

**REGULAR MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
WEDNESDAY, SEPTEMBER 27, 2023 – 5:16 P.M.
COUNCIL CHAMBERS-CITY HALL
MINUTES**

Present: Matt Cartier, Ellie Just, ChaQuana McEntyre, Roz Randorf, Terese Tomanek

Absent: Arik Forsman, Connor Randall

Others Present: Amanda Anderson, Chad Ronchetti, Jean Coleman, Adam Fulton, Mia Thibodeau, Tricia Hobbs, Angie Stier

CALL TO ORDER: The September 27, 2023 regular meeting of DEDA was called to order by President McEntyre at 5:16 p.m.

PUBLIC TO ADDRESS THE COMMISSION

No Comments.

PUBLIC HEARINGS

RESOLUTION 23D-39: RESOLUTION APPROVING THE ISSUANCE AND SALE OF HEALTH CARE FACILITIES REVENUE BOND, SERIES 2023 (BENEDICTINE HEALTH SYSTEM)

Mia Thibodeau, bond counsel to DEDA, presented some information about the conduit borrowing. Benedictine operates a number of senior living facilities across Minnesota, including Duluth. In 2021, DEDA issued conduit bonds which allowed Benedictine to do a major financial restructuring and the formation of an obligated group. Three members of the obligated group are now proposing to undertake improvements. The request is for DEDA to issue bonds that would allow for the financing of those improvements. The improvements are located in facilities in New Brighton, Hastings, and Winona. The proposed amount of the borrowing is \$16 million and as a conduit bond obligation, DEDA would not be liable for any payment of the bond, nor would the bond encumber any of the property of DEDA. The proposed not to exceed of the bond is \$16 million. Commissioner Tomanek asked how the resolution would relate to Duluth. MN Statute 469 allows DEDA to finance properties around the state that have a connection (there is no nexus requirement in the statute). Benedictine operates a facility here in Duluth. Commissioner Tomanek's follow up question was why DEDA would want to support this resolution and issuance of bonds. Mia Thibodeau provided this supports an organization that does business in Duluth and there are revenues associated—DEDA charges an administrative fee of one quarter of 1% of the principal amount of the bond. There are very little risks as DEDA is not liable in any way.

APPROVAL OF MEETING MINUTES

July 26, 2023 MEETING MINUTES

No comments.

Vote to approve July 26, 2023 Meeting Minutes: (Randorf/Cartier) Vote: Passed (5-0)

APPROVAL OF CASH TRANSACTIONS

AUGUST 1, 2023 TO AUGUST 31, 2023

Adam Fulton provided reference to a few items on the cash transactions report. There is the transfer related to the Cirrus deal (tax abatement), part of the deal that related to the transfer of the MRO, and now the Cirrus Incubator facility—that was a \$60,000 payment. The Interstate Parking revenues payment came in on August 16, 2023. The TIF payments out of fund 861 happen twice a year. The City receives the funding, passes it through to DEDA and DEDA makes the disbursements, which happened on August 4th. The Finance office very closely tracks the TIF districts for consistency with the TIF plan, the state statutes and applicable accounting standards. Commissioner Cartier inquired on the frequency of payments from Interstate Parking. Mr. Fulton was unsure on the frequency and the amount varies. There are also disbursements to provide for parking lot maintenance and upkeep.

Vote to approve cash transactions-August 1, 2023 to August 31, 2023: (Cartier/Tomanek) Vote: Passed (5-0)

NEW BUSINESS

RESOLUTIONS FOR APPROVAL

RESOLUTION 23D-38: RESOLUTION APPROVING CHAD RONCHETTI AS EXECUTIVE DIRECTOR

Vote to approve resolution 23D-38: (Tomanek/Randorf) Vote: Passed (5-0)

RESOLUTION 23D-39: RESOLUTION APPROVING THE ISSUANCE AND SALE OF HEALTH CARE FACILITIES REVENUE BOND, SERIES 2023 (BENEDICTINE HEALTH SYSTEM)

Adam Fulton thanked Mia Thibodeau for giving a presentation and for being present. The preparation of all the bond documents and this resolution was all reviewed by DEDA's in house Counsel, Jean Coleman, but prepared by Fryberger. The Fryberger work does not come as a cost to DEDA. These are pass through bonds provided for in state law. DEDA has frequently participated in bond issuances that have projects that are elsewhere. Some of the more recent bond issuances would be Essentia Health Systems and St. Luke's. Health institutions are a qualifying entity under the law to do this type of bond issuance and there are community benefits. Mia Thibodeau added a note around extra jurisdictional financing of projects-there is a specific state statute that requires the host cities approve the financing. The cities of New Brighton, Hastings, and Winona will all have to approve.

Vote to approve resolution 23D-39: (Randorf/Just) Vote: Passed (5-0)

RESOLUTION 23D-40: RESOLUTION AUTHORIZING THE ACQUISITION OF CERTAIN REAL PROPERTY IN THE DOWNTOWN DISTRICT FROM THE CITY OF DULUTH

Chad Ronchetti provided background. Titanium Partners, Brian Forcier, has acquire the Ordean building in the downtown, directly across from Maurices. The City of Duluth, on Monday night, approved the sale of the plaza to DEDA, for DEDA to approve the sale to Brian Forcier. Mr. Forcier will operate this as a

private plaza for the Ordean building. He is looking to do 37-40 units of adaptive reuse housing. Converting from office into residential units. He intends to put retail on the first and second floor and the plaza would be a complimentary use to those retail spaces. The plaza currently is underutilized and not maintained. It is considered City land and not park land. The land was appraised at \$27,500 and that value is low compared to what St. Louis County's taxable value was. There are restrictions on the use of the land—it will not allow for the construction or parking of vehicles on this lot and

Vote to approve resolution 23D-40: (Cartier/Randorf) Vote: Passed (5-0).

