

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
WEDNESDAY, SEPTEMBER 23, 2020 – 5:15 P.M.
VIA ELECTRONIC MEANS PURSUANT TO MINNESOTA STATUTES
SECTION 13D.021**

MINUTES

Please take notice that the Duluth Economic Development Authority will hold a public hearing by other electronic means pursuant to Minnesota Statutes Section 13D.021 on Wednesday, September 23, 2020, at 5:15 p.m. All persons interested may monitor and participate in the hearing by visiting: <http://dulutheda.org/live-meeting> promptly at 5:15 p.m. on Wednesday, September 23, 2020, and written comments may be submitted to DEDA in advance of the meeting via the DEDA's web site at <http://dulutheda.org/contact-us/> or via email at afulton@duluthmn.gov, and DEDA will decide if the conveyance is advisable.

The regular meeting place of DEDA is the Duluth City Council Chambers at City Hall, 411 West First Street, in Duluth, Minnesota. At this time board members of DEDA do not intend to attend the meeting in person; due to continually evolving restrictions and guidance from state and federal officials and agencies, the board members of DEDA will attend the meeting remotely via telephone or other electronic means pursuant to Minnesota Statutes Section 13D.021.

1. CALL TO ORDER: The September 23, 2020 meeting of DEDA was called to order by President Cartier at 5:17 p.m.

Present: Matt Cartier, Zack Filipovich, Tim McShane, Derek Medved, Roz Randorf

Others Present: Amanda Anderson, Robert Asleson, Theresa Bajda, Adam Fulton, Brett Crecelius, Jason Hale, Dante Tomassoni, Peter Passi, David Stradtman, Mark Emmel, Ben VanTassel

Absent: N/A

2. PUBLIC TO ADDRESS THE COMMISSION

No comments.

3. PUBLIC HEARINGS

RESOLUTION 20D-60: RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH DULUTH LINCOLN PARK1, LLC FOR THE DEVELOPMENT OF THE LINCOLN PARK FLATS MULTI-FAMILY

RESIDENTIAL PROJECT

No public comment.

RESOLUTION 20D-61: RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17, ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 33: REDEVELOPMENT DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR

No public comment.

4. APPROVAL OF MINUTES MEETING MINUTES FROM AUGUST 25, 2020

Vote to approve the August 25, 2020 meeting minutes: (Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf) (Filipovich, McShane) Passed unanimously (5-0)

5. APPROVAL OF CASH TRANSACTIONS AUGUST 1, 2020 TO AUGUST 31, 2020

Vote to approve August 1 – August 31, 2020 Cash Transactions: (Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf) (Randorf, Medved) Passed unanimously (5-0)

6. NEW BUSINESS

7. RESOLUTIONS FOR APPROVAL

RESOLUTION 20D-60: RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH DULUTH LINCOLN PARK1, LLC FOR THE DEVELOPMENT OF THE LINCOLN PARK FLATS MULTI-FAMILY RESIDENTIAL PROJECT

Staff: Deputy Director Adam Fulton indicated the proposed TIF district would approve expenditures up to roughly \$2.5 million for eligible costs of demolition and construction for Lincoln Park Flats, located at the current Roberts Home Furnishings building in Lincoln Park.

Jason Hale stated he has been working with developer on this site for last 18 months. Thanked Attorney Bob Asleson for being responsive with this project with the change in staff with Joan Christenson's retirement. Clarified that this TIF district is comprised of two separate sites, thus why it is a scattered site redevelopment TIF district. The current Esmond building and Roberts Home Furnishing site are included in this district. Knowing the Esmond will need financial assistance, staff decided to include as part of this TIF district. Lincoln Park Flats will result in 74 units of housing (studios, one and two bedrooms) on top of a level of covered parking. The
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Planning commission supported this project by approving vacations of a current right of way and old slop and fill easement. Expressed excitement about the project, indicated the affordability requirement is over the duration of the TIF district, and will result in 30% of the units being offered at 80% area median income or less.

Adam Fulton noted that the proposal constitutes a business subsidy under City of Duluth policy. Stated the agreement conforms to these policies and the public hearing is consistent with statue requirements. The creation or retention of jobs could be considered not part of the project. Clarified the agreement includes project labor agreement requirements.

Discussion: Commissioner Filipovich thanked Jason Hale, City Staff, the Attorney's Office, and the Developer for their work behind the scenes to make this happen. Expressed excitement for 74 housing units in Lincoln Park. Questioned if staff anticipate it taking the maximum of 26 years to pay back.

Jason Hale indicated that current market conditions make it hard to know. Stated the Development Agreement stipulates either 26 years or a dollar amount; whichever is sooner. Likely to be paid back sooner. Explained the agreement has a look back clause, which says if the project cost is less, that budgeted there will be an audit process to recoup overages.

Commissioner Filipovich indicated his main concern is how long the affordability component would be maintained in relation to the TIF district and development agreement.

