

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
MONDAY JANUARY 22ND, 2025 – 5:15 P.M.
COUNCIL CHAMBERS-CITY HALL
MINUTES**

Present: Arik Forsman, Ellie Just, Janet Kennedy, Connor Randall, Dan Markham

Absent: Roz Randorf

Others Present: Amanda Mangan, Tricia Hobbs, Ariana Dahlen, Sam Smith, Tom Church, Nick Anderson, Angie Stier, Elizabeth Tabor, Heidi Timm-Bijold, Brent Dahlstrom

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

President Randall asked for commissioners to identify any items that they may have conflicts of interests with. Commissioner Markham identified that he has conflicts with items 25D-03, 25D-04, 25D-05, and 25D-06 and will abstain from discussion and voting on those items. President Randall stated that he has conflicts with item 25D-08 and will abstain from discussion and voting on that item.

PUBLIC TO ADDRESS THE COMMISSION

No comments.

PUBLIC HEARINGS

RESOLUTION 25D-03: RESOLUTION AUTHORIZING A REDEVELOPMENT GRANT APPLICATION IN AN AMOUNT NOT TO EXCEED \$691,687 TO THE MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT RELATING TO THE GOODWILL PROJECT

No comments.

RESOLUTION 25D-04: RESOLUTION AUTHORIZING A DEMOLITION LOAN PROGRAM APPLICATION IN AN AMOUNT NOT TO EXCEED \$305,000 TO THE MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT RELATING TO LOT D

No comments.

APPROVAL OF MEETING MINUTES

MINUTES FROM DECEMBER 16, 2024, SPECIAL MEETING

No comments.

Vote to approve December 16, 2024, Meeting Minutes: (Markham, Just) Vote: Passed (5-0)

APPROVAL OF CASH TRANSACTIONS

December 1, 2024, to December 31, 2024

Hobbs noted transfers that were the result of the infrastructure tariff from the DECC for cruising.

Vote to approve cash transactions - December 1, 2024, to December 31, 2024: (Markam, Just)
Vote: Passed (5-0)

NEW BUSINESS

RESOLUTIONS FOR APPROVAL

RESOLUTION 25D-01: RESOLUTION ELECTING OFFICIERS FOR THE YEAR 2025

Hobbs noted that new commissioners will be joining the board within the next couple months as Commissioner Just and Commissioner McEntyre will be leaving.

Vote to approve Resolution 25D-01: (Just, Markham) Vote: Passed (5-0)

RESOLUTION 25D-02: RESOLUTION REQUESTING AMENDMENT TO DEDA ESTABLISHMENT RESOLUTION

Hobbs stated that this is a request that DEDA is making to Council to have a modification made to DEDA's enabling resolution to adjust purchasing limits. DEDA's purchasing limits do not currently align with the City's purchasing limits which has caused confusion for DEDA and purchasing staff.

Commissioner Kennedy asked what the current purchasing limit is. Hobbs stated that DEDA's current limit is \$100,000 and DEDA is looking to adjust that amount to match the City's limit of \$150,000.

Vote to approve Resolution 25D-02: (Forsman, Just) Vote: Passed (5-0)

RESOLUTION 25D-03: RESOLUTION AUTHORIZING A REDEVELOPMENT GRANT APPLICATION IN AN AMOUNT NOT TO EXCEED \$691,687 TO THE MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT RELATING TO THE GOODWILL PROJECT

Hobbs stated that this item is to seek DEDA's approval to submit a redevelopment grant to DEED on behalf of True North Goodwill. Hobbs noted that DEDA had approved a predevelopment agreement with Goodwill for back in August for future development at the Atlas site. Goodwill would use these funds for that project.

Heidi Timm-Bijold of HTB Project Navigation gave background on True North Goodwill. She stated that the project will be for the construction of a resource and training center in Atlas. This location will act as the regional headquarters for True North Goodwill. It will house their transportation, warehousing, mattress recycling, retail, and administrative offices. It will also include a childcare center that will provide 30 new childcare slots to the program participants and their staff. Total project cost is \$25M with \$20M being used for hard construction costs. DEED's redevelopment

grant offers a 50-50 cost share so they are requesting \$691, 687 and the local match would be of the same amount.

