



Legislation Text

File #: 22-0938R, **Version:** 1

RESOLUTION APPROVING A THIRD AMENDMENT TO THE DEVELOPMENT AGREEMENT BETWEEN THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY AND MERGE, LLC, FOR THE DEVELOPMENT OF THE URBANE DULUTH MULTI-FAMILY RESIDENTIAL PROJECT

CITY PROPOSAL:

WHEREAS, pursuant to the provisions of Minnesota Statutes §116J.994, Subdivision 3(d), and Resolution 10-0229, the City Council of the City of Duluth approved a development agreement between the Duluth Economic Development Authority ("DEDA") and Merge, LLC ("Developer") on August 16, 2021 under Resolution No. 21-0584R, related to the Urbane Duluth multi-family residential development (the "Project") located at the northwest corner of 20th Avenue West and Superior Street in Duluth, Minnesota; and

WHEREAS, the Developer received updated bids for redevelopment constructions costs that exceeded initial cost estimates by over \$4 million; and

WHEREAS, on October 26, 2022 under Resolution No. 22D-62, DEDA authorized a third amendment to the Development Agreement, substantially in the form of that attached hereto as Exhibit A with Merge, LLC, increasing the amount of eligible reimbursable costs by \$700,000, not to exceed \$1,785,000.

NOW, THEREFORE, BE IT RESOLVED, that proper city officials are hereby authorized to approve a third amendment to the Development Agreement between DEDA and Merge, LLC for the development of the Urbane Duluth multi-family residential development.

STATEMENT OF PURPOSE: The purpose of this resolution is to obtain City Council approval of a third amendment to the Development Agreement between DEDA and Merge, LLC for the redevelopment of property located at the corner of North 20th Ave West and West Superior Street, to increase the amount of eligible tax increment financing support for the project by \$700,000.

The project's total development cost was originally estimated to be \$9,250,000 with DEDA providing up to 26 years of tax increment or \$1,085,000 of the TIF generated by this project, whichever was sooner. Due to increases in construction costs driven by inflationary pressure in the construction materials and labor markets, the total estimated development cost is projected to be over \$14,000,000. The additional contribution of tax increment has been reviewed by staff and Ehlers, Inc. to evaluate the financing gap and availability of additional TIF to support the project.

The proposed Urbane Duluth project will provide at least 45 new housing units and over 4,000 square feet of commercial space in the Lincoln Park neighborhood, adding to the opportunity for expansion of the City's housing stock in 2023.