



Legislation Text

File #: 18-0843R, **Version:** 1

RESOLUTION APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY AND NORTHSTAR DEVELOPMENT INTERESTS, LLC FOR THE DEVELOPMENT OF THE VOYAGEUR LAKEWALK INN MIXED USE PROJECT.

CITY PROPOSAL:

Resolved, that the city council of the City of Duluth does hereby approve, pursuant to the provisions of Resolution No. 10-0229 and Resolution 18-0515, the Development Agreement between the Duluth Economic Development Authority ("DEDA") and Northstar Development Interests, LLC, substantially in the form of that attached as Exhibit A, related to the mixed use development located at 319, 321, 323 and 333 East Superior 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 Northstar Development Interests, LLC for the development of the Voyageur Lakewalk Inn project located at 319, 321, 323 and 333 East Superior Street. The project will be located in an area identified as Tax Increment Financing District No. 31, a 25-year redevelopment district. DEDA approved the Agreement at its December 12, 2018, meeting. See DEDA Resolution 18D-44 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 construction by Developer of not less than 190 market rate residential and townhome units and not less than 20,000 square feet of retail/commercial space together with related utilities and other amenities at a cost of not less than \$69,650,000. DEDA will provide 90 percent of the TIF generated by the project up to \$6,200,000 plus interest at the rate of 5 percent to pay for public eligible costs of construction on a pay-as-you-go basis. See Business subsidy agreement pre-approval report attached hereto as Exhibit C.

The Developer is working with City staff to lease sufficient parking space for the project in the Medical District Parking Facility or other parking facilities. The parking lease is anticipated to be on the City Council's January agenda.

Tax base impact statement: The current market value (2018, payable 2019) of the properties located in this 25 year Redevelopment TIF District (to be created by DEDA) is \$1,902,100 and the property is generating \$34,601 in net tax capacity. After the improvements are completed, the taxable market value will increase to not less than \$26,311,000 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 \$394,443 per year in net tax capacity (based on the County Assessor's valuation of the completed property, not including inflation).