

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
Wednesday, June 22, 2016 - 5:15 p.m.
COUNCIL CHAMBERS, THIRD FLOOR CITY HALL**

MINUTES

- Call To Order:** The June 22, 2016, meeting of DEDA was called to order by President Norr at 5:15 p.m.
- Present:** Zack Filipovich, Craig Chilcote, Elissa Hansen, Tim McShane, Nancy Aronson Norr, Barb Russ
- Excused:** None
- Others Present:** Bob Asleson, Jason Hale, Sandy Hoff, Ingrid Hornibrook, John Ramos, Heather Rand, Kevin Scharnberg, Heidi Timm-Bijold, Dilan Michaels

APPROVAL OF MINUTES: May 25th, 2016. Accept as written. Vote: Unanimous McShane/Filipovich (5-0)

NEW BUSINESS

APPROVAL OF CASH DISBURSEMENTS – MAY 2016

Rand provided an overview of the larger disbursement items.

Vote: Unanimous Hansen/Filipovich (6/0)

RESOLUTIONS FOR APPROVAL

- 1. RESOLUTION 16D-23: RESOLUTION AUTHORIZING AN AGREEMENT WITH VEIT COMPANIES, INC FOR THE DELIVERY TO AND PLACEMENT OF FILL MATERIAL ON ATLAS INDUSTRIAL PARK**

Staff: Timm-Bijold explained that the reason for this agreement will be so that Veit has a place to put fill they are required to dispose of and so that storm water can be safely redirected at Atlas. The City has consulted with BARR Engineering as to the best place to put the fill. For example, there will be acceptable fill from the Duluth Seaway Port Authority's Dock C&D for Atlas. Timm-Bijold explained that this is an umbrella agreement that will set the rules and conditions and set in place a process for DEDA's acceptance of fill for multiple projects that Veit is doing.

Discussion: Norr brought up the question of permits. Bijold acknowledge that there was a miscommunication last year with the acceptance of fill from Veit at Atlas and a

permit Veit had neglected to secure. This agreement more fully articulates who is responsible for permits. Hale explained that they've outlined that prior to start of fill hauling, there are a series of steps that must be completed by Veit. This is contained as an attachment to the agreement called "Best Practices".

Vote to Approve Resolution 16D-23: Passed Unanimously (Filipovich/Russ 6-0)

2. RESOLUTION 16D-24: RESOLUTION ACCEPTING 2015 DEDA FINANCIAL AUDIT BY STATE AUDITOR

Staff: Rand explained that this resolution is a formal acknowledgement that DEDA commissioners have seen the audit as prepared by the State Auditor. Rand pointed out that this is a clean audit once again.

Discussion: Filipovich wanted to inform everyone that this audit was done in conjunction with the full City audit. Both City and DEDA have received high remarks from the State Auditor on financial management.

Vote to Approve Resolution 16D-24: Passed Unanimously Filipovich/Chilcote (6-0)

3. RESOLUTION 16D-25: RESOLUTION CONDITIONALLY AUTHORIZING ACQUISITION OF PASTORET TERRACE PROPERTY FROM ST. LOUIS COUNTY FOR \$75,000

Staff: Rand explained that this property is in tax forfeiture status and long-blighted. The County is managing the property for the State and recognizes this is a prime redevelopment site for the City. Staff recommends DEDA acquire the property as soon as possible and market it to developers. The building has received significant fire and water damage and condemned for human habitation. The building does not have a demolition order yet. Rand has negotiated with County that DEDA would purchase property for \$75,000 to acquire the building. If that happens, the county is committed to spending \$325,000 to help pay for the cost of the site's redevelopment. The County has provided a rough estimate with regards to removing asbestos of \$45,000. County has contracted with LHB to develop a building conditions report that denoted historic refurbishment costs vs. demolition and rebuild. DEDA's goal is to return the property back to tax-paying status and eliminate neighborhood blight.

