

## CITY OF DULUTH

DEPARTMENT OF PLANNING & CONSTRUCTION SERVICES  
Planning Division  
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# MEMO

**TO:** Planning Commission

**FROM:** Charles Froseth, Land Use Supervisor

**DATE:** February 3, 2014

**RE:** Conformance of Development District for Pier B to Comprehensive Plan (PL- 14-006)

In order to facilitate the re-development of Pier B a modification is needed to Development District 17. The role of the Planning Commission to make sure the proposed development and uses are consistent with the Comprehensive Plan and Unified Development Code (UDC). Tax Increment Financing (TIF) is a financing tool which uses the increment in property tax increase due to site improvements to pay for those improvements.

The proposal calls for a hotel, banquet center and restaurant to be located on the former Pier B site. Pier B was formerly used by the LaFarge Cement Company, was sold to Pier B Holding Company and at present is not being utilized for any commercial or other use. Attached is an overview of TIF District 26 including budget and maps of the site.

The Planning Division prepared a Bayfront District Small Area Plan (SAP) which included Pier B. The Bayfront SAP was adopted by the Planning Commission on February 12, 2010 and on March 8, 2010 Duluth City Council also adopted the Bayfront SAP. The plan changed the land use designation from Industrial Waterfront to Commercial Waterfront. It clearly calls for Pier B to be changed to the Commercial Waterfront designation. The purpose of the Commercial Waterfront is for "waterfront-dependent commercial uses, sometimes mixed with residential or adjacent to higher density residential. Includes tourist- or recreation-oriented uses. Commercial areas can be adjacent to industrial waterfront. Abuts other commercial uses and recreation areas, preservation areas. Access to regional arterial traffic and water access".

Zoning for the property is Mixed Use Waterfront (MU-W). This area was formerly Industrial Waterfront. The Planning Commission recommended a change (See PL11-006) to MU-W on

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January 11, 2011 with City Council passing an ordinance approving this change on February 14, 2011. The purpose of the MU-W District is “to provide for waterfront-dependent commercial uses and medium to high density residential development. Intended non-residential uses include visitor-related retail and services, lodging, recreational facilities and maritime uses, as well retail and service uses that take advantage of the waterfront setting, as shown in Table 50-19.8. Development may include horizontal or vertical mixed use, and should facilitate transit and pedestrian connections between developments and the surrounding areas and community”. This zoning district does allow for hotels, restaurants, convention or event centers and indoor entertainment facility as permitted uses.

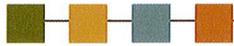
This project implements the following Comprehensive Plan Principle’s.

Principle #1 – Reuse previously developed lands – Reuse of previously developed lands, including adaptive reuse of existing building stock and historic resources, directs new investment to sites which have the potential to perform at a higher level than their current state. This strengthens neighborhoods and is preferred to a dispersed development pattern with attendant alteration of natural landscapes and extensions of public services. Site preparation or building modification costs are offset by savings in existing public infrastructure such as streets, utilities, and transit, fire and police services.

Principle #3 - Support traditional economic base - Supporting Duluth’s traditional economic foundation maintains jobs, tax base, and opportunity. Economic activity with specific location requirements may be subject to displacement or site competition with changes in real estate values. This traditional economic activity faces change as result of global economic patterns, changing markets, new regulation and aging of extensive infrastructure. Nevertheless, fundamentals remain and the economic contribution, sometimes taken for granted, significant.

Principle #8 – Encourage mix of activities, uses and densities – Cities have evolved as a mix of land uses, building types, housing types, and activities. Accommodating choice while protecting investment is a balance to strike in land use regulation. Mixed uses provide opportunity for a diversity of activity that segregated, uniform uses do not provide.

The proposed development conforms to and implements the Comprehensive Plan principles, the Bayfront Small Area Plan and the Unified Development Code. Staff recommends the Planning Commission make a finding as such as shown on the attached resolution dated February 11, 2014.



# Tax Increment Financing District Overview

## City of Duluth

### Pier B Tax Increment Financing District

The following summary contains an overview of the basic elements of the Tax Increment Financing Plan for the Pier B Tax Increment Financing District. More detailed information on each of these topics can be found in the complete Tax Increment Financing Plan.

