

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
WEDNESDAY, OCTOBER 28, 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, October 28, 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, October 28, 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 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.

1. CALL TO ORDER: The October 28, 2020 meeting of DEDA was called to order by President Cartier at 5:15 pm.

Present: Matt Cartier, Zack Filipovich, Derek Medved, Roz Randorf, ChaQuana McEntyre

Others Present: Chris Fleege, Robert Asleson, Theresa Bajda, Chad Ronchetti, Lori Davey, John Ramos, Anna Tanksi, Peter Passi

Absent: N/A

2. PUBLIC TO ADDRESS THE COMMISSION

No Comments

3. PUBLIC HEARINGS

4. APPROVAL OF MINUTES

MEETING MINUTES FROM SEPTEMBER 18, 2020 SPECIAL MEETING

Vote to approve the September 18, 2020 meeting minutes (Roll call vote: Cartier, McEntyre, Filipovich, McShane, Medved, Randorf) (Medved, McShane) Passed unanimously 6-0

Duluth Economic Development Authority October 28, 2020 Meeting Minutes

MEETING MINUTES FROM SEPTEMBER 23, 2020 MEETING

Vote to approve the September 23, 2020 meeting minutes (Roll call vote: Cartier, McEntyre, Filipovich, McShane, Medved, Randorf) (Randorf, Medved) Passed unanimously 6-0

5. APPROVAL OF CASH TRANSACTIONS SEPTEMBER 1, 2020 TO SEPTEMBER 30, 2020

Vote to approve the September 1 – 30, 2020 cash transactions (Roll call vote: Cartier, McEntyre, Filipovich, McShane, Medved, Randorf) (Medved, Filipovich) Passed unanimously 6-0

6. NEW BUSINESS 2021 BUDGET PRESENTATION

7. RESOLUTIONS FOR APPROVAL

RESOLUTION 20D-72: RESOLUTION AUTHORIZING A SERVICE AGREEMENT WITH VISIT DULUTH, INC. FOR THE DULUTH WINTER MARKETING PROGRAM IN THE AMOUNT OF \$100,000

Staff: Director Fleege indicated DEDA received this request from Visit Duluth due to a significant portion of their budget for marketing previously coming from tourism tax via the City, which has taken a downturn due to the pandemic. The City needs to utilize tourism tax to cover bond service and thus DEDA is being asked to supplement to keep winter marketing alive at Visit Duluth. Stated that the hospitality industry drops significantly during the winter months and this winter campaign will strategically focus on Spirit Mountain and Bentleyville. The downstream effect to local businesses increases with tourism and visitation. Stated that if DEDA does not approve funding, marketing will not happen. Introduced Anna Tanksi from Visit Duluth who is available to answer any questions.

Discussion: Commissioner McShane encouraged Commissioners to vote in favor of this resolution highlighting that downstream benefit businesses see from this especially during these hard times.

Commissioner Filipovich questioned how Visit Duluth would consider the current pandemic with their marketing plan.

Anna Tanksi indicated they encourage and emphasize visitors to travel safely and adhere to best practices like wearing masks. Stated that the business community has been proactive and supportive of these measures. Stated that these practices will not be on a billboard, rather part

of the campaign on social media and web content, such as a COVID resources page with federal and state directives.

Bob Asleson stated that Commissioner Filipovich while on the Visit Duluth Board would not be in legal conflict to vote on this resolution as Visit Duluth is a non-profit organization and the board positions are unpaid.

Commissioner Randorf thanked Anna Tanski and Visit Duluth and questioned how this contract would differ from previous winter campaigns especially during a pandemic.

Anna Tanski indicated this would focus on Spirit Mountain, the Beargrease, Bentleyville and outdoor recreation. Stated the campaign differs during the pandemic in how they are communicating the events and safe practices. They will capitalize on Mother Nature's abundance and natural ways for folks to recreate and socially distance. Will highlight through earned media, social media, and web content to promote safe travel and visitation.

