

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
Wednesday, July 24, 2013 - 5:15 p.m.
Room 303, City Hall**

MINUTES

- Call To Order:** The July 24, 2013, meeting of DEDA was called to order by President Monaco at 5:17 p.m.
- Present:** Dan Hartman, John Heino, Emily Larson, Tim McShane, Don Monaco
- Excused:** Nancy Aronson Norr, Jay Fosle
- Others Present:** Bob Asleson, Rick Ball, Ron Brochu, Bill Burns, Joan Christensen, Christopher Eng, Andrew Hughes, Bronwyn Lipinski, Peter Passi, Jerry Peterson, Katie Redig, Kevin Scharnberg, Mary Frances Skala, Heidi Timm-Bijold,

Monaco welcomed McShane to the DEDA Board.

PUBLIC HEARINGS

1. **RESOLUTION 13D-20: RESOLUTION AUTHORIZING A SECOND AMENDMENT TO THE BUILDING IN DULUTH 2011 CONDITIONAL GRANT AGREEMENT WITH OLD CITY HALL, LLC**

No public comment.

2. **RESOLUTION 13D-21: RESOLUTION APPROVING THE ISSUANCE AND SALE OF A HEALTH CARE FACILITIES REVENUE NOTE, SERIES 2013 (BENEDICTINE HEALTH CENTER PROJECT), AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO**

No public comment.

APPROVAL OF MINUTES: May 22, 2013. Accept as written. Vote unanimous
Larson/Heino (4-0)

RESOLUTIONS FOR APPROVAL

NEW BUSINESS

1. **RESOLUTION 13D-20: RESOLUTION AUTHORIZING A SECOND AMENDMENT TO THE BUILDING IN DULUTH 2011 CONDITIONAL GRANT AGREEMENT WITH OLD CITY HALL, LLC**

Staff: Eng explained that this is a second amendment to the BID agreement due to a delay in approval from the Minnesota State Historic Preservation Office (SHPO).

Hartman arrives 5:20 PM.

Discussion: Burns explained the delays are out of their hands. SHPO has noted that a check should arrive for the project within 30 days and the project will move forward. This amendment allows the timeline to be extended to create 12 full-time jobs. The Lange motor building exterior project renovation will also be completed within the time frame of the agreement with construction beginning in the spring. Referencing a union discussion about the Tycoon's project that took place at a previous DEDA meeting, Heino asked if this will happen again for this project. Peterson said it will not happen again because the project is using all local union trades people. Hartman asked if this project will have a project labor agreement. Burns replied that they most likely will not because of the scale of the project, but they will be Davis-Bacon compliant.

Vote to Approve Resolution 13D-20: Passed Unanimously Heino/Hartman (4-0)
McShane abstains.

2. **RESOLUTION 13D-21: RESOLUTION APPROVING THE ISSUANCE AND SALE OF A HEALTH CARE FACILITIES REVENUE NOTE, SERIES 2013 (BENEDICTINE HEALTH CENTER PROJECT), AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO**

Staff: Eng said this is a request to assist with conduit bond financing for the development of an assisted living facility. The 1% fee will bring \$57,500 of revenue to DEDA for the \$5.75 million bond.

Discussion: Skala said that there is no liability or obligation to the issuer, DEDA. The bond was approved by National Bank of Commerce for \$11.5 million. HRA is issuing a note for half of project and DEDA the other half. Redig presented to the Board some renderings of, and answered questions about, the project which includes 48 units totaling 40,000 square feet of space for individuals who need more care than assisted living provides, but less than 24 hour nursing care.

Vote to Approve Resolution 13D-21: Passed Unanimously Larson/Hartman (5-0)

3. **RESOLUTION 13D-22: RESOLUTION APPROVING POST-ISSUANCE DEBT COMPLIANCE POLICY FOR TAX-EXEMPT AND TAX-ADVANTAGED OBLIGATIONS**

Staff:

Discussion: Skala explained that a few years ago the IRS revised the tax exempt forms to include a question asking if the issuer has policies in place to ensure ongoing monitoring and compliance of the proceeds of the bond and if they are in compliance

with the IRS. If the box is not checked on the form, it could raise a red flag and trigger an audit. The City Council adopted this policy last October, but DEDA will name the Executive Director as the compliance officer, DEDA as the issuer, and expand on the procedures applicable to conduit bonds, putting the burden of IRS compliance on the borrower. Monaco asked if the Executive Director is the appropriate person to be named the compliance officer if he/she does not have a financial background. Skala explained that it would be appropriate because the Executive Director would simply contact bond council.

Vote to Approve Resolution 13D-22: Passed Unanimously Heino/Larson (5-0)

4. RESOLUTION 13D-23: RESOLUTION AUTHORIZING A THIRD AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH BARR ENGINEERING COMPANY FOR MANAGEMENT OF ENVIRONMENTAL CLEANUP AT THE ATLAS INDUSTRIAL PARK SITE

Staff: Timm-Bijold said that Barr is doing work that is not called out in the original contract, so this amendment is only to expand the scope of work. There is no change in cost.

