

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
Wednesday, March 23, 2011 - 5:15 p.m.
Room 303, City Hall**

MINUTES

- Call To Order:** The March 23, 2011, meeting of DEDA was called to order by President Heino at 5:15 p.m.
- Present:** Jeff Anderson, Nancy Aronson Norr, Tony Cuneo, Todd Fedora, John Heino, Don Monaco, Christine Townsend
- Others Present:** Dave Anderson, Bob Asleson, Ron Brochu, Joan Christensen, Mitch Davis, Brian W. Hanson, Bronwyn Lipinski, Jenna Pike, Kevin Scharnberg, Chad Scott, Heidi Timm-Bijold

APPROVAL OF MINUTES: March 2, 2011. Accept as written. Vote: Unanimous (7-0)

RESOLUTIONS FOR APPROVAL

NEW BUSINESS

1. RESOLUTION 11D-18: RESOLUTION APPROVING THE BUILDING IN DULUTH 2011 SPENDING PLAN FOR PRESENTATION TO THE DULUTH CITY COUNCIL

Staff: Hanson explained that this plan is a requirement of the 2010 JOBZ bill and will go before the City Council for approval.

Discussion: Norr asked if this plan follows the recommendations presented at the last DEDA meeting. Hanson replied no, this plan states that non-committed TIF dollars will be used within the specified guidelines, and development plans will later be presented with individual plan details and dollars. Cuneo asked if specific details of future development plans will need to go before the City Council. Hanson said that the development plans will need to go before the Council.

Vote to Approve Resolution 11D-18: Passed Unanimously (7-0)

2. RESOLUTION 11D-19: RESOLUTION AUTHORIZING A PROFESSIONAL SERVICES AGREEMENT WITH AMI CONSULTING ENGINEERS, P.A. FOR DESIGN AND PRELIMINARY ENGINEERING OF A TRANSIENT BOAT FACILITY ON DEDA LOT D IN BAYFRONT IN AN AMOUNT NOT TO EXCEED \$ 89,977

Staff: Timm-Bijold explained that this proposal is the result of an RFP process. This facility will be for boats that are at least 26 ft long, and would stay for no longer than 14 days. DEDA previously accepted a U.S. Fish and Wildlife Boat infrastructure Grant (BIG) of \$100,000 for this project. \$90,000 of this money was set aside for the design and preliminary engineering described in this

resolution, \$5,000 for the business plan, and \$5,000 to reimburse staff. The team that was awarded the contract was AMI Consulting Engineers. They bring SEH, Baird, and SJA with them as part of the team. AMI has done a great deal of work already at Bayfront and know the area very well. Work could begin as soon as next week. Accepting this resolution will not obligate DEDA to build a transient boat facility.

Discussion: Heino asked if this is the last step before we apply for federal money. Timm-Bijold responded that there will be a need to continue to do further assessment, there could be multiple sources of funding with many steps left on this project. Heino asked if this transient boat facility is independent or contingent upon other Bayfront development. Timm-Bijold responded that this project will impact the greater area of Bayfront and runs parallel with other possible projects, but this is first in the queue. This is only a part of lot D and will have other projects in a conceptual plan. Heino said that ideally, all of this development may come together at the same time, but the transient boat facility may be the first of the elements. Depending on funding falling into place, construction could start as soon as 2012. Townsend asked if, once this project is complete, DEDA be in the boat business like we are involved with parking. Timm-Bijold replied that this would be discussed in the business plan, but DEDA would be the property owner. A concessionaire or private company could be hired to operate the facility. Monaco asked if this facility would take traffic away from other ports, why the DNR is so interested in this project and what information we have about demand of the facility. Timm-Bijold said we have recently received information on the Economic Impact Model developed by Michigan State University that will help define the economic impact of a facility like this in Duluth. The DNR is committed to projects along the North Shore to provide a safe harbor and Duluth makes sense as we have so much to offer. Hanson added that the marinas in the area are full, so there is little or no competition, and there is an interest for this type of facility. Monaco asked if Superior is doing something similar. Scott replied that most private and public marinas plan for only a limited number of transient spots, or they may not even have the space for larger boats, but we want to attract people who travel from port to port. Heino asked Scott what may happen if we don't coordinate all the elements at Bayfront and the transient boat facility opens before other areas are completed. Scott replied that connectivity is very important for this project and there are many things to consider. Norr stated that \$5,000 seems low for a business plan and wonders who the candidates are to do the plan. Timm-Bijold responded that it is likely we would leverage with another \$5,000 of DEDA money, and that has already been discussed among staff. Another firm that was interviewed for this project has extensive background with this type of business plan and they would be a good resource for this portion of the project.

Vote to Approve Resolution 11D-19: Passed (7-0)

DISCUSSION

- 1. CIRRUS** Hanson gave an overview of DEDA's history with Cirrus and the positive impact of this relationship since 1993. Heino asked when the deal will close between Cirrus and CAIGA. Hanson replied that closing is planned for mid-summer. Heino said he sees no reason to expect that the new owners will move the facility from Duluth, but wonders if we have any leverage or protection to influence them to stay here. Hanson said we only have \$225,000 leverage from the MRO facility, but what really counts is the quality of the workforce and an 18 year commitment to the business and community. The sale announcement indicated that Cirrus had no intention to move from Duluth. Monaco asked if there are any provisions in any

Cirrus agreements that get triggered by a change in ownership. Christensen replied that the only provision like that was in the agreement that is already paid off. Fedora asked about the 2002 General Obligation bond lease. What if Cirrus does leave and it is not occupied? Hanson said that we would need to find a new tenant to pay the \$32,000 per month lease or it would fall on the City to pay. Heino asked if the pending sale would increase the chance of the jet project happening here. Hanson thought that Cirrus needs a source of infusion to get the jet project done and believes that CAIGA is interested in investing. Cuneo asked about the type of lease Cirrus has and if this sale would breach the terms of the lease. Hanson said that we will look into what the default provisions include. Norr added that we do not know if this is an asset or stock purchase, or if the buyer will inherit all obligations of Cirrus. Monaco said that we should have a formal discussion with Cirrus about their intentions. Hanson understands that this is a stock deal and the obligations would continue.

2. **MRO FACILITY** Hanson gave a marketing activities update. We do not have a business that is currently interested in this facility, but we need to develop a list of potential candidates. One way to do this is to get a broker or representative for us in place, and another one is to get out and search for possible tenants; staff is working on both. Hanson will be attending the largest MRO convention in April, and all of those considered prime candidates will be there, where they (Hanson and Rob West of Apex) plan to have at least 10 pre-arranged meetings with potential clients. Heino asked if we know or have plans to see what current market conditions are, in order to be competitive. Hanson answered that we have some information, but hope to learn more at the MRO convention. Monaco added that having a great building that is empty is not necessarily as attractive as an average building that is operational.
3. **BID 2011** – Hanson gave a preview of a potential project with GeaCom who submitted a late proposal. GeaCom is looking for 20% of their \$1 million expansion project in the DeWitt-Seitz building. It is primarily for R & D, engineering, marketing and sales. The project would provide 10 construction jobs over a 6 month period and create 25 new positions with competitive wages. Fedora asked if this \$200,000 will take away from other projects. Hanson replied no.

ADJOURNMENT: President Heino adjourned the March 23, 2011, meeting of the DEDA at 6:18 p.m.

Respectfully submitted,



Brian W. Hanson
Executive Director

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