



## Legislation Text

**File #:** 21-030-O, **Version:** 1

AN ORDINANCE AUTHORIZING THE CONVEYANCE OF CERTAIN REAL PROPERTY IN THE LINCOLN PARK NEIGHBORHOOD TO NORTHERN AQ LLC FOR \$1.00.

### CITY PROPOSAL:

The city of Duluth does ordain:

#### Section 1.

(a) Pursuant to Section 2-176(a) of the Duluth City Code, 1959, as amended (the "Code"), the city council stated its intention to sell or convey certain property, as set forth in Resolution No. 21-0525, legally described as follows (the "Property"):

Easterly One-half (E'ly ½) of Lot Three Hundred Fifty-Nine (359), Block One Hundred Twenty-three (123), Duluth Proper Second Division, St. Louis County, Minnesota.

(b) Pursuant to Section 2-176(b) of the Code, the City's planning department reviewed the proposed conveyance of the Property for conformity to the City's comprehensive plan and reported that the conveyance of the Property conforms with said comprehensive plan and is surplus to the City's future needs.

(c) Pursuant to Section 2-176(c) of the Code, the St. Louis County Assessor determined that the estimated market value of the Property is \$5,400.

(d) Pursuant to Resolution No. 21-0608, the city council authorized city officials to enter into a purchase agreement (the "Purchase Agreement") for the sale of the Property to Northern AQ LLC, a Minnesota limited liability Company ("Northern AQ").

#### Section 2.

(a) Pursuant to Sections 2-177(d) and 2-177.4 of the Code, the City may convey property to a non-governmental entity at an amount at or less than market value in order to further city interests if the city council finds that such conveyance will further other important city interests or objectives and that such conveyance is necessary to the accomplishment of such interests.

(b) The Property was donated to the city earlier this year for demolition of a condemned structure and redevelopment of the site.

(c) Northern AQ wishes acquire the Property to construct two residential units on the Property, with each unit being at least 500 square feet.

(d) The city council finds that a conveyance of the Property to Northern AQ supports the reuse of previously developed lands and promotes reinvestments in neighborhoods (Principles #1 and 5 of the Imagine Duluth 2035 Update to the Comprehensive Plan). Additionally, Northern AQ's ownership and development of the Property will add: (i) two new residential units to the city's housing stock and (ii) new taxable value to the city. These are important city objectives that will be accomplished by the conveyance of the Property to Northern AQ.

Section 3. That the proper city officials are hereby authorized to convey the Property to Northern AQ LLC, a Minnesota limited liability company, for the sum of \$1.00 and in accordance with the terms of the Purchase Agreement. Funds to be deposited into Fund No. 110-700-1420-4640 (General Fund, Transfers and Other Functions, Capital Program, Sale of Land).

Section 4. The proper city officials are further authorized to execute a quit claim deed (the "Deed") and all other documents necessary to effectuate the conveyance of the Property to Northern AQ LLC. The Deed shall contain the following restrictive covenant in favor of the city:

*This deed is subject to the condition that title to the property shall automatically revert to the*

*grantor in the event that any of the following conditions occur within 18 months of the date of this deed:*

- (i) grantee ceases to exist as a legal entity in the State of Minnesota;*
- (ii) grantee attempts to transfer, sell, lease, sublease or otherwise convey any interest of grantee, legal or equitable, in the property, prior to completion of construction of the residential units described in subparagraph (iv) below, with completion evidenced by issuance of Certificates of Occupancy for both units;*
- (iii) grantee fails to pay any taxes or other encumbrances against the property on or before the applicable due date;*
- (iv) grantee fails to complete construction of two residential units on the property (each unit being at least 500 square feet), with completion evidenced by issuance of Certificates of Occupancy for both units; or*
- (v) grantee shall make any assignment for the benefit of its creditors, or generally not be paying its debts as they become due, or a petition shall be filed by or against grantee under the United States Bankruptcy Code, or grantee shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of any part of the property.*

*This restrictive covenant shall run with the land and be enforceable by grantor.*

Section 5. That this ordinance shall take effect 30 days after its passage and publication.

STATEMENT OF PURPOSE: The purpose of this ordinance is to authorize the conveyance of real property legally described above (the "Property") to Northern AQ LLC, a Minnesota limited liability company ("Northern AQ LLC"). The Property is located at 2213 W. 4th Street in the Lincoln Park neighborhood.

The sale of the Property shall be in accordance with the terms and conditions of the purchase agreement authorized under Resolution No. 21-0608. The deed conveying the Property will contain a restrictive covenant requiring Northern AQ to complete construction of two residential units on the property, with each unit being at least 500 square feet (the "Project"), within 18 months of the date of the deed. If the Project is not completed within 18 months, then the Property shall revert back to the city.

Northern AQ agrees to: (i) purchase the Property for \$1.00, (ii) pay an administrative fee of \$500 for staff time invested to facilitate the conveyance, (iii) bear all costs incurred with the conveyance, including deed tax and recordation filing fees and (iv) complete the Project.