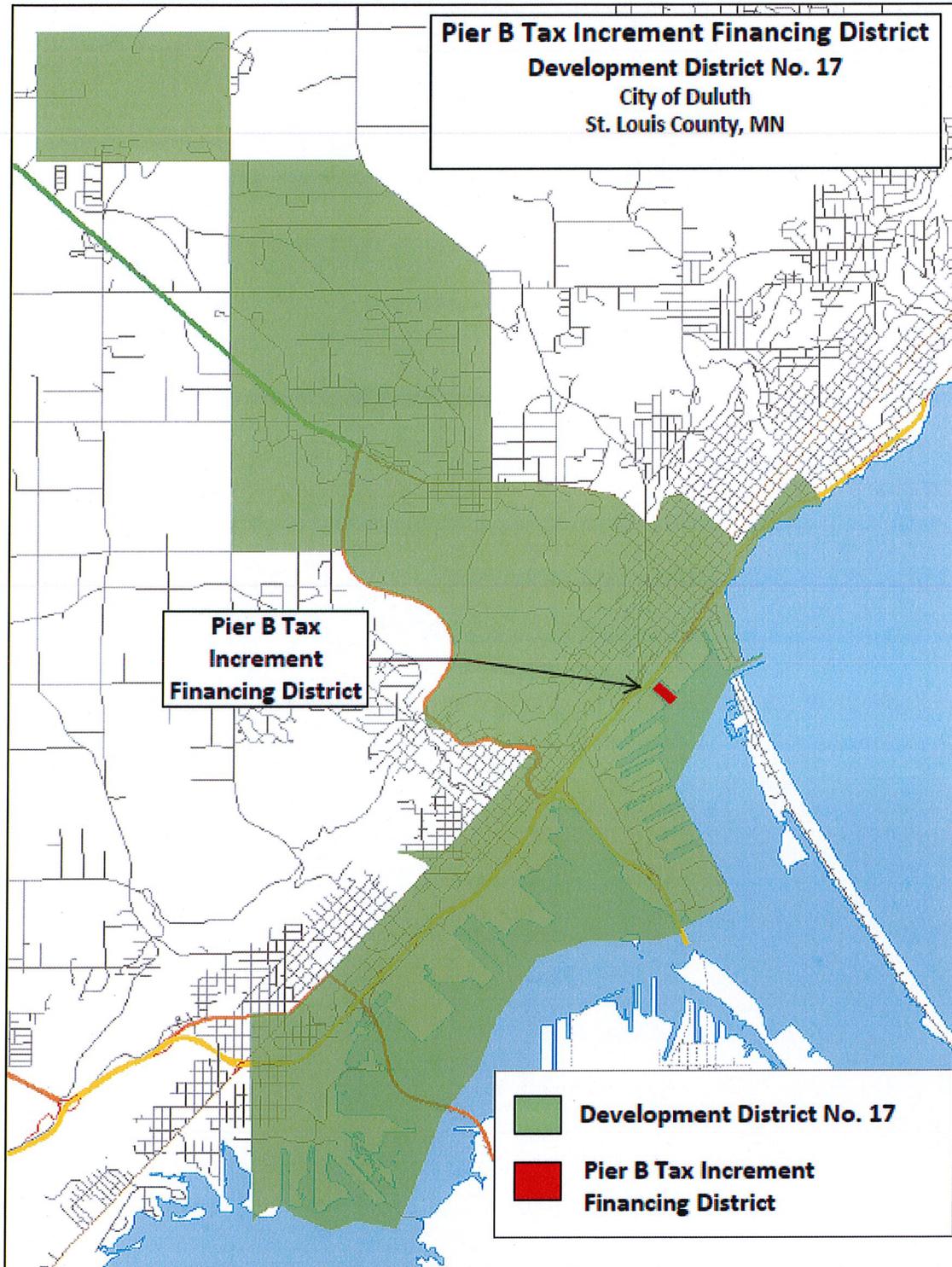
Proposed action:	Establishment of the Pier B Tax Increment Financing District (the "District") and the adoption of a Tax Increment Financing Plan (the "TIF Plan").	
	Modification to the Development Program for Development District No. 17 includes the establishment of the Pier B Tax Increment Financing District, which represents a continuation of the goals and objectives set forth in the Development Program for Development District No. 17.	
Type of TIF District:	A redevelopment district	
	010-0200-01280	010-0200-01300
	010-0200-01330	010-0200-01450
	010-0200-01480	010-0200-01100
	010-0200-01160	010-0200-01190
	010-0200-01220	010-0200-01090
	010-0200-01060	010-0200-01050
	S 8 <sup>th</sup> Ave ROW	
Proposed Development:	The City of Duluth is working with Pier B Holding, LLC to construct a 55,700 square foot hotel/banquet center with restaurant.	
Maximum duration:	The duration of the District will be 25 years from the date of receipt of the first increment (26 years of increment). The date of receipt by the City of the first tax increment is expected to be 2016. It is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after December 31, 2042, or when the TIF Plan is satisfied.	
Estimated annual tax increment:	Up to \$307,284	

