

**MEETING OF THE  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
Monday, December 1, 2008 - 5 p.m.  
City Council Chambers, 3<sup>rd</sup> Floor City Hall  
MINUTES**

**CALL TO ORDER:** President Stauber called the meeting to order at 5:00 p.m.

**MEMBERS PRESENT:** Jeff Anderson (5:13), Tony Cuneo, Todd Fedora, Jay Fosle, Sharla Gardner, Greg Gilbert, Garry Krause, Roger Reinert, Jim Stauber

**OTHERS PRESENT:** Bob Asleson, Joan Christensen, Tom Cotruvo, Terri Fitzgibbons, Keith Hamre, Dan Russell, Craig Samborski, Heidi Timm-Bijold

**APPROVAL OF MINUTES:** November 3, 2008. Gardner/Reinert to accept unanimously.

**NEW BUSINESS**

**1. RESOLUTION 08D-56: RESOLUTION RATIFYING THE PURCHASE OF CERTAIN TAX-FORFEITED PROPERTY FROM THE STATE OF MINNESOTA THROUGH ST. LOUIS COUNTY**

**Staff:** Hamre stated DEDA purchased seven lots of tax forfeit land from the State of Minnesota in the northern section of Ramsey neighborhood which is slated for a housing development. These particular tracts are proposed for single family housing. This resolution ratifies the fact that DEDA has already purchased the property. Christensen stated DEDA has already paid for the property. Hamre believes the cost was approximately \$20,000.

**Vote to Approve Resolution 08D-56: 8-0 Unanimous**

**2. RESOLUTION 08D- 68: RESOLUTION AUTHORIZING A TERMINATION AGREEMENT OF THE DEVELOPMENT AGREEMENT WITH DULUTH TECHNOLOGY PARK I, LLC**

**Staff:** Cotruvo stated this relates to TIF District 20. The project, SISU, did not go forward, and there is a development agreement outstanding which SISU has requested be canceled.

**Discussion:** Krause stated after it was known this project would not go through DEDA was approached by Minnesota Power and APEX about another project (VISI). Cotruvo does not believe that VISI is moving forward. Gilbert asked if DEDA is out any money on the SISU project. Cotruvo stated he will research if there are any outstanding fees. Reinert asked if it is wise to cancel the agreement at this time if there may be outstanding fees. Christensen recommended making this resolution subject to the developer paying any outstanding fees.

**Motion and Second by Reinert/Krause to Amend Resolution 08D-68:** Unanimous (8-0) to make this resolution subject to the developer paying any outstanding fees

**Vote to Approve as amended Resolution 08D-68:** Unanimous (8-0) as amended

**3. RESOLUTION 08D-69: RESOLUTION APPROVING AN AMENDMENT TO THE AGREEMENT WITH ONEIDA REALTY FOR THE MANAGEMENT OF THE PARKING LOT LOCATED AT THE FORMER LINCOLN HOTEL SITE**

**Staff:** Cotruvo stated DEDA purchased the former Lincoln Hotel site last year and suggests DEDA add this lot to DEDA'S Oneida Realty contract to simplify the number of entities managing DEDA-owned parking lots.

**Discussion:** Cuneo asked about future development at this site. Cotruvo stated the property was purchased with the concept that it would help stimulate development in this area. The block is a good area for development, and it is something we continue to suggest to developers.

**Vote to Approve Resolution 08D-69:** 8-0 Unanimous

**4. RESOLUTION 08D- 70: RESOLUTION AUTHORIZING AGREEMENT WITH RJS CONSTRUCTION GROUP, LLC, FOR CONSTRUCTION OF THE SKYWALK EXTENSION PROJECT FROM LAKE SUPERIOR PLACE TO THE TECHNOLOGY VILLAGE IN THE AMOUNT OF \$2,626,560**

**Staff:** Cotruvo stated commissioners approved the resolution of intent for this skywalk extension in June. The bid was below estimates and Cotruvo anticipates the project being completed within estimated costs. Six bids were received, and RJS was the low bidder. As soon as easements are signed by the four parties, construction will begin. Seven easements are being donated to DEDA at no cost by Bruce and Ruth Darling, Alan and Leanne Zeppa, Jim Jarocki, and Bruce Van Rydel. Minnesota Power has agreed to contribute up to \$250,000 for the project. Jim Jarocki and Bruce Van Rydel will contribute \$50,000 to the skywalk when the 9 West building is connected. Cotruvo wishes to thank these parties for making this project possible. DEDA agreed to pay \$35,000 to Jim Jarocki and Bruce Van Rydel for footings in Lake Avenue at the time a garage was constructed. These monies have been budgeted and authorized.

