

**MEETING OF THE  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
Monday, May 4, 2009 - 5:00 p.m.  
City Council Chambers, 3<sup>rd</sup> Floor City Hall  
Minutes**

CALL TO ORDER by President Stauber at 5:00 p.m.

MEMBERS PRESENT: Cuneo, Eckenberg, Fedora, Fosle, Gardner, Krause, Stauber

MEMBERS ABSENT: Anderson, Gilbert

APPROVAL OF MINUTES: April 6, 2009 - To accept - Cuneo - Accepted 7/0

Staff Present: Bob Asleson, Joan Christensen, Tom Cotruvo, Cherie Merritt, Kevin Scharnberg

Others Present: Mary Francis Skala, Fryberger Buchanan; Joel Runke (Media); Student; Steve Fenlen; Melissa Kadlec; Terry Swor, President, AET; Robert Wahlstrom, Duluth Office Manager, AET.

**PUBLIC HEARINGS**

1. **RESOLUTION 09D-14: RESOLUTION GIVING APPROVAL TO A PROJECT BY ST. FRANCIS HEALTH SERVICES OF MORRIS, INC. UNDER MINNESOTA STATUTES, SECTION 469.152 THROUGH 469.165 AND APPROVING A JOINT POWERS AGREEMENT**

Mary Francis Skala, Fryberger, Buchanan Law Firm - The process is required by federal law. The projects to be financed are improvements at Viewcrest Nursing Home, a 109-bed nursing home located at 3111 Church Place, Duluth, Minnesota ("Viewcrest"), and improvements to Franciscan Health Center (formerly known as Surf and Sand Nursing Home), a 48-bed nursing home located at 3910 Minnesota Avenue, Duluth, Minnesota ("Franciscan"). This is a refinancing of bonds issued previously by DEDA. Any such project must have a public hearing per Federal law. Joint Powers Agreement between municipalities is preferred over a consent resolution. This will allow tax exempt status for monies. Skala said Steve Fenlen was present to represent borrowers should the DEDA have questions.

2. **RESOLUTION 09D-19: RESOLUTION AUTHORIZING THE SALE/TRANSFER OF ALL OR A PORTION OF PROPERTY IN HARRISON'S BROOKDALE DIVISION OF DULUTH.**

**Staff:** Bob Asleson - During the recent Piedmont reconstruction project the State of Minnesota acquired property adjacent to Raymond Wood's property. Wood wanted to build a garage but couldn't buy directly from the state. DEDA was the go between to facilitate the process on Mr. Wood's behalf. Mr. Wood died a couple of days after the transaction was approved. The matter has been revisited by David Wood, his son, who has requested completion of the

matter. During the current process a legal description error was corrected. That is being corrected at this time.

**Discussion:** Krause asked if Raymond Wood's son lives on-site. Asleson said yes, that is his understanding.

## RESOLUTIONS FOR APPROVAL

### NEW BUSINESS

1. **RESOLUTION 09D-14: RESOLUTION GIVING APPROVAL TO A PROJECT BY ST. FRANCIS HEALTH SERVICES OF MORRIS, INC. UNDER MINNESOTA STATUTES, SECTION 469.152 THROUGH 469.165 AND APPROVING A JOINT POWERS AGREEMENT**

**Discussion:** Eckenberg asked Steve Fenlen about a moratorium on nursing home debt. Fenlen said his expertise is in financing more than the legislative process per se. The legislative process has a moratorium process used when it is thought an entity is in dire need of improvement. Eckenberg asked about vacancy rates versus beds in the Duluth area. Fenlen said he thinks renovation happened in this instance, with no beds added. Eckenberg asked if the addition already happened. Mary Francis said the renovation has happened. No new beds were added, the number of beds was actually lessened by making some rooms larger during the renovation process.

Fedora asked Cotruvo about bonds, pre-payment penalty and early payment fee. Cotruvo said no penalty will be received.

VOTE ON RESOLUTION 09D-14: Unanimous

2. **RESOLUTION 09D-19: RESOLUTION AUTHORIZING THE SALE/TRANSFER OF ALL OR A PORTION OF PROPERTY IN HARRISON'S BROOKDALE DIVISION OF DULUTH.**

**Discussion:** Eckenberg said, to confirm that David Wood occupies the house and wouldn't want to move, there is a fantastic railroad set up in the basement built by Raymond and his son. To his recollection officials were involved in protecting the property and Raymond Wood's son lived with him at that time.