Vote to approve resolution 20D-72: (Roll call vote: Cartier, McEntyre, Filipovich, McShane, Medved, Randorf) (McShane, Medved) Passed unanimously 5-0; Filipovich abstains

RESOLUTION 20D-70: RESOLUTION APPROVING THE DEDA 2021 BUDGETS

Staff: Director Fleege indicated DEDA has four funds; 860 being the primary operating fund. Referred to Commissioners agenda packet that contains 2019, 2020 budget and proposed 2021 budget. Stated that parking meter revenue was one of the largest revenue streams for this account, which has taken a dramatic change in 2020 due to the pandemic. Hopeful there will be recovery in coming year and into 2021. Stated that bond issuance revenue was another large revenue stream in 2020. Called attention to lack of income and uncertainty from parking meters moving forward. Stated they are being conservative with revenue projections in 2021 from this stream. Highlighted the Entrepreneur Fund and COVID relief grants that were awarded in 2020. Stated the Entrepreneur Fund also funds a two-year period for a total of \$250,000 for business growth and retention. Highlighted unexpected expenses in 2020 like the Oneota Bridge repairs. Projecting \$1.4 million in expenses for 2021 and \$700,000 in revenue.

Discussion: Commissioner Filipovich questioned the line item for Verso consulting fees and the amount budgeted for 2021. Questioned if a reduction in the line item from 2020 to 2021 is sufficient to support such an important project.

Director Fleege stated they are hopeful a purchase contract for the property would be

complete in the near future, which would free up consulting dollars. Stated interest in the mill continues and they will share with the Commission as they know more.

Commissioner Filipovich questioned how changes to the budget would move forward in the future and whether they would come back to the board for approval.

Lori Davey indicated the revised budget is proposed around April to the DEDA board so Commissioners can anticipate an update at that time.

Robert Asleson indicated there is some discretion on behalf of Director Fleege but ultimately any increase in a budget category would require board approval.

Director Fleege indicated DEDA does not have a levy so land sales, bonds, and parking are the only income streams. Highlighted account 861, which is the debt service account for TIF districts. Stated that no significant changes besides bringing forth new TIF districts is proposed for 2021. Discussed account 865, which is the capital projects fund. Indicated money was built in for skywalk extension but due to COVID and the lack of traffic downtown, this was postponed. Highlighted the final account, which is for the MRO facility. Indicated they took a conservative approach to this account, but remain hopeful Borsight gets the contract for production. Confirmed the Borsight contract was not included in the budget.

Commissioner Cartier stated that the fund has roughly three years before it is out of money.

Director Fleege confirmed it was likely two years.

Vote to approve resolution 20D-70: (Roll call vote: Cartier, McEntyre, Filipovich, Medved, Randorf) (Randorf, Filipovich) Passed unanimously 5-0

RESOLUTION 20D-71: RESOLUTION ELECTING TREASURER FOR THE BALANCE OF YEAR 2020

Staff: Director Fleege indicated Commissioner Randorf would take on the treasurer role.

Discussion: N/A

Vote to approve resolution 20D-71: (Roll call vote: Cartier, McEntyre, Filipovich, Medved, Randorf) (Medved, Filipovich) Passed unanimously 5-0

RESOLUTION 20D-73: RESOLUTION AUTHORIZING A CONTRACT WITH THE JAMAR COMPANY FOR FACILITIES SERVICE AND PREVENTATIVE MAINTENANCE AT THE MAINTENANCE REPAIR AND OVERHAUL FACILITY FOR AN AMOUNT NOT TO EXCEED \$110,000

Staff: Director Fleege indicated this contract is to support the MRO facility. Indicated the facility is rather elaborate with HVAC and electric service. Jamar will help with general maintenance of the HVAC and electrical, which is largely labor costs. This does not address capital improvements or maintenance projects.

Discussion: N/A

Vote to approve resolution 20D-73: (Roll call vote: Cartier, McEntyre, Filipovich, Medved, Randorf) (Filipovich, Medved) Passed unanimously 5-0

RESOLUTION 20D-74: RESOLUTION AUTHORIZING CONSTRUCTION MANAGEMENT AGREEMENT WITH KRAUS ANDERSON CONSTRUCTION FOR SERVICES RELATED TO THE PASTORET/ROBISON PROPERTY IN THE AMOUNT OF \$135,000

Staff: Director Fleege stated that some of the language in the original statement of purpose that was sent out was modified based on feedback from the Commission. Currently in litigation at this facility and this contract is for the City to secure the building and make it as water tight as possible. Confirmed this contract is for an entire year and staff are hopeful they will not need the entire year. Kraus Anderson is a construction management company who will help DEDA manage additional contracting services and building maintenance. Confirmed they will also assist with general site maintenance like snow removal.

