

**SPECIAL MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY**
Tuesday, June 12, 2012 - 5:00 p.m.
City Hall Room 303

MINUTES

Call To Order: The June 12, 2012, meeting of DEDA was called to order by Vice President Aronson Norr at 5:00 p.m.

Present: Nancy Aronson Norr, Jay Fosle, Dan Hartman, John Heino, Emily Larson

Absent Excused: Don Monaco, Christine Townsend

Others Present: Bob Asleson, Joan Christensen, Chris Eng, Keith Hamre, Brian W. Hanson, Adam Kuettel, Jason Kuettel, Tom Kuettel, Kerry Leider, Bronwyn Lipinski, Kathy Marinac, Danny Martinez, Mark McShane, Steve Overom, Heidi Timm-Bijold

APPROVAL OF MINUTES: May 23, 2012. Accept as written. Vote: Unanimous
Fosle/Hartman (4-0)

Larson arrives 5:02

PUBLIC HEARINGS

1. **RESOLUTION 12D-29: RESOLUTION AUTHORIZING A BUILDING IN DULUTH 2012 CONDITIONAL GRANT AGREEMENT WITH AAR AIRCRAFT SERVICES, INC IN AN AMOUNT NOT TO EXCEED \$350,000**

No public comment.

2. **RESOLUTION 12D-31: RESOLUTION AUTHORIZING A BUILDING IN DULUTH 2012 CONDITIONAL GRANT AGREEMENT WITH TAJ PROPERTIES OF DULUTH, LLC (A. W. KUETTEL & SONS, INC.) IN AN AMOUNT NOT TO EXCEED \$350,000**

No public comment.

RESOLUTIONS FOR APPROVAL

Vice President Aronson Norr asks the Board for approval to move the third agenda item up to the top of the agenda, with no objections.

NEW BUSINESS

1. **RESOLUTION 12D-31: RESOLUTION AUTHORIZING A BUILDING IN DULUTH 2012 CONDITIONAL GRANT AGREEMENT WITH TAJ PROPERTIES OF DULUTH, LLC (A. W. KUETTEL & SONS, INC.) IN AN AMOUNT NOT TO EXCEED \$350,000**

Staff: McShane explained that the Kuettel family is looking for a facility to own versus their current situation of leasing. They want to remain in Duluth and have found a location in the Duluth Airpark. Kuettel will retain their existing 55 FTEs and create 3 FTE construction jobs until the end of the year, but construction will continue into 2013. When they vacate their current leased space at the Port Authority, it will free up 32,000 sq. ft. of space for the possibility of 85 new jobs in Duluth.

Discussion: Larson asked about the BID process and Timm-Bijold gave a brief summary of the program. Larson asked about specific contract deadlines. Christensen explained that these deadlines are negotiated between the parties, but this contract has shorter deadlines because of the June 30 construction commencement date. Fosle expressed how great it is to use this TIF money for a local company before the state takes the money away and thanked Kuettel for choosing Duluth. They are a mechanical contractor roofing and fabrication contractors. They do a lot of work for ConAgra and ship all over the world. The application reported 55 employees but they are now up to 70 employees and will get closer to 90-100 with the roofing season beginning. They will apply for the access permit to qualify as getting into the ground by June 30th. Krech Ojard will be submitting site and construction plans to building safely office. Heino said this is an ideal application for this BID program. Hartman thanked staff for making the process competitive enough to allow Keuttel to stay in Duluth. Jason Kuettel said he appreciates the hard work put into this project by everyone involved.

Vote to Approve Resolution 12D-31: Passed Unanimously Fosle/Hartman (5-0)

2. **RESOLUTION 12D-29: RESOLUTION AUTHORIZING A BUILDING IN DULUTH 2012 CONDITIONAL GRANT AGREEMENT WITH AAR AIRCRAFT SERVICES, INC IN AN AMOUNT NOT TO EXCEED \$350,000**

Staff: Timm-Bijold explained Brian Hanson has been the primary negotiator for both AAR BID and lease agreements and will talk on these issues. DEDA attorneys have worked to make sure both agreements are consistent with each other. Hanson said this will start a 32 year relationship with AAR control of the building. For collateral security, AAR will provide \$150,000 in leasehold improvements in the building. The majority of the TIF money will come from the NWA district, and a small amount from a decertified district.

