



Legislation Text

File #: 22D-27, **Version:** 1

RESOLUTION APPROVING TERMINATION OF CITY CONTRACT NO. 24268 AND AUTHORIZING AN AGREEMENT WITH NEW BURNHAM, LLC FOR ADDITIONAL AFFORDABLE UNITS IN THE NEW BURNHAM APARTMENTS PROJECT.

RESOLVED, that the proper DEDA officials are hereby authorized to enter into a termination agreement substantially in the form of attached Exhibit A with the City of Duluth (the "City") and New Burnham, LLC terminating City Contract No. 24268; and

FURTHER RESOLVED, that the proper DEDA official are hereby authorized to accept the transfer of \$380,000 from the City to fund the agreement hereinafter referenced below; and

RESOLVED FURTHER, that upon the execution by the City, New Burnham LLC and DEDA of said termination agreement, the proper DEDA officials are hereby authorized to enter into an agreement, substantially in the form of Exhibit B attached hereto with New Burnham, LLC in the amount of \$380,000, payable from Fund 860 to fund ten (10) additional affordable apartment units in the Burnham Apartments Project, subject to the City transferring \$380,000 to DEDA to fund said obligation.

STATEMENT OF PURPOSE: The purpose of this resolution is to terminate the existing Agreement between the City, DEDA and New Burnham, LLC. Additionally, it allows DEDA to accept the transfer of \$380,000 from the City to support additional affordable housing in the New Burnham Apartments Project and to enter into an agreement with New Burnham to implement that assistance.

The New Burnham is being developed with tax increment assistance from DEDA. It is the Developer completing the New Burnham Apartments, which is the conversion and renovation of the former St. Louis County Jail into no less than 31 apartment units, not less than 10% of which must be held for persons having an income at or below 60% of the area median income as stipulated by their existing Development Agreement for tax increment with DEDA.

To enhance affordability of units in the existing housing development project, the City planned to use a portion of its share of American Rescue Plan Act ("ARPA") to fund such assistance. Council committed \$380,000 of ARPA funding via resolution 21-1005R for New Burnham, LLC to fund an additional 10 units which would be made available to persons with an income at or below 70% of the area median income. The modified revenue loss calculation included in the updated ARPA guidance expanded the City's capacity and flexibility to fund projects out of the general fund. The ARPA guidance allows for the City to fund provisions for governmental services included in the annual budget, thereby freeing up budgeted resources to subsidize the New Burnham housing project. This resolution changes the funding source for the two projects and eliminates the more cumbersome provisions from the original New Burnham agreement. The Agreement attached as Exhibit B will replace the former ARPA funding agreements with New Burnham for increased housing affordability in its project.