

**MEETING OF THE  
DULUTH ECONOMIC DEVELOPMENT AUTHORITY  
WEDNESDAY, FEBRUARY 24, 2021 – 5:15 P.M.  
VIA ELECTRONIC MEANS PURSUANT TO MINNESOTA STATUTES  
SECTION 13D.021**

**MINUTES**

Please take notice that the Duluth Economic Development Authority will hold a public hearing by other electronic means pursuant to Minnesota Statutes Section 13D.021 on Wednesday, February 24, 2021, at 5:15 p.m. All persons interested may monitor and participate in the hearing by visiting: <http://dulutheda.org/live-meeting> promptly at 5:15 p.m. on Wednesday, February 24, 2021, and written comments may be submitted to DEDA in advance of the meeting via the DEDA's web site at <http://dulutheda.org/contact-us/> or via email at [cfleege@duluthmn.gov](mailto:cfleege@duluthmn.gov), and DEDA will decide if the conveyance is advisable.

The regular meeting place of DEDA is the Duluth City Council Chambers at City Hall, 411 West First Street, in Duluth, Minnesota. At this time board members of DEDA do not intend to attend the meeting in person; due to continually evolving restrictions and guidance from state and federal officials and agencies, the board members of DEDA will attend the meeting remotely via telephone or other electronic means pursuant to Minnesota Statutes Section 13D.021.

**1. CALL TO ORDER:** The February 24, 2021 meeting of DEDA was called to order by Vice President McShane at 5:15 p.m.

**Present:** Zack Filipovich, ChaQuana McEntyre, Tim McShane, Derek Medved, Roz Randorf

**Others Present:** Robert Asleson, Amanda Anderson, Nick Campanario, Lori Davey, Chris Fleege, Peter Passi, John Ramos

**Absent:** Matt Cartier, Ellie Just

**2. PUBLIC TO ADDRESS THE COMMISSION**

No comments.

**3. PUBLIC HEARINGS**

**4. APPROVAL OF MINUTES**

**-MEETING MINUTES FROM JANUARY 27, 2021**

**Vote to approve the January 27, 2021 meeting minutes** (Roll call vote: Filipovich, McEntyre, McShane, Medved, Randorf) (Filipovich/Medved) Passed 5-0

**5. APPROVAL OF CASH TRANSACTIONS**  
**JANUARY 1, 2021 TO JANUARY 31, 2021**

Chris Fleege noted this was a typical transactional month. There were a few bills from Baker Tilly, which support the paper mill transaction. There were also some expenses related to the Pastoret regarding engineering, estimating and boarding up of the facility.

Commissioner Filipovich inquired about what firms were working on the Pastoret engineering and board up. Chris Fleege noted there were the LHB expenses and one for Kenneth Butler who was a mediator regarding the Pastoret litigation (\$1700.00). The total of the invoices for the Pastoret was about \$2200.00.

**Vote to approve the January 1 - 31, 2021 cash transactions** (Roll call vote: Filipovich, McEntyre, McShane, Medved, Randorf) (Filipovich/Randorf) Passed 5-0

**6. NEW BUSINESS**

**7. RESOLUTIONS FOR APPROVAL**

**RESOLUTION 21D-11: RESOLUTION AUTHORIZING EXECUTION OF SETTLEMENT AGREEMENT IN KING V. COUNTY OF ST. LOUIS, CASE NO. 69DU-CV-17-529.**

Chris Fleege noted that Commissioner Just could not get into the WebEx meeting.

**Staff:** Chris Fleege explained this resolution is presenting a settlement agreement that was reached through the mediation session he referred to earlier regarding the Pastoret Terrace. There were two cases associated with the Pastoret. This case was regarding whether St. Louis County had the right to transfer the property to DEDA. The agreement creates a clean title for DEDA. The amount that DEDA is paying is less the amount that was set aside less the amount that we anticipate will be required for demolition of the structure, which is how the figure of \$11,929.00 was reached.

**Discussion:** Nick Campanario, the Assistant Count Attorney, provided that he represented St. Louis County in the case mentioned in the resolution and many other cases involving the Pastoret Terrace. He mentioned that this is not a normal settlement in which the plaintiffs can use the money free and clear for whatever they see fit. In this case, the money that goes to the plaintiffs will be used to pay the outstanding property taxes that are due on a different property (The St. Regis Apartments) which is also in downtown Duluth. This will be a large chunk of how the money is used. The remainder will only be available to the plaintiffs for reimbursement for

maintenance and repairs that they undertake on St. Regis Apartments. This case clears up DEDA's title with respect to the Pastoret and helps to address the St. Regis Apartment issue. Chris Fleege asked for support from the DEDA board on this resolution. Commissioner Filipovich asked about the total amount that the Plaintiffs would be receiving. Nick Campanario answered that the total is up to \$190,000. Of that amount, around \$52,000 will be paying the outstanding taxes on St. Regis Apartments. A large portion of that money will go back to the County, to the City and related entities. The remaining \$138,000 is placed into a maintenance and repair fund.

