

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
WEDNESDAY, JANUARY 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, January 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, January 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.

1. CALL TO ORDER: The January 27, 2021 meeting of DEDA was called to order by President Cartier at 5:11 p.m.

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

Others Present: Chris Fleege, Robert Asleson, Amanda Anderson, Grant Carlson, Brett Crecelius, Jason Hale, Brooks Johnson, Peter Passi

Absent: Tim McShane

2. PUBLIC TO ADDRESS THE COMMISSION

No comments.

3. PUBLIC HEARINGS

RESOLUTION 21D-01: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH REBUILD LLC RELATED TO THE REBUILD DULUTH PROGRAM

No comments.

RESOLUTION 21D-02: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH STONY POINT CONSTRUCTION, LLC RELATED TO THE REBUILD DULUTH PROGRAM

No comments.

RESOLUTION 21D-03: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH SIMPLY TINY DEVELOPMENT, LLC RELATED TO THE REBUILD DULUTH PROGRAM

No comments.

RESOLUTION 21D-04: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH SIMPLY TINY DEVELOPMENT, LLC RELATED TO THE REBUILD DULUTH PROGRAM

No comments.

RESOLUTION 21D-05: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH THOMAS JONANOVICH RELATED TO THE REBUILD DULUTH PROGRAM

No comments.

RESOLUTION 21D-06: RESOLUTION AUTHORIZING A REDEVELOPMENT GRANT APPLICATION IN AN AMOUNT NOT EXCEED \$374,000 TO THE MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT RELATING TO PROPERTY LOCATED AT 521 WEST 2ND STREET AND COMMITTING A MATCH OF NOT LESS THAN FIFTY PERCENT OF THE AWARDED AMOUNT.

No comments.

4. APPROVAL OF MINUTES

-MEETING MINUTES FROM DECEMBER 16, 2020 MEETING

-MEETING MINUTES FROM DECEMBER 28, 2020 SPECIAL MEETING

Vote to approve the December 16, 2020 meeting minutes (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Randorf/Medved) Passed unanimously 5-0

Vote to approve the December 28, 2020 special meeting minutes (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (McEntyre/Randorf) Passed unanimously 5-0

5. APPROVAL OF CASH TRANSACTIONS

DECEMBER 1, 2020 TO DECEMBER 31, 2020

Chris Fleege noted on December 8th there was a transaction for \$786,000 which was for the refinancing of Pier B. The business asked during COVID if they could have an extension and they did close on their financing by year-end. This helped them get long-term financing and DEDA was repaid. \$125,000 went to the Entrepreneur Fund for COVID relief.

Vote to approve the December 1 - 31, 2020 cash transactions (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Filipovich/Medved) Passed unanimously 5-0

6. NEW BUSINESS

7. RESOLUTIONS FOR APPROVAL

President Cartier asked that Jason Hale give an overview of all five of the Rebuild Duluth resolutions. Jason Hale explained that this is the second round of the Rebuild Duluth program. The second round was opened for applications in October and the housing team has been working with proposed developers regarding their applications. The total number of proposed units is twenty-three. Fifteen of those would be tiny homes and the other eight would be townhomes. The tiny homes are permanently affixed to a foundation, are connected to City utilities and are under 400 sq. feet. The tiny home sites are scattered from Gary-New Duluth to Central Hillside with one site located in the Fairmont neighborhood.

Discussion: Commissioner Filipovich thanked Jason Hale for his overview of the agreements and inquired on what a cost estimate to build and operate a tiny home would look like. The cost of construction varies based on the overall product and through the pandemic staff have learned that the timelines for the agreements need to be more flexible. The cost per unit ranges from \$100,000 to \$170,000 per tiny house. The plan is to have these units for rent and the cost to rent will be lower than typical rents for a one bedroom or studio. Some of the tiny homes are about community space, some have solar gardens or proposed solar panel systems. Commissioner Randorf asked for a brief update on where the Rebuild Round 1 agreements went and how many projects were viable. Jason Hale provided the last two projects closed at the end of December due to a delay in funding from MN Housing which provided money to One Roof. MN Housing partnered with One Roof on land trust homes so that two affordable homes could be built and sold through the One Roof program. The rest of the Rebuild Round one homes have been conveyed or closed and we anticipate construction commence once the weather allows. Commissioner Randorf also inquired on whether there was a total dollar amount of infusion that the Rebuild Duluth program has brought to the market. When the projects are complete, final numbers can be provided to the housing team so they can organize them based on units build and cost to build per unit.

Commissioner Medved inquired on how many units would be on the Goodhue/Commonwealth site. There would be up to eight units and they would be facing Goodhue and would be positioned side by side, similar to a townhome. Commissioner Medved also asked what parking would look like for the site. Jason Hale explained that there will be parking off the alley and that there is enough room to provide parking on the site for each of the units. Commissioner Medved inquire whether the housing units, once constructed would be like a HOA or if individual units can be sold off. The proposed units are anticipated to be rental properties. Commissioner Filipovich asked if there were any special parking variances that needed to be acquired related to the projects. The second round has no variances that are required in any of

the projects as of now. Commissioner Randorf asked Jason Hale to describe the proposal with Rebuild, LLC in relation to lots 1-6 of the Carlton Place addition which is on 71st Ave W. The proposal is for six townhomes sharing walls and for them to be rented out. Commissioner Medved inquired about how tiny homes would be assessed. The county assessor's office does the assessment of the properties and seeing as they are rental properties, they may be assessed as multi-family units. Commissioner Medved also inquired about the project on Trinity, near the mall. The units there are all occupied as of now.

