

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
Wednesday, October 21, 2009 - 6:00 p.m.
City Council Chambers, 3rd Floor City Hall**

Call To Order: The October 21, 2009, meeting of DEDA was called to order by President Anderson at 6:00 p.m.

Present: Jeff Anderson, Tony Cuneo, Todd Fedora, Brian W. Hanson, John Heino, Christine Townsend

Absent Excused: Don Monaco

Others Present: Bob Asleson, Joan Christensen, Keith Hamre, David Montgomery, Rick Nelson (Minnesota Power), Peter Passi (Duluth News Tribune), Heidi Timm-Bijold, Kevin Scharnberg

APPROVAL OF MINUTES: September 16, 2009. Cuneo/Townsend to accept as written.
Vote: Unanimous (6-0)

PUBLIC HEARINGS

- 1. RESOLUTION 09D-37: RESOLUTION AUTHORIZING THE PURCHASE OF CERTAIN TAX-FORFEITED PROPERTY FROM THE STATE OF MINNESOTA THROUGH ST. LOUIS COUNTY AND AUTHORIZING THE SALE OF SAID PROPERTY TO MINNESOTA POWER, A DIVISION OF ALLETE, INC.**

Public Input - Rick Nelson, Minnesota Power: Nelson stated this land is necessary to build a power substation for their line which runs through this tax forfeit land. Nelson stated there has been an increase in power needed for the area around the Airpark.

John Peterson, Minnesota Power: Fedora asked how big this substation will be in relation to the substation on Jean Duluth Road. Peterson stated it will be approximately the same size.

- 2. RESOLUTION 09D-38: RESOLUTION AUTHORIZING THE SALE OF CERTAIN PROPERTY TO THE STATE OF MINNESOTA**

No Public Input

OTHER BUSINESS

Fedora asked for an update on the Cirrus lease at the former Northwest Airlines maintenance facility. Timm-Bijold indicated staff was not at the point to present a resolution regarding the ongoing maintenance of this facility. Anderson proposed suspending the rules to allow public input regarding this topic; there were no objections.

Ted Churra: Churra offered advice for collecting arrears from Cirrus and expressed frustration that attempts to collect money have not been made.

RESOLUTIONS FOR APPROVAL

NEW BUSINESS

1. **RESOLUTION 09D-37: RESOLUTION AUTHORIZING THE PURCHASE OF CERTAIN TAX-FORFEITED PROPERTY FROM THE STATE OF MINNESOTA THROUGH ST. LOUIS COUNTY AND AUTHORIZING THE SALE OF SAID PROPERTY TO MINNESOTA POWER, A DIVISION OF ALLETE, INC.**

Vote on Resolution 09-37: Passed Unanimously (6-0)

2. **RESOLUTION 09D-38: RESOLUTION AUTHORIZING THE SALE OF CERTAIN PROPERTY TO THE STATE OF MINNESOTA**

Staff: Timm-Bijold stated in 1998 DEDA purchased from the former Soo Railroad abandoned rail to support development efforts of the City of Duluth. These lands have been sold to adjacent property owners over the past ten years. This particular parcel is a bridge that crosses Interstate 35 at approximately 34th Avenue West. The Minnesota Department of Transportation (MNDOT) is improving the freeway and needs to remove the bridge to do so. DEDA has been holding this property as it has been anticipated that it may be needed for the Cross City Trail. This transaction allows DEDA to accept the appraised value for this property as well as receive an additional \$100,000 to hold on behalf of the City for the Cross City Trail, most likely at 37 ½ Avenue West. This is the result of a tremendous amount of discussion and is a very fair agreement.

Discussion: Cuneo asked if a map of the proposed Cross City Trail was available. Timm-Bijold stated staff has been operating with a design from Salo Engineering which laid out a route to connect the Munger Trail with the Lakewalk. Recently, a contract with SEH was entered into to develop a route. At this time the exact route of the trail is uncertain. Heino asked about the long-term development of the Cross City Trail and that this transaction would support that development; Timm-Bijold confirmed it does.

Vote on Resolution 09-38: Passed Unanimously (6-0)

3. **RESOLUTION 09D-36: RESOLUTION AUTHORIZING A COOPERATIVE AGREEMENT WITH THE STATE OF MINNESOTA RELATED TO LAND USE AND PLANNING EFFORTS REGARDING SLIPS 2 AND 3 AND ADJACENT PROPERTY IN BAYFRONT WITH DEDA PROVIDING A GRANT MATCH OF \$10,000**

Staff: Timm-Bijold stated that approximately one year ago a resolution of intent was approved by DEDA to support the DNR's efforts to secure a grant to assess the feasibility of a transient boat facility in the Bayfront. The DNR was successful in securing a MN Coastal Program grant in the amount of \$31,750 which requires a 1:1 match. This resolution would provide \$10,000 of that required match and would authorize the DNR and DEDA to enter into a cooperative agreement for the feasibility study. She noted that this DNR study aligns with other Bayfront

initiatives, to include a potential private development on the LaFarge/Lot C properties and the City Planning staff's current Small Area Planning process.

Vote on Resolution 09-36: Passed Unanimously (6-0)

4. RESOLUTION 09D-40: RESOLUTION AUTHORIZING AN AMENDMENT TO THE LAND SALE AGREEMENT WITH TOM AND SALLY SCHLOTEC

Staff: Hamre stated this is an outstanding DEDA housing project which acquired tax forfeit land. The Schlotecs purchased this land for \$22,500 with the agreement that the lot had to be built upon within two years; the Schlotecs did not meet that deadline. Another buyer was sought by both staff and the Schlotecs, and these attempts were unsuccessful. This amendment would grant two additional years for the land to be built upon with conditions that DEDA holds the deed until the expiration of the extension and that the Schlotecs pay for the recording costs.