Discussion: Hartman asked if the high amount of partners is typical for this type of project. Hanson said it is not typical because this is a unique set of assistance and subsidies for this project. Hartman asked for clarification of the replacement page give

to Commissioners for this agreement. Christensen explained that each party is responsible for their own liability and must pay for their own attorney's fees in the case of a lawsuit – a shift from giving AAR the majority of this responsibility. Larson asked if the Job Skills Partnership with the state has been secured. Hanson said the state has offered, but the amount depends on the number of employees – it could be even more than the \$400,000 listed. Heino asked for an update on the search for a customer, and if there is a plan B if they cannot find one large customer. Martinez replied that they would prefer one large customer and are on track with this search, but it does not have to be only one – their Duluth operation could service several smaller customers.

Vote to Approve Resolution 12D-29: Passed Unanimously Fosle/Hartman (5-0)

3. RESOLUTION 12D-30: RESOLUTION AUTHORIZING A LEASE AGREEMENT WITH AAR AIRCRAFT SERVICES, INC

Staff: Timm-Bijold pointed out a mistake in the second paragraph in the statement of purpose; the year 2032 should read 2044, and this will be corrected before it is signed tomorrow. Hanson explained that the original term is seven years with five extensions of 5 years each for a total of 32 years. Out of the 189,000 sq. ft. MRO building, AAR is leasing 152,000 sq. ft. and will only use the first floor of the building. They may lease the second floor in the future if they grow or get one large customer. They have a footprint of 1.2 million sq. ft. of ground. There is an escalating lease rate starting at 0 for the first two months, then jumps to \$.60/sq. ft. in September. In the summer of 2014 it goes to \$2.60/sq. ft. The lease rate escalates at positive CPI and is capped at 3%. The 17 year model will give DEDA \$2,000,000 in savings, a building that has been well maintained, and a new roof in year 14. AAR will be responsible for utilities.

Discussion: Fosle asked if AAR will have the opportunity to lease the second floor, or will it be capped off, or will they allow someone else use it. Martinez responded that they will lock the doors to keep staff off second floor, but may occasionally need to use mezzanine. AAR may lease the second floor in the future. Hanson thanked Martinez for his hard work and for being a committed advocate. Timm-Bijold explained that an amended or new ground lease may be brought to the DEDA and DAA in the future.

Vote to Approve Resolution 12D-30: Passed Unanimously Larson/Fosle (5-0)

4. RESOLUTION 12D-32: RESOLUTION OF INTENT TO SUPPORT TAX INCREMENT FINANCING ASSISTANCE TO LINCOLN PARK SCHOOL LIMITED PARTNERSHIP FOR THE LINCOLN PARK SCHOOL PROJECT

Staff: Timm-Bijold explained that Sherman & Associates purchased former Lincoln Park school from ISD 709. Hamre said this resolution is to show local support for the project by creating a TIF district. It is still in developmental stage and not a final action. TIF is a possible tool to use in the future.

Discussion: A discussion was held among Commissioners and staff about the fact that

this resolution simply shows support for this project with no binding documents involved at this point.

Vote to Approve Resolution 12D-32: Passed Unanimously Fosle/Heino (4-0-1)
Larson abstains.

DISCUSSION

1. STAFF UPDATE

Aronson Norr mentioned that last week Duluth hosted an EDAM tour for 150 people and wanted to thank staff for putting it together. Timm-Bijold added that it was announced during this tour that two EPA grants were awarded; the first is a \$200,000 contamination cleanup grant for Lot D to DEDA, and the second is a \$650,000 revolving loan fund grant to the City.

ADJOURNMENT: Vice President Aronson Norr adjourned the June 12, 2012 Special meeting of the DEDA at 6:16 p.m.

Respectfully submitted,


Heidi Timm-Bijold
Interim Executive Director

bel