

RESOLUTION 20D-60

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH DULUTH LINCOLN PARK1, LLC FOR THE DEVELOPMENT OF THE LINCOLN PARK FLATS MULTI- FAMILY RESIDENTIAL PROJECT

WHEREAS, Duluth Lincoln Park1, LLC (“Developer”), proposes to redevelop property located at the southwest corner of Superior Street and 21st Avenue West in 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. 33, 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 Minnesota Statutes §§116J.993 through 116J.995 (the “Business Subsidy Act”), and the Development Agreement constitutes a “business subsidy agreement” under the Business Subsidy Resolution and a subsidy agreement pursuant to the Business Subsidy Act; and

WHEREAS, pursuant to 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 including demolition of commercial areas in the City and substandard structures, expand the City's tax base and realize a reasonable rate of return on the public investment; encourage the development of commercial areas in the City that result in higher quality development and private investment, and achieve development on a site which would not be developed without assistance.
3. 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.
4. 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. 20-860-____), together with any related documents necessary in connection therewith.
5. DEDA staff, officials and consultants are authorized 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 September 2020.

ATTEST:

Executive Director

STATEMENT OF PURPOSE:

This resolution authorizes a Development Agreement with Duluth Lincoln Park1, LLC for the development of the Lincoln Park Flats project located at the southwest corner of Superior Street and 21st Avenue West. The project will be located on property currently occupied by the building that previously housed the Robert's Home Furniture store and a

parking lot to the west of that building. The area will be designated as Tax Increment Financing District No. 33, a Redevelopment District. DEDA Resolution 20D-61 accompanying this resolution will create the District and a resolution approving the creation of TIF District No. 33 will be on the September 28, 2020, City Council agenda.

The Development Agreement provides for the demolition of existing, blighted structures and new development by Developer of a multi-family residential development with not less than 74 studio, 1-bedroom and 2-bedroom apartments; not less than 23 of which will be occupied by households at 80% or less of area median income. The project includes approximately 41 indoor parking stalls under the structure and approximately 44 outside, on-grade parking stalls on the property together with related utilities, landscaping, and other amenities at a total development cost of approximately \$13,800,000. DEDA will provide 90% of the TIF generated by the project up to \$2,350,000 plus interest at the rate of 4.25% to pay for Eligible Costs 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 principal and interest on the TIF Note has been paid in full, whichever is sooner.

Tax base impact statement: The current market value (2020, payable 2021) of the properties located in TIF District 33 is \$585,000 and the property is generating \$10,950 in net tax capacity. After the improvements are completed, the taxable market value will increase to approximately \$8,510,000. After the TIF District is terminated, the development is anticipated to generate over \$106,375 per year in net tax capacity, based on the County Assessor's valuation of the completed property, not including inflation, the proceeds of which will be distributed to the taxing jurisdictions).