

Council Agenda Item 26-0419R



MEETING DATE: May 11, 2026

SUBJECT/TITLE: RESOLUTION AUTHORIZING A FIRST AMENDMENT TO DEVELOPMENT AGREEMENT, TERMINATION OF STORM WATER MAINTENANCE AGREEMENT, AND ACCEPTING A PERMANENT EASEMENT FOR UTILITY, STORMWATER AND DRAINAGE PURPOSES, ALL WITH OR FROM LOTUS REALTY SERVICES, INC., AFFECTING CERTAIN REAL PROPERTY IN THE DULUTH HEIGHTS NEIGHBORHOOD, AT NO COST TO THE CITY.

SUBMITTED BY: Danielle Erjavec, Senior Property Services Specialist

RECOMMENDATION: Approve

BOARD/COMMISSION/COMMITTEE RECOMMENDATION: N/A

PREVIOUS COUNCIL ACTIONS:

19-0242 – RESOLUTION AUTHORIZING DEVELOPMENT AGREEMENT WITH HARBOR LIGHT DEVELOPMENT LLC RELATED TO THE DEVELOPMENT OF PROPERTY SOUTH OF ARROWHEAD ROAD AND WEST OF ARLINGTON AVENUE

20-0814 – RESOLUTION AUTHORIZING AN AGREEMENT WITH LOTUS REALTY SERVICES INC. FOR THE OPERATION, MAINTENANCE, AND INSPECTION OF CERTAIN STORM WATER IMPROVEMENTS WITHIN OUTLOT A IN THE PLAT OF HARBOR LIGHT, AT NO COST TO THE CITY.

BACKGROUND: This resolution: (i) authorizes a first amendment to the development agreement (the “First Amendment”) with Lotus Realty Services, Inc., a Minnesota corporation (“Lotus Realty”), affecting a development project in the Duluth Heights neighborhood off of Arrowhead Road (the “Development Agreement”); (ii) terminates a storm water maintenance agreement and (iii) accepts an easement for utility, stormwater and drainage purposes from Lotus Realty Services, Inc. (the “Easement”), at no cost to the City. The documents being approved affect Outlot A in the plat of HARBOR LIGHT (“Outlot A”).

The original Development Agreement was entered into with Duluth Gospel Tabernacle, a Minnesota nonprofit corporation. Lotus Realty is now the owner of Outlot A and the proper entity to enter into this First Amendment to Development Agreement. The parties desire to modify certain terms and conditions of the Development Agreement to address certain issues and items related to stormwater improvements within

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Outlot A, wetland credits, the regulating plan (affecting the entire plat of HARBOR LIGHT), and the conveyance of Outlot A.

Lotus Realty constructed certain stormwater improvements within Outlot A (the “Stormwater Improvements”) and is maintaining the Stormwater Improvements under an existing Stormwater Maintenance Agreement. The intent was for the City to take over the ownership, operation and maintenance of the Stormwater Improvements once the City owned Outlot A. However, the Stormwater Improvements are located within the east half of Outlot A, so the City does not need to own the entirety of it and has determined that an easement would suffice to grant the City the proper rights it needs for the Stormwater Improvements. The First Amendment places some restrictions on the future use and development of Outlot A so that it is only used for stormwater purposes and in accordance with the regulating plan. Another benefit to having an easement allows the west half of Outlot A to be used by an owner within the plat of HARBOR LIGHT for its own (private) stormwater purposes. The parties desire to terminate the Stormwater Maintenance Agreement in concurrence with the execution of the Easement.

Once these documents are executed and recorded, Lotus Realty can sell Outlot A to a developer who has immediate plans to construct a facility on a lot with HARBOR LIGHT and utilize the west half of Outlot A for its own stormwater purposes. The City desires to support this important investment in the City of Duluth and can do so through these documents.

Exhibit IV is a map depicting the boundary of Outlot A, as well as the portion of it included in the Easement.

BUDGET/FISCAL IMPACT: None

OPTIONS: Authorize documents so the City can have the proper rights it needs for the Stormwater Improvements and allow the private sale of Outlot A to support a development project or the City will need to further negotiate with Lotus Realty on the future ownership of Outlot A and the Stormwater Improvements (and the private development may not occur)

NECESSARY ACTION: Approve resolution

ATTACHMENTS: Exhibit I, First Amendment to Development Agreement; Exhibit II, Termination of Storm Water Maintenance Agreement; Exhibit III, Utility, Stormwater and Drainage Easement; Exhibit IV, Map