



Legislation Text

File #: 23-0609R, Version: 1

RESOLUTION APPROVING A SECOND AMENDMENT TO THE 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:

WHEREAS, pursuant to the provisions of Minnesota Statutes §116J.994, Subdivision 3(d), and Resolution 10-0229, the city council of the city of Duluth approved a development agreement between the Duluth Economic Development Authority (“DEDA”) and Saturday Zenith, LLC (“Developer”) on August 16, 2021 under Resolution No. 21-0585R, and first amendment on November 8, 2021 under Resolution No. 21-0848R 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; and

WHEREAS, the project’s estimated construction costs now exceed initial estimates by \$10 million.

NOW, THEREFORE, BE IT RESOLVED, that proper city officials are hereby authorized to approve a second amendment to the Development Agreement between DEDA and Saturday Zenith, LLC for the development of the Zenith Historic Old Central High School Project, substantially in the form of that attached hereto, increasing the amount of eligible reimbursable costs from \$4,470,000 to \$5,465,000 and the total estimated project cost from \$46,000,000 to \$56,000,000.

STATEMENT OF PURPOSE: The purpose of this resolution is to obtain the City Council’s approval of a second amendment to 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 amendment will increase the amount of eligible tax increment support to the project by \$995,000.

The project’s total development cost was originally estimated to be \$42,365,179 with DEDA providing up to 26 years of tax increment or \$4,470,00 of the TIF generated by this project; whichever was sooner. Due to increases in construction costs, the total estimated development cost is projected to be over \$56 million. The additional contribution of tax increment is supported by the increased future value of the project as estimated by the St. Louis County Assessor’s office.

Saturday Zenith, LLC is the Developer of the Zenith Historic Old Central High School project located between Lake Avenue and First Avenue East and between Second Street and Third Street in downtown Duluth. The project will be located in an area identified as Tax Increment Financing District No. 34, a Redevelopment District. Redevelopment of the existing building will result in approximately 120 apartment units and common areas. Of these apartment units, not less than 10% of units will be available at 60% or less of Area Median Income, as posted annually by the United States Department of Housing and Urban Development.