

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

Present: Arik Forsman, ChaQuana McEntyre, Ellie Just, Janet Kennedy, Dan Markham, Connor Randall, Roz Randorf

Absent: None

Others Present: Amanda Mangan, Ariana Dahlen, Chad Ronchetti, Samantha Smith, Tricia Hobbs, Thomas Church, Nancy Cashman, Jill Kippers, Debbie Freidman

CALL TO ORDER: This meeting was called to order by President Randall at 5:15 p.m.

PUBLIC TO ADDRESS THE COMMISSION

No comment from public.

PUBLIC HEARINGS

RESOLUTION 24D-30: RESOLUTION AUTHORIZING THE ACQUISITION OF CERTAIN REAL PROPERTY IN THE DOWNTOWN DISTRICT FROM NEW GARRICK LAND, LLC

No comment from public.

APPROVAL OF MEETING MINUTES

MINUTES FROM MARCH 27, 2024 SPECIAL MEETING

No comments.

Vote to approve March 27, 2024 Meeting Minutes: (Randorf, Just) Vote: Passed (7-0)

MINUTES FROM MAY 22, 2024 SPECIAL MEETING

No comments.

Vote to approve May 22, 2024 Meeting Minutes: (Markham, Randorf) Vote: Passed (7-0)

MINUTES FROM JUNE 26, 2024 SPECIAL MEETING

No comments.

Vote to approve June 26, 2024 Meeting Minutes: (Forsman, Randorf) Vote: Passed (7-0)

APPROVAL OF CASH TRANSACTIONS

June 1, 2024 to June 30, 2024

Director Ronchetti noted that for the investment earnings for June is higher than it has been in previous years due to interest rate increases.

Vote to approve cash transactions - June 1, 2024 to June 30, 2024: (Randorf, Kennedy) Vote: Passed (7-0)

NEW BUSINESS

RESOLUTIONS FOR APPROVAL

RESOLUTION 24D-30: RESOLUTION AUTHORIZING THE ACQUISITION OF CERTAIN REAL PROPERTY IN THE DOWNTOWN DISTRICT FROM NEW GARRICK LAND, LLC

Director Ronchetti gave background on this item, stating that there have been long-standing challenges with the Shopper's Ramp/New Garrick's Building. It was believed that the New Garrick's Building and the Shopper's Ramp needed to stay connected in order for the structure to hold. New History, historic building experts and structural engineer, was hired to determine the potential for redevelopment and the structural relationship between the ramp and the building. While the New Garrick Building had good bones, the cost to save the building was not viable for private parties. It was then proposed to the ownership group that DEDA purchase the site to help solve the life safety and blight issues, while also preserving the historic building.

Prior to recommending the purchase of the site to DEDA, staff contracted with an architecture firm, a structural engineering firm, and a general contractor to develop a housing concept for New Garrick and look more closely at the relationship between the building and the ramp and provide an estimated cost of what it would take to stabilize the structure. The investor group agreed to investigate what it would take to assemble the site. The 2023 assessed value of the Garrick Building was \$630,000. A purchase price was negotiated between Director Ronchetti and the ownership group of \$545,000, which includes the purchase of both buildings and the parcels underneath them. The cost of demolition of the ramp and the stabilization of the Garrick Building was estimated to be about \$1,500,000. This resolution only looks at the proposed acquisition and is to provide the full scope of the potential project and take the first step in preserving the building. If the purchase is approved, staff would begin to develop a demo and stabilization plan with the hope of demolition in November. An RFP would be drafted for a potential redevelopment partner. A timeline has been provided as a roll-out for the plan.

Commissioner Roz Randorf commended Director Ronchetti for his ability to navigate the complexities of this plan and Commissioner Arik Forsman for keeping the issue alive.

Commissioner Dan Markham asked Director Ronchetti to comment on the Cirrus Building sales revenue as the targeted funds for this site. Director Ronchetti stated that upon the sale of the Cirrus Building, the funds were redistributed with \$800,000 of those funds going to DEDA. \$545,000 of that is recommended by staff to be used on this site.

Arik Forsman thanked Commissioner Randorf for being an advocate for the New Garrick's/Shopper's

Ramp site. Commissioner Forsman asked Director Ronchetti if development is expected to take longer than the anticipated 2025 timeline. Director Ronchetti stated that he is hopeful that by 2025, DEDA will enter into a development agreement for this project. The development agreement would outlay what this project would then look like. It is possible that there may not be a development on the site until after 2025. Staff is looking at ways to get housing into the Garrick in the meantime. Commissioner Forsman asked what the projected carrying costs for the site were. Director Ronchetti stated that the ownership group had gotten carrying costs down to about zero.

Commissioner Markham asked what the status of the seller's efforts to gain ownership of the site by September 1st, 2024. Director Ronchetti stated that concerns have been flagged and addressed and is confident the ownership group is taking care of any subsequent issues.

