



not to exceed \$800,000 for the Project (the "Grant").

BE IT FURTHER RESOLVED, that the City certifies that it will use the Grant to enter into an Agreement with the Project's developer for qualified expenditures for the Project to serve employees of businesses located in the Duluth or surrounding area.

BE IT FURTHER RESOLVED, that the Grant will be matched with at least \$1 for every \$2 provided; specifically, the Grant will be matched by the City of Duluth using tax abatement financing in the net present value of \$300,000 and by the County of St. Louis using tax abatement financing in the net present value of \$300,000.

BE IT FURTHER RESOLVED, that the City certifies that the average vacancy rate for rental housing located in Duluth and in any other city located within 15 miles or less of the boundaries of the area, has been five percent (5%) or less for at least the prior two-year period.

BE IT FURTHER RESOLVED, that the Grant will not exceed twenty-five percent (25%) of the Project costs.

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize an application and, if awarded, to accept a grant for a 2018 Workforce Housing Grant from Minnesota Housing. The Workforce Housing Development Program was established by the Minnesota Legislature to provide funds for the direct development of market rate residential rental properties to increase the availability of rental housing in Greater Minnesota. The city is working with MBJ Development Corp. to develop a 96-unit rental housing development, 9 of which will be rent-restricted. The project, located at 333 West 1<sup>st</sup> Avenue North, will provide workforce housing for employees of businesses within the Duluth area.

Minnesota Housing grant funds must be matched one dollar for every two dollars awarded. Tax abatement resources satisfy the match requirement. With this resolution, the City and the County will provide abatement \$300,000 each. Based upon a tax abatement Run prepared by Ehlers, this amount of tax abatement will be achieved approximately in 10 years. The program requires that the average vacancy rate for rental housing located in Duluth and other cities within 15 miles or less be 5% or less. The City's vacancy rate has been 3% for the last two years. As required by the grant, the grant amount cannot exceed 25% of the Project costs; the grant request of \$800,000 represents 4% of the total project costs. Additionally, the Project must be ready to start within 12 months of the Grant Agreement. Per the developer, construction will start within 2 months of the grant award date and agreement execution (Spring 2018).