Jason Hale indicated it is likely to be around an 18-year district if he had to estimate.

Commissioner Randorf thanked Jason Hale and echoed the sentiment of Commissioner Filipovich. Questioned how TIF districts were established and rather it was location or project specific.

Jason Hale stated a TIF plan is essentially a budget for what the City has the authority over and how much increment can be used. Indicated this Redevelopment District was created because both sites contain blighted structures of substandard nature. State the type of district is established then eligible budget uses. Noted that figures in the TIF plan are higher than that authorized by the Development Agreement as the TIF plan justifies the maximum threshold.

Commissioner Randorf questioned if it is fair to say TIF is project specific.

Jason Hale confirmed that TIF is project specific and clarified that once the Esmond project moves forward it will have a separate Development Agreement.

Robert Asleson clarified that TIF district creation is project specific up to the point of five years. If no development happens within the five years, the project is removed from the district.

Commissioner Cartier questioned why not include a larger area in this District in Lincoln Park if we know redevelopment is a goal.

Jason Hale confirmed staff looked at other properties but ultimately realized a blight requirement would be necessary to include in this Redevelopment District. Also noted that if projects do not move forward within five years they are removed from the district, so adding projects before they are ready could be problematic. Confirmed that this district could be amended in the future to add or remove parcels.

David Stradtman introduced himself and indicated his team at Rachel Development have been working through hurdles of this project for some time. Expressed excitement to move the project forward and indicated they are working with local P&R company to move project forward.

Vote to Approve Resolution 20D-60: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (Filipovich, McShane) Passed unanimously (5-0)

RESOLUTION 20D-61: RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17, ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 33: REDEVELOPMENT DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR

Staff: No Comment

Discussion: No Comment

Vote to Approve Resolution 20D-61: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (Filipovich, McShane) Passed unanimously (5-0)

RESOLUTION 20D-62: RESOLUTION AUTHORIZING ACQUISITION OF CERTAIN REAL PROPERTY FROM THE HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA RELATED TO THE REBUILD DULUTH PROGRAM

Staff: Adam Fulton stated staff are pleased to begin round two of the Rebuild Duluth program. Acquisition for parcels will be used for housing development.

Jason Hale stated the intent to begin round two was so staff could wrap up agreements by the end of 2020 and potential developers could visit the site prior to snow fall.

Discussion: Commissioner Randorf questioned if these lots for phase two are separate from those in phase one and whether all the lots were 25 feet.

Brett Crecelius indicated there are some lots from round one that did not proceed and are now part of round two. Indicated the County and HRA lots bring round two up to eight potential lots for development. Clarified that not all lots are 25 feet this round allowing for larger development on the larger lots.

Vote to Approve Resolution 20D-62: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (Medved, Randorf) Passed unanimously (5-0)

RESOLUTION 20D-63: RESOLUTION AUTHORIZING ACQUISITION OF CERTAIN TAX FORFEITED REAL PROPERTY FROM THE STATE OF MINNESOTA THROUGH ST. LOUIS COUNTY RELATED TO THE REBUILD DULUTH PROGRAM

Staff: No comment

Discussion: No comment

Vote to Approve Resolution 20D-63: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (Filipovich, Randorf) Passed unanimously (5-0)

RESOLUTION 20D-64: RESOLUTION AUTHORIZING LEASE OF BAYFRONT PROPERTY TO THE CITY OF DULUTH RELATED TO THE CITY OF DULUTH

Staff: Adam Fulton indicated the resolution relates to parking lots at Bayfront currently owned by DEDA. Stated that roughly a year and a half ago DEDA entered into agreement to transfer the lots to the city of Duluth so they could execute a land swap with St. Louis County to obtain lots near Lake Superior College. Indicated the City is still working on title work necessary for this land swap and thus a short-term agreement for parking use is necessary.

Discussion: No comment

Vote to Approve Resolution 20D-64: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (McShane, Filipovich) Passed unanimously (5-0)

RESOLUTION 20D-65: RESOLUTION AUTHORIZING FIRST AMENDMENT TO AGREEMENT WITH DULUTH SEAWAY PORT AUTHORITY FOR USE OF A PORTION OF LOT D

Staff: Adam Fulton indicated this resolution relates to the lot d storage facility for Altec in partnership with Duluth Seaway Port Authority and provides a 30 day extension.

Discussion: No comment

Vote to Approve Resolution 20D-65: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (Randorf, Filipovich) Passed unanimously (5-0)

RESOLUTION 20D-66: RESOLUTION AUTHORIZING SECOND AMENDMENT TO AGREEMENT WITH MERGE LLC. PERTAINING TO THE PASTORET TERRACE/ROBISON BALLROOM PROPERTY, EXTENDING THE TERM THEREOF

Staff: Adam Fulton stated the City has been working with Merge, LLC on their redevelopment plan at this site for some time. The current and ongoing litigation on this property has resulted in a need for an extension to May 2022. Indicated the developer cannot move forward with detailed development plans, as the demolition date is unclear.