Discussion: Rand explained that City administration is of the opinion that the property has been sitting in a blighted status for too long and thwarting private sector investment in the immediate area. The County is waiting for the City and DEDA to step up and acquire this property and make the commitment necessary to support redevelopment the property as soon as possible. It puts DEDA and City staff on track to follow up with serious options from developers.

The County board is scheduled to approve this acquisition in July.

Russ asked for a copy of the County board resolution. Rand explained that it still needs to be formalized and adopted in July.

Chilcote disagrees that there is value to the building and feels DEDA would be taking on a huge liability. Chilcote sees this as a complicated and expensive process. He is curious as to why we need to make a decision so quickly without a solid plan in place. He also wondered why we need to buy it if we're going to partner with the County and asked why there can't be an option to purchase the building. Rand explained that it is unprecedented that the County would work with us in this fashion. Rand explained that the County would not entertain an option and has made clear that City/DEDA must lead a redevelopment effort with upfront acquisition.

Norr explained that she spoke with the County and given that this has been a blighted property for a long time, it does require the municipality or a public authority like DEDA to step up. Norr explained that the agreement to buy the Pastoret Terrace would ensure that the owner does not come back and repay the taxes, therefore leaving the property blighted and undeveloped undeterminably. Norr acknowledged that this is a key link in how we continue to redevelop downtown.

Filipovich wanted to know where the dollars are coming from to purchase the property. Rand explained that the funding source for the \$75,000 is from a TIF fund that was created originally to redevelop the Washington Square redevelopment project. There are still dollars in the fund and it would be ideal to tap into those before they expire in 2021. Rand explained that City administration is inclined toward a mixed use and/or market rate project at Pastoret Terrace. Rand explained that the \$75,000 purchase payment goes to the State and then is divided per formula to State, County, and City.

Filipovich is in support and interested in saving the façade. He thinks it is important that DEDA have control over what happens to that block. Will be voting yes and believes DEDA is going into this with as much information as possible.

Russ asked about written agreements. Rand said it is her understanding that agreement with County or other purchase documents will be developed. Rand noted that the resolution says 'conditional' to provide some flexibility.

McShane asked how much time the former owner has to pay the back taxes. Rand explained that the County is willing to reject any payment plans for a year, ending in March 2017. DEDA acquisition terminates repayment plan option for former owner. Rand explained that the County wants to see some sort of action from the City toward the redevelopment of the building as soon as possible. Rand explained that it is difficult to have meaningful conversations with developers without having DEDA acquiring the Pastoret Terrace and having site control.

Hansen is in support and believes we have waited too long and must vote now so that the property doesn't go back into the hands of the previous owner.

McShane is thrilled at the possibility of redevelopment but feels now isn't the time to make the decision to acquire the property and needs more information.

Chilcote agrees with McShane and is going to oppose.

Vote to Approve Resolution 16D-25: Passed Hansen/Filipovich (4-2) Chilcote & McShane opposed

PRESIDENT NORR ASKED THAT 16D-28 BE DISCUSSED NEXT

6. RESOLUTION 16D-28: RESOLUTION AUTHORIZING A SECOND AMENDMENT TO AN ESCROW AND DISBURSEMENT AGREEMENT WITH PIER B HOLDING, LLC AND FIRST AMERICAN TITLE D/B/A CONSOLIDATED TITLE AND ABSTRACT COMPANY

Staff: Rand explained that this agreement ensures the City has plenty of time to complete the Pier B project. Sandy Hoff, Pier B Developer explained their soft grand opening from the previous weekend. Feedback has been outstanding. Have a conditional certificate of occupancy for the hotel. Monday, Tuesday, Wednesday is soft opening for restaurant. Sandy explained that the hold up for the east side of slip two is due to fish and wildlife regulations.

Discussion: Chilcote thanked Hoff for his effort.

Vote to Approve Resolution 16D-28: Passed Unanimously Chilcote/Filipovich (5-0) McShane abstained.

