



## Legislation Text

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**File #:** 21-0848R, **Version:** 1

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RESOLUTION APPROVING A FIRST 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, 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 Developer received updated bids for redevelopment constructions costs that exceeded initial cost estimates by \$4.3 million; and

WHEREAS, the Developer is contributing an additional \$2.7 million of equity to address these increased costs but are unable to address the remaining \$1.5 million gap without rendering the project infeasible; and

WHEREAS, on October 27, 2021 DEDA authorized a first amendment to the Development Agreement, substantially in the form of that attached hereto as Exhibit A with Saturday Zenith, LLC, increasing the amount of eligible reimbursable costs by \$1,530,000, the estimated total project cost by \$4 million, and the term of financial assistance from 19 years to 26 years.

NOW, THEREFORE, BE IT RESOLVED, that proper city officials are hereby authorized to approve a first amendment to the Development Agreement between DEDA and Saturday Zenith, LLC for the development of the Zenith Historic Old Central High School Project.

STATEMENT OF PURPOSE: The purpose of this resolution is to obtain the City Council’s approval of a first 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 o 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 \$1,530,000 and extend the term of tax increment financing support to 26 years if necessary.

The project’s total development cost was originally estimated to be \$42,365,179 with DEDA providing up to 18 years of tax increment or \$2,940,000 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 \$46 million. The additional contribution of tax increment will be exceeded by the Developer’s contribution of an additional \$2.7 million in equity to cover the financing gap. The amendment stipulates that the savings from any reduction on final project costs will be split 50/50 between the City and the Developer. Finally, the Developer has also agreed to connect to the Duluth Energy Systems’ hot water heating system.