

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
Wednesday, September 16, 2009 - 6:00 p.m.
City Council Chambers, 3rd Floor City Hall**

Call To Order: The September 16, 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, Don Monaco, Christine Townsend

Absent Excused: John Heino

Others Present: Bob Asleson, Joan Christensen, Terri Fitzgibbons, Frank Holappa, Don Ness, Peter Passi (Duluth News Tribune), Mark Pilon, Erik Schlacks, Heidi Timm-Bijold, Kevin Scharnberg, Ken Talle, Marshall Weems

APPROVAL OF MINUTES: August 3, 2009. Fedora/Monaco to accept as written.
Vote: Unanimous (6-0)

PUBLIC HEARINGS

- 1. RESOLUTION 09D-34: 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 MISSION DEVELOPMENT LLC**

Public Input - Mark Pilon, Hanft Fride: Pilon stated he and Marshall Weems are here to answer any questions Commissioners may have.

RESOLUTIONS FOR APPROVAL

NEW BUSINESS

- 1. RESOLUTION 09D-34: 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 MISSION DEVELOPMENT LLC**

Staff: Timm-Bijold stated this development, known as Greendale, is at Sundby Road. The resolution would authorize DEDA to purchase property for this development. The proposed tax forfeit land is not contiguous to the development; however it is within the same watershed and would be used for wetland mitigation. There are wetlands on the Greendale site which have been delineated, and this tax forfeit property under consideration would allow the developer to market the property with control of available property for mitigation. The developer would construct not less than 100,000 square feet of commercial space within five years.

Discussion: Monaco asked if use of the property would be exclusively for wetland mitigation and if DEDA can regulate the use. Timm-Bijold stated her understanding is that this land is not suitable for construction or development. The motivation of the developer is to be prepared for their future need to mitigate wetlands. Monaco confirmed DEDA does not have a position as to other use. Timm-Bijold concurred. Monaco asked about the five-year clause and consequences of default. Christensen stated that with a default of the one-year deadline, DEDA can cancel the sale of the property. After the one-year deadline has been met, DEDA no longer has the remedy of cancelling the sale, but still has all the other remedies available to it, such as specific performance, damages, etc.

Hanson asked about the assignability of the agreement if the developer sells a portion of the Greendale site. Christensen stated the agreement was drafted with the understanding that it would be one whole parcel. Pilon stated he would expect the development agreement to be subject to the entire parcel regardless of the future of the development. Hanson asked if there is the potential issue of a developer that owned only a portion of the Greendale property and therefore could not develop due to no access to the wetlands. Pilon stated the purpose of Greendale is that it is one site, there are no plans to divide the land, and the economic pressures of the development will help that to stay true. Christensen stated she could amend the agreement to make it contingent on the Greendale site being purchased by one owner. Hanson does not feel this is necessary.

Vote on Resolution 09-34: Passed Unanimously (6-0)

2. RESOLUTION 09D-35: RESOLUTION OF INTENT TO GIVE CONSIDERATION TO A FUTURE PRIVATE-DRIVEN ECONOMIC DEVELOPMENT PROJECT THAT REQUIRES THE COMBINED LAFARGE/DEDA LOT C PROPERTIES

Staff: Timm-Bijold stated that the representative of the LaFarge site has inquired of DEDA's willingness to cooperate with its Lot C should a developer have a vision larger than the LaFarge site alone.

Discussion: Fedora asked the market value of the Lafarge property, and Timm-Bijold will provide this information at a future time.

Vote on Resolution 09-35: Passed Unanimously (6-0)

DISCUSSION

1. RAMSAY III HOUSING DEVELOPMENT

Anderson stated the former DEDA directed staff to move housing projects from DEDA and directed to HRA. This particular project was on the fringe of that decision as the new DEDA was organized. Mark Pilon feels this is a uniquely situated project in the history of DEDA. Ramsey Townhome has been a successful DEDA project. Ken Talle reviewed the history of Ramsey Townhomes. The Loomis site is a commercial/industrial use which he states does not keep with the feel of the neighborhood. The project entails acquisition and demolition of the Loomis property and construction of an 8-unit housing project. Talle requests DEDA to assist in this development.

Anderson stated the original request was for \$500,000 but now the request is for \$397,000. Staff noted that they had encouraged Talle to revise the project budget to approximately \$320,000 in order to be in line of the average of \$40,000 per unit. Anderson asked if this would complete the project or if there would be additional phases. Talle stated it would complete the project in this area. If additional sites became available, that may change. A new use at this site would make it consistent with the neighborhood. Townsend asked how full the existing development is, and Talle stated it has been very successful with units full consistently. The properties are unique and the development has improved the area and triggered a number of other improvements.

Anderson asked what dollar amount DEDA has invested in Ramsey thus far. Timm-Bijold will provide this information at a later date. Talle believes HRA handled land acquisition for Phases I and II.

Hanson asked if Loomis is relocating to the Airpark or possibly another site outside of Duluth. Frank Holappa stated they are considering renovating the existing building. Their preference is to build a new multi-unit office/warehouse in the Airpark. Holappa provided a history of the Loomis site.

Fedora asked if this would be paid from existing funds, and Timm-Bijold stated this would be from existing TIF funds. DEDA could also direct HRA to be the authority for this development and transfer the money to the HRA. Fedora is concerned because of the HRA project at 4th Street and Lake Avenue which he described as abysmal. Fedora feels Commissioners will want to see substantiation that this transaction meets the "but for" test. Timm-Bijold agreed the developer needs to demonstrate to the DEDA how this project will be successful.

Monaco asked about jurisdiction of the roles of DEDA and HRA. Christensen stated when the City Council established DEDA in 1989, DEDA was given the powers of an HRA. It has been only recently that the HRA has created their own TIF districts. During this transition period DEDA has been moving away from housing. Christensen stated DEDA funds from District 7 would be used for this proposed project.

Fedora asked if HRA has funds to invest in this project. Christensen stated that TIF District 7 is a DEDA district, not the HRA's; thus, if HRA took over this proposed project, it would be using funds transferred from DEDA. Mark Pilon stated the historic role of DEDA within District 7 has made Ramsey a DEDA legacy project. They wish to work with DEDA again because the previous projects have been successful. Christensen stated this is a redevelopment district within the housing project area. The use of these funds must be for a housing purpose. Anderson confirmed these funds could not be used for any purpose other than housing, and Christensen confirmed it must be housing or related to housing.

Cuneo asked about time limits to expend funds. Anderson stated District 7 expires on December 31, 2015. Timm-Bijold expects a resolution to be presented to DEDA at the October meeting.

2. DELEGATE TO VAXJO, SWEDEN, REGARDING GREEN DEVELOPMENT

Anderson stated in May of 2009 the DEDA voted to spend up to \$3,000 to send up to two representatives to Vaxjo to learn about green economic development initiatives. The task force selected Eric Schlacks of Comfort Systems. Schlacks is honored to be selected and hopes to learn about what they've done to foster economic development and reduce energy

costs in Vaxjo. He hopes to bring back the things they've implemented there to benefit us here in Duluth. Cuneo stated Vaxjo is remarkably similar to Duluth and feels there is a lot to learn about clean energy and economic development success. Cuneo championed the selection of Schlacks. Timm-Bijold feels the timing of this opportunity is excellent with funding we have been receiving for energy efficiency and conservation projects.

ADJOURNMENT: President Anderson adjourned the September 16, 2009, meeting of the DEDA at 6:56 p.m.

Respectfully submitted,



Heidi Timm-Bijold
Interim Executive Director

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