**Discussion:** Fedora requested Cotruvo verify that no MSA funds are being used for this portion of the skywalk. Cotruvo verified that funding is primarily from TIF District 4 and that no MSA funds are being used. Reinert asked if the contract has a "do not exceed" clause. Cotruvo stated the price is for what will be constructed according to the bid documents, but does not include any change orders that may be required. Reinert confirmed this does not include change orders, and Cotruvo stated that part of this process is to manage the project so change orders do not get out of control. Krause asked about ongoing maintenance and operations of the Skywalk. Cotruvo stated that where a property is connected to the skywalk, the property owner is responsible for maintenance within their respective buildings. Other areas will be maintained by the City of Duluth. Krause asked what the maintenance cycle is like, and Cotruvo stated the existing Skywalks were started in the late 1970s, and we have

only started repainting them in the last couple of years, but perhaps should have been done earlier, so he estimates it is a 20 year time frame.

*Commissioner Anderson arrived at 5:13 p.m.*

Krause asked about heating. Cotuvo stated if a property does not connect to the Skywalk, the City is responsible for heating as well as maintenance. Three buildings will not connect so the City will be responsible for utilities and maintenance at these three properties. Reinert asked what we need to do to develop consistent Skywalk hours. Cotruvo stated the Skywalk is required to be open 6 a.m. to midnight seven days per week, for the new portion being proposed. More people using the Skywalk will generate the need for consistent hours. Reinert asked if DEDA has the authority to set the hours. Asleson stated the Skywalk agreements with the original owners had minimum hours established and were designed to be consistent with the hours of businesses where they were located. Asleson stated the hours limitations are included with the agreements with the property owners. DEDA attempted to modify the agreement between the Holiday Center and Radisson, but the City paid for private security to keep that segment open.

**Vote to Approve Resolution 08D-70: 8-1 (Krause)**

**5. RESOLUTION 08D-71: RESOLUTION RESCINDING RESOLUTION NO. 08D-58 AND AUTHORIZING TRANSFER OF \$188,362 TO CITY FOR RAMSEY PLAN**

**Staff:** Hamre stated in 2005 the Housing and Redevelopment Authority (HRA) was slated to take over more of this development. DEDA would rather focus on economic development and job creation, so Hamre would like to transfer the remaining housing projects to the HRA to eliminate DEDA from this project. The development will include supportive and senior housing. The site is being assembled for development.

**Discussion:** Krause asked if the HRA can acquire land and completely leave the DEDA out of it. Hamre stated this will be the preferred method from this date forward. Krause asked how many are left like this. Hamre stated there are two projects including Ramsey Village and Coffee Creek. Krause asked if the Coffee Creek development has changed. Hamre stated HRA has to oversee the development agreement currently in place. Fedora asked about Eustone properties which the HRA foreclosed upon. Hamre stated CDBG resources may not be available for future housing projects such as the Eustone. In the future the criteria for rental housing developments will have to be more closely examined. Hamre is working closely with HRA to tighten up the underwriting guidelines. Fedora asked if HRA was involved with the project at Third Street and Lake Avenue. Fedora stated his confidence in HRA is being challenged due to these developments. Fedora asked why city councilors had to find out about this foreclosure from the newspaper. Hamre stated he spoke with the HRA regarding bringing forward a City Council action. Fedora stated he will be voting against this resolution. Stauber stated this resolution is taking money from DEDA and giving it the City, and he is aware the land has never had a Phase I or Phase II environmental study.

