

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
Wednesday, April 21, 2010 - 6:00 p.m.
Room 303, City Hall**

MINUTES

- Call To Order:** The April 21, 2010, meeting of DEDA was called to order by President Heino at 6:00 p.m.
- Present:** Jeff Anderson, Nancy Aronson Norr, Tony Cuneo, Todd Fedora, John Heino, Don Monaco, Christine Townsend
- Others Present:** Bob Asleson, Joan Christensen, Terri Fitzgibbons, Alessandro Guilliani (Pier B, LLC, and Clyde Industrial Park), Keith Hamre, Brian W. Hanson, Sanford Hoff (Pier B, LLC), Pam Kramer (LISC), Mark McShane, Mayor Don Ness, Steve Overom, Kevin Scharnberg, Mary Frances Skala, Kristi Stokes (Greater Downtown Council), Chris Swanson (Pure Driven), Heidi Timm-Bijold

APPROVAL OF MINUTES: March 17, 2010. Accept as written. Vote: Unanimous (7-0)

PUBLIC HEARINGS

- 1. RESOLUTION 10D-12: RESOLUTION APPROVING A PROJECT BY SAINT-HILLTOPPERS ARENA, INC., UNDER MINNESOTA STATUTES, SECTION 469.152 THROUGH 469.165, AND APPROVING A JOINT POWERS AGREEMENT**

No Public Input

RESOLUTIONS FOR APPROVAL

NEW BUSINESS

- 1. RESOLUTION 10D-12: RESOLUTION APPROVING A PROJECT BY SAINT-HILLTOPPERS ARENA, INC., UNDER MINNESOTA STATUTES, SECTION 469.152 THROUGH 469.165, AND APPROVING A JOINT POWERS AGREEMENT**

Discussion: Overom stated an expansion of the arena has required them to request a joint powers agreement between the Hermantown Economic Development Authority and the Duluth Economic Development Authority. The hockey arena has been a community asset since its inception.

Vote on Resolution 10D-12: Passed Unanimously (7-0)

Motion and second to hear discussion item prior to remaining resolutions for approval; motion and second to hear Resolutions 10D-20 and 10D-21 prior to other Resolutions.

DISCUSSION: ST. LOUIS COUNTY DEPOT DEVELOPMENT PROJECT

Hamre stated this is a joint project between the City and St. Louis County. Eric Stoller of St. Louis County Planning presented the Depot development project to the DEDA. Norr asked if the study included costs for a new, working rail station, and Stoller confirmed it did. Monaco asked about prioritization of phases. Stoller stated the first step is to gain historic preservation status for the facility, and the second step is environmental analysis.

NEW BUSINESS (CONTINUED)

2. RESOLUTION 10D-20: RESOLUTION AUTHORIZING AGREEMENT WITH TEMPLECORP, INC., FOR THE PURCHASE OF THE TEMPLE OPERA, NORSHOR THEATER, AND NORSHOR ANNEX BUILDINGS IN AN AMOUNT NOT TO EXCEED \$2,600,000

Staff: Ness announced a summary judgment has been issued in the City's favor regarding the Fond Duluth Casino. Ness stated attempts over the past ten years to rehabilitate the Norshore Theater have not succeeded. This resolution represents an opportunity for the theater to become the crown jewel of our historic downtown. The question of value of the buildings is an important issue, and the amount of \$2.6 million is comparable to square footage value of surrounding property sale prices. A full appraisal has not been conducted. The City does have a contractual obligation to connect the Skywalk system from downtown to the medical district, and this purchase will facilitate the Skywalk connection. Ness stated the agreement must be approved by April 30, 2010, to remain valid.

Hanson referenced the fine quality and existing renovation of the three buildings, particularly the Temple Opera Building. Hanson reviewed the funding sources and specified TIF District 4 funds will be structured as a loan per state statute.

Discussion: Norr asked if the Storefront Loan Program funds will be replenished, and Hanson confirmed they will be. Fedora asked about the Skywalks. Ness stated the purchase agreement stipulates the historic integrity of the buildings will be preserved and that Skywalk access will be established. Fedora asked how the Skywalks will be funded. Ness stated negotiations with the Casino will hopefully lead to a funding agreement for the Skywalk without requiring debt. Fedora questioned the use of eminent domain, which Ness emphasized is a last resort for Skywalk construction.

