

**REGULAR MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
WEDNESDAY, JANUARY 24, 2024 – 5:15 P.M.
COUNCIL CHAMBERS-CITY HALL
MINUTES**

Present: Matt Cartier, Arik Forsman, Janet Kennedy, ChaQuana McEntyre, Connor Randall, Roz Randorf

Absent: Ellie Just

Others Present: Amanda Anderson, Chad Ronchetti, Jean Coleman, Tricia Hobbs, Shari Marshik, Bill Burns, Kyle Deming, Incline Team (Jeff Schiltz, Mike Dosan, John Erickson, Brian Mortemore, and David Bolf)

CALL TO ORDER: The January 24, 2024 regular meeting of DEDA was called to order by President McEntyre at 5:16 p.m.

PUBLIC TO ADDRESS THE COMMISSION

Jack Carlson- 8482 Swan Lake Rd. Alborn, MN- Speaking in favor of resolution 24D-06

Jack Carlson is the President of the Duluth Building and Construction Trades Council. The Incline Project will create an ample amount of jobs for local members and they are good, skilled construction trade jobs. There is a diverse range of jobs: painters, carpenters, iron workers and 14 other crafts. The employment during the construction phase, both direct and indirect will be anywhere from 800-1,000 people. Long term employment is project at 250 people. The project will be built in three phases and will be 7-10 years' worth of work, approximately.

Matt Baumgartner- 4631 Jay Street- Speaking in favor of resolution 24D-06

Matt Baumgartner is the President of the Duluth Area Chamber of Commerce. Matt attended Duluth Central on the top of the hill. The Chamber of Commerce completed a year-long strategic planning process and identified their pillars to be: economic development, improved business condition and community progress. The Incline Village development projects meets all of those needs. There were nine different listening sessions and a year long strategic planning process in which the community identified these pillars. Rochester and Duluth are the two markets that are being looked at for housing development. There will be opportunities for commercial and retail, attractions, and economic expansion that will grow the tax base. The Duluth Chamber of Commerce stands in support of the development.

Rachel Johnson- 5702 Oneida St.-Speaking in favor of resolution 24D-06

Rachel Johnson is the President and CEO of APEX whose mission is to attract, expand and retain business in Duluth and surrounding region. There is a direct correlation in the mission to attract, expand, and retain businesses and the need for housing of all income levels. Employers have shared the lack of housing is an impediment to reaching their hiring and expansion goals. APEX has convened communities, large employers, developer, builders and financiers on why projects were not being developed. This project will help fill some of the housing needs. APEX and its members are in support of this project.

PUBLIC HEARINGS

APPROVAL OF MEETING MINUTES

October 25, 2023 MEETING MINUTES

No comments.

Vote to approve October 25, 2023 Meeting Minutes: (Randorf/Kennedy) Vote: Passed (6-0)

APPROVAL OF CASH TRANSACTIONS

DECEMBER 1, 2023 TO DECEMBER 31, 2023

Director Ronchetti highlighted a few items. There is an item for \$33,333 as a cost allocation that goes to the City of Duluth to pay for services and staff. This is a recurring payment that helps to offset the cost to the City for DEDA work. There has been a substantial amount of DEDA work in the last year or so. DEDA continues to pay for stormwater fees for various sites that DEDA holds around town and this is called to the DEDA boards attention to note that staff have been working on a site inventory for DEDA. This is to prioritize which sites to hold onto and how DEDA can reduce stormwater and utility costs and to reduce the tax liability. First American Benedictine Health is revenue that was generated off of the bond sale. Staff is evaluating whether to increase the .5% to 1% or even 1.25% to offset the costs to DEDA and bond counsel. \$88,912.30 was from Ryan Companies and an Atlas land sale. Atlas has had its first land sale since Ikonics. Director Ronchetti called out City staff Emily Nygren, Jean Coleman, Cindy Voigt and others for their part in the land sale. There is a small business marketing granting program to help small business' market themselves.

Commissioner Kennedy asked if cash transaction statements were received monthly and yes, they are.

Vote to approve cash transactions-December 1, 2023 to December 31, 2023: (Cartier/Randall) Passed (6-0)

PRESENTATION

The Incline Village Development Team presented to the DEDA Board. The Team is made up of Jeff Schiltz, Mike Dosan, John Erickson, Brian Mortemore and David Bolf, as well as many others.

Commissioner Forsman inquired on if questions should be asked after the presentation or after the resolution is presented. Director Ronchetti thought it best to hold questions until the resolution is presented. Commissioner Kennedy was asking about how many buildings there were for the project. Building one is two building that are connected with an amenity space.

NEW BUSINESS

RESOLUTIONS FOR APPROVAL

RESOLUTION 24D-00: RESOLUTION CONFIRMING THE APPOINTMENT OF ROZ RANDORF TO THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY

Vote to approve resolution 24D-00: (Forsman/Kennedy) Passed (6-0)

RESOLUTION 24D-01: RESOLUTION CONFIRMING THE APPOINTMENT OF ARIK FORSMAN TO THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY

Vote to approve resolution 24D-01: (Cartier/Randorf) Passed (6-0)

RESOLUTION 24D-02: RESOLUTION CONFIRMING THE APPOINTMENT OF JANET KENNEDY TO THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY

Vote to approve resolution 24D-02: (Randorf/Cartier) Passed (6-0).

