

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
WEDNESDAY, OCTOBER 27, 2021 – 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, October 27, 2021, 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, October 27, 2021, 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 cfleege@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.

Present: Matt Cartier, ChaQuana McEntyre, Zack Filipovich, Ellie Just, Tim McShane, Roz Randorf

Absent: Derek Medved

Others Present: Chris Fleege, Theresa Bajda, Jason Hale, Adam Fulton, Eleanor Bacso, Jenn Reed Moses, Robert Asleson, Ben VanTassel, Lori Davey, Mark Laverty, Dan Markham, John Ramos

1. CALL TO ORDER: The October 27, 2021 meeting of DEDA was called to order by President Cartier at 5:15 p.m.

2. PUBLIC TO ADDRESS THE COMMISSION

3. PUBLIC HEARINGS

4. APPROVAL OF MEETING MINUTES

- MINUTES FROM SEPTEMBER 22, 2021 REGULAR MEETING

Vote to approve the September 22, 2021 meeting minutes (Randorf/Filipovich) (Roll call vote: Cartier, McShane, Filipovich, Just, McEntyre, Randorf) Passed (6-0).

5. APPROVAL OF CASH TRANSACTIONS

- SEPTEMBER 1, 2021 TO SEPTEMBER 30, 2021

Vote to approve the September 1, 2021 to September 30, 2021 cash transactions

(Filipovich/McShane) (Roll call vote: Cartier, McShane, Filipovich, Just, McEntyre, Randorf)
Passed (6-0).

6. NEW BUSINESS

7. RESOLUTIONS FOR APPROVAL

RESOLUTION 21D-40: RESOLUTION APPROVING THE DEDA 2022 BUDGETS

Staff: Director Fleege indicated that one change to the budget from the September meeting is a preliminary revenue source for the MRO in anticipate that Cirrus Aircraft with lease a portion of the building.

Discussion: N/A

Vote to approve resolution 21D-40: (Randorf/McShane) (Roll call vote: Cartier, McShane, Filipovich, Just, McEntyre, Randorf) Passed (6-0).

RESOLUTION 21D-41: RESOLUTION AUTHORIZING A FIRST AMENDMENT TO THE DEVELOPMENT AGREEMENT WITH SATURDAY ZENITH, LLC FOR THE DEVELOPMENT OF THE ZENITH HISTORIC OLD CENTRAL HIGH SCHOOL PROJECT INCREASING DEDA'S SUPPORT TO THE PROJECT BY \$1,530,000 AND INCREASING THE TERM OF THE AGREEMENT BY SEVEN YEARS

Staff: Director Fleege stated partners from the Development team are in attendance and can answer any questions Commissioners may have. Indicated that due to increased material prices related to redevelopment of the Historic Old Central High School site, a gap of over \$4 million resulted. Confirmed the Development team has raised an additional \$2.7M but are seeking an amendment that will raise the TIF amount. Noted their commitment to connecting to district steam heating system.

Discussion: Commissioner Filipovich requested clarification related to the increased costs and whether that is for strictly material increases and whether the project still meets the “but for test” in terms of TIF.

Director Fleege confirmed the term extension provides additional assistance to cover the gap anticipated with rising material costs.

Mark Laverty introduced himself and thanked the Commission for their additional investment

and discussion of the project. Stated their team worked diligently to get the best cost estimate during the current supply chain and market issues, but after a formal bidding process they saw a substantial cost increase.

Commissioner Filipovich thanked Mr. Lavery and their commitment to Duluth. Expressed understanding of current supply chain issues and the site complexities of a historic redevelopment. Commended Saturday Properties and team for raising additional private funding.

Director Fleege shared that if the project comes in under budget; savings will be split between DEDA and the Developer and the TIF amount would be reduced.

President Cartier questioned how the term of the TIF is determined.

Director Fleege indicated that TIF districts, depending on their type, have different statutory requirements coupled with the projects finance gap and needs. Stated that getting properties back on the tax base as soon as possible is the goal so the contributions are conservative.

Jason Hale confirmed this project is a Redevelopment TIF District and the term is related to proformas and rate of returns. Indicated that staff work to achieve an industry standard rate of return so projects are not invested in excess.

Vote to approve resolution 21D-41: (Filipovich/McShane) (Roll call vote: Cartier, McShane, Filipovich, Just, McEntyre, Randorf) Passed (6-0).

