

PROJECT BASICS

Type:

Real Estate – Retail

Total Development Cost:

\$23.0 million

LISC New Markets Tax Credit Allocation:

\$16.5 million

PROJECT STAKEHOLDERS

LISC Program:

Duluth LISC

Investor:

US Bank

Sponsor/Developer:

Sherman Associates, Inc.

Other Key Stakeholders:

**St. Mary's Duluth Clinic (SMDC),
City of Duluth, Duluth Economic
Development Authority (DEDA)**

COMMUNITY NEED

- **43% Poverty Rate**
- **Family income 49% of the area median**
- **SBA HUB Zone**

COMMUNITY IMPACT

- **99,202 sq. ft. of Commercial Space**
- **80 Construction Jobs**
- **72 Permanent Jobs**
- **Accommodations for SMDC patient families and visiting clinicians**

Project Snapshot:

- The Sheraton Duluth Hotel project in Duluth, MN is located near the St. Mary's Duluth Clinic (SMDC). The hotel has 147 guest rooms and reserves a number of them for SMDC's visiting physicians and patients' families at a subsidized rate. The hotel also contains a full service restaurant, meeting rooms, a pool, and a fitness room. The project, the SMDC, and a new municipal parking ramp are connected by city-constructed skywalks.
- The project is a component of a larger \$36 million redevelopment effort on the site which will create 35 market-rate condominium units on the five floors above the building's six hotel floors. The combined hotel/condo project represents one of the largest developments to unfold in Duluth's Old Downtown neighborhood since World War II.
- The Sheraton Grand project has created 72 full-time jobs and 80 temporary construction jobs.



Project Background:

- For the past three decades, the City of Duluth and the Duluth Economic Development Authority have designated the task of making and securing investments in major improvements and programs for Old Downtown a top priority.
- The project developer, Sherman Associates, Inc., is an award-winning developer that specializes in the design, construction, and financing of quality housing and commercial properties in Minnesota, the upper Midwest, and other regions nationwide. It has developed and/or rehabilitated more than 5,000 multi-family and single-family homes along with more than 500,000 sq. ft. of commercial property.

Leveraging Solutions through New Markets Tax Credits (NMTC):

- Located in a small, unproven market with high levels of economic distress, the project faced significant obstacles to securing financing under economically feasible terms. Our program offered a way to leverage existing financing and close the gap.
- \$16.5 million in NMTC allocation authority provided a custom product with non-traditional and/or favorable terms including: a below-market interest rate; a longer interest-only payment period; and a higher loan-to-value ratio.
- The project developer purchased the historic Greysolon Plaza senior housing project directly across from the hotel/condominium site to link the Plaza's ballroom to the hotel for a banquet/event facility. To facilitate this, the developer intends to renovate the Plaza's 150 existing units of affordable housing for seniors, improve the building, and extend the senior units' affordability for another 30 years beyond their current 2010 expiration date.
- Complementing a \$75 million SMDC expansion already underway, the Sheraton Grand Duluth project will help anchor other on-going projects, stimulate additional downtown redevelopment, and boost the city's tax, economic, and employment base.