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RESOLUTION RELATING TO A TAX ABATEMENT; GRANTING THE ABATEMENT FOR THE MILLER HILL FLATS PROJECT.

CITY PROPOSAL:

BE IT RESOLVED, by the City Council (the "City Council") of the city of Duluth, St. Louis County, Minnesota (the "City"), as follows:

Section 1. Purpose and Authorization.

1.01 The City, pursuant to the provisions of Minnesota Statutes, Sections 469.1812 to 469.1815, as amended (the "Act"), is authorized to grant an abatement of the property taxes imposed by the City on a parcel of property, if certain conditions are met, through the adoption of a resolution specifying the terms of the abatement.

1.02 MH II Apartments, Inc. is the owner of property in the Miller Hill area north of Miller Trunk Highway and west of Joshua Street upon which it desires to construct approximately 72 rental units of "Workforce Housing" to assist in addressing an unfulfilled need for such housing in the area (the "Project").

1.03 Pursuant to the Act, on the date hereof, the City Council conducted a public hearing on the desirability of granting an abatement of property taxes on certain properties expected to be benefitted by the proposed Project, which properties are identified on the list attached hereto Exhibit A (the "Properties"). Notice of the public hearing was duly published as required by law in the *Duluth News Tribune*, the official newspaper of the City, on August 5, 2016, which date is no fewer than 10

and no more than 30 days prior to the date hereof.

Section 2. Findings. On the basis of the information compiled by the City and elicited at the public hearing referred to in Section 1.03, it is hereby found, determined and declared:

2.01 The Project is in the public interest because it will increase and preserve tax base in the City, provide housing to serve a presently-underserved population of working persons in the City, and will redevelop unused real property.

2.02 The City expects that the benefits of the proposed abatement are not less than the costs of the proposed abatement. The public benefits that the City expects to result from the abatement are the increase in tax base by an estimated amount of \$4,714,000 created by the Project, the provision of housing to meet the needs of presently underserved portion of the population, making it possible for workers to find housing in the City which will in turn foster economic development by facilitating a health work force for businesses in the City, and will redevelop unused real property.

2.03 The Properties are not located in a tax increment financing district.

2.04 The granting of the proposed abatement will not cause the aggregate amount of abatements granted by the City under the Act in any year to exceed the greater of (i) 10% of the City's net tax capacity for the taxes payable in the years to which the abatement applies, or (ii) \$200,000.

2.05 It is in the best interests of the City to grant the tax abatement authorized in this Resolution.

2.06 Under Section 469.1813, subdivision 9 of the Act, it is not necessary for the City to obtain the consent of any owner of any of the Properties to grant an abatement.

Section 3. Granting of Tax Abatement.

3.01 A property tax abatement (the "Abatement") is hereby granted in respect of property taxes levied by the City on the Properties for 15 years, commencing with taxes payable in 2018 and concluding with taxes payable in 2032 unless the maximum amount of the abatement is provided prior to that date in which case, abatement shall thereafter cease. The Abatement will reduce all of the City's portion of the taxes for each of the Properties, and the Abatement will not exceed \$9,179 per year and a total aggregate amount of \$250,000. Abatement payments will be made only from property tax proceeds received by the City from the Project.

3.02 The City shall remit the Abatement amounts to the Project only when, if and as property tax payments are received by City from the project and only to reimburse for a portion of the costs of constructing the Project.

3.03 The Abatement may be modified or terminated any time by the Council in accordance with the Act.

STATEMENT OF PURPOSE: This resolution authorizes the abatement of taxes for the purpose of providing for a portion of the costs of the Miller Hill Flats Workforce Housing Project. The Project will consist of the construction of approximately 72 rental units. The City currently has a deficit of such housing available and the lack of housing has a negative effect on the available workforce which in turn makes it more difficult for new businesses to locate in the City and existing businesses to expand. The City has secured a grant from DEED in the amount of \$1,000,000 to facilitate the project. In addition St. Louis County is anticipated to provide abatement assistance to the project in an amount equal to the City's abatement contribution authorized by this resolution.

The entire project is expected to have a construction cost of approximately \$12 Million with the Developer securing financing for the costs in excess of the public assistance detailed above.