



Legislation Text

File #: 21-0585R, **Version:** 1

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY AND SATURDAY ZENITH, LLC, FOR THE DEVELOPMENT OF THE ZENITH HISTORIC OLD CENTRAL HIGH SCHOOL PROJECT.

CITY PROPOSAL:

Resolved, that, pursuant to the provisions of Minnesota Statutes §116J.994, Subdivision 3(d), and Resolution 10-0229, the city council of the city of Duluth does hereby approve the development agreement between the Duluth Economic Development Authority (“DEDA”) and Saturday Zenith, LLC (“Developer”), substantially in the form of that attached as Exhibit A, related to the Zenith Historic Old Central High School multi-family residential development located between Lake Avenue and First Avenue East and between Second Street and Third Street in Duluth, Minnesota.

STATEMENT OF PURPOSE: The purpose of this resolution is to obtain the city council’s approval of the development agreement between DEDA and Saturday Zenith, LLC for the development of the Zenith Historic Old Central High School project located between Lake Avenue and First Avenue East and between Second Street and Third Street. The project will be located on property currently occupied by the historic Old Central High School and parking lots to the east and west of that building. The area will be designated as Tax Increment Financing District No. 34, a Redevelopment District. DEDA approved the agreement at its July 28, 2021 meeting via resolution 21D-26, attached hereto as Exhibit B. DEDA set the wage and job goals at zero after a public hearing in accordance with the Business Subsidy Act, Minnesota Statute Sections 116J.993 - 116J.995.

The Development Agreement provides for the acquisition of the property and redevelopment of the existing buildings by Developer resulting in approximately 125 apartment units and common areas. Of these apartment units, not less than 13 units will be available at 60% or less of the Area Median Income, as posted annually by the Minnesota Housing Finance Agency. The total development cost is estimated to be \$42,365,179. DEDA will provide up to \$2,940,000 of the TIF generated by this project plus interest at the rate of 4.0% to pay for public eligible costs of redevelopment 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 principle interest on the TIF Note has been paid in full, whichever is sooner; the note is projected to be paid in year 18.

Tax base impact statement: The current market value (2021, payable 2022) of the properties located in this 26-year Redevelopment TIF District (to be created by DEDA) is \$4,500,000 and the property is generating \$0 in net tax capacity. After the improvements are completed, the taxable market value will increase to approximately \$15,600,000 and the annual tax increment will be provided to the Developer to facilitate the redevelopment. After the TIF District is terminated, the development is anticipated to generate over \$195,000 per year in net tax capacity (based on the County Assessor’s valuation of the completed property, not including inflation).