

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
Monday, April 6, 2009 - 5:00 p.m.
City Council Chambers, 3rd Floor City Hall**

Call To Order: The April 6, 2009, meeting of DEDA was called to order by President Stauber at 5:00 p.m.

Present: Jeff Anderson, Tony Cuneo, Gary Eckenberg, Todd Fedora, Jay Fosle, Sharla Gardner, Greg Gilbert, Garry Krause, Jim Stauber

Others Present: Tom Cotruvo, Kevin Scharnberg, Bob Asleson, Joan Christensen, Terri Fitzgibbons, Gunnar Johnson, Craig Samborski

APPROVAL OF MINUTES: March 2, 2009. Fosle/Gardner to accept as written. Vote: Unanimous

RESOLUTIONS FOR APPROVAL

NEW BUSINESS

1. RESOLUTION 09D-16: RESOLUTION AUTHORIZING PURCHASE OF CARD READER FOR LAKE CITY LOT IN CANAL PARK TO LEASE SPACES ON MONTHLY BASIS.

Staff: Cotruvo stated this resolution would allow for contract parking spaces to be made available to employees of Canal Park businesses. The proposal was brought to Cotruvo by the Canal Park Merchants Association. Cotruvo stated this lot is not equipped for monthly parking without a card reader, and this resolution would provide for that. Up to 50 monthly parking spaces would be leased in this lot.

Discussion: Eckenberg asked the cost of monthly parking. Cotruvo stated it is a seasonal pass for \$213 plus tax for the entire summer season, which is approximately five months through October 15. Eckenberg asked how many total spaces are in the lot, and Cotruvo estimates there are 75 to 80 spaces. Cotruvo feels this arrangement would not negatively affect parking for tourists and other visitors. Eckenberg asked when kiosks and meters would be installed, and Cotruvo stated the City is attempting to complete this in time for this summer season. Stauber mentioned meters and kiosks will be installed to encourage employees to not park at meters, but the kiosk issue will come before the Council again and that meters will probably not be installed by summer. Eckenberg feels this is a very good rate for employees. Krause would like Cotruvo to follow up with an exact number of parking spaces in the lot.

Vote on Resolution 09D-16: Passed Unanimously (9-0)

2. RESOLUTION 09D-17: RESOLUTION AUTHORIZING THE ACCEPTANCE OF REIMBURSEMENT FROM THE CITY OF DULUTH OF 20% OF THE REPAYMENT THE CITY RECEIVES ON A WORK OUT AGREEMENT WITH SINEX AVIATION TECHNOLOGIES d/b/a EMPOWERMX.

Staff: Stauber stated the City of Duluth entered into an agreement with Sinex in which DEDA provided 20% of the funding. The contract did not develop as Sinex anticipated. Since DEDA contributed, Stauber felt DEDA should be reimbursed 20% of the amount paid back to the City.

Discussion: Gilbert asked where this business is now located and if the full amount will be paid in full. Stauber stated some of the amount will be paid back but not all of it. Cotruvo

stated Sinex moved their headquarters from Duluth to the Twin Cities within the past several months but that there are still employees of Sinex in the Duluth area. The work-out agreement between the City of Duluth and the developer in 2006 stipulated Sinex would pay back \$133,000 of the original amount of \$250,000. Cotruvo stated Sinex created 35 of the 75 required jobs. Cotruvo is aware of no requirement of Sinex other than paying the money back. Gilbert requests a copy of the resolution from 2006. Fedora asked if Sinex is current on their payments. Cotruvo stated the last payment was received in October of 2008. A letter has been sent indicating same and requesting information and payment from them. Fedora asked who was overseeing the loan as it is six months in arrears. Joan Christensen stated the arrears came to her attention, and she suggested we first send a letter asking for information, which was mailed approximately three weeks ago. Christensen stated Cotruvo sent the letter on behalf of the City of Duluth.

Eckenberg asked if accepting the 20% at \$14,817 is settling for what has been paid to-date. Christensen stated this was the amount DEDA would be owed to-date, but we would continue to collect 20% of future revenues that come in. Gilbert referred to the 2006 City Council resolution in which the Council approved a work-out agreement; however, there was no agreement referenced in the resolution. Gilbert felt Sinex should be very aggressively pursued for repaying the amount owed. Stauber advised there is a companion City Council resolution regarding this issue as well.

Vote on Resolution 09D-17: Passed Unanimously (9-0)

3. RESOLUTION 09D-18: RESOLUTION AUTHORIZING A FIRST AMENDMENT TO THE AGREEMENT WITH SECRET SERVICE ENTERTAINMENT LLC PROVIDING FOR THE OPERATION AND MANAGEMENT OF DEDA LOTS IN BAYFRONT TO INCLUDE USES IN ADDITION TO PARKING.

Staff: Cotruvo stated this resolution would authorize an amendment to the agreement with Secret Service for the Bayfront lots. It has come to staff's attention that there will be other uses of this space such as Captain Ridemore, the Boat Race, and other special events not related to parking. Secret Service would like the authorization for these other uses. The amendment would allow the Executive Director to approve other uses and compensation would be negotiated, with DEDA receiving a minimum of 50% of gross revenues.