Discussion: Heino asked if there could be more flexible language that could be used in future contracts that would prevent having to come back with multiple amendments. Timm-Bijold said it is important to be specific in DEDA resolutions. Monaco added that the board is willing to give staff more flexibility in these situations if needed. Hartman and Heino support this idea as well.

Vote to Approve Resolution 13D-23: Passed Unanimously Hartman/McShane (5-0)

5. RESOLUTION 13D-24: RESOLUTION AUTHORIZING AN AMENDMENT TO THE CONTRACT FOR DEED WITH JOSEPH R. LINK RELATED TO THE PHOENIX BUILDING PARKING LOT

Staff: Eng reported that because of the long spring and rains this year, the required repairs to the Phoenix Building parking lot have not been able to be addressed, and a deadline extension was requested.

Discussion:

Vote to Approve Resolution 13D-24: Passed Unanimously Larson/Heino (5-0)

6. RESOLUTION 13D-25: RESOLUTION AUTHORIZING A LICENSE AGREEMENT WITH GRANDMA'S MARATHON, INC. FOR STORAGE OF TRAILERS ON DEDA LOT D

Staff: Eng said this resolution is to allow Grandma's Marathon to store trailers on Lot D for 2 years. Once the Pier B project gets going, they will need to find a new location.

Eng also wants to clean up the lot to make it more visually appealing.

Discussion: Monaco noticed that there is a cancellation clause of 60 days. Eng noted that this is to protect DEDA if a developer comes forward with a project for this location, then we can give Grandma's Marathon notice to remove their trailers.

Vote to Approve Resolution 13D-25: Passed Unanimously Hartman/Larson (5-0)

7. RESOLUTION 13D-26: RESOLUTION AUTHORIZING A REDEVELOPMENT APPLICATION TO THE STATE OF MINNESOTA FOR THE SHERMAN LINCOLN PARK APARTMENTS PROJECT

Staff: Timm-Bijold said this resolution will allow DEDA to apply to the state for a \$257,500 grant for a project by Sherman to redevelop the Lincoln Park School into 50 units of affordable housing, a continued location for the Boys & Girls Club, and space to lease to social service agencies.

Discussion: Heino asked what criteria are used to decide whether DEDA or HRA will take on a project. Timm-Bijold explained that HRA could have done this, but DEDA has experience with this grant program and past successes, so the two agencies will partner for this project with DEDA taking the lead. Ball added that the HRA and DEDA are working in collaboration with best interests of the community in mind. When a project is predominantly housing, the HRA will take the lead, but if it is predominantly redevelopment, DEDA will take the lead. Hughes reported that Sherman has applied for housing tax credits; they hope to close and start construction next spring, and expect occupancy one year later.

Vote to Approve Resolution 13D-26: Passed Unanimously McShane/Larson (5-0)

8. RESOLUTION 13D-27: RESOLUTION ELECTING AN OFFICER FOR THE YEAR 2013

Staff: Monaco reported that with Townsend's term ending this past May, DEDA needs a new board member to become treasurer for the rest of this year.

Discussion: Heino nominated McShane who could fill the position well due to his career in banking.

Vote to Approve Resolution 13D-27: Passed Unanimously Heino/Hartman (5-0)

DISCUSSION

1. WORKFORCE HOUSING

Eng referenced the Maxfield Research housing analysis report and said the HRA will take the lead on this project. The goal is to start a program for Build in Duluth Housing to take to the City Council in the near future. Hartman asked if any

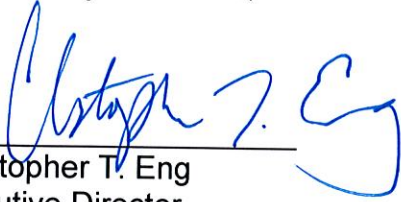
research has been done about the income of the new jobs. He wants to see if it coincides with buying a house in the \$250,000-\$300,000 range, versus the \$100,000-\$199,000 range, which is currently the biggest percentage of home buyers. Ball said that Mary Bujold will include this information in the report. Hartman also mentioned that local contractors report City permitting is better, but still not great, and if we try to get more builders in Duluth, we need to make sure our internal permitting process is much better. Eng reported that Keith Hamre is working on this, and the One-Stop Shop is a work in progress. Larson hopes that the definition of workforce housing in regard to income and housing style will be explained in the report. Heino is concerned that it will be difficult to get contractors involved if the appraised value of a new home is less than construction materials. Monaco added that we may need to look at the elements of construction costs. McShane added that we should keep the lines of communication with lenders open because there are many changes happening every day, and builders are using outside subcontractors to keep labor costs down.

2. DIRECTOR'S REPORT

- A) The 2012 audit is complete and a resolution to approve will be on the August agenda.
- B) Eng received a letter from Ken Talle asking for additional funding for his West Duluth project. A resolution will come forward in August.
- C) A special meeting to develop a work plan for the next 18 months will be set up for a two hour lunch meeting in next 30 days.

ADJOURNMENT: President Monaco adjourned the July 24, 2013 meeting of the DEDA at 6:41 p.m.

Respectfully submitted,



Christopher T. Eng
Executive Director

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