RESOLUTION 23D-41: RESOLUTION APPROVING THE CONVEYANCE OF THE NORSHOR THEATRE AND NORSHOR ANNEX PROPERTY FROM NORSHOR THEATRE, LLC, TO DULUTH PLAYHOUSE, INC., SUBJECT TO A 2016 DEVELOPMENT AGREEMENT AND TWO LOANS.

Adam Fulton provided this project was initiated by administration and Sherman Associates with the partnership of the Duluth Playhouse. The agreements as adopted did require the board to review the transfer and staff have reviewed the terms which have been satisfied and are consistent with the original project as envisioned. Commissioner Cartier asked if the loans were paid off. The intent is for assignment of any remaining outstanding debt and any other obligations.

Vote to approve resolution 23D-41: (Randorf/Tomanek) Vote: Passed (5-0).

DISCUSSION

Angie Stier provided an update on the Small Business Marketing Match program. Angie took over the project right after she started with the City. The opening date for accepting applications was July 24, 2023 and the round was open for a month. There were very few applications so staff decided to extend the timeline for an additional month (new deadline was September 24, 2023). 21 applications in total came in. A review panel went over the applications for program eligibility. Those that are eligible will be contacted in early October and they will be awarded reimbursable grant funds. The deadline for reimbursement is December 1, 2023. With proof of purchase and payment, the grantees will be provided with up to \$5,000 in reimbursable funds. Of the 21 total applications, 3 of the applications were ineligible and 7 were non-profits. The businesses that applied were typically service, retail and tourism focused. Most partnered with a marketing agency. The projects were primarily digital, signage and print. Half of the applications were in core investment areas and 4 of the applications were for minority owned businesses. Second round may be early spring so it is ready for the summer season. The reason for the ineligibility of the 3 applications was: one was located in Hermantown, one was in business less than six months and the last one needed more information.

Adam Fulton reviewed the paper memo that was at the Commissioners seats. Staff is working with the Finance office to close out Fund 866. One of Director Fleege's significant accomplishments was to achieve the sale of the MRO building to Cirrus Aircraft. DEDA no longer owns an MRO building and the fund is no longer needed.

Chad Ronchetti covered some budget items. Fund 866 is closed. The leftover \$345,000 from Fund 866 will roll over into Fund 860. Fund 861 is a pass through from TIF. Fund 865 is a capital fund—money is deposited from decertification of TIF districts which then can only be spent in the associated district. The sale of the MRO building was \$3.4+ million and DEDA was a pass through for some ARPA fund for housing. Commissioner Randorf asked about the 2024 budgets and if the numbers were estimates. The revenue numbers for 2024 are a forecast and it is difficult to predict. Commissioner Cartier inquired on the \$3.4 million from the sale of the MRO and what happens with it. The \$3.4 million was previously, by DEDA action, moved into the Broadband fund held by the City. The \$3.4 million, by council resolution, is being reallocated for other purposes with \$800,000 being returned to DEDA into the operating fund. Commissioner Randorf stated the Council was looking at an increase for fire, a market adjustment of 8%. \$500,000 is allocated to the Stepping on Up program. About \$150,000 is for the needle/encampment fund. There is a snow/sidewalk removal proposal. After all is said and done approximately \$864,000 will be returned back to DEDA. Commissioner Tomanek inquired about the \$30,000 to Lake Superior College for LSC Flats since there was another extension. Adam Fulton added staff has been discussing the agreement and the dates and tracking that closely. There was a bit of a land swap to effectuate the transfer. Commissioner Tomanek further inquired on the specifics of the timeline extension. Resolution 23D-29 extended the construction dates: commencement of construction was to be no later than September 30, 2024. Construction completion was extended to December 31, 2026.

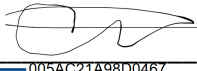
Expenditures of training and travel and marketing and advertising are significantly increased. Director Ronchetti noted training will be a priority and there has been significant turnover. Training for newer staff and more senior staff to continue furthering their knowledge. DEDA has always done marketing and staff is thinking about some more strategic advertising, but nothing is buttoned up at this point. President McEntyre asked that while DEDA is spending dollars, she would like to see the Authority spending dollars locally building the community up.

Commissioner Randorf asked if there was an update surrounding the Esmond building. Director Ronchetti added The Urbane project (which has an ARPA allocation) is stalled out. The forecasted restart date is mid-October. It stalled out due to some financing issue and some mechanical design finalization. Discussions are occurring around how to winterize the building.

No current updates on the Pastoret from staff. Legal counsel Jean Coleman stated that mediation was proposed by the Judge and the mediator selection process is occurring.

9. ADJOURN: President McEntyre adjourned the September 27, 2023 meeting of DEDA at 6:01 p.m.

Respectfully submitted,

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Chad Ronchetti- Executive Director