4. RESOLUTION 16D-26: RESOLUTION CONDITIONALLY AUTHORIZING ACQUISITION OF 5907 GRAND AVENUE PROPERTY FROM ST. LOUIS COUNTY FOR \$20,000

Staff: Rand explained that this blighted building that is less than 15,000 square feet and has been on and off tax forfeiture status for years and condemned for human habitation in the past year. Furthermore, on June 3rd the City issued a demolition order. The land itself is zoned for mixed use neighborhood so it could be used for housing, or housing and retail. Rand explained that she has been in conversations with adjoining property owners to determine if the land could be parceled up for a larger redevelopment project and they expressed interest. DEDA staff recommends that DEDA acquire the property at a cost of \$20K, as the land is valued at \$33K. The county is pledging \$40K towards the demolition and the demolition is estimated to be less than \$80K. The County did secure an estimate on asbestos removal of \$15K, maximum. This property is within a busy commercial node on a busy intersection on Grand Avenue.

Discussion: No discussion.

Vote to Approve Resolution 16D-26: Passed Unanimously McShane/Filipovich (6-0)

(Typographical errors were discovered and corrected in the legal description of the property the corrections are shown on the attached "red-line".)

5. RESOLUTION 16D-27: RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO ENTER INTO AN AGREEMENT WITH CRBPS TO DEVELOP A BUILDING MAINTENANCE PLAN FOR THE MRO IN THE AMOUNT OF \$16,000

Staff: Rand explained that this agreement would provide valuable information regarding complete and ongoing maintenance to ensure the cost of maintaining the building is more comprehensively understood and planned for. This will be important in renegotiating the lease with AAR. Rand explained some of the known issues with the building. Rand explained that she thought it was important to communicate this expenditure and the importance of maintaining the 189,000 square foot building with the DEDA board.

Discussion: No discussion.

Vote to Approve Resolution 16D-27: Passed Unanimously Hansen/Filipovich (6-0)

DISCUSSION

1. BYLAW AMENDMENT

Rand explained that the change would provide a formal rule for the public to provide comment at DEDA meetings and be similar to Duluth Planning Commission bylaws. It will be taken care of at the next DEDA meeting

2. DIRECTOR'S REPORT

- (A) Two development teams still in consideration in the RFP process for Lot D. Staff plan to bring recommendation to DEDA Board in August or September.
- (B) Timm-Bijold reported on Rosita Clark, Project Manager, EPA visit and on recent WPAN kickoff meeting.

ADJOURNMENT: President Aronson Norr adjourned the June 22, 2016 meeting of the DEDA at 6:14 p.m.

Respectfully submitted



Heather Rand
Executive Director

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RESOLUTION 16D-26

RESOLUTION CONDITIONALLY AUTHORIZING ACQUISITION
OF 5907 GRAND AVENUE PROPERTY FROM
ST. LOUIS COUNTY FOR \$20,000

RESOLVED, by the Duluth Economic Development Authority ("DEDA"), that the proper DEDA officials are hereby authorized to acquire the below-described, tax forfeited property, located at 5907 Grand Avenue, from the State of Minnesota through St. Louis County for the purpose of redeveloping said property at a cost to DEDA of \$20,000, payable from Fund 865, subject to said County providing \$40,000 for the use of DEDA in funding said redevelopment:

Lots ~~9 & 10~~ & 11, Block 124, WEST DULUTH, Fifth Division.

Approved by the Duluth Economic Development Authority this 22nd day of June, 2016.

ATTEST:

Executive Director

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize DEDA to acquire the 5907 Grand Avenue property which is currently forfeited to the State for non-payment of real estate taxes for \$20,000 to facilitate the redevelopment of the property, subject to the County's commitment to contribute \$40,000 to DEDA to help pay some of the anticipated costs of that redevelopment.

The property is carried on the tax roles as having a value of \$33,000 but the County is willing to convey it to DEDA at the lesser amount in order to encourage its redevelopment and its return to tax paying status.

Upon approval of this resolution by DEDA and the approval of the terms by the County Board, DEDA will be in a position to begin the process of actively seeking a developer for the property with an acceptable redevelopment plan and to invite possible participation by other property owners and by the public in the process.