RESOLUTION 21D-42: RESOLUTION OF THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY FINDING A PARCEL IS OCCUPIED BY STRUCTURALLY SUBSTANDARD BUILDINGS AND MEETS THE REQUIREMENTS OF A TAX INCREMENT FINANCING DISTRICT UNDER MINNESOTA STATUES §469.174, SUBD. 10

Staff: Director Fleege stated this resolution is for Cirrus on the south end of the campus and explained that by state statute documentation of a substandard buildings is required prior to it being included in any future TIF districts. Confirmed the building is a historic hanger building so the State Historic Preservation Office (SHPO) is involved. Expressed that the building is currently not structurally sound and is located next to the Lake Superior College building adjacent from Cirrus. Stated that this building could be part of a future TIF district in response to a Cirrus expansion so it's important to document the buildings substandard state prior to any building removal or district creation.

Discussion: President Cartier questioned who is owner of the building.

Jenn Reed Moses said the property is owned by the City of Duluth but the Airport Authority has some jurisdiction due to its location. Confirmed the City's interest in bringing it before DEDA is to preserve options in the future because if documentation of the building prior to its removal is important if the property is to be included in any future expansions or TIF districts.

President Cartier requested confirmation from staff that this finding would not obligate DEDA to owning and or holding another building.

Director Fleege confirmed that the intent is not to take ownership rather declare the buildings finding as substandard.

Commissioner Filipovich stated that the report included with the agenda clearly depicts the building being in rough shape and questioned whether SHPO is in agreeance with future demolition.

Jenn Reed Moses indicated the building will not be torn down until SHPO concurrence is achieved and that while DEDA is acting on this resolution, it does not direct anyone to take ownership or require removal of the building. Confirmed that the Airport Authority is actively working with SHPO.

Director Fleege stated that Cirrus views use of the MRO in any capacity as temporary as its location across an active airport runway is not a good fit for their production but this blighted site could be a good place for redevelopment and Cirrus expansion.

Vote to approve resolution 21D-42: (Filipovich/McShane) (Roll call vote: Cartier, McShane, Filipovich, Just, McEntyre, Randorf) Passed (6-0).

8. DISCUSSION

I. ARPA FUNDING DISCUSSION

Staff: Director Fleege indicated staff hope to bring a proposal forward to DEDA at the November meeting as they work through details with Finance and confirm what fits best with the \$500,000 allocation to DEDA. Noted City Council's allocating ARPA funds to the 1200 Fund to support childcare expansion and training and how any proposals must serve those impacted by COVID-19. Reminded Commissioners that ARPA funds must be encumbered by end of 2024 and spent by the end of 2026.

Discussion: N/A

II. PASTORET BRACING WORK

Staff: Director Fleege stated that staff are in the process of issuing bids related to a court ordered action to complete bracing work on the façade of the Pastoret. Indicated they hope to select a contractor within the coming weeks and may call a special meeting to receive board approval.

Discussion: N/A

III. FILM AND TELEVISION PRODUCTION INCENTIVE

Staff: Eleanor Bacso provided background information on the program and stated its relation to City Councils call for exploration of ways to attract film and television production to Duluth. Indicated they have met with the Upper Midwest Film Office to explore financial and nonfinancial options to get production companies to the region. Discussed St. Louis County's incentive program that was launched in 2021 and how the City could too have incentives for production in Duluth. Expressed the desire to start a pilot program with roughly \$100,000 in funding and welcomed any questions and/or feedback from Commissioners.

Discussion: Commissioner Randorf thanked staff for working on the project and her hopes for another opportunity to drive economic stimulus to Duluth. Questioned if financing of the program could be greater as we think about competition with IRRRB and the fact that the program is laid out as a reimbursement so we know folks are actually spending money in Duluth.

Director Fleege confirmed the dollar amount could always be raised dependent on interest but until more information is known regarding the MRO building he would like to keep it conservative to start.

IV. DIRECTORS REPORT

Staff: Director Fleege indicated there is a great deal of work in housing and lots moving forward in the coming months. Thanked the commission for their support of affordable housing and development as it contributes to a stable workforce in Duluth.

Discussion: N/A

9. ADJOURN: President Cartier adjourned the October 27, 2021 meeting of DEDA at 5:58 p.m.

Respectfully submitted,

DocuSigned by:

Christopher E. Fleege

EADF18DDCAA84AD...

11/22/2021

Chris Fleege

Executive Director