Commissioner Markham asked if there had been a hazardous materials assessment of the site. Director Ronchetti stated that there has not been an assessment. It is anticipated that some level of abatement may be necessary. \$100,000 has been allocated towards testing and abatement. Staff is looking to leverage the Brownfield Revolving Loan Fund for that. There is EPA money available for these purposes.

Commissioner Markham also commended Director Ronchetti for the work done on this project.

Vote to approve Resolution 24D-30: (Forsman, McEntyre) Vote: Passed (7-0)

RESOLUTION 24D-31: RESOLUTION FOR THE AMENDED AND RESTATED PREDEVELOPMENT AGREEMENT WITH INLAND DEVELOPMENT PARTNERS, LLC FOR THE LOT D REDEVELOPMENT PROJECT

Director Ronchetti gave background on this item. He stated that this resolution is to contemplate a more phased approach. After being engaged with Inland Development for many years, it was determined that a phased approach to the project would be beneficial for both parties. He noted that the agreement provides Inland exclusive rights to develop and purchase the property through December 31st, 2026 with the requirement that a first phase, to be defined in a development agreement, be developed by June 6th, 2025. The second phase would need to be entered into by June 6th, 2026. Inland is required to provide an updated concept plan by the end of August 30th, 2024, which will require approval. A financing plan must be provided by December 31st, 2024 which will require approval. A market study must be conducted by Inland by December 31st, 2024.

Inland will be responsible for the costs of the environmental and geotechnical investigations which must be contracted for by September 30th, 2024. A traffic plan must be contracted for by November 30th, 2024. DEDA and Inland will split the costs of the traffic plan. From there, an environmental assessment must be completed, of which Inland would be responsible for the cost. DEDA will be responsible for the cost of the seawall inspection.

Commissioner McEntyre asked what obligations DEDA staff is required to fulfill and what staff will be responsible. Director Ronchetti stated that the obligations are defined within the agreement with Inland. The staff responsible would be the Executive Director and any assigned City staff.

Vote to approve Resolution 24D-31: (Kennedy, Forsman) Vote: Passed (7-0)

RESOLUTION 24D-32: RESOLUTION AUTHORIZING DEDA TO CONTRIBUTE UP TO \$115,000 TO PLOVER PLACE, LLC FOR EXPENSES RELATED TO THE PLOVER PLACE DEVELOPMENT AND APPROVAL OF A

SECOND AMENDMENT TO DEVELOPMENT AGREEMENT WITH PLOVER PLACE LLC FOR CONSTRUCTION OF THE NEW MODEL OF HOUSING FOR HOMELESS

Director Ronchetti gave an update on ARPA funds. He stated that DEDA has not yet received the general funding that City Council recently sent to DEDA. He stated that there were gaps that were identified by staff when determining where funds would be allocated. With this, they recommend contributing up to \$115,000 of ARPA funds to One Roof for the construction of the Plover Place.

Commissioner Kennedy asked where the site was being developed. Director Ronchetti stated that it was located by the Central Entrance Corridor on the West Side of Duluth.

Commissioner Forsman asked for clarification on what the total expense of the project is and if DEDA is covering the full cost. Director Ronchetti stated that it is covered fully by DEDA. St. Louis County has contributed \$1,600,000 in funding along with additional funding of \$178,000 and the City of Duluth also contributed \$1,600,000 as well as another \$128,000.

President Randall asked for clarification on the budget plan. Director Ronchetti stated that the One Roof representative could clarify. Commissioner Randorf asked to hear from the One Roof representative. Debbie Freidman, development coordination with One Roof, clarified that the full contingency has been used.

Commissioner Randorf asked about the gap request initially being \$75,000 and is now \$115,000 and if anything had changed that caused this. Debbie Freidman stated that they encountered contaminated debris when digging the trench for stormwater management basin which added significant costs to the project.

Commissioner Randorf asked for an overview of the money that had been transferred, the amount, and what the remainder will be processed. Director Ronchetti stated that there is an undesignated \$3,900,000. He stated that again DEDA has not received those funds but are anticipating them by the end of the year. There is \$4,000,000 contracted for the Residence Project with Merge Urban Development. There is a contract with City Center for the Wadena West Project. There is \$4,000,000 allocated to the Brea View project that is not yet under contract. The plan for the \$3,900,000 is to use it for affordable housing, blight reduction, or daycare. There are no formal plans on how to spend the funds, however plans are being formulated.

Vote to approve Resolution 24D-32: (Markham, Randorf) Vote: Passed (7-0)

RESOLUTION 24D-33: RESOLUTION AUTHORIZING LAND SALE TERMINATION AGREEMENT WITH ANACHI, LLC RELATED TO THE REBUILD DULUTH PROGRAM

Director Ronchetti stated that this project was a rebuild that did not work out. Because the plan failed, DEDA staff is looking to take the land back from the developer.