Commissioner Kennedy asked where the local match will be coming from. Timm-Bijold stated that the True North Goodwill will provide the match. She stated that if the application is approved, a separate agreement will be proposed by City staff to the purchaser on behalf of True North Goodwill and this would then tie them to the obligations that DEDA would sign off on.

Commissioner Kennedy asked for more information on potential tax base growth. Timm-Bijold stated that one of the funding sources True North Goodwill is planning to pursue is new market tax credit but in order for those tax credits to be used, the property must be owned and controlled by a for-profit corporation. They are forming an affiliate organization that will be for-profit, and the non-profit will lease the building from the for-profit owner, so property taxes will be paid.

Commissioner Markham abstained from discussion and voting on this item.

Vote to approve Resolution 25D-03: (Just, Forsman) Vote: Passed (4-0-1)

RESOLUTION 25D-04: RESOLUTION AUTHORIZING A DEMOLITION LOAN PROGRAM APPLICATION IN AN AMOUNT NOT TO EXCEED \$305,000 TO THE MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT RELATING TO LOT D

Hobbs stated that this item is to seek DEDA's approval to submit an application to DEED for the Demo Loan Fund. This will be for the removal of the concrete slab at Lot D to begin site prep work for redevelopment. DEDA will be receiving the funds and staff will work with the developer to determine a repayment period and plan when the property is sold.

President Randall asked for a general update on where the developer is at outside of the demo. Hobbs stated that they are in the process of firming up the updated sources and uses as well as the development plan. This will be incorporated into the legislative ask for the City and are preparing the necessary materials. Staff has approved the concept plan and are moving towards the establishment of a TIF district sometime this year. Regular meetings have resumed with the developer and have expanded the City staff team as progress continues.

Commissioner Kennedy asked about the line in the statement of purpose which read 'could be forgiven based on development benefits' and wanted to know what those benefits would be. Hobbs stated that DEED would identify this based on what the property would look like after the development happens. This would include housing and commercial opportunities.

Commissioner Markham abstained from discussion and voting on this item.

Vote to approve Resolution 25D-04: (Just, Forsman) Vote: Passed (4-0-1)

RESOLUTION 25D-05: RESOLUTION APPROVING A TERM SHEET WITH URBANE 218, LLC FOR COMPLETING THE URBANE DULUTH PROJECT

Hobbs stated that items 25D-05 and 25D-06 are related. This item lays out the term sheet for the developer. She stated that staff has worked with Merge since breach was called back in August 2024 to remedy the issues they were facing. Staff feels confident in the terms and timelines.

Commissioner Kennedy asked if staff received proof of funding. Hobbs stated that they have received proof of funding, and a thorough review has been done.

Brent Dahlstrom with Merge Urbane Development spoke on the project stating that the project is progressing, and they feel confident in their ability to meet the deadlines presented in the term sheet.

Commissioner Forsman asked about the assessment of the building and if it had been completed. Hobbs stated that the assessment had been completed, and a review was done by a City building official.

Commissioner Kennedy asked if the assessor went inside the building for the analysis. Dahlstrom stated that two separate structural analysis companies came in to evaluate the site and both companies gave their approval of the structure. Commissioner Kennedy asked if the assessment was a contingency for their loan which Dahlstrom confirmed.

Commissioner Forsman asked about the Residence project with Urbane as it had received ARPA funding and asked for an update. Hobbs stated that they are in conversations about what next steps may look like. They plan to reconvey the property as several of the necessary touchpoints have passed for that development and purchase agreement. Dahlstrom stated that his focus is to complete the Urbane Project. He stated that the Residence project has been an ongoing conversation and will continue to work with staff.

Commissioner Kennedy asked if the ARPA funding will be used. Hobbs stated that the funding is tied to that development agreement. She stated that funding had been recharacterized and put forth as DEDA operating funds.

President Randall asked if the structural review included looking at mold and if the analysis was all-inclusive. Dahlstrom stated that the analysis looked at the mold as well as the integrity of the structure itself and both are acceptable to the City and the lender.

