

**MEETING OF THE  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
Wednesday, April 24, 2019 – 5:15 P.M.  
COUNCIL CHAMBERS, THIRD FLOOR, CITY HALL**

**MINUTES**

- Call To Order:** The April 24, 2019 meeting of DEDA was called to order by President McShane at 5:18 p.m.
- Present:** Matt Cartier, Zack Filipovich, Noah Hobbs, Nancy Aronson Norr  
Tim McShane, Barb Russ
- Others Present:** Bob Asleson, Amanda Auvinen, Lori Davey, Jason Hale, Keith Hamre, Brian Forcier, Chad Ronchetti, Kevin Scharnberg
- Absent:** Craig Chilcote

**PUBLIC TO ADDRESS THE COMMISSION**

**PUBLIC HEARINGS**

1. **RESOLUTION 19D-12: RESOLUTION AUTHORIZING AN AGREEMENT FOR THE SALE AND REDEVELOPMENT OF THE TEMPLE OPERA BUILDING AT 201-205 EAST SUPERIOR STREET WITH TITANIUM PARTNERS LLC.**

This resolution is for the sale and redevelopment of Temple Opera building. (Mr. Hamre)(Mr. Hale) briefly reviewed the proposed project. The Temple Opera sales price was revised and corrected to \$450,000 instead of \$426,000. President McShane invited public comment. No member of the public addressed the Commission. President McShane closed the public hearing.

**5:19 p.m. Commissioner Cartier joined the meeting.**

**APPROVAL OF MINUTES:** March 27, 2019. Accepted as written. Vote: Unanimous Filipovich/Norr (6-0)

**APPROVAL OF CASH TRANSACTIONS- March 1, 2019 – March 31, 2019**

Mr. Hamre stated there are no transactions that are out of the ordinary and after the sale of the Temple Opera that there will be a significant reduction in the number of transactions on the cash transactions register.

**Vote to Approve Cash Transactions:** Passed Unanimously. Filipovich/Cartier (6-0)

## **NEW BUSINESS**

### **RESOLUTIONS FOR APPROVAL**

**1. RESOLUTION 19D-12: RESOLUTION AUTHORIZING AN AGREEMENT FOR THE SALE AND REDEVELOPMENT OF THE TEMPLE OPERA BUILDING AT 201-205 EAST SUPERIOR STREET WITH TITANIUM PARTNERS LLC.**

**Staff:** Jason Hale gave a brief overview of the acquiring of the Temple Opera building and how DEDA got to the agreement for the sale of the building. DEDA will contribute up to \$70,000 for the vapor mitigation system install in the basement of the Building by the Developer. Brian Forcier from Titanium Partners talked about his vision for the Temple Opera space. Titanium Partners plans to include family friendly entertainment on the first floor and improve the skywalk. Office users will be in the building for now and work will start as soon as they are approved and able to do so.

**Discussion:** Commissioner Filipovich inquired about the construction timeline for the project. Mr. Forcier expected to begin outside renovations at the end of the Superior Street construction project. The entire process should take no longer than 18 months.

**Vote to Approve Resolution 19D-12:** Passed Unanimously. Filipovich/Cartier (6-0)

**2. RESOLUTION 19D-13: RESOLUTION AUTHORIZING AN AGREEMENT WITH JAMAR COMPANY FOR REPAIR OF THE MRO BUILDING IN THE AMOUNT OF \$229,695.00.**

**Staff:** Hamre explained that this is the second phase of repairs, which includes some wall repair for the MRO building. Mr. Ronchetti explained that water currently seeps into office spaces, the hangar, and into stairwells. We have a fund from AAR's rental income from 2018 available for building repair and maintenance. DEDA had budgeted up to \$400,000 for this work to be safe and the project bids came in way under.