RESOLUTION 21D-01: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH REBUILD LLC RELATED TO THE REBUILD DULUTH PROGRAM

Staff: No further discussion.

Discussion: No further discussion.

Vote to approve resolution 21D-01: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Filipovich/Medved) Passed unanimously 5-0

RESOLUTION 21D-02: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH STONY POINT CONSTRUCTION, LLC RELATED TO THE REBUILD DULUTH PROGRAM

Staff: No further discussion.

Discussion: No further discussion.

Vote to approve resolution 21D-02: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Randorf/Filipovich) Passed unanimously 5-0

RESOLUTION 21D-03: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH SIMPLY TINY DEVELOPMENT, LLC RELATED TO THE REBUILD DULUTH PROGRAM

Staff: No further discussion.

Discussion: No further discussion.

Vote to approve resolution 21D-03: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (McEntyre/Filipovich) Passed unanimously 5-0

RESOLUTION 21D-04: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH SIMPLY TINY DEVELOPMENT, LLC RELATED TO THE REBUILD DULUTH PROGRAM

Staff: No further discussion.

Discussion: No further discussion.

Vote to approve resolution 21D-04: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Medved/Randorf) Passed unanimously 5-0

RESOLUTION 21D-05: RESOLUTION AUTHORIZING A LAND SALE AGREEMENT WITH THOMAS JONANOVICH RELATED TO THE REBUILD DULUTH PROGRAM

Staff: No further discussion.

Discussion: No further discussion.

Vote to approve resolution 21D-05: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Filipovich/Medved) Passed unanimously 5-0

RESOLUTION 21D-06: RESOLUTION AUTHORIZING A REDEVELOPMENT GRANT APPLICATION IN AN AMOUNT NOT EXCEED \$478,000 TO THE MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT RELATING TO PROPERTY LOCATED AT 521 WEST 2ND STREET AND COMMITTING A MATCH OF NOT LESS THAN FIFTY PERCENT OF THE AWARDED AMOUNT.

Staff: Director Fleege explained that this is a development at the old St. Louis County Jail. The developer is Blue Limit, LLC and they requested a redevelopment grant application for the site. They have already secured historic housing tax credits which are set to expire in June of 2021. If they are going to move forward with the project they will need the grant application. This would provide housing in the area and there is an affordable component. This application would be contingent upon City Council approval and other public subsidy actions. This resolution will allow them to make the application to DEED.

Discussion: Commissioner Filipovich asked how many units of housing are proposed in this plan known as the Burnham project. Jason Hale noted that moving forward in the Rebuild Duluth program, applications will come forward on a rolling basis as sites come available. Jason also wanted to commend the housing team, which consists of Theresa Bajda and Brett Crecelius. The Burnham project has gone through several iterations while looking at how to reutilize the building which has steel constructed jail cells. The current proposal is made up of 32 units of housing, market rate with an affordability component. At least 10% of these will be available at 60% of the area median income. The intent here is for the DEDA to provide a 50% match. The grant is for \$478,000 from the state and the DEDA would provide the match of an equal amount to that dollar.

Vote to approve resolution 21D-06: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Filipovich/Randorf) Passed unanimously 5-0

RESOLUTION 21D-07: RESOLUTION ELECTING OFFICERS FOR THE YEAR 2021

Staff: Director Fleege asked that the board move a slate of officers. The existing officers would be willing to continue to serve in their roles. Administration would recommend the current slate of officers in the same role as last year.

Discussion: Commissioner Filipovich offered that an amendment should be proposed with the names of the officers listed in the resolution. They would need to pass the amendment and then pass the resolution as a whole. Commissioner Filipovich inquired about who the current DEDA board officers are. President Cartier listed them as follows: Matt Cartier as President, Tim McShane as Vice President, Zack Filipovich as Secretary and Roz Randorf as Treasurer. Commissioner Filipovich proposed the amendment of Matt Cartier as President, Tim McShane as Vice President, Zack Filipovich as Secretary and Roz Randorf as Treasurer. Director Fleege confirmed he has spoken with the current slate of officers personally and gotten their commitment to serving in their current roles in 2021.

