

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
Wednesday, May 19, 2010 - 6:00 p.m.
City Council Chambers, City Hall**

MINUTES

- Call To Order:** The May 19, 2010, meeting of DEDA was called to order by President Heino at 6:00 p.m.
- Present:** Jeff Anderson, Nancy Aronson Norr (*arrived at 6:53 p.m.*), Tony Cuneo, Todd Fedora, John Heino, Don Monaco, Christine Townsend
- Others Present:** Bob Asleson, Joan Christensen, Cheryl Erickson (Consultant to DNR), Terri Fitzgibbons, Brian W. Hanson, Sanford Hoff (Pier B, LLC), Peter Passi (Duluth News Tribune), Kevin Scharnberg, Heidi Timm-Bijold

APPROVAL OF MINUTES: April 21, 2010. Accept as written. Vote: Unanimous (6-0)

DISCUSSION

1. BAYFRONT DEVELOPMENT – Sandy Hoff presented an overview of the proposed project at Bayfront, including historical background and an introduction to the project which is in the concept phase. Next Timm-Bijold stated the recently approved small area plan changed this land to Mixed Use Waterfront Commercial zoning. Timm-Bijold reviewed grants and other funding sources for the transient boat facility and environmental assessments. Cheryl Erickson stated the DNR has been interested in creating a transient boat facility in Duluth for years. Hoff reviewed the concept plan and emphasized the importance of making the development remarkable due to the remarkable nature of the site.

Fedora asked about the cost and funding sources. Hoff stated Phase I which will be hotel and entertainment is estimated to cost between \$25 to \$35 million with retail venues adding an additional \$10 million. The completed project could total from \$100 to \$150 million. Hoff stated private funding has been adequate to-date and developers are relying on the economic conditions to improve within the year. Monaco suggested creative financing options be explored sooner than later. Hoff concurred and cited some examples of seeking opportunities for infrastructure funding. Timm-Bijold emphasized the public-private partnership will be taken into consideration prior to the October 30, 2010, option deadline.

2. FORMER NWA MRO MARKETING STRATEGY – Hanson reviewed the historical background and current activities of the MRO facility located at the Duluth International Airport as well as DEDA's budget for this facility. Hanson stated a group has been formed to discuss the marketing strategy and develop a process to determine the best use. Heino asked if staff has any organizations in mind for marketing due to the uniqueness of the facility. Hanson stated Brian Ryks, Executive Director of the Duluth Airport Authority, will be a key resource in selecting the marketing organization.

RESOLUTIONS FOR APPROVAL

NEW BUSINESS

1. RESOLUTION 10D-22: RESOLUTION AUTHORIZING LEASE TERMINATION AGREEMENT WITH THE JET COMPANY AND CIRRUS DESIGN CORPORATION

Staff: Hanson stated Cirrus currently employees approximately 400 staff in Duluth and moved out of the MRO facility last September as a result of the economic downturn. The City of Duluth and DEDA want to keep Cirrus in Duluth; this agreement will protect our long term interest of economic growth.

Discussion: Anderson asked for a review of the dollar amounts in the agreement. Hanson stated the original lease was for 25 years beginning in 2007. A portion of the monthly \$25,000 rent was to be paid to the Duluth Airport Authority. The amount of \$37,500 would be paid to DAA to make them whole. The remainder would be paid back to DEDA in the form of a loan. Cuneo's concern is with future job growth and the risk of default five years from now. Hanson stated he and Bill King agree the loan should be repaid unless a material increase in excess of 10% is met. If Cirrus were to move out of the area the loan would be due immediately. Hanson believes Cirrus will meet the terms of the agreement. Heino noted there is no specific quantitative growth criteria in the agreement. Hanson stated the approach of using multiple criteria including employee growth, tax base, production space, and auxiliary operations was agreed upon. Fedora asked if the City of Duluth has collected a 1% sales tax on Cirrus sales. Hanson will research this and provide information to Commissioners at a later time.

Monaco stated his perspective is that if Cirrus remains viable they will have the ability to pay the loan due to the relatively small dollar amount. Monaco asked for clarification regarding the incentive based assistance. Hanson stated St. Louis County was involved in the lease agreement regarding tax abatement, and the City of Duluth was involved regarding expansion costs.

