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Title: RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROJECT \ MUNICIPAL DEVELOPMENT DISTRICT PROGRAM PLAN AND ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 34 THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR.

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RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROJECT \ MUNICIPAL DEVELOPMENT DISTRICT PROGRAM PLAN AND ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 34 THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR.

CITY PROPOSAL:

BE IT RESOLVED by the city council (the "Council") of the city of Duluth, Minnesota (the "City"), as follows:

Section 1. Recitals.

1.01. The board of Commissioners of the Duluth Economic Development Authority (the "DEDA") has heretofore established Development District No. 17 and adopted a Development Project \ Municipal Development District Program Plan therefor. It has been proposed by DEDA and the City that the City adopt a Modification to the Development Project \ Municipal Development District Program Plan for the Development District (the "Development Program Modification") and establish Tax Increment Financing District No. 34 (the "District") therein and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Development Program Modification and the TIF Plan are referred to collectively herein as the "Program and Plan"); all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.090 to 469.1082 and Sections 469.174 to 469.1794, all inclusive, as amended, (the "Act") all as reflected in the Program and Plan, and presented for the Council's consideration.

1.02. DEDA and City have investigated the facts relating to the Program and Plan and have caused the Program and Plan to be prepared.

1.03. DEDA and City have performed all actions required by law to be performed prior to the establishment of the District and the adoption and approval of the proposed Program and Plan, including, but not limited to, notification of St. Louis County and Independent School District No. 709 having taxing jurisdiction over the property to be included in the District, a review of and written comment on the Program and Plan by the City Planning Commission, approval of the Program and Plan by DEDA on July 28, 2021, and the holding of a public hearing upon published notice as required by law.

1.04. Certain written reports (the "Reports") relating to the Program and Plan and to the activities contemplated therein have heretofore been prepared by staff and consultants and submitted to the Council and/or made a part of the City files and proceedings on the Program and Plan. The Reports include data,

information and/or substantiation constituting or relating to the basis for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Reports, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.05. The City is not modifying the boundaries of the Development District, but is however, modifying the Development Program therefor.

Section 2. Findings for the Adoption and Approval of the Development Program Modification.

2.01. The Council approves the Development Program Modification, and specifically finds that: (a) the land within the Development Program would not be available for redevelopment without the financial aid to be sought under this Development Program; (b) the Development Program will afford maximum opportunity, consistent with the needs of the City as a whole, for the development of the Project by private enterprise; and (c) that the Development Program conforms to the general plan for the development of the City as a whole.

Section 3. Findings for the Establishment of Tax Increment Financing District No. 34.

3.01. The Council hereby finds that Tax Increment Financing District No. 34 is in the public interest and is a "redevelopment district" under Minnesota Statutes, Section 469.174, Subd. 10 of the Act.

3.02. The Council further finds that the proposed development would not occur solely through private investment within the reasonably foreseeable future, that the Program and Plan conform to the general plan for the development or redevelopment of the City as a whole; and that the Program and Plan will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development or redevelopment of the District by private enterprise.

3.03. The Council further finds, declares and determines that the City made the above findings stated in this Section and has set forth the reasons and supporting facts for each determination in writing, attached hereto as Exhibit A.

Section 4. Public Purpose.

4.01. The adoption of the Program and Plan conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the City which is already built up, to provide housing opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose. For the reasons described in Exhibit A, the City believes these benefits directly derive from the tax increment assistance provided under the TIF Plan. A private developer will receive only the assistance needed to make this development financially feasible. As such, any private benefits received by a developer are incidental and do not outweigh the primary public benefits.

Section 5. Approval and Adoption of the Program and Plan.

5.01. The Program and Plan, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted and shall be placed on file in the office of the Director of Planning and Economic Development.

5.02. The staff of the City, the City's advisors and legal counsel are authorized and directed to proceed with the implementation of the Program and Plan and to negotiate, draft, prepare and present to this Council for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

5.03. The Auditor of St. Louis County is requested to certify the original net tax capacity of the District, as described in the Program and Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased; and the City of Duluth is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the District, for which building permits have been issued during the 18 months immediately preceding the adoption of this resolution.

5.04. The Director of Planning and Economic Development is further authorized and directed to file a copy of the Program and Plan with the Commissioner of the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a.

STATEMENT OF PURPOSE: The purpose of this resolution is to adopt a modification to the Development Program for the Development District, establish TIF District No. 34 and adopt a Tax Increment Financing Plan for TIF District No. 34 related to the Zenith Historic Old Central High School multi-family residential project located between Lake Avenue and First Avenue East and between Second Street and Third Street.

The total development cost is estimated to be \$42,365,179. DEDA will provide up to \$2,940,000 of the TIF generated by this project plus interest at the rate of 4.0% 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; the note is projected to be paid in year 18.

Tax base impact statement: The current market value (2022, payable 2022) of the properties located in this 26-year Redevelopment TIF District (to be created by DEDA) is \$4,500,000 and the property is generating \$0 in net tax capacity. After the improvements are completed, the taxable market value will increase to approximately \$15,600,000 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 \$195,000 per year in net tax capacity (based on the County Assessor's valuation of the completed property, not including inflation).