

**SPECIAL MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
WEDNESDAY, February 14, 2024 – 12:16 P.M.
COUNCIL CHAMBERS-CITY HALL
MINUTES**

Present: Matt Cartier, Ellie Just, Janet Kennedy, ChaQuana McEntyre, Connor Randall, Roz Randorf

Absent: Arik Forsman

Others Present: Chad Ronchetti, Amanda Anderson, Amanda Mangan, Jean Coleman, Tricia Hobbs, John Ramos

CALL TO ORDER: The February 14, 2024 Special Meeting of DEDA was called to order by President McEntyre at 12:16 p.m.

PUBLIC TO ADDRESS THE COMMISSION

No public address to commission.

PUBLIC HEARINGS

APPROVAL OF MEETING MINUTES

There were no meeting minutes for approval.

APPROVAL OF CASH TRANSACTIONS

There were no cash transaction for approval.

NEW BUSINESS

RESOLUTIONS FOR APPROVAL

RESOLUTION 24D-09: RESOLUTION AUTHORIZING AN ENGINEERING PROFESSIONAL SERVICES AGREEMENT WITH AMI CONSULTING ENGINEERS P.A. TO PROVIDE DEVELOPMENT OF PLANS AND SPECIFICATIONS FOR PERMITTING MAINTENANCE DREDGING TO ALLOW FOR CRUISE SHIPS TO BERTH ALONG THE SEAWALL BEHIND THE DULUTH ENTERTAINMENT CENTER (DECC) IN AN AMOUNT OF \$74,100.

Director Chad Ronchetti provided background and described the time sensitive nature of this resolution due to the construction season beginning soon. Director Ronchetti explained that this resolution would allow for permitting to begin for this construction project and for hiring AMI engineers to do the permitting actions.

Tricia Hobbs gave background on the current state of cruising in Duluth, describing the investors and groups involved such as Visit Duluth, the Duluth Entertainment Convention Center, the Duluth Seaway

Port Authority, and the City of Duluth itself. Hobbs explained the importance of dredging to allow smaller cruise carriers access to the DECC, freeing the industrial ports from commercial cruise use. The Duluth Port Authority had previously allowed for cruise ships to dock at their facilities. Through this dredging project, cruise ships would be able to dock at the DECC as previously planned.

Duluth has seen between 250 to 4,000 guests from various cruise visits. Cruise lines that have been active in Duluth include the Viking, Hanseatic Inspiration, the Ponant, Pearl Mist, and the Ocean Navigator. Over the past year, the City of Duluth was able to accommodate turn-around visits for the first time meaning that cruise passengers were able to begin or end their visit in Duluth. Hobbs explained that Duluth plays a crucial part in Great Lakes cruising as the city is the last cruise stop before heading into Canada or the first stop when heading into the United States. Hobbs explained that through this resolution, the dredging project would allow Duluth to become better