Anderson asked for clarification regarding loan forgiveness, and Hanson confirmed the conditions listed in the agreement need to be ongoing at the end of the five year term. Heino asked if this agreement is subject to City Council approval; Hanson confirmed it is.

Vote to Approve Resolution 10D-22: Passed Unanimously (6-0)

2. RESOLUTION 10D-23: RESOLUTION AMENDING AND APPROVING THE 2010 DEDA BUDGETS

Staff: Hanson stated amending the DEDA budget is an annual update to reflect actual activity that has occurred for a more accurate reflection. Scharnberg reviewed highlights of the *Duluth Economic Development Authority May 19, 2010, Minutes*

budget. Hanson stated a new feature is the fixed asset list. He also noted budget numbers are unknown at this time for the Norshor and Temple buildings. Hanson suggested a budget workshop for DEDA commissioners.

Commissioner Norr arrived at the meeting at 6:53 p.m.

Discussion: Monaco asked about the increased budget for the MRO facility. Hanson stated during the first nine months of 2009 Cirrus had been paying for many of these expenses which are now paid by DEDA.

Vote to Approve Resolution 10D-23: Passed Unanimously (7-0)

3. RESOLUTION 10D-24: RESOLUTION AUTHORIZING A SECOND AMENDMENT TO THE AGREEMENT FOR PROFESSIONAL SERVICES WITH BARR ENGINEERING COMPANY RELATED TO ENVIRONMENTAL PROJECT WORK AT THE FORMER ATLAS CEMENT PLANT SITE

Staff: Timm-Bijold stated this is the second amendment to an agreement with Barr specifically for the Ikonics project, which was completed significantly under budget. This dollar amount will aid in completing the project as well as to consult with Barr regarding specific issues surrounding this site.

Vote to Approve Resolution 10D-24: Passed Unanimously (7-0)

4. RESOLUTION 10D-25: RESOLUTION AUTHORIZING AN AGREEMENT FOR PROFESSIONAL SERVICES WITH BARR ENGINEERING COMPANY RELATED TO DEDA-OWNED PROPERTY AT BAYFRONT

Staff: Timm-Bijold stated this agreement is for a supplemental Phase II contamination investigation at Bayfront's Lot D which is the site of the proposed transient boat facility.

Vote to Approve Resolution 10D-25: Passed Unanimously (7-0)

5. RESOLUTION 10D-26: RESOLUTION AUTHORIZING AN AGREEMENT FOR PROFESSIONAL SERVICES WITH AMI CONSULTING ENGINEERS P.A. RELATED TO DEDA-OWNED PROPERTY AT BAYFRONT

Staff: Timm-Bijold stated this agreement is for technical assessment such as geotechnical evaluation, land and bathymetric surveys, topography, and seawall evaluation.

Discussion: Norr asked for the typical DEDA match amount for such a grant. Timm-Bijold stated the DEDA would contribute up to \$10,000; the DNR will also be contributing funds in the amount of up to \$40,000. Monaco asked if the same work is required on Lot C. Timm-Bijold stated Pier B Holdings already had some of this work done on their land; however, more work is required. A contamination assessment grant has been applied for which would include the entire LaFarge site plus Lot C. Monaco asked if this work is only for Lot D, and Timm-Bijold confirmed so except for some bathymetry for Lot C requested by the DNR.

Vote to Approve Resolution 10D-26: Passed Unanimously (7-0)

6. RESOLUTION 10D-27: RESOLUTION AUTHORIZING A SHORT TERM LEASE AGREEMENT WITH INFORMATION SYSTEMS LABORATORIES, INC., FOR A PORTION OF THE MRO FACILITY AT DULUTH INTERNATIONAL AIRPORT

Vote to Table Resolution 10D-27: Passed Unanimously (7-0)

ADJOURNMENT: President Heino adjourned the May 19, 2010, meeting of the DEDA at 7:13 p.m.

Respectfully submitted,



Brian W. Hanson
Executive Director

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