Discussion: Hanson asked if the owners are responsible for maintenance of the property. Hamre stated the lot was cleared and surveyed so a standard of upkeep was not made part of the original agreement. Hamre stated he will work with Tom Schlotec Jr. to ensure the upkeep of the lot is maintained.

Vote on Resolution 09-40: Passed Unanimously (6-0)

5. RESOLUTION 09D-41: CONDITIONAL RESOLUTION OF INTENT TO CONVEY TO THE HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA, CERTAIN PROPERTIES IN THE RAMSEY AND RIVERSIDE NEIGHBORHOODS FOR REDEVELOPMENT

Staff: Hamre stated DEDA was instrumental in the development of school and housing. These properties were not developed within the time line specified. HRA and SVCNDA are working with a developer for single family or duplex housing so Hamre felt it makes most sense to transfer these properties to HRA to develop them for the Ramsey Village development.

Vote on Resolution 09-41: Passed Unanimously (6-0)

6. RESOLUTION 09D-42: RESOLUTION AUTHORIZING AN AGREEMENT FOR PROPERTY ACQUISITION/DEMOLITION SERVICES WITH THE HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH, MINNESOTA, IN AN AMOUNT NOT TO EXCEED \$3,300,000

Staff: Hamre stated this would be the third of such contracts with the HRA to use TIF District 7 monies to acquire and demolish blighted housing. The Ramsey Village Townhomes

developers have decided to withdraw their proposal requesting TIF District 7 funds; if they decide to go forward with their project they will work with the HRA. Hamre stated HRA works closely with him and his staff for these services.

Discussion: Heino asked if he feels HRA has been efficient in performing these services in the previous contracts. Hamre stated they have and that the Ramsey neighborhood has been revitalized in large part to the HRA. Hanson asked about proceeds from the sale of these properties, and Hamre stated the money comes back into the fund and is used for additional acquisition and demolition. Fedora asked if the money is reverted to TIF District 7, and Hamre stated the money goes back into the acquisition/demolition fund. Fedora asked how the money is distributed to the HRA, and Hamre stated they anticipate approximately \$400,000 annually will be allotted for this purpose.

Vote on Resolution 09-42: Passed Unanimously (6-0)

- 7. RESOLUTION 09D-43: RESOLUTION AUTHORIZING A CONTAMINATION INVESTIGATION AND RESPONSE ACTION PLAN (RAP) DEVELOPMENT GRANT APPLICATION IN THE AMOUNT OF \$50,000 TO THE MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT RELATING TO PROPERTY ADJACENT TO SLIPS 2 AND 3 AT THE BAYFRONT AND COMMITTING A LOCAL MATCH IN THE AMOUNT OF \$16,667**

Staff: Timm-Bijold stated in working with the DNR regarding Bayfront it became apparent we should pursue funds from the Minnesota Department of Employment and Economic Development to hone in on specific areas which may be identified for use as a transient boat facility. An EPA federal assessment was conducted in the Bayfront some years ago, but until specific sampling is done we will not know what environmental cleanup may be required for specific development.

Vote on Resolution 09-43: Passed Unanimously (6-0)

DISCUSSION

- 1. Conflict of Interest Policy.** Anderson indicated each Commissioner should complete the Statement of Economic Interest after reviewing the Conflict of Interest Policy.
- 2. Former Northwest Maintenance Facility and Cirrus.** Anderson gave a brief history of Cirrus' lease in the former Northwest Maintenance Facility. Anderson stated the aviation industry is important to our area and we need to be sensitive with how we address the issue of non-payment of rent. We also need to be good stewards of taxpayer dollars.

Montgomery stated this situation is difficult for all concerned. In late May or early June, we moved to secure and preserve our rights as the landlord by notifying Cirrus they were in default due to non-payment. When Cirrus was occupying the facility, they were covering the maintenance costs. Montgomery began discussing the issue with Bill King of Cirrus, and King indicated they were addressing cash flow issues as Cirrus has been impacted by the economic recession. In September Cirrus notified the DEDA that they would be vacating the maintenance facility so our focus shifted to making this smooth transition and securing this asset. Montgomery was very clear that DEDA will not release Cirrus from their past due payments nor their future obligations because if the economy recovers sufficiently the DEDA will be in a position to discuss options with them. We have agreed to maintain conversations with Cirrus during this process while we attempt to minimize the cost of maintaining the facility.

Fedora asked about the option of a new agreement in which Cirrus pays maintenance costs. Montgomery stated it is something that could be considered. Asleson stated there is an agreement between the DEDA and Duluth Airport Authority in which DEDA is to pay the Duluth Airport Authority rent for this facility, so any changes in the agreement would require discussions with the Duluth Airport Authority as well.

Cuneo asked if we have strategies for locating a new tenant. Montgomery stated Cirrus has been assisting with finding a new tenant, but because DEDA is the owner DEDA will make the ultimate decision. Heino stated the economy will dictate what our strategy should be and wonders if our showing flexibility with Cirrus will aid this situation. Montgomery and the DEDA Commissioners discussed whether it is appropriate at this time to file suit against Cirrus. Montgomery and DEDA Commissioners discussed this and understand this action would drastically change DEDA's relationship with Cirrus and comes with implications. Anderson advised this will be an ongoing issue for DEDA Commissioners to consider.

ADJOURNMENT: President Anderson adjourned the October 21, 2009, meeting of the DEDA at 7:20 p.m.

Respectfully submitted,



Heidi Timm-Bijold

Interim Executive Director

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