



## Legislation Text

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**File #:** 22D-28, **Version:** 1

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### RESOLUTION AUTHORIZING AN AGREEMENT WITH MERGE LLC FOR ADDITIONAL AFFORDABILITY IN THE URBANE DULUTH PROJECT.

RESOLVED, that the proper DEDA officials are hereby authorized to accept the transfer of \$784,240 from the City to be used fund the agreement hereinafter referenced below; and

RESOLVED FURTHER, that the proper DEDA officials are hereby authorized to enter into an agreement, substantially in the form of Exhibit A attached hereto with Merge LLC d/b/a Merge Urban Development Group LLC in the amount of \$784,240, payable from Fund 860 to fund additional affordability in the apartment units in the Urbane Duluth Project, subject to the City transferring \$784,240 to DEDA to fund said obligation.

STATEMENT OF PURPOSE: The purpose of this resolution is to accept the transfer of \$784,240 from the City to support increased affordability of the housing in the Urbane Duluth Project and to enter into an agreement with Merge, LLC to implement that assistance.

Merge, LLC is the Developer completing the Urbane Duluth project, which is the development on the former Seaway Hotel site which consists of not less than 40 apartment units, all of which must be available to persons having incomes at or below 80% of area median income as stipulated by their existing Development Agreement for tax increment with DEDA.

To enhance affordability of units in existing housing development projects, the City planned to use a portion of its share of American Rescue Plan Act ("ARPA") to fund such assistance. A commitment of \$784,240 of ARPA funding was approved via Council resolution 22-0018R for Merge, LLC to further subsidize the 40 units from 80% to 70% area median income. The modified revenue loss calculation included in the updated ARPA guidance expanded the City's capacity and flexibility to fund projects out of the general fund. The ARPA guidance allows for the City to fund provisions for governmental services included in the annual budget, thereby freeing up budgeted resources to subsidize the Merge housing project. This resolution changes the funding source for the two projects and eliminates the more cumbersome provisions from the original New Burnham agreement. The Development Agreement attached as Exhibit A will replace the former ARPA funding agreements with Merge, LLC for increased housing affordability in their project.