Discussion: Commissioner Randorf stated that DEDA is attempting to tear the building down and questioned whether these expenses could be charged to the party we are in litigation with.

Bob Asleson stated that it would be unlikely to collect the costs of building maintenance from any plaintiffs in the two litigations underway.

Commissioner Randorf questioned what the minimum would be to board up the building and make it safe.

Bob Asleson stated the exact extent of the obligation to provide maintenance to the building is yet to be determined. There will be a district court hearing to address that in early November. The court of approvals in its decision ordered DEDA as the building owner with the

responsibility for preserving the building in its current state to prevent further deterioration. Indicated the order from the district court will likely clarify DEDA's obligation.

Director Fleege indicated this contract positions DEDA to be ready to contract work. Confirmed this resolution will also go before City Council on November 9 pending approval by DEDA. Indicated they will try to limit the expenses as best they can as the path is ultimately removal of the existing building.

Commissioner Cartier questioned what "complex projects", as stated in the contract could pop up.

Director Fleege stated we know the roof and additional building leaks are causing damage and sealing it from future water damage would be sought before we are in the dead of winter.

Commissioner Filipovich questioned how this contract would be paid for. Stated that when the building was acquired the County gave some dollars to assist in rehabilitation or demolition.

Director Fleege stated that in 2016 the County authorized the sale to DEDA and provided \$325,000 to address the blight and future redevelopment of the site. Indicated DEDA has used roughly \$80,000 for abatement and the remainder is accrued in an account.

Commissioner Filipovich expressed how unfortunate it was the previous owner let the building get so bad. Thanked City staff for their work on this project. Thanked the GDC and local construction trades who boarded up the site in 2016 shortly after DEDA acquired.

Commissioner Medved questioned Bob Asleson on what the outcome would be if DEDA did not allocate any funds or approve this resolution.

Bob Asleson indicated that at this point in time there is not a mandated court order in place rather direction from court of appeals to the district court to put such an order in place. The order is yet to be made. Stated that if the district court ordered us to maintain the property in current condition and we failed to do so, we would be subject to a contempt order and likely affect our position in the litigation. Stated the exact nature and character of our requirement as the property owner is unknown but there will likely be some form of order/direction from the district court in November.

Commissioner Medved questioned if the court of appeals could overturn.

Bob Asleson indicated it likely to be in the form of an order and it would be questionable if an order of this nature could be appealable. Indicated that if we were to appeal the order to court of appeals, it would not be profitable on our behalf.

Director Fleege indicated that part of the contract is for Kraus Anderson to start estimating what we can do with the building so when the court date comes we are actively seeking options for the building.

Commissioner Medved indicated he is hopeful that we would not have to expend these funds and rather just demolish the building. Indicated he is not in support of this expenditure.

Commissioner Filipovich discussed the political and legal risks associated with this property. Questioned if there was a legal advantage in approving this resolution.

Bob Asleson stated that he does not know whether we would gain any particular advantage in the litigation by approving this contract. Stated the court is going through this as a duty rather than a discretionary. Indicated it would be a disadvantage in the litigation if DEDA was not willing to preserve the building to its current state and the contract is a sign of good faith to the court system.

Director Fleege stated DEDA is in a stronger position if we are taking action on the matter.

Commissioner McShane stated if the court says we have to maintain the building we are ahead of the game, and if they say we cannot tear it down it also prepares us.

Vote to approve resolution 20D-74: (Roll call vote: Cartier, McEntyre, Filipovich, Medved, Randorf) (Filipovich, Medved) Passed unanimously 4-1; Medved Nay

8. DISCUSSION

DIRECTORS REPORT

- **2021 Grandma's Marathon Agreement (NW Iron Lot)**

Director Fleege indicated Borsight is hoping to know in December whether they received the contract. Indicated they are also moving forward with the regular contract with Grandma's Marathon for 2021.

Commissioner Filipovich questioned if we discussed the report that DEDA received from LHB and whether that would be passed along to Kraus Anderson.

Director Fleege confirmed they would share.

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9. ADJORNMENT: President Cartier adjourned the October 28, 2020 meeting of DEDA at 6:29 p.m.

Respectfully submitted,

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Chris Fleege
Executive Director