Commissioner Forsman asked if Merge comfortable committing to the DEDA board that the milestones listed in the term sheet and development agreement will be met. Dahlstrom stated that it is Merge's intent to meet each milestone, barring any unforeseen, uncontrollable circumstances that may delay progress. Commissioner Forsman asked if progress had been made on the Project Labor Agreement as well which Dahlstrom confirmed.

As a point of order, Commissioner Forsman will act as Secretary in place of Commissioner Markham when signing this item.

Commissioner Markham abstained from discussion and voting on this item.

Vote to approve Resolution 25D-05: (Just, Forsman) Vote: Passed (4-0-1)

RESOLUTION 25D-06: RESOLUTION AUTHORIZING AN ADDENDUM TO DEVELOPMENT AGREEMENT WITH URBANE 218, LLC FOR THE DEVELOPMENT OF THE URBANE DULUTH PROJECT

Hobbs stated that this item puts into legal form what was shown in the term sheet.

Commissioner Markham abstained from discussion and vote on this item.

Vote to approve Resolution 25D-06: (Forsman, Just) Vote: Passed (4-0-1)

RESOLUTION 25D-07: RESOLUTION AUTHORIZING A LEASE AGREEMENT WITH O'REILLY AUTO ENTERPRISES, LLC

Hobbs stated that this item is a new 15-year lease with O'Reilly Auto Enterprises for their West Duluth shop. They have an existing lease agreement in place that is on a 5-year term. They are adjusting their lease period with the store for 15-years, so they are looking to align the lease to match with that. This is an access agreement for part of a DEDA parcel which is located behind their store which is necessary for them to utilize for deliveries. Because it is a longer term, staff is increasing the per-month total and including an annual increase of 3%. Hobbs stated that this parcel is not necessarily available for development so this allows DEDA to generate revenue on the property.

Commissioner Kennedy asked if O'Reilly will be billed for the taxes on the property. Hobbs stated that she will follow up on the mechanics of that.

Vote to approve Resolution 25D-07: (Markham, Kennedy) Vote: Passed (5-0)

RESOLUTION 25D-08: RESOLUTION AUTHORIZING A CONSENT AND ESTOPPLE CERTIFICATE FOR THE ASSIGNMENT OF DEVELOPMENT AGREEMENT WITH PIER B HOLDING , LLC IN FAVOR OF BELL BANK

As a point of order, Commissioner Forsman will act as President in place of President Randall for this item due to President Randall's conflict of interest.

Hobbs stated that item is to authorize a consent and estopple certificate to Bell Bank at the request of the developer. This is necessary piece required by the TIF and development agreement to align the financing.

Commissioner Kennedy asked for clarification on what the estopple certificate is and for more context on the TIF note. Attorney Mangan stated when a developer is seeking financing, they will often times pledge their TIF note to a lender. That lender will review the development agreement which says that DEDA has the authority to consent to the assignment of the TIF note. This documents that the TIF note is still in effect and that we are consenting to the assignment of it.

As a point of order, Commissioner Forsman will act as President in place of President Randall when signing this item.

President Randall abstained from discussion and voting on this item.

Vote to approve Resolution 25D-08: (Markham, Just) Vote: Passed (4-0-1)

RESOLUTION 25D-09: RESOLUTION APPROVING A SETTLEMENT IN THE MATTER OF RESPECT STARTS HERE, A MEMBERSHIP ORGANIZATION, AND ERIC RINGSRED. V. DULUTH ECONOMIC DEVELOPMENT AUTHORITY AND THE CITY OF DULUTH, IN A TOTAL AMOUNT OF APPROXIMATELY \$2,130,000.00, PURSUANT TO THE TERMS OF THE SETTLEMENT AGREEMENT.

Commissioner Forsman asked that Attorney Elizabeth Tabor give some context to this item. Attorney Tabor stated that while the Kozy building will be demolished, this settlement will help to revitalize historic buildings and support the federally recognize Duluth Historic District.

