt from property taxation and instead part of the PILOT "payment in lieu of taxes" with a payment projection of approximately \$36,000 yearly. 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 general contractor from the RFP process will employ 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 affordable housing units citywide is limited. More units for seniors 55+ at affordable rates allow for housing diversification and access to nearby business sectors in Duluth. With seven units reserved for homeless veterans, the development will also assist with unhoused individuals in our community while providing supportive services. Residential units and a common open space, 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 Residential Planned (R-P). According to the Imagine Duluth 2035 Comprehensive Plan, the “R-P” provides for a flexible development option for residential projects that integrate creative site design, provide a variety of housing types, increase pedestrian connectivity, and provide unique on-site amenities. The Harbor View/Central Hillside Revitalization development code was adopted by the City of Duluth and Planning Commission for this property in 2002.
  - 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 reinvestment in neighborhoods
    - 3. Principle #6 – Reinforce the place specific
    - 4. Principle #7 – Create and maintain connectivity
    - 5. Principle #8 – Encourage mix of activities, uses and densities
    - 6. Principle #13 – Develop a healthy 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. No zoning or permitting exemptions are required. The Developer has already completed the necessary amendment to their existing regulating plan and finalized any necessary street vacations to support development.

### **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 70 units of affordable rental housing for seniors 55+.
  - 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, 2025, it shall have constructed the Project on the Property in accordance with the Development Agreement. The units will vary in affordability from 30-50% AMI.

- c. Target Attainment Dates
  - i. See above.