Authorized uses:	The TIF Plan contains a budget that authorizes the maximum amount that may be expended:																
	<table> <tr> <td>Land/Building Acquisition.....</td> <td>\$150,000</td> </tr> <tr> <td>Site Improvements/Preparation.....</td> <td>\$2,500,000</td> </tr> <tr> <td>Utilities.....</td> <td>\$150,000</td> </tr> <tr> <td>Other Qualifying Improvements.....</td> <td>\$386,713</td> </tr> <tr> <td>Administrative Costs (up to 10%).....</td> <td>\$606,437</td> </tr> <tr> <td><b>PROJECT COSTS TOTAL</b>.....</td> <td><b>\$3,793,150</b></td> </tr> <tr> <td><u>Interest</u>.....</td> <td><u>\$2,877,652</u></td> </tr> <tr> <td><b>PROJECT COSTS TOTAL</b>.....</td> <td><b>\$6,670,802</b></td> </tr> </table>	Land/Building Acquisition.....	\$150,000	Site Improvements/Preparation.....	\$2,500,000	Utilities.....	\$150,000	Other Qualifying Improvements.....	\$386,713	Administrative Costs (up to 10%).....	\$606,437	<b>PROJECT COSTS TOTAL</b> .....	<b>\$3,793,150</b>	<u>Interest</u> .....	<u>\$2,877,652</u>	<b>PROJECT COSTS TOTAL</b> .....	<b>\$6,670,802</b>
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	See the TIF Plan for the full budget authorization.																
Form of financing:	The project is proposed to be financed by an interfund loan and pay-as-you-go note.																
Administrative fee:	Up to 10% of annual increment, if costs are justified.																
Interfund Loan Requirement:	If the City wants to pay for administrative expenditures from a tax increment fund, it is recommended that a resolution authorizing a loan from another fund be passed <i>PRIOR</i> to the issuance of the check.																
4 Year Activity Rule (§ 469.176 Subd. 6)	<p>After four years from the date of certification of the District one of the following activities must have been commenced on each parcel in the District:</p> <ul style="list-style-type: none"> <li>• Demolition</li> <li>• Rehabilitation</li> <li>• Renovation</li> <li>• Other site preparation (not including utility services such as sewer and water)</li> </ul> <p>If the activity has not been started by approximately November 2017, no additional tax increment may be taken from that parcel until the commencement of a qualifying activity.</p>																

The reasons and facts supporting the findings for the adoption of the TIF Plan for the District, as required pursuant to *M.S., Section 469.175, Subd. 3*, are included in Exhibit A of the City resolution.

