



## Legislation Text

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**File #:** 19-0472R, **Version:** 1

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RESOLUTION APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY AND THREE D I, LLC, FOR THE DEVELOPMENT OF THE BOARD OF TRADE MULTI-FAMILY RESIDENTIAL AND MIXED USE PROJECT.

### CITY PROPOSAL:

Resolved, that the city council of the City of Duluth does hereby approve, pursuant to the provisions of Minnesota Statutes §116J.994, Subdivision 3, and Resolution 10-0229, the development agreement between the Duluth economic development authority ("DEDA") and Three D I, LLC ("Developer"), substantially in the form of that attached as Exhibit A, related to the Board of Trade multi-family residential and mixed use development located at 301 West First 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 Three D I, LLC for the development of the Board of Trade project located at 301 West First Street. The project will be located in an area identified as Tax Increment Financing District No. 32, a housing district. DEDA approved the agreement at its July 10, 2019, meeting. See DEDA Resolution 19D-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 development/redevelopment by Developer of a multi-family residential and mixed use development with not less than 84 studio, 1-bedroom and 2-bedroom residential apartments, not less than 20 percent of which will be occupied by households at 50 percent or less of area median income, and up to 19,280 square feet of retail/commercial space on the property together with related utilities and other amenities at a cost of approximately \$20,000,000. DEDA will provide 90 percent of the TIF generated by the project up to \$1,800,000 plus interest at the rate of 5 percent to pay for public eligible costs of construction on a pay-as-you-go basis. The term of the TIF Note is for a period of twenty (20) 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 (2019, payable 2020) of the properties located in this 25 year Housing TIF District (to be created by DEDA) is \$928,700 and the property is generating \$17,824 in net tax capacity. After the improvements are completed, the taxable market value will increase to approximately \$9,000,000, 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 \$112,000 per year in net tax capacity (based on the county assessor's valuation of the completed property, not including inflation).