All but \$12,000 is coming from a pot of money to pay judgements and settlements in cases. The remaining \$12,000 is coming from money that was set aside by the county after the sale of the property to DEDA. Initially the second pot of money had \$325,000 in it. \$80,000 has been used already and \$12,000 more will go towards the settlement. The remainder in the fund is \$233,000, which is also the same amount of the latest estimate for demolition costs from Kraus Anderson. Commissioner Filipovich also asked if the County acquired the sale because of the tax forfeiture, which was correct. Commissioner Randorf asked about the set of controls for how the money is accessed in the reimbursement fund. Nick Campanario explained that there are checks and balances on the fund. There is a protocol governing the reimbursement requests. Part of the process is getting together with the Plaintiffs, the City and the County to review the work that they plan to do and make sure that it makes sense. If all parties were in agreeance, the payment would then go out. In a case where not all parties are in agreeance, the same person that served as the mediator (Ken Butler) would resolve any disputes about whether they should get reimbursement.

There are rules with regard to the reimbursements. The Plaintiffs have to use licensed and bonded contractors to do the work and they are not just able to "do it themselves". If it were the kind of work that required a permit, they [the Plaintiffs] would have to acquire the permit, complete the work in accordance with the permit and it has to be signed off on by the inspector or it will not be eligible for reimbursement. The Plaintiffs also only have 9 months from the date the case King is dismissed to do the work so that it cannot be drug out for a long time. Commissioner Medved asked if the agreement is transferable if the property were to be sold. Nick Campanario stated that there is nothing in the agreement that would happen in the event of a sale. The reimbursement rights are limited to the parties to the agreements, which are Eric Ringsred and his company and Paul King and his company. Paul King had an interest in the property before it went tax forfeit.

**Vote to approve resolution 21D-11:** (Roll call vote: Filipovich, McEntyre, McShane, Medved, Randorf) (Randorf/Medved) Passed 5-0

Vice President McShane inquired about the status of the Pastoret including demolition or any other lawsuits. Chris Fleege stated that in the other case the City recently appealed and that set things in motion around whether a bond was required or not. There is ongoing litigation and the case has not yet been resolved. Both cases were addressed during the mediation, but only one settlement could be agreed upon. The case was sent back to Judge Hilden from the Appeals Court. The case is in a holding pattern now and DEDA must do its best to maintain the building.

Attorney Robert Asleson added in regards to the demolition order that the Court of Appeals remanded the case back to the District Court for further proceedings on the issue of demolition. Those proceedings are still pending. There was a question of the maintenance order that had been entered by Judge Hilden and that order is currently under appeal. Nothing is proceeding until there is resolve on the entry of the maintenance order. Both matters are on hold, awaiting further resolution.

Commissioner Filipovich inquired whether there were other cases involving the Pastoret and DEDA. Attorney Asleson responded that to the best of his knowledge there were only two litigations involved and having resolved the one case with this settlement, there would only be one case outstanding at this time.

## **8. DISCUSSION DIRECTORS REPORT**

Chris Fleege thanked the Commissioners for attending the meeting to move the settlement forward. He also wanted to note that there would be a number of TIF requests coming forward to support various projects. One that will be very notable will be the historic Old Central. They are working with the school board to secure the building on 2<sup>nd</sup> street and are looking at putting up about 125 units of housing. It would be a re-development district. The application could possibly be coming forward in March. The historic tax credit program will be phasing out so there will be a sense of urgency to put the business case together. The project will have elements of affordable housing.

The paper mill does not yet have a buyer. Chris Fleege has been working closely with Verso Baker Tilly and holding meetings with buyers. There have been various online meetings, but some out at the facility itself. There will be more to come on this. Likely DEDA will be involved in some aspect, but financials are still being reviewed.

There will be about two or three TIF districts moving through. There are several projects at different stages. There has been a lot of conversation about the stimulus programs and we have been encouraging businesses to leverage all of the federal, state, and local programs. St. Louis County was the agent that disbursed \$3.8 million in funds. DEDA may be involved if a need is identified.

**9. ADJOURNMENT:** President Cartier adjourned the February 24, 2021 meeting of DEDA at 5:41 p.m.

Respectfully submitted,

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Chris Fleege  
Executive Director

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