McShane stated according to LHB Engineers and Architects the alternative Skywalk plan would cost an additional \$2.5 million as a preliminary estimate. Monaco asked about how monies will be directed after the sale, and Hanson stated the laws regarding TIF allow DEDA flexibility regarding how the TIF loan and Storefront Program will be repaid. Monaco asked the

future intent for the property. Ness stated once the City's needs are met at the Temple Opera Building it would be prudent to sell to a private party at which time the loan could be repaid. If the theater is owned by the DEDA, the building is eligible for funding sources which a private owner would not be entitled to. Hanson indicated the historic downtown has been identified as a high priority project during long term strategic visioning sessions with DEDA commissioners and staff.

Fedora asked about operating expenses. Hanson stated DEDA would incur extensive costs if an alternate Skywalk plan were needed. Fedora asked about environmental liability. Ness stated a 2005 assessment indicates only a small quantity of asbestos exists and is in fair condition. Lead paint is likely to exist in the theater.

Heino asked about the ownership transition and confirmed state bonding opportunities would not be available until 2012. Ness stated the first step would be an agreement with an arts organization and to establish a strategy for an 18-month capital campaign. Ness indicated the greatest amount of support from the legislature is typical with projects that also have private support.

Vote on Resolution 10D-20: Passed 6-1 (Fedora Opposed)

3. RESOLUTION 10D-21: RESOLUTION AUTHORIZING LOAN OF \$2.6 MILLION FROM VARIOUS FUNDS TO FUND 865 TIF DISTRICT NO. 22 AND ESTABLISHING TERMS THEREOF

Vote on Resolution 10D-21: Passed 6-1 (Fedora Opposed)

Commissioner Cuneo left the meeting at 7:18 p.m.

4. RESOLUTION 10D-13: RESOLUTION GRANTING SECOND EXTENSION OF CONSTRUCTION COVENANT WITH AMERICAN ENGINEERING AND TESTING

Staff: Timm-Bijold stated in 2006 the City approved AET for the JOBZ program. The DEDA approved the property sale for \$185,000. The development agreement has building and job requirements which have not yet been met due to the economy. A request for an additional one-year extension to initiate construction has been made for this reason.

Vote on Resolution 10D-13: Passed Unanimously (6-0)

5. RESOLUTION 10D-14: RESOLUTION AUTHORIZING AN AGREEMENT WITH JERRY HOOVER FOR THE PLACEMENT AND OPERATION OF A VENDING WAGON IN THE CANAL PARK LOT

Staff: McShane stated this resolution authorizes the extension of an existing lease. The Hoover's have been operating in Canal Park for over ten years, and this new agreement has been slightly revised to reflect updated insurance requirements and increased electrical costs. The Hoover's are good ambassadors of Duluth and the Canal Park area.

Vote on Resolution 10D-14: Passed Unanimously (6-0)

6. RESOLUTION 10D-15: RESOLUTION AUTHORIZING INTERIM LOAN AGREEMENT AND NOTE WITH CLYDE INDUSTRIAL PARK, INC.

Staff: Hamre stated this revitalization project has a number of funding sources including new market tax credits. The lender has been unable to continue financing the project and this interim loan is being sought to complete the project. The loan is at market rate for \$500,000 for nine months with a 1% origination fee. A first secured collateral position on the hotel site is securing the loan, which is valued at \$770,000.

Discussion: Norr asked if the hotel financing package was reviewed by staff or if the due diligence from Beacon Bank is being relied upon. Hamre stated the bank partner has looked at the financing package, and staff has full confidence in this loan. Fedora asked if there is a firm commitment letter. Guiliani stated there is not a firm commitment letter. Hamre stated we are confident in the developer going forward with the hotel and feels this is an appropriate role for DEDA. Guiliani has invested \$12 million private dollars into this project, including the public project of the Heritage Sports Center. Guiliani stated new market tax credits could not be attached to the hotel, and the new market tax credits do not allow an alternate lender. The hotel will be built and projections indicate it will be a success. Guiliani stated they have chosen not to franchise the hotel. Norr asked for a copy of the due diligence letter and made a motion to table; Fedora seconded. Guiliani stated every month of waiting costs him \$80,000. Anderson made a motion to approve which was seconded by Monaco.

