



City of Duluth

411 West First Street
Duluth, Minnesota 55802

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RESOLUTION RELATING TO A TAX ABATEMENT; GRANTING THE ABATEMENT FOR THE BLUFFS OF DULUTH SENIOR HOUSING CARE PROJECT.

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 Duluth Partners MN LLC. owns or controls property in Outlot G of the Coffee Creek Development, PID 010-0606-01200, off of Coffee Creek Boulevard upon which it desires to construct approximately 35 units of both Assisted Living and Memory Care to assist in addressing an unfulfilled need for Senior Housing in the Duluth community (the "project"). Twenty (20%) of the units will be allocated for low-income people who are 65 years and older.

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 certain properties expected to be benefitted by the proposed project, which properties 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 July 5, 2019, 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 tax base in the city, provide housing to serve a presently underserved senior population in the city, provide affordable units to low income senior citizens, and will develop unused 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 tax base by an estimated amount of \$53,253 created by the project: the addition of needed senior housing types to serve a underserve portion of the population, the addition of senior housing available to low income seniors, an increase in availability of housing that will be available to people in the workforce as the target population moves into this development and will use vacant property that is adjacent to roads and services.

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) \$125,000.

2.05 The abatement will be used to correct soil conditions on the site that occurred when the road and utilities were put in the development.

2.06 It is in the best interests of the city to grant the tax abatement authorized in this resolution, therefore the City as provided for in the policy, will waive the certain policy requirements relating to the limitation of affordable housing.

2.07 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 10 years, commencing with taxes payable in 2021 and concluding with taxes payable in 2031 unless the maximum amount of the abatement set forth below 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 the property, and the maximum amount of abatement will not exceed a total aggregate amount of \$125,000. 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, only after a Certificate of Completion is issued for 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.

STATEMENT OF PURPOSE: This resolution authorizes the abatement of taxes for the purpose of providing for a portion of the costs of the senior housing project. The project will consist of the construction of approximately 35 rental units. Twenty percent (20%) of the units will be allocated for low-income people who are 65 years and older.

The city currently has a deficit of such housing available and the lack of this type of housing prevents people from moving out of homes they can no longer care for, which has a negative effect on the supply of housing available to the workforce which in turn makes it more difficult for new businesses to locate in the city and existing businesses to expand.

The entire project is expected to have a construction cost of approximately \$7.6 million with the developer securing financing for the costs in excess of the public assistance detailed above. The abatement will be used to cover the soil conditions on the site that resulted when the streets and utilities were put in the development.