Discussion: Commissioner Filipovich stated that DEDA entered into agreement with Merge last year and is wondering if they have concrete plans for the site and whether they have considered saving the façade to avoid litigation.

Adam Fulton indicate it is not clear that preservation of the façade or complete preservation would necessarily be able to address the litigation.

Jason Hale stated the concept that Merge is exploring is appropriate for the form district and would be a mixed-use structure with commercial retail on the ground floor. Indicated there is much to be seen in regards to market conditions, but Merge remains interested to continue work in Duluth. Stated that restoration is challenging and Merge prefers new construction.

Commissioner Filipovich stated he did a walkthrough of the facility roughly five to six years ago and the building was in disrepair, which has only gotten worse. Questioned whether the report LHB completed regarding the condition of the building could be shared with him and whether this report would be updated.

Adam Fulton indicated they would have to look at next steps with Attorneys regarding current litigation and whether an update to the LHB plan is necessary.

Vote to Approve Resolution 20D-66: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (Medved, Randorf) Passed unanimously (5-0)

RESOLUTION 20D-67: RESOLUTION AUTHORIZING A LICENSE AGREEMENT WITH THE CITY OF DULUTH FOR THE USE OF DEDA LOT D

Staff: Adam Fulton indicated this resolution request is associated with a small portion of Lot D on the uphill side closer to Railroad Street. The City of Duluth would like to utilize the space to store large bulk rock associated with Lakewalk and Seawall restoration. Stated that staff continue to market Lot D for redevelopment but due to COVID the pace of redevelopment is

likely slower and thus partnering with the City for storage is staff's recommendation.

Discussion: No comment

Vote to Approve Resolution 20D-67: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (Randorf, Filipovich) Passed unanimously (5-0)

RESOLUTION 20D-68: RESOLUTION AUTHORIZING SUBRECIPIENT AND PREDEVELOPMENT AGREEMENT WITH STAR NW LLC FOR THE NORTHWEST IRON LOT IN THE AMOUNT OF \$50,000

Staff: Adam Fulton indicated this resolution has to do with the grant from the Minnesota Department of Employment and Economic Development. The lot needs additional environmental evaluation and thus this subrecipient agreement with Star NW will allow them to manage the consultant contract for below the ground environmental review and authoring of a response action plan for MN PCA approval.

Discussion: No Comment

Vote to Approve Resolution 20D-68: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (Medved, Filipovich) Passed unanimously (5-0)

RESOLUTION 20D-69: RESOLUTION AUTHORIZING AGREEMENT WITH JMM LLLP FOR MODIFICATIONS TO THE HOLIDAY MALL PARKING RAMP IN THE AMOUNT OF \$25,339.54

Staff: Adam Fulton stated the owners of Holiday Inn parking ramp on first Street will utilize funding to modify the ramp for safe operation now that First Street is converting to two-way traffic.

Discussion: Commissioner Randorf thanked Adam Fulton for his hard work and welcomed Mark Emmel with JMM to speak.

Commissioner Filipovich echoed Commissioner Randorf's comments and thanked JMM for their partnership.

Mark Emmel: Thanked Commissioners and the City for their support.

Vote to Approve Resolution 20D-69: Roll call vote: Cartier, Filipovich, McShane, Medved, Randorf (Filipovich, Medved) Passed unanimously (5-0)

9. Directors Report

Adam Fulton thanked Commissioners for joining last Friday's special meeting. Confirmed Director Chris Fleege will provide a full budget presentation at the regular October meeting. Stated that no significant changes are expected for the 2021 budget compared to 2020. Acknowledged the impact of COVID on the budget such as parking revenues. Stated that there was some unexpected property sales and bonds that will result overall in a 2021 budget that is plus \$300,000. Provided brief outlook of DEDA funds 860 (operating), 861 (TIF Debt Service), 865 (Capital Projects), and 866 (MRO Facility).

Commissioner Medved questioned the atlas cement site and whether a land sale could be possible in the coming year.

Adam Fulton stated that pre COVID they had strong prospects for the site, but the pandemic created great uncertainty. Stated they have a new prospect that is looking at the site. City is focused on finding good use of the site for the community and new job opportunities.

Commissioner Filipovich questioned if there was specific information regarding the future of Verso that could be shared.

Adam Fulton indicated a more detailed update could not be provided. Stated they are working with a broad range of partners to determine solutions for this site. Recognize this is a period of significant change for the industry but feel a paper mill is a good function for this site.

Commissioner Filipovich mentioned that paper mills help to reduce the cost of wastewater treatment. Congratulated Attorney Bob Asleson for 50 years of service with the City of Duluth.

9. ADJOURNMENT: President Cartier adjourned the September 18, 2020 Special meeting of DEDA at 6:16 p.m.

Respectfully submitted,

DocuSigned by:

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Chris Fleege
Executive Director