**Vote to Approve Resolution 08D-71: Fails 4-5 (Fedora, Gilbert, Krause, Reinert, Stauber)**

## **6. RESOLUTION 08D-72: RESOLUTION ADOPTING THE 2009 DEDA BUDGETS**

**Staff:** Cotruvo stated this was on the agenda last month, and there was some question about the administrative fee and DEDA organization. The fee presented tonight is \$330,000, \$305,00 of which is from TIF funds. Stauber addressed the administrative fees and how they were arrived at. Stauber stated the research for staff time was, he believes, greater than \$200,000 but less than \$400,000. Stauber supports leaving staff services at \$330,000.

**Vote to Approve Resolution 08D-72:** 8-1 (Fedora)

## **7. RESOLUTION 08D-73: RESOLUTION APPROVING WEST DULUTH STOREFRONT AND INFILL CONDITIONAL GRANT PROGRAM OPERATIONAL GUIDELINES**

**Staff:** Cotruvo stated in June a storefront grant of 10% of cost was discussed. These guidelines are increased to 25% as he believes a larger amount will solicit a quicker response and more storefronts being improved. The infill portion of the program came from the West Duluth plan to fill in lots on Central and Grand Avenues. The infill portion would be 40% of the cost. Cotruvo stated it is expensive to construct on smaller lots and is unsure if owners will utilize this program. Limits for these projects are \$25,000 for a storefront and \$50,000 for an infill project. The applicant would have to maintain the building and own it for five years, so if an owner sells the building prior to that a portion of the grant must be paid back. The project does call for a design review committee including a representative from SVCNDA and requires neighborhood goals be established so there is a theme for the neighborhood.

**Discussion:** Krause stated he prefers the loan model and asked about the Lincoln Park neighborhood. Cotruvo stated last month the program was referred to as a "forgivable loan," but that is the same as a "conditional grant." Cotruvo stated TIF District 3 funds can only be spent in this district, not in Lincoln Park. Krause asked how other TIF districts can qualify for such a program. Asleson stated TIF districts are normally established with regard to projects. Asleson stated a Lincoln Park storefront loan program was created and may still be in existence, but he is unaware that more than one or two loans were made. Fedora stated the downtown storefront loan program is a 3% loan program. He is concerned about the precedence this will set. Cotruvo apologized this was not clear when it was discussed previously. This is proposed as a "conditional grant" program because an impact in the neighborhood was desired. The TIF district is expired so there is a limited amount of time to use the funds. Cotruvo stated the downtown area storefront loan program is not as feasible and there has not been a high demand. Cotruvo believes storefronts have shown to be a good investment in the community. Cotruvo stated a grant for the Old City Hall Building was approved, and there was a grant program for the Old Downtown area in the 1990s. Cuneo asked if the guidelines are acceptable to SVCNDA. Ridgewell indicated they were acceptable. Krause stated there is a Lincoln Park storefront program but it has too many requirements. Fosle asked who the program coordinator and administrator will be. Cotruvo stated he was unsure as there is not a lot of staff.

**Vote to Approve Resolution 08D-73:** 8-1 (Krause)

**8. RESOLUTION 08D-74: RESOLUTION CONDITIONALLY APPROVING PARTICIPATION IN WEST DULUTH STOREFRONT AND INFILL CONDITIONAL GRANT PROGRAM BY SPECIFIED PROPERTIES**

**Staff:** Cotruvo stated the third property's address was incorrectly listed and should be 5517 Grand Avenue. Commissioners asked to have these properties included in the program. At 5622 Grand Avenue work was applied for in May of 2008, and in August of 2008 it was discovered construction went ahead without the issuance of a permit. Cotruvo is unsure if Building Safety issues are resolved at this time.

**Discussion:** Stauber stated if the permits and construction began before the program that is different than permits and construction after the program was proposed. Stauber assumes the properties will make application once this resolution is approved and will be held to the same standard as any other project.

**Vote to Approve Resolution 08D-74: 8-1 (Krause)**

**9. RESOLUTION 08D-75 : RESOLUTION AUTHORIZING AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT WITH LHB FOR LAKE AVENUE SKYWALK DESIGN**

**Staff:** Cotruvo stated this is the second and hopefully final amendment for architectural services for additional work done on the Minnesota Power building and Zeppa garage. The total for this contract is \$88,254. Cotruvo stated an agreement for special construction inspection services is one additional item Cotruvo expects to present to DEDA in the future and will complete our work with LHB on this portion of the skywalk.