RESOLUTION 24D-03: RESOLUTION ELECTING OFFICERS FOR THE YEAR 2024

The resolution had blanks and Commissioner Forsman inquired on filling in the blanks. Attorney Coleman stated the board could move a slate of candidates or take nominations. Commissioner Cartier asked if there was a plan for officers ahead of time. Director Ronchetti had not had any prior communications in this regard and thought this was led by the commission.

*Motion to table resolution 24D-03: (Cartier/Kennedy) **Resolution tabled.** (6-0).*

RESOLUTION 24D-04: RESOLUTION ADOPTING A SCHEDULE OF REGULAR MEETING DATES FOR THE YEAR 2024

Director Ronchetti answered Commissioner Cartier's question about changing the meeting times of the DEDA meetings. Director Ronchetti stated it would be best to await the election of officers who could then facilitate that discussion. The Board had some general discussion about meeting times.

Vote to approve resolution 24D-04: (Cartier/Forsman) Passed (6-0).

RESOLUTION 24D-05: RESOLUTION AUTHORIZING FOURTH AMENDMENT TO DEVELOPMENT AGREEMENT WITH THE MERGE LLC FOR THE DEVELOPMENT OF THE URBANE DULUTH PROJECT EXTENDING MERGE'S DEADLINE TO COMPLETE THE PROJECT BY 12 MONTHS

Director Ronchetti said this is a proposed extension of one year on a currently expired development agreement. Prior to considering the extension, staff required proof of financing per the development agreement. Merge provided their loan commitments, sources of uses and staff feels comfortable their financing is lined up. The financing cannot be closed upon unless they have an extended development agreement. The building official required a structural analysis on the project and all of the issues that were identified, will and have been addressed. The contractor has stated that water content in the wood is minimal and should not be an issue.

Vote to approve resolution 24D-05: (Forsman/Randall) Passed (6-0).

***Commissioner Forsman made a motion to move 24D-06 to the bottom of the agenda.
(Forsman/Randall)***

RESOLUTION 24D-06: RESOLUTION AUTHORIZING A DEVELOPMENT AGREEMENT WITH CHESTER CREEK VIEW LLC AND INCLINE PLAZA DEVELOPMENT LLC FOR CONSTRUCTION OF THE INCLINE VILLAGE PROJECT

Commissioner Randorf inquired about page 9 of the development agreement in which it says phase one has 60 for sale condo units. Is the second set of 60 also part of phase one, but not included in the development agreement? Ryan Pervenance explained each individual project will need to go through a review phase. The first TIF district would include the two 60-unit condos, plus the 220-unit apartment complex and infrastructure. There would be 340 total units. Manager Pervenance went over a few documents that were given to Commissioners. There is a blight study document that gives authority to establish the TIF district. The TIF plan was printed out and these two documents are attachments to the development agreement. This is an overarching agreement for the entire site and there are going to be approximately 1300 units and 80,000 sq. feet of retail space. It is likely this project will evolve some more. The development agreement acknowledges a minimum of \$450-\$550 million dollars of private investment. Kyle Deming who has been handling the AUAR for the project. Each individual project will be reviewed on its own merit. The project may contain up to three TIF districts. The development agreement highlights a current gap of \$120-130\$ million with information provided by the developer and best projections. The developer would receive 90% of what they generate and the City would retain 10% for administration for pooling in the district. Current estimates based on what is widely available look at about \$25 million in value being generated for the first district. There are a lot of infrastructure costs and getting infrastructure to the site is critically important. Construction would be required to start by October of 2024. The public benefits of the project are the pavilion, the trailhead connections and how this development would function with Harbor Highlands. There will be a final approval dependent on the AUAR. Commissioner Randorf inquired about the infrastructure that is needed on page 9--the cost is right around \$41 million. She also inquired about what would happen in the event of a default or the developer has to walk away from the project. What would be the protections and next steps? There are many protections built into the development agreement—individual project basis, the environmental review component being an AUAR instead of an EAW so we are not locked into a project. The city has been working with the developer on how the infrastructure will work. Director Ronchetti added this site has been on the market for development for 13-14 years and a major limiting factor has been the infrastructure. Access to the site could lead to a development that otherwise would not have existed. Attorney Coleman added the City's exposure only comes after the costs are paid by the developer. The project will be built before the City has exposure because it is the tax increment that is created by the development that then is recaptured and put into the project. Commissioner Forsman inquired around the protection of future approvals and separate processes. How much discretion will future DEDA or Council bodies have? Manager Pervenance stated the district will still have to go through a statutory process and each district will undergo the same process and review. Commissioner Forsman also asked about what the AUAR process entails. Kyle Deming provided information regarding the AUAR. The process is longer and considers the normal EAW questions, but looks at it through the lens of different scenarios. Stantec and staff are about a third of the way through the process. The broad questions have been looked at it and the impacts document are being prepared. There will be a public hearing likely in March with a final decision made at the end of the process, likely in May. The AUAR does not expire and is amendable so another Environmental review does not need to be done if the project changes. The scope of the review is long term and beyond this project scope. Commissioner Forsman commended the development team for the Project Labor Agreement and the public amenities. The Commissioner inquired on when a public process may start. The development team is in the design phase of the condo project and then will look at the greater design of the development. The community engagement process could occur next summer or next fall. The developer has built significant