VOTE ON RESOLUTION 09D-19: Unanimous

3. **RESOLUTION 09D-15: RESOLUTION AUTHORIZING EXPENDITURE OF APPROXIMATELY \$1,500 TO SEND REPRESENTATIVE TO VAXJO, SWEDEN, FOR GREEN DEVELOPMENT INITIATIVES**

Stauber said the resolution should state \$3,000, not \$1,500, that the resolution was corrected but missed being corrected on the agenda. Krause questioned the change from \$1,500. Stauber said they first thought \$1,500 would be enough but realized \$3,000 was a more reasonable amount to ask.

Fedora said with the budget deficit line item in the Budget why the \$3000 amount request. Cotruvo said he would have to study the deficit further, the detail may be other than a lack of monies. The travel budget also will need to be revised for 2009.

MOTION TO AMEND RESOLUTION 09D-15: KRAUSE/CUNEO - Be it resolved DEDA authorizes \$3,000 to send two representatives to Vaxjo, Sweden for green development initiatives, with DEDA choosing the two representatives to send.

**Discussion:** Cuneo said he would like the DEDA to have the option to send two. It would be good if someone were interested in putting in some of their own funds. Gardner said she would be supportive also. Fedora asked if Krause was recommending paying for each traveler, food, air and hotel, as stated in the original resolution. Krause said yes, to be divided equally between representatives. Stauber expressed concern in being able to recruit someone to go. According to the literature, the cost is \$3,000 per person. Cuneo said it's good to have the option to split between two applicants, allowing the situation of someone paying some or all of their own costs would be desirable also. Fedora said with the budget deficit he will be voting against the resolution. Krause said that if even one applicant was willing to do it for \$1500, and could go, that would be good. Eckenberg said if this is important for DEDA, the original resolution should stand, stating \$3,000 for one or \$6,000 for two.

#### **VOTE ON AMENDMENT - FAILS 5/2**

New MOTION AMENDMENT - Krause/Fedora - reword the resolution to state \$3,000 to send one representative, \$1500 for two, if DEDA receives word of interested parties. It is better to have more people to be present. RESOLUTION AUTHORIZING EXPENDITURE OF MAXIMUM OF \$3,000 TO SEND ONE REPRESENTATIVE OR \$1,500 EACH TO SEND TWO REPRESENTATIVES TO VAXJO, SWEDEN, FOR GREEN DEVELOPMENT INITIATIVES

#### **VOTE ON AMENDED RESOLUTION 09D-15: Passes 5/2 (Eckenberg, Stauber)**

Fosle said that even though green is good, he researched the WEB and discovered millions of sites concerning green. He said it seems much information could be garnered through that avenue rather than sending someone to Sweden. He also recollects that someone from Sweden was here recently. Cotruvo said someone was here recently as a result of a bio-business conference. Commissioner Krause was present. Commissioners Anderson and Gardner requested the opportunity be put forward with the resolution under discussion. Fedora recently received a newsletter from the Chamber regarding a forum in the next week on green jobs. Cotruvo said he will be at that meeting. Krause added that Apex and other organizations in the City have been active in developing green, wind power and other energy and environmental saving themes. Gardner said the DEDA has to respect Fosle's research on the internet. She is of the thought that when someone really wants to learn and know something there is no comparison one can't substitute the Internet for the interaction experienced at such events. Gardner added she would think it very valuable for the City and DEDA as well as the Sister City of Vaxjo Sweden. Fosle commented that although interaction is good, Treasurer Fedora is saying DEDA is short of cash. Stauber said that in the resolution it states a committee will be formed to choose from applicants.

MOTION TO AMEND RESOLUTION 09D-15: Eckenberg said he would clarify that the wording of the amended resolution will be up to two people, with a maximum of up to \$3,000, whether one or two people.

#### **VOTE ON AMENDED RESOLUTION 09D-15: Passes 5/2 (Fedora/Fosle)**

#### **4. RESOLUTION 09D-20: RESOLUTION GRANTING EXTENSION OF CONSTRUCTION COVENANT WITH AET**

Staff: Bijold said the resolution for AET represents in excess of a decade's effort to obtain the property, 1.5 acres, the sale of which was approved by DEDA. The intent upon conveyance was construction starting no later than spring of 2009. The company has been negatively

impacted by the economic downturn, which comment was well articulated in the letter that was included with the mailed resolution. As they would rather not lay off staff and also don't wish to be viewed as reneging on their agreement, they are requesting one additional year, with the belief the economy will take an upturn. Employees won't be laid off and they will continue to pay taxes as their responsibility. Heidi Timm-Bijold said she still oversee the project as a City JOBZ staff person and added that it would be 2015 before any responsibility of DEDA could or would happen.