V11-BA-4

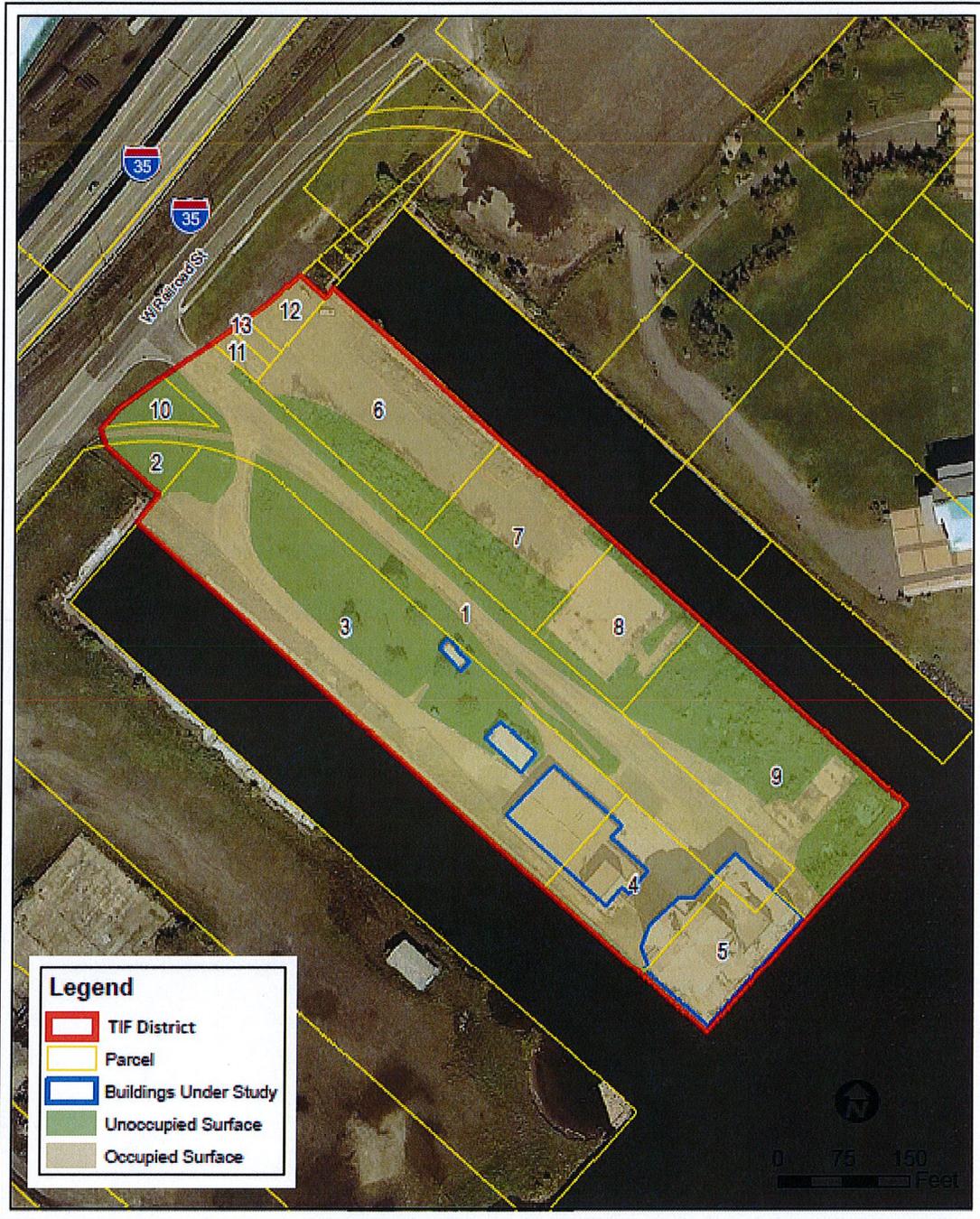
**MAP OF THE PIER B TAX INCREMENT FINANCING DISTRICT  
WITHIN DEVELOPMENT DISTRICT NO. 17**



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# MAP OF THE PIER B TAX INCREMENT FINANCING DISTRICT



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**PLANNING COMMISSION  
CITY OF DULUTH, MINNESOTA**

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE CITY OF DULUTH PLANNING COMMISSION  
FINDING THAT A MODIFICATION TO THE DEVELOPMENT PROGRAM  
FOR DEVELOPMENT DISTRICT NO. 17 AND A TAX INCREMENT  
FINANCING PLAN FOR THE PIER B TAX INCREMENT FINANCING  
DISTRICT CONFORM TO THE GENERAL PLANS FOR THE DEVELOPMENT  
AND REDEVELOPMENT OF THE CITY.**

WHEREAS, the Duluth Economic Development Authority (the "EDA") and the City of Duluth (the "City") have proposed to adopt a Modification to the Development Program for Development District No. 17 (the "Development Program Modification") and a Tax Increment Financing Plan for the Pier B Tax Increment Financing District (the "TIF Plan") therefor (the Development Program Modification and the TIF Plan are referred to collectively herein as the "Program and Plan") and have submitted the Program and Plan to the City Planning Commission (the "Commission") pursuant to Minnesota Statutes, Section 469.175, Subd. 3, and

WHEREAS, the Commission has reviewed the Program and Plan to determine their conformity with the general plans for the development and redevelopment of the City as described in the comprehensive plan for the City.

NOW, THEREFORE, BE IT RESOLVED by the Commission that the Program and Plan conform to the general plans for the development and redevelopment of the City as a whole.

