



Legislation Text

File #: 21-0584R, **Version:** 1

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY AND MERGE, LLC, FOR THE DEVELOPMENT OF THE URBANE DULUTH MULTI-FAMILY RESIDENTIAL 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 Merge, LLC (“Developer”), substantially in the form of that attached as Exhibit A, related to the Urbane Duluth multi-family residential development (the “Project”) located at the northwest corner of 20th Avenue West and Superior 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 Merge, LLC for the development of the Urbane Duluth project located at the northwest corner of Superior Street and 20th Avenue West. The project will be located on property currently occupied by the Esmond building, formerly known as the Seaway Hotel. The area is currently designated as Tax Increment Financing District No. 33, a Redevelopment District. DEDA approved the agreement at its July 28, 2021 meeting via resolution 21D-25, 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 demolition of the existing, blighted structure and new development by Developer of a mixed-use development with not less than 40 apartment units, the average rent for these set at a rate affordable to those earning an income at or below 80% of the area median income. The project includes street-level commercial space totaling approximately 8,500 square feet in size, at-grade parking stalls, together with related utilities, landscaping, and other amenities at a total development cost of approximately \$9,250,000. DEDA will provide 90% of the TIF generated by the project up to \$1,085,000 plus interest at the rate of 4% 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 (2021, payable 2022) of the subject property located in TIF District 33 is \$354,300 and the property is generating \$0 in net tax capacity. After the improvements are completed, the taxable market value will increase to approximately \$5,345,760. After the TIF District is terminated, the development is anticipated to generate over \$69,940 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).