**Discussion:** No discussion.

**Vote to Approve Resolution 19D-13:** Passed Unanimously. Filipovich/Russ (6-0)

**3. RESOLUTION 19D-14: RESOLUTION AUTHORIZING A THIRD AMENDMENT TO THE FORGIVABLE LOAN AGREEMENT WITH PALADIN PROPERTIES, LLC RELATED TO THE WEST THEATER CENTER FOR THE ARTS**

**Staff:** Hamre explained this project has had some financial challenges and that this project will be complete by December 31, 2019. Jason Hale explained that the project was significantly over budget and that halted construction. Paladin Properties has been working to restructure their loans. The primary lender has a stipulation that Kraus Anderson be the general contractor of this project to keep it on budget. Norr asked who the primary financial lenders are. Those include the Entrepreneur Fund, ARBC, Park State Bank. DEDA funds are invested in the project

**Discussion:** No discussion.

**Vote to Approve Resolution 19D-14:** Passed unanimously. Filipovich/Norr (6-0)

**4. RESOLUTION 19D-15: RESOLUTION AUTHORIZING A SECOND AMENDMENT TO THE BRIDGE LOAN PROMISSORY NOTE, C.I.F. BRIDGE LOAN AGREEMENT, AND MORTGAGE LOAN RIDER EXTENDING THE MATURITY DATE OF THE LOAN RELATED TO THE ARTSPACE PROJECT**

**Staff:** Mr. Hamre explained this was an older project that was sponsored by DEDA in 1996. The ArtSpace project is located in the former Washington School. The note became due January 1, 2019. Artspace is currently reevaluating their loan profile and is requesting an extension of the maturity date to January 1, 2024. The note will become due in full.

**Discussion:** Commissioner Norr asked why Artspace was not able to pay in full by January 1 of this year. The extension is being requested because the project has been putting net revenues back into the project to make sure the building is viable. Commissioner Hobbs asked what would happen if the MN Housing Finance Agency missed the submission deadline for submission for tax increment. ArtSpace is looking to have the application put together before the end of the year and 4% tax credits are available all year round so there would be no deadline.

**Vote to Approve Resolution 19D-15:** Passed unanimously. Filipovich/Cartier (6-0)

**5. RESOLUTION 19D-16: RESOLUTION AUTHORIZING THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY TO ENTER INTO A THIRD AMENDED AND RESTATED MASTER SUBORDINATION AGREEMENT REGARDING THE WASHINGTON SCHOOL PROJECT**

**Staff:** Hamre explained the primary lender is TCF Bank. DEDA's first loan is in 2<sup>nd</sup> position. DEDA's second loan is in 3<sup>rd</sup> position. This resolution extends the time period and does not change the priority order of the loan subordination.

**Discussion:** Commissioner Norr asked about if they are going to try to refinance the larger loans and if loan balances have been paid down. Kevin Scharnberg explained that the first \$419,000 was paid off by TIF funds in 2017. There was some discussion about current outstanding balances for this project.

**Vote to Approve Resolution 19D-16:** Passed unanimously. Cartier/Filipovich (6-0)

#### **6. RESOLUTION 19D-17: RESOLUTION AMENDING AND APPROVING THE DEDA 2019 BUDGETS**

**Staff:** Kevin Scharnberg reviewed the 2019 Budget with Commissioners. Some adjustments were made as some larger items were coming off the book and the MRO requisition, which was, originally for \$400,000, came in much lower (\$239,000).

**Discussion:** Filipovich asked about the \$350,000 amount listed on the budget for the Temple Opera. The number should be \$450,000 on budget.

**Vote to Approve Resolution 19D-17:** Passed unanimously. Filipovich/Cartier (6-0)

### **DISCUSSION**

#### **DIRECTOR'S REPORT**

The US Steel/Mud Lake workshop has been postponed, but it is important for DEDA to track for future projects. The LSC land swap may be on the next DEDA agenda and a new lease for AAR is in the works (MRO Facility). Mr. Hamre has been in court over the Pastoret building. President McShane asked about status of Lester Park. City staff is going to be meeting with city council in May with recommendations.

**ADJOURNMENT:** President McShane adjourned the April 24, 2019 special meeting of the DEDA at 6:14 p.m.

Respectfully submitted



Keith Hamre  
Executive Director  
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