



Legislation Text

File #: 18-0090R, **Version:** 1

RESOLUTION AUTHORIZING APPLICATION FOR AND, IF AWARDED, ACCEPTANCE OF A 2018 WORKFORCE HOUSING GRANT FROM THE MINNESOTA HOUSING FINANCE AGENCY RELATED TO THE CITYVIEW FLATS LLC PROJECT

WHEREAS, the city of Duluth desires to submit an application pursuant to the Workforce Housing Development Program ("Program") for a 2018 Workforce Housing Grant from the Minnesota Housing Finance Agency ("Minnesota Housing") to support a 96-unit rental housing development, 9 of which units will be rent-restricted (the "Project"); and

WHEREAS, the Project, located at 333 West 1st Avenue North and known as CityView Flats LLC, will provide workforce housing for employees of businesses within the Duluth area; and

WHEREAS, if awarded by Minnesota Housing, the City desires to enter into a Grant Agreement pursuant to the Program in order to obtain funding from Minnesota Housing for the Project.

NOW, THEREFORE BE IT RESOLVED, that the City of Duluth is an Eligible Project Area, as defined in Minnesota Statutes Section 462A.39, subdivision 2, has the legal authority to apply for financial assistance, and has the institutional, managerial and financial capability to ensure adequate construction, operation, maintenance and replacement of the Project for its design life.

BE IT FURTHER RESOLVED, by the City of Duluth, that City staff is hereby authorized to apply for a 2018 Workforce Housing Grant from Minnesota Housing for the Project in an amount of \$800,000.

BE IT FURTHER RESOLVED, that, if awarded, the proper City officials are hereby authorized to enter into a Grant Contract and such other agreements, and amendments thereto, as are necessary to implement the Project, in order to obtain funding from Minnesota Housing in an amount not to exceed \$800,000 for the Project (the "Grant").

BE IT FURTHER RESOLVED, that the City certifies that it will use the Grant to enter into an Agreement with the Project's developer for qualified expenditures for the Project to serve employees of businesses located in the Duluth or surrounding area.

BE IT FURTHER RESOLVED, that the Grant will be matched with at least \$1 for every \$2 provided; specifically, the Grant will be matched by the City of Duluth using tax abatement financing in the net present value of \$300,000 and by the County of St. Louis using tax abatement financing in the net present value of \$300,000.

BE IT FURTHER RESOLVED, that the City certifies that the average vacancy rate for rental housing located in Duluth and in any other city located within 15 miles or less of the boundaries of the

area, has been five percent (5%) or less for at least the prior two-year period.

BE IT FURTHER RESOLVED, that the Grant will not exceed twenty-five percent (25%) of the Project costs.

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize an application and, if awarded, to accept a grant for a 2018 Workforce Housing Grant from Minnesota Housing. The Workforce Housing Development Program was established by the Minnesota Legislature to provide funds for the direct development of market rate residential rental properties to increase the availability of rental housing in Greater Minnesota. The city is working with MJB Development Corp. to develop a 96-unit rental housing development, 9 of which will be rent-restricted. The project, located at 333 West 1st Avenue North, will provide workforce housing for employees of businesses within the Duluth area.

Minnesota Housing grant funds must be matched one dollar for every two dollars awarded. Tax abatement resources satisfy the match requirement. With this resolution, the City and the County will provide abatement \$300,000 each. Based upon a tax abatement Run prepared by Ehlers, this amount of tax abatement will be achieved approximately in 10 years. The program requires that the average vacancy rate for rental housing located in Duluth and other cities within 15 miles or less be 5% or less. The City's vacancy rate has been 3% for the last two years. As required by the grant, the grant amount cannot exceed 25% of the Project costs; the grant request of \$800,000 represents 4% of the total project costs. Additionally, the Project must be ready to start within 12 months of the Grant Agreement. Per the developer, construction will start within 2 months of the grant award date and agreement execution (Spring 2018).