Robert Wahlstrom, Duluth Office Manager, AET , said in this firm each employee is an owner and that they have made every effort to control costs, while keeping employees at work. The current economic downturn wasn't foreseen. The company will stay somewhat inefficient in order to hold costs.

**Discussion:** Eckenberg asked Wahlstrom to identify the location. Wahlstrom said they are leasing at the Fastenal building by the bottling plant. The land for construction of their permanent location is at 38<sup>th</sup> Avenue West, abutting Union Carbide.

**VOTE ON RESOLUTION 09D-20:** Unanimous

5. **RESOLUTION 09D-21: RESOLUTION AUTHORIZING THE AMENDMENT OF THE DEDA BUDGET FOR 2009**

Fedora asked if Cotruvo would like to wait until the June meeting to bring the budget amendment forward. Cotruvo said changes are done throughout the year. If a project isn't done in one year, it is typically carried over to the next year. Therefore, the budget is in a state of change concerning carry-overs.

**VOTE ON RESOLUTION 09D:** Unanimous

6. **RESOLUTION 09D-22: RESOLUTION OF INTENT TO AUTHORIZE PURCHASE OF CERTAIN TAX-FORFEITED PROPERTY FROM THE STATE OF MINNESOTA THROUGH ST. LOUIS COUNTY SUBJECT TO AN AGREEMENT WITH A DEVELOPER ALL RELATED TO THE GREENDALE COMMERCIAL CAMPUS**

Staff: Cotruvo said Bill Burns, Hanft Fride Law Firm and Marshall Weems, Greendale Commercial Campus developer, were present. Cotruvo said that the property went tax forfeit after a previous developer didn't pay property taxes on the land. Any loss of wetlands on the Greendale site would be taken care of with the current request. There would be another request also, with an appraised price being received by the developer.

**Discussion:** Krause said he has a concern of very low land as well as creeks in this watershed area. If they are to mitigate at the remote site they are suggesting, what will be the water flow and impact. He is of the impression that in today's world replacement has to happen on site. There is quite a distance from the commercial campus to the watershed area, water will not flow over to that area. Weems said adjacency doesn't matter for wetland replacement. A manmade wetland can be at the wrong elevation, regulators want to see replacement within the same watershed, which it is, and it is about 15 acres. He would like to use the balance for wetland replacement for others within the area. The campus will incorporate green roofs, as well as storm water retention plans on-site. Wetlands will be done on the property should DEDA be able to allow the purchase of it. Krause asked how the water flow will work concerning Yosemite. Weems said the water will have be captured onsite, eventually going out to the watershed and water ways. The creek bounds the site and will be used for water runoff. Cuneo appreciated understanding water mitigation is a separation issue involving other agencies and/or authorities. Glad to see they are discussing water retention issues. Burns said the design is as discussed 2 years ago. Weems wanted to get to the point of the current course so that they can follow through with consultants' advice. There is a commitment to do it right.

**VOTE ON RESOLUTION 09D-22: Passed 6/1 (Krause)**

**DISCUSSION:**

1. President Stauber - Summer meeting discussion - July 6<sup>th</sup> - there will be no Council meeting from mid-June to mid-July. July 6<sup>th</sup> DEDA meeting is cancelled.
  
2. President Stauber - DEDA reorganization will go directly to Council.
  
3. Commissioner Krause - Would like discussion of the 1200 Fund during a meeting. Fedora said the 1200 Fund is City of Duluth and not DEDA. Cotruvo said that the 1200 Fund is a 501C Corporation so is separate from DEDA and the City. Mayor makes appointments to it. Krause asked if a member represent on there as Councilor or DEDA. Cotruvo said a City Councilor is appointed by the Mayor. The Mayor has appointed Jeff Anderson as a member. Stauber said discussion could be done as a Committee of the Whole of Council with discussion of projects, lending rates, etc.

President Stauber adjourned the May 4, 2009 meeting at 5:50 p.m.

Respectfully submitted,



TOM COTRUVO  
Executive Director

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