President Randall asked what the plans have been for parcels that have been taken back in situations like this. Tom Church stated that the plan is to work with community partners to develop a plan. This developer had reached out to ask for more time to work on the design, however this design did not work.

Vote to approve Resolution 24D-33: (McEntyre, Randorf) Vote: Passed (7-0)

RESOLUTION 24D-34: RESOLUTION AUTHORIZING A LICENSE AGREEMENT FOR BAYFRONT PROPERTY BETWEEN DEDA AND CITY OF DULUTH RELATED TO VEHICULAR PARKING AND

BAYFRONT PARK RELATED PURPOSES

Director Ronchetti stated that this is a house-keeping item in regards to the dirt parking lots that DEDA owns down by the Bayfront park. DEDA has been entering into an agreement with the city who manages the lot and DEDA gives the city the rights to use the lots during Bayfront events. Revenues from the parking are provided to the lot management team utilized by the city which are used to recruit events to Bayfront.

Vote to approve Resolution 24D-34: (Just, McEntyre) Vote: Passed (7-0)

DISCUSSION

Director Ronchetti asked that Tricia Hobbs to speak on the Ehlers TIF management presentation and the state of cruising in Duluth.

Hobbs commented on the TIF presentation coming scheduled for August 12th and August 13th. DEDA Commissioners and Planning Commissioners are invited to attend a brown bag lunch session to hear about TIF and have any questions answered. DEDA staff is wrapping up a TIF management plan with Ehlers to understand what opportunities are available.

Hobbs gave cruising updates stating that the cruising season is half way over. Seven vessels have come in with seven more vessels to come. Cruising season will last until October. There have been steady numbers and increased interest from additional cruise lines. The cruise terminal and dredging project will make docking for these vessels much easier. DEDA staff, Commissioner Randorf and President Randall took a tour of the Viking Cruise ship to learn more about the industry.

Commissioner Randorf thanked Hobbs for coordinating the tour and commented on the potential revenue that can be gained due to ship terminal project.

President Randall commented on the ability of the City to replenish resources for cruise ships once they are able to dock at the terminal.

Commissioner McEntyre asked what the plans were for staff to collaborate with cruise touring to ensure other districts of Duluth can benefit from cruising tourism, particularly further into West Duluth. Hobbs stated that staff has been working with a third-party coordinator to help them understand what opportunities may be in the future for excursions. Commissioner McEntyre encouraged the use of local transportation and educating third-party coordinator on locally available resources. Hobbs stated that they are in conversation to ensure the cruise lines and coordinators are aware of local vendors and transportation and give referrals for local resources.

Director Ronchetti gave an update on ARPA funds. He reiterated that financing has not yet transferred over the funds.

Director Ronchetti gave an overview of the housing projects update in relation to the conversations being had around ARPA funds. The Affordable Housing Coalition along with community stakeholders connected with City Councilors and provided insight into future affordable housing potential.

Nancy Cashman with Center City and Jill Keppers with the HRA spoke on affordable housing in Duluth. Jill Keppers stated that they hope the DEDA commission uses Center City and the HRA as resources whenever questions regarding affordable housing arises. Keppers stated that the HRA is able to do housing in the community for any income level but focus on affordable housing. Director Cashman focuses more on supportive housing and on homeless services. Keppers stated that since the City transferred ARPA money to DEDA, in order to protect it from recapture, there has been discussion on about the guardrails that are needed to protect it for affordable housing. Both Keppers and Cashman are here to help the City understand that citizens with the most barriers need the most assistance and affordable housing projects require multiple layers of funding and multiple partners to make developments happen. Based on the 2016 Maxfield study that showed the need for affordable housing, there is need for 3,000 units of affordable housing. Keppers made comment on the most recent Stepping on Up meeting and asked for affordable housing solutions. Keppers noted the Residence project and stated that the HRA are looking at how the shelter can be expanded. Keppers asked that commissioners consider the need of affordable housing in Duluth and consider costs it takes to complete these projects.

Cashman thanked the commission for the help given for the Welch and Wadena sites. Cashman spoke on the gaps faced in funding construction projects. She gave background on the funding provided for the Welch and Wadena projects. She encouraged allocation of ARPA funds to be used towards affordable housing projects.

Commissioner McEntyre noted the problem of homelessness in downtown Duluth and given the potential increase in tourism given the state of cruising in Duluth, there will be a significant need for sustainable housing solutions.

Director Ronchetti noted a media inquiry on the Incline Plaza project and there was a request for a deeper understanding of Resolution 23-0286R and gave a brief overview of the resolution.

9. ADJOURN: President Randall adjourned the June 26, 2024 meeting of DEDA at 6:35 P.M.

Respectfully submitted,

Signed by:

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Tricia Hobbs - Executive Director