investments in Montreal, Canada, the New York area, and Texas. Commissioner Kennedy asked staff about a public hearing and if that comes to DEDA or Planning Commission. The Planning Commission is the regulatory governmental unit for the project so the public hearing will be held by the PC in March. The planning commission will be approving the final AUAR document and will also be holding the public hearing. President McEntyre inquired about the possibility of increased policing of black and brown bodies in Harbor Highlands as it relates to the new development. Are all of the units' market rent and for sale? Manager Pervenance said staff has thought extensively about the impact to Harbor Highlands and are actively working with the HRA and OneRoof to make sure this development works with what is happening at Harbor Highlands. It is staff's understanding that the units will be a market rate variable. President McEntyre followed up with whether or not there would be an impact report developed from the conversations with the HRA and individuals responsible for Harbor Highlands. Many of the issues will be addressed in the AUAR document. This is a great recommendation on the City's end. Is the developer intentional about contracting or subcontracting with BIPOC led organizations or businesses? Director Ronchetti added the City of Duluth has a community benefits program that requires contractors receiving public participation in their financing, make intentional efforts to hire individuals of the BIPOC community. The developer has met with the building trades leadership and building trades leadership has emphasized the community benefits program. Commissioner Randorf added in her support for the project.

Vote to approve resolution 24D-06: (Randorf/Kennedy) Passed (6-0).

RESOLUTION 24D-07: RESOLUTION AUTHORIZING A SECOND AMENDMENT TO THE LAND SALE AGREEMENT WITH ANACHI, LLC RELATED TO THE REBUILD DULUTH PROGRAM

Tom Church has been working with the development group who has reimaged their design. This extends the agreement for one year and makes some total project cost adjustments that were necessary to accommodate the current market. In addition to those, there is an automatic trigger that if the buyer fails to meet any of the deadlines in the agreement, DEDA has a right to automatically terminate. Commissioner Kennedy asked if there were difficulties with the Rebuild sites because of the costs or if there were other issues with the program. There was an RFP for developers to look for some creative ways to develop some more challenging infill sites in Duluth. There was not a significant amount of work done on the pre-development of the sites so there many more challenges than anticipated. There were construction costs and interest rate hikes that added a layer of difficulty to the sites. This site was located up the hill in the Central Hillside just above OneRoof's offices. It is a skinny lot and they are looking to put 3 units on the site.

Vote to approve resolution 24D-07: (Cartier/Randall) Passed (6-0).

RESOLUTION 24D-08: RESOLUTION APPROVING THE DULUTH PRODUCTION INCENTIVE PROGRAM TO INCENTIVIZE VISUAL MEDIA PRODUCTION IN DULUTH, ESTABLISH PROGRAM GUIDELINES FOR THE PROGRAM AND AUTHORIZING AGREEMENT WITH UPPER MIDWEST FILM OFFICE FOR PROGRAM ADMINISTRATIVE SERVICES

Commissioner Randorf thanked Shari Marshik and Rikki McManus and gave her supportive thoughts on the program. Commissioner Kennedy inquired about DEDA being the manager of the program. Director Ronchetti shared that he would like to continue to do this type of incentive on a longer term. The sector brings in individuals with diverse background which is beneficial to the community. Tricia Hobbs added


the \$20,000 is for program oversight that UMFO does for DEDA. UMFO does the detail keeping and executes the program in alignment with the professional services agreement and program guidelines. Commissioner Kennedy inquired on whether or not this was a grant type of program. Ms. Hobbs clarified that films have the opportunity to apply for the program that reimburses them for qualified expenses. Director Ronchetti added this is an incentive that is stackable. St. Louis County has a similar incentive and the state also just passed an incentive this year as well. Being able to offer a stackable incentive in all levels of government is very attractive. Ms. Hobbs shared that Shari Marshik presented in November and she could share materials with Commissioner Kennedy that show the impact the program has had locally. Staff has structured this as a program, not a loan or grant. Commissioner Forsman expressed his support for the program and for Rep. Dave Lislegard who was the chief author on the film incentive.

Vote to approve resolution 24D-08: (Randorf/Forsman) Passed (6-0).

DISCUSSION

9. ADJOURN: President McEntyre adjourned the January 24, 2024 meeting of DEDA at 6:50 p.m.

Respectfully submitted,

Signed by:

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Tricia Hobbs - Executive Director