Vote on Resolution 10D-15: Passed 4-2 (Norr, Fedora Opposed)

7. RESOLUTION 10D-16: RESOLUTION AUTHORIZING CONDITIONAL OPTION AGREEMENT WITH PIER B HOLDING LLC FOR THE PIER B PROPERTY IN BAYFRONT

Staff: Timm-Bijold stated an option agreement for the purchase of Lot C, adjacent to the LaFarge Cement Plant, has been requested by the developers and is recommended by staff. The option will aid in crafting a concept to bring a development agreement to the DEDA for Bayfront.

Discussion: Anderson confirmed the property of Lot C, which is legally described within an exhibit of the agreement. The deadline of October 31, 2010, to exercise the option was discussed, and Timm-Bijold indicated the short timeline was requested by the developers.

Monaco is in favor of considering this area as a whole piece of property but wishes there were a conceptual map to illustrate the development. Timm-Bijold stated this resolution is regarding the process of the development and gives confidence to investors to develop a plan. The timeframe will allow us to learn more about the site and where specific attractions or structures should be located.

Hoff stated to assemble a comprehensive plan he needs to know if this land can be included in the development. He and his investors are trying to understand what they have the potential to develop, and the parcels as a whole would be the most beneficial to everyone.

Vote on Resolution 10D-16: Passed Unanimously (6-0)

8. RESOLUTION 10D-17: RESOLUTION COMMITTING DEDA TO PROVIDE \$370,000 IN MATCHING FUNDS TO CITY FOR ATLAS CEMENT SITE DEED GRANT

Staff: Timm-Bijold stated a grant from the state was awarded and this resolution commits DEDA to provide matching funds for the Atlas Cement site. The source of monies is the Storefront Loan Program with the concept that future occupants would repay DEDA at which time the Storefront Loan Program fund would be replenished. The resolution contains a provision that an alternate source could be utilized if necessary.

Vote on Resolution 10D-17: Passed Unanimously (6-0)

9. RESOLUTION 10D-18: RESOLUTION AUTHORIZING A PROFESSIONAL SERVICES AGREEMENT WITH PURE DRIVEN TO ASSIST WITH THE SECOND PHASE OF THE CITY OF DULUTH GOOGLE EFFORT IN AN AMOUNT NOT TO EXCEED \$18,000

Staff: Hanson stated the City's application process for the Google effort has been considered Phase One. Pure Driven contracted with APEX during this phase to provide services. In Phase Two, the focus is to maintain momentum and keep the community engaged which Pure Driven would coordinate. The other component would include planning a site visit by Google to Duluth.

Vote on Resolution 10D-18: Passed Unanimously (6-0)

10. RESOLUTION 10D-19: RESOLUTION AUTHORIZING A CONTAMINATION INVESTIGATION AND RESPONSE ACTION PLAN (RAP) DEVELOPMENT GRANT APPLICATION IN THE AMOUNT OF \$46,500 TO THE MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT RELATING TO THE BAYFRONT LAND SITE BETWEEN SLIPS 2 & 3 AND COMMITTING A LOCAL MATCH IN THE AMOUNT OF \$15,500

Staff: Timm-Bijold stated the area of consideration for this grant is land between Slips 2 and 3 in Bayfront to investigate for potential contamination. The property includes land currently controlled by Pier B LLC as well as Lot C which Pier B has an option on purchasing.

Discussion: Norr asked if this can be done on behalf of private parties, and Timm-Bijold confirmed. Timm-Bijold stated the local match is split among the stakeholders, with DEDA's portion from TIF District 4.

Vote on Resolution 10D-19: Passed Unanimously (6-0)

ADJOURNMENT: President Heino adjourned the April 21, 2010, meeting of the DEDA at 8:22 p.m.

Respectfully submitted,

A handwritten signature in blue ink that reads "Brian W. Hanson". The signature is written in a cursive style and is positioned above a horizontal line.

Brian W. Hanson
Executive Director

tmf