Dated: February 11, 2014

\_\_\_\_\_  
Chair

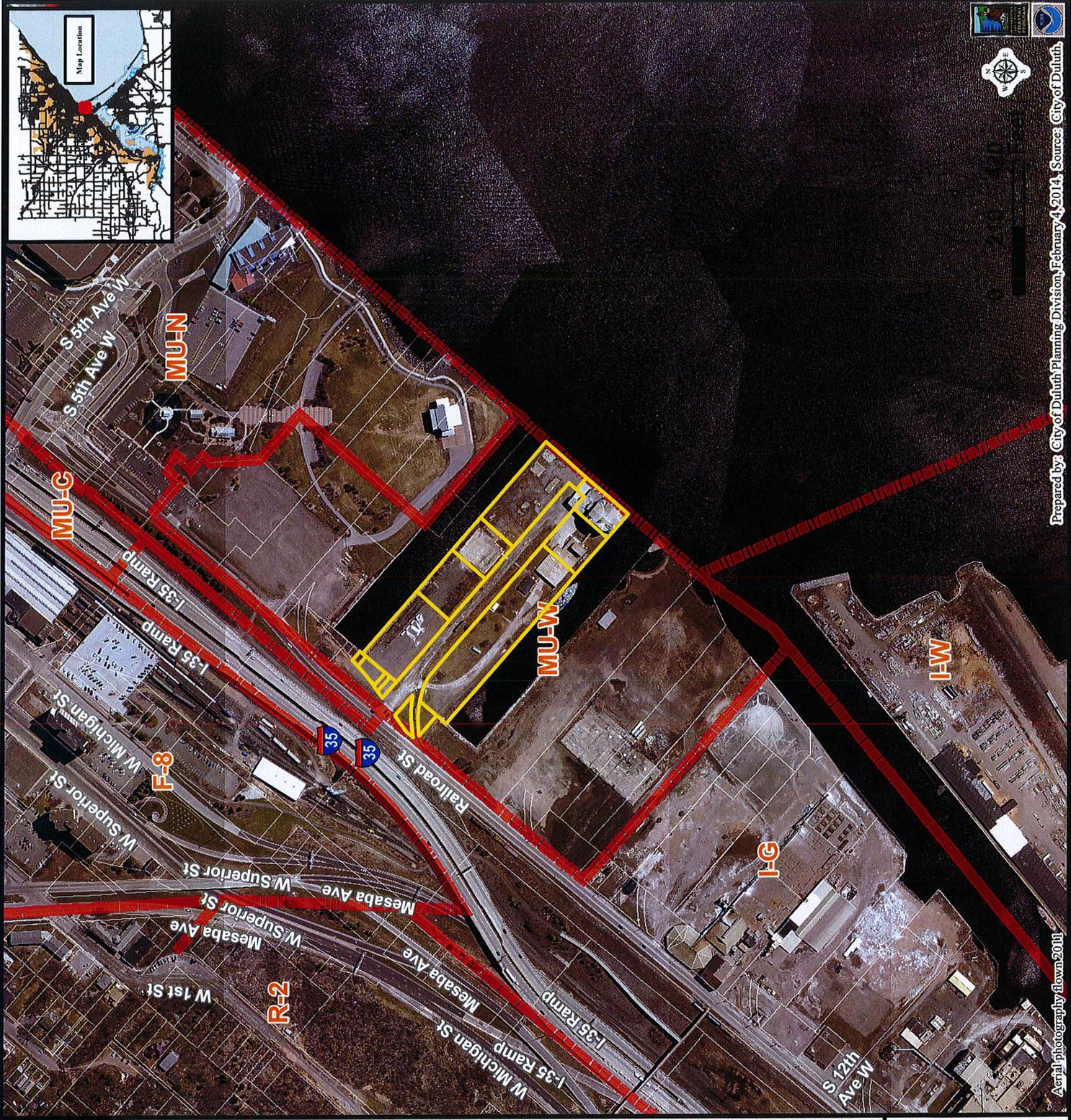
ATTEST:

\_\_\_\_\_  
Secretary

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City Planning  
PL 14-006 Pier B



Prepared by: City of Duluth Planning Division, February 4, 2014. Source: City of Duluth.