**Discussion:** Gilbert asked how much of an increase this is. Cotruvo stated the existing contract is for approximately \$176,000, and the \$88,000 would be an additional amount. Cotruvo stated all of the services are not bid out all at one time. The first agreement was for preliminary design, and the second agreement was for design and construction drawings. Cotruvo stated it is presented in phases as it is unsure if these projects will go forward.

**Vote to Approve Resolution 08D-75: 8-1 (Krause)**

**DISCUSSION:**

**1. DEDA REORGANIZATION**

Reinert stated he intends to bring a resolution to council on December 15 to discuss the other option. Fedora asked if he would like a co-sponsor, and Reinert agreed. Hamre stated based upon the council action on November 15, the administration will begin to put into place all standards and procedures with regard to actions, resolutions, and reviewing approvals with operational effects. Hamre stated this will be in accordance with the result of the process earlier in the year of visioning and redefining the mission of DEDA to be more compact and

narrowly defined. The administration will look at this as one of the first items of priority and plan accordingly to provide services to DEDA.

## 2. **BAYFRONT PARKING AGREEMENT WITH THE DECC**

Cotruvo stated a final agreement with the DECC has been drafted, but was not on this agenda as there was no need for parking at this time. Cotruvo stated Dan Russell requested it not be on the agenda in order to make some determinations as to how best to proceed. Craig Samborski of Secret Service Entertainment is interested in operating the parking lots, but Cotruvo feels DEDA should receive input from the DECC. At this time no one is operating the lots.

Fedora asked if Cotruvo is negotiating unilaterally with the DECC or also with Secret Service Entertainment. Cotruvo stated he was following what was decided at the last meeting which was to enter into an agreement with the DECC. Cotruvo stated he has not negotiated with the DECC or Secret Service. The question is whether the DECC is interested in moving forward. Anderson asked why a request for proposals was not sent out. Cotruvo stated it can be approached either way, and it is the commissioners' decision as to how they would like to proceed. Krause stated the economy has changed and those who were not interested in such an agreement previously may be now. Reinert feels DEDA should have a contract in place so if there is revenue DEDA can be sharing in it. He would like to see a contract, even if it is temporary; however, his preference would be a request for proposals for this type of agreement.

Russell stated the DECC is the City of Duluth. They hosted a homeless connect convention, provided space for police training, hosted the mayor's skate, fed 3,500 people for Thanksgiving, provide disaster training for the Fire Department, and are a Homeland Security licensed regional disaster facility. The DECC has gone over the draft agreement and agrees, with the exception of a few small changes. Russell needs to present the agreement to his board. Improvements to Lot C will cost over \$100,000, and the DECC has agreed to do substantial work to provide parking. The DECC has no intention of operating this parking area during Bayfront events.

Samborski stated he is prepared to move forward for December as well as a long term agreement. He has some issues with the parking lot infrastructure and believes there would only be a short term agreement with the DECC. Secret Service was never included in the discussion regarding a long term agreement. He would like to be included in the process of bidding on this and does not feel this process was followed. Cotruvo stated last month's action was to enter into a short term agreement and negotiate a longer term agreement with the DECC. Stauber requested Cotruvo find a party to manage the lot for the month of December, keep our options open, and if DEDA decides a long-term agreement would be acceptable for January, it should be open to a request for proposals process.

**3. VETERANS HOME PROJECT**

Christensen stated recently DEDA approved an agreement with the Duluth Veterans Housing LLC which required the developer to comply with the requirements set forth in Minnesota Statute 469, but developers are not held to this same standard. Christensen stated as a result of this, the construction will be bid. Bill Burns was present to answer any questions. Stauber believes this is a minor change and may proceed.

The December 1, 2008, meeting of DEDA was adjourned by President Stauber at 6:04 p.m.

Respectfully submitted,



**TOM COTRUVO**  
Executive Director, DEDA

tmf