



Legislation Details (With Text)

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Title:	RESOLUTION APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY AND NEW BURNHAM LLC, FOR THE DEVELOPMENT OF THE BURNHAM APARTMENTS PROJECT.		

Sponsors:

Indexes:

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Attachments: 1. Exhibit B_DEDA Resolution, 2. Exhibit A_Development Agreement

Date	Ver.	Action By	Action	Result
7/6/2021	1	City Council	adopted	

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY AND NEW BURNHAM LLC, FOR THE DEVELOPMENT OF THE BURNHAM APARTMENTS PROJECT.

CITY PROPOSAL:

Resolved, that, pursuant to the provisions of Minnesota Statutes §116J.994, Subdivision 3, and Resolution 10-0229, the City Council of the City of Duluth does hereby approve the development agreement between the Duluth Economic Development Authority ("DEDA") and New Burnham LLC ("Developer"), substantially in the form of that attached as Exhibit A, related to the Burnham Apartments multi-family residential development located at 521 West 2nd 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 New Burnham LLC for the development of the Burnham Apartments (former St. Louis County Jail) project located at 521 West 2nd Street. The project will be located on property currently occupied by the historic former St. Louis County Jail. The area will be designated as Tax Increment Financing District No. 35, a Redevelopment District. DEDA approved the agreement at its June 23, 2021 meeting via resolution 21D-23, 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 acquisition of the property and redevelopment of the existing building by Developer resulting in approximately 32 apartment units and common areas. Of these apartment units, not less than 4 units will be available at 60% or less of the Area Median Income, as posted annually by the Minnesota Housing Finance Agency. The total development cost is estimated to be \$8,265,000. DEDA will provide up to \$1,200,000 of the TIF generated by this project plus interest at the rate of 4.25% to pay for public eligible costs of redevelopment on a pay-as-you-go basis. The term of the TIF Note is for a period of twenty six (26) 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 principle interest on the TIF Note has been paid in full, whichever is sooner.

Tax base impact statement: The current market value (2021, payable 2022) of the properties located in this 26-year Redevelopment TIF District (to be created by DEDA) is \$82,800 and the property is generating \$1,242 in net tax capacity. After the improvements are completed, the taxable market value will increase to approximately \$4,200,000 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 \$52,500 per year in net tax capacity (based on the County Assessor's valuation of the completed property, not including inflation).