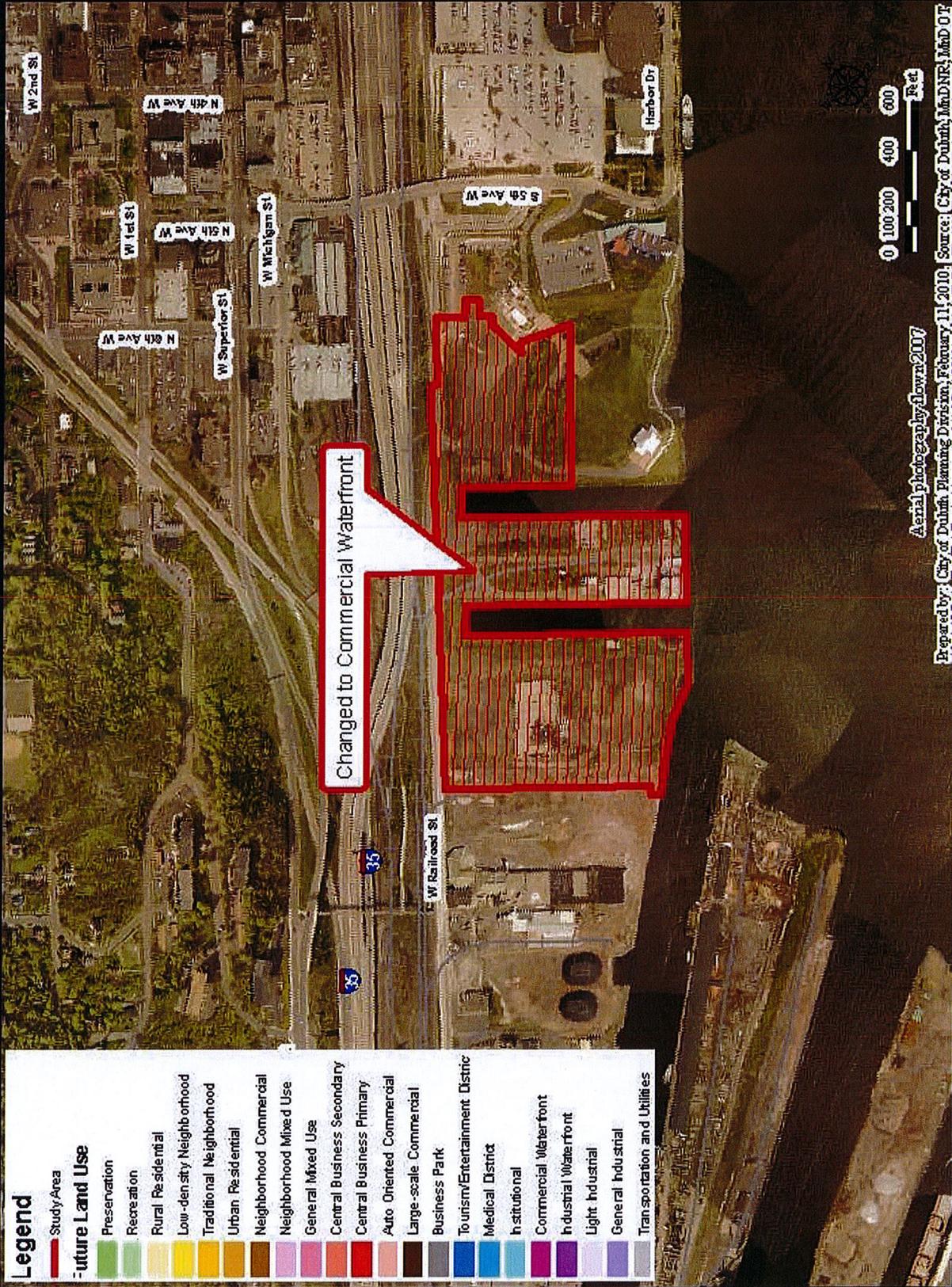
Aerial photography flown 2011

**Legend**  
 Zoning Boundaries  
 Zoning Boundaries

The City of Duluth has tried to ensure that the information contained in this map or electronic document is accurate. The City of Duluth makes no warranty or guarantee concerning the accuracy or reliability. This drawing/data is neither a legally recorded map nor a survey and is not intended to be used as one. The drawing/data is a compilation of records, information and data located in various City, County and State offices and other sources affecting the area shown and is to be used for reference purposes only. The City of Duluth shall not be liable for errors contained within this data provided or for any damages in connection with the use of this information contained within.

M. A. S.

# Bayfront District Small Area Plan Future Land Use



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