Vote to approve resolution 21D-07: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Filipovich/Randorf) Passed unanimously 5-0

Vote to approve amended resolution 21D-07: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Filipovich/Randorf) Passed unanimously 5-0

RESOLUTION 21D-08: RESOLUTION OF THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY FINDING PARCELS ARE OCCUPIED BY STRUCTURALLY SUBSTANDARD BUILDINGS AND MEETS THE REQUIREMENTS OF A REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT UNDER MINNESOTA STATUTES §469.174, SUBD. 10

Staff: Director Fleege provided that this property is the old Kemps facility that has been vacant since 2014 or so. The developer is looking to redevelop the site and is concerned about maintaining security there so he would like to have the building demolished. LHB has done a blight study and by taking DEDA action, it allows the building to be included in the redevelopment for housing. It is believed these will be market rate units. Jason Hale gave some brief background. The intent of the resolution is to certify that the building is substandard so the developer has the option to demolish if necessary. There are safety and security issues with people breaking in to the building and property. DEDA has to certify that this is a substandard building as defined by statute and the report and study by LHB confirms that. This resolution does not commit to providing tax increment, nor is it to establish a district. The resolution is only certifying that the property is eligible. If the building is removed it is capturing the original tax capacity for record purposes.

Discussion: Commissioner Filipovich asked if the property was valued lower with the building on it currently so if there were to be a TIF district and new development on the site it would increase the increment allowed. Jason Hale explained that the structure would have to be valued before it is demolished to establish what the net tax capacity of the property is now. The valuation is the baseline and what is continued to be paid to the taxing jurisdictions and the increment is everything above that. If the site was scraped, there would be a lower valuation which would result in less going to the taxing jurisdictions. There was discussion around what an affirmative vote would provide to the community. Commissioner Filipovich also inquired about what tax capacity would be saved with this resolution. Jason Hale did not have the information off hand, but said he would follow up.

Vote to approve resolution 21D-08: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (McEntyre/Filipovich) Passed unanimously 5-0

RESOLUTION 21D-09: RESOLUTION AUTHORIZING LEASE AGREEMENT WITH RED WAGON POPCORN LLC FOR THE LEASE OF SPACE IN THE LIGHTHOUSE LOT FOR OPERATION OF A VENDING BUSINESS

Staff: Director Fleege provided that this lease is a carry-over item. This business has been located in the Lighthouse Lot for many years and the lease is being carried forward due to its history. DEDA receives a share of the revenues in exchange for the use of parking spaces in the DEDA parking lot. This lease protects the business owner and DEDA. Attorney Asleson added that DEDA rented a number of spaces in the parking lot to various vendors. It was determined the number of vendors needed to be reduced because the parking demand was so high. The decision was made to reduce the number and the popcorn wagon is the last remaining vendor in the lot.

Discussion: Commissioner Randorf asked about where the wagon is located specifically and if the lighthouse itself is privately owned. Jason Hale answered that the lot is called “The Lighthouse Lot” which is the parking lot that DEDA manages and owns that is nearest to the Maritime Museum. The wagon takes up about two parking spaces in the Eastern-most portion of the lot. Mike Amendola purchased the wagon and the business, which also included the wagon in the skywalk. The purchase of the business was in 2015 which included a transfer of rights and the continued lease with DEDA.

Vote to approve resolution 21D-09: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Randorf/Medved) Passed unanimously 5-0

RESOLUTION 21D-10: RESOLUTION AUTHORIZING FIRST AMENDMENT TO THE LEASE AGREEMENT WITH LAKE SUPERIOR HELICOPTERS, INC. EXTENDING THE TERM AND AUTHORIZING ADDITIONAL USE OF THE MRO.

Staff: Director Fleege explained the business that came forward in November, which was Lake Superior Helicopters, was seeking a license to be able to do helicopter maintenance. He has a business now that is located within the airport and he is working to get his employees certified. There are certain areas within the MRO building that allow for avionics work. With Borsight canceling their lease, this provides an opportunity to continue to support the facility until a permanent tenant is established. There is a provision in the lease that allows DEDA to cancel in the event that there is someone that is interested in purchasing the building. The applicant understand the nature of the lease arrangement. The MRO serves as an incubator for his business in the interim.

Discussion: No further discussion.

Vote to approve resolution 21D-10: (Roll call vote: Cartier, McEntyre, Medved, Randorf, Filipovich) (Filipovich/McEntyre) Passed unanimously 5-0

8. DISCUSSION

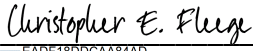
DIRECTORS REPORT

Director Fleege shared that the state has set up a program to help businesses and St. Louis County is administering the \$3.8 million in funds. All business, non-profits and all sectors are eligible, regardless of if other monies were awarded previously. The county is accepting applications through 4 pm on Wednesday, February 3. They have an easy application with a few pages and an automated system, along with a short video answering many questions.

The other update is that there is some interest in the MRO facility beyond the Helicopter business. There is also a possibility for a special meeting for another short-term tenant. Fund 866 is for the MRO facility and is all expenses now since there is no more revenue coming in. There is a balance of about \$855,000, but will continue to see expenses with small offsets. There has been some interest in the MRO Facility from a few partners. Talks are also continuing with Verso and at this time there is not a need for more money for Baker Tilly's efforts. Verso has appreciated DEDA's support. City staff are looking at different options for assisting businesses which will likely take place after the state and county programs run out. Our new DEDA Commissioner is Ellie Just and she will be joining us for the February DEDA meeting.

9. ADJOURNMENT: President Cartier adjourned the January 27, 2021 meeting of DEDA at 6:16 p.m.

Respectfully submitted,

DocuSigned by:

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Chris Fleege
Executive Director