Vote on Resolution 09D-18: Passed Unanimously (9-0)

DISCUSSION

1. Sister Cities Delegation to Vaxjo, Sweden: Stauber stated a delegation is going to Vaxjo to explore the use of green technology, and it has come to his attention it would only cost \$1,500 for expenses to send a representative from DEDA. Stauber supports this but would not support sending a DEDA commissioner or DEDA staff, but rather he feels it should be someone else from the City. Anderson stated this is a technical visit hosted by Sister Cities to the city of Vaxjo which has utilized green technologies successfully. Anderson wonders if DEDA is interested in sending a representative who may bring back information to share with DEDA and others in the City to move forward with some of these technologies. Gardner stated there is economic development discussion about green jobs and green technology, and Vaxjo is actually doing it, so it would be wonderful to sponsor a representative to attend. She feels it should be someone with technical knowledge and expertise in the planning area. Gardner stated Duluth has the resources, and it would be excellent to get green manufacturing jobs in the area.

Krause stated he would be interested in going and paying his own expenses. Gardner stated that is excellent and Representative Roger Reinert plans to go as well. Cuneo was supportive and cited Duluth's high energy costs. If Duluth could save even 20% of energy costs it would equal \$40 million. Cuneo has been working closely with a team on a green jobs initiative and feels Duluth is ahead of the game compared to others in the state. Vaxjo is extending quite

the opportunity to Duluth as Vaxjo is offering a considerably reduced rate due to our Sister Cities relationship. Fosle advised most of this information would be available online. Fedora stated the current United States presidential administration is very supportive of green jobs; however, he would hesitate to pay for such a trip from DEDA funds.

2. Summer Meeting Schedule: Stauber suggested finding a month in the summer, possibly July, to not hold a DEDA meeting. Gilbert, as President of Council, supports this.

3. DEDA Reorganization: Stauber has met with CAO Winson, and states tonight we should focus on whether commissioners are willing to consider returning DEDA back to a more civilian oriented organization. Stauber stated this will help guide Winson in making organizational changes. Stauber stated in the January City Council resolution Paragraph 4 refers to DEDA being comprised of 7 members, 5 from the community and 2 from the City Council. Stauber then listed names of citizens who served on DEDA in the past.

Anderson asked if from 1989 until 2005 DEDA operated under this citizen model, and Stauber feels these dates are accurate. Anderson asked if this relates to the dollar amounts that can be approved by DEDA which would have to also go to Council. Christensen stated under the City's business subsidy rule the limit is \$25,000; however State statute increased those amounts and staff has considered bringing these increased amounts to DEDA and the City Council for approval. There have also been changes to the JOBZ laws so this criteria would require changes as well. Anderson asked if DEDA moves to the citizen model would an increase in allowed subsidies be allowed. Christensen stated the subsidy is a separate issue from the reorganization; however, Stauber recommends the increase.

Gardner asked if it was possible to have a different balance, such as 3 City Councilors and 4 citizens comprise the Authority. Christensen stated if an economic development authority is made up of 7 members, at least 2 must be city councilors, but there may be more. Gardner would like to see more equal representation between Council and citizens.

Eckenberg stated when he was on the Council and DEDA previously there were only two councilors and there was a concern about unequal representation. In 2004 when all Councilors were also DEDA commissioners, there was a lot of repetition. Eckenberg feels we lost something when we removed citizen experts, and he would support a proposal that included citizens.

Cuneo stated he is interested in developing a process that will bring recommendations. He wants DEDA to be effective in economic development, he wants this process to be open, and he feels there should be a focus on supporting local business and industry. It should be explored what structures have been the most effective at creating jobs. Stauber highly encourages commissioners speak with Gilbert for background on history and issues of DEDA.

Gilbert stated in the 1990s under the citizen model, these positions were not elected or accountable, yet they were making very serious decisions. He supports the citizen model and an increase of the subsidies as long as accountability is not lost.

Fedora would support the citizen model and feels the 5/2 ratio would work well. Fedora cited that the Planning Commission and Board of Zoning Appeals make important decisions and are completely citizen-comprised. Fedora stated if commissioners possess the proper skill sets in economic development he would support the citizen model.

Krause stated his concern is that former citizens on DEDA were "power brokers," a "clique," and politically appointed favored positions. If appointed, these citizens must be real people with true economic development experience.

Gardner asked for history and discussion at Saturday's workshop. Gilbert feels this is a good idea.

Anderson asked about commissioners being appointed by the Mayor. Christensen stated this is a requirement of the state statute that commissioners be appointed by the Mayor and approved by the City Council.

Fosle asked about non-DEDA city councilors not being aware of economic development projects. Stauber stated that was one of the reasons for the change to all councilors. Clearly there should be guidelines or standards as to information-sharing.

ADJOURNMENT: President Stauber adjourned the April 6, 2009, meeting of the DEDA at 5:50 p.m.

Respectfully submitted,

TOM COTRUVO
Executive Director

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