Commissioner Forsman asked for a breakdown of the different buckets of funds that were determined in the settlement. Attorney Tabor stated that there are three categories of funds that the settlement commits. The largest category is \$1.4M that the City will commit to establish a fund that will be managed by the Duluth 1200 Fund. Those funds will be available to the owners of buildings that are listed as contributing to the Duluth Historic District. The owners of those building

can use those funds in the form of low interest loans or grants to invest in and rehabilitate those historic properties. The Historic Fund will give favorable treatment to properties on East 1st Street. There will be priority lending to those properties. This fund will work to spur private investment in historic downtown Duluth.

The next category of funding as identified in the settlement is for \$700,000 from DEDA to reimburse the plaintiffs for their investments and contributions to the three historic buildings they hold within the historic district. A protocol has been established for how those funds will be managed. The plaintiffs will perform repairs on these buildings and submit for reimbursements with the City.

The last category of funding will pay the current delinquent taxes on those three buildings.

Commissioner Forsman asked if the source of the funding is all through DEDA. Attorney Tabor stated that the \$700,000 for the second category of funding will come from DEDA and the remaining funding will come from the City of Duluth economic development funds.

Commissioner Kennedy asked for the amount owed in delinquent taxes. Attorney Tabor stated that it is approximately \$30,000.

Commissioner Kennedy noted that the Clayton Jackson McGhie Memorial had been greatly impacted by the blight in the area. Commissioner Kennedy suggested some type of reconciliation or community benefits as the blight resolves. Hobbs stated that it is a real opportunity as the redevelopment of that area progresses and it is important to consider how that area has been impacted when moving forward.

Commissioner Markham asked that with the establishment of the historic fund, will the funds be available to the three named historic buildings listed in the settlement or would they be excluded from the \$700,000. Attorney Tabor stated that the \$700,000 is only for the named plaintiffs and the affiliated entities that are identified in the settlement for the three listed historic properties. The Historic Fund managed by the 1200 Fund will be open to any owner to any building that contributes historically to the district. There is nothing in the settlement that restricts the plaintiffs from applying for those funds. Commissioner Markham asked about the reimbursement aspect of the funds. Attorney Tabor stated that \$700,000 are available for reimbursement for the plaintiffs for approved work on those three specified historic buildings.

Commissioner Forsman asked about the last sentence of the settlement which stated four years from the effective date. Attorney Tabor stated that the four-year limit is the maximum amount of time that the plaintiffs have to perform the work that DEDA could reimburse them for under the agreement.

President Randall asked if the \$1.4M will be available until funds are exhausted. Attorney Tabor stated that there is no end date to these funds and will act as a revolving fund.

Hobbs thanked Attorney Tabor for the work she has done in helping to reach this settlement. Commissioner Forsman echoed this sentiment and also thanked DEDA staff for their work as well.

Vote to approve Resolution 25D-09: (Forsman, Just) Vote: Passed (5-0)

RESOLUTION 24D-53A: RESOLUTION AUTHORIZING A CONSTRUCTION CONTRACT WITH CARLETIN COMPANIES, INC. FOR DEMOLITION OF THE SHOPPER'S RAMP IN AN AMOUNT NOT TO EXCEED \$967,000.00

Hobbs stated that this item is to correct the address listed for the Shopper's Ramp on item 24D-53.

Commissioner Forsman asked when they can expect to see activity on site. Hobbs stated that they are in the process of getting the necessary abatement and permits for demo. The staff is working with facilities, construction services and life safety and met with the contractors and representatives from Northshore Bank and Kristi Stokes from Downtown Duluth to have a preconstruction meeting. They are expecting for demo to begin end of February and anticipate the project will take 2.5 months to complete.

Vote to approve Resolution 24D-53A: (Kennedy, Just) Vote: Passed (5-0)

DISCUSSION

Hobbs thanked Commissioner Just and Commissioner McEntyre for their service on the DEDA board. Hobbs noted that Commissioner Just has accepted a position with the economic development team at the City.

Commissioner Just thanked her fellow commissioners for her time on the board and appreciates the work they have accomplished together.

ADJOURN: President Randall adjourned the January 22, 2025, Meeting of DEDA at 6:07 p.m.

Respectfully submitted,

Signed by:

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Tricia Hobbs - Executive Director