



Legislation Text

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RESOLUTION GRANTING A TAX ABATEMENT FOR THE CITYVIEW FLATS PROJECT, AUTHORIZING A TAX ABATEMENT AGREEMENT WITH ST. LOUIS COUNTY AND FURTHER AUTHORIZING A TAX ABATEMENT DEVELOPMENT AGREEMENT AND A SUBGRANT AGREEMENT WITH CITYVIEW FLATS, LLC.

CITY PROPOSAL:

BE IT RESOLVED, by the City Council (the "City Council") of the city of Duluth, St. Louis County, Minnesota (the "City"), as follows:

Section 1. Purpose and Authorization.

1.01 The city, pursuant to the provisions of Minnesota Statutes, Sections 469.1812 to 469.1815, as amended (the "act"), is authorized to grant an abatement of the property taxes imposed by the city on a parcel of property, if certain conditions are met, through the adoption of a resolution specifying the terms of the abatement.

1.02 CityView Flats, LLC ("Developer") owns property located at 333 North First Avenue West in the downtown area of Duluth upon which it desires to construct 105 rental units, up to 96 units of which will be market rate units for workforce housing to assist in addressing an unfulfilled need for such housing in the area and no less than 9 of which will be rent restricted units at 80% area median income (the "project").

1.03 Pursuant to the act, on the date hereof, the City Council conducted a public hearing on the desirability of granting an abatement of property taxes on Developer's properties which are identified on the list attached hereto exhibit A (the "properties"). Notice of the public hearing was duly published as required by law in the *Duluth News Tribune*, the official newspaper of the city, on May 18, 2018, which date is no fewer than 10 and no more than 30 days prior to the date hereof.

Section 2. Findings. On the basis of the information compiled by the city and elicited at the public hearing referred to in Section 1.03, it is hereby found, determined and declared:

2.01 The project is in the public interest because it will increase and preserve tax base in the city, provide housing to serve a presently-underserved population of working persons in downtown Duluth, and will develop unused or underutilized real property.

2.02 The city expects that the benefits of the proposed abatement are not less than the costs of the proposed abatement. The public benefits that the city expects to result from the abatement are the increase in property taxes created by the project in an estimated amount of \$192,634 per year, the provision of housing to meet the needs of presently underserved portion of the population in downtown Duluth making it possible for workers to find housing in downtown Duluth which will in turn foster economic development by facilitating a healthy work force for businesses in

the city, and the redevelopment of unused or underutilized real property.

2.03 The properties are not located in a tax increment financing district.

2.04 The granting of the proposed abatement will not cause the aggregate amount of abatements granted by the city under the act in any year to exceed the greater of (i) 10% of the city's net tax capacity for the taxes payable in the years to which the abatement applies, or (ii) \$200,000.

2.05 It is in the best interests of the city to grant the tax abatement authorized in this resolution.

2.06 Under Section 469.1813, subdivision 9 of the act, it is not necessary for the City to obtain the consent of any owner of any of the properties to grant an abatement.

Section 3. Granting of Tax Abatement.

3.01 A property tax abatement (the "abatement") is hereby granted in respect of property taxes levied by the city on the properties for 15 years, commencing with taxes payable in 2021 and concluding with taxes payable in 2036 unless the maximum amount of the abatement is provided prior to that date in which case, abatement shall thereafter cease. The abatement will reduce all of the city's portion of the taxes for each of the properties, and the abatement will not exceed a total aggregate amount of \$400,000. Abatement payments will be made only from property tax proceeds received by the city from the project.

3.02 The city shall remit the abatement amounts to the project only when, if and as property tax payments are received by city from the project and only to reimburse for a portion of the costs of constructing the project.

3.03 The abatement may be modified or terminated any time by the Council in accordance with the act.

Section 4. Authorizing Agreements with St. Louis County and Developer

4.01. The proper city officials are hereby authorized to enter into a Tax Abatement Agreement with St. Louis County, substantially in the form of that attached as exhibit B, pursuant to which the County agrees to abate taxes in an amount not to exceed \$400,000 and provide the same to the City for reimbursement of Developer's eligible costs associated with site development and construction of the project, payable into Fund 310-030-4654-02 (Debt Service, Finance, Other Reimbursement and Refunds).

4.02. The proper city officials are hereby authorized to enter into a Tax Abatement Development Agreement with Developer, substantially in the form of that attached as exhibit C, pursuant to which the City agrees to assist the project with abatement of City and County real estate taxes in an amount not to exceed \$400,000 each for a total of \$800,000, payable from Fund 310-030-5479 (Debt Service, Finance, Tax Abatement).

4.03. The proper city officials are hereby authorized to enter into a subgrant agreement with Developer, substantially in the form of that attached as exhibit D, pursuant to which the city will award the proceeds of a Minnesota Housing Finance Agency Workforce Housing Development Program Grant to Developer in the amount of \$180,000 payable from Fund 262-020-5434 Project CDMNHS

(Community Development, Planning, Grants and Awards.

STATEMENT OF PURPOSE: This resolution authorizes the abatement of taxes and a subgrant agreement for the purpose of assisting with a portion of the costs of the CityView Flats housing project. The project will consist of the construction of approximately 105 rental units, up to 96 units of which will be market rate units for workforce housing to assist in addressing an unfulfilled need for such housing in the area and no less than 9 of which will be rent restricted units at 80% area median income. The city currently has a deficit of workforce housing available in downtown Duluth and the lack of housing has a negative effect on the available workforce which in turn makes it more difficult for new businesses to locate in the city and existing businesses to expand.

In addition to the city's tax abatement assistance in an amount not to exceed \$400,000, St. Louis County is anticipated to provide abatement assistance to the project in an amount not to exceed \$400,000. The City will enter into a Tax Abatement Agreement with the County pursuant to which the County agrees to provide the tax abatement to the City. The City will also enter into a Tax Abatement Development Agreement with Developer pursuant to which the County and City tax abatements will be provided to Developer.

In addition, the City applied for and received approval of a grant for the CityView Flats project in the amount of \$180,000 from the State of Minnesota, acting through its Commissioner of the Minnesota Housing Finance Agency under its Workforce Housing Development Program. This resolution also authorizes a subgrant agreement with Developer.

The entire project is expected to have a construction cost of approximately \$20 million with the developer securing financing for the costs in excess of the public assistance detailed above.

Tax base impact statement: The current market value of the subject property is \$150,800 and that property is generating \$2,843 in taxes annually. After the improvements are completed, the taxable market value will increase to \$10,374,000 and the annual taxes generated will be provided to the Developer to facilitate the redevelopment. After the abatement term expires, the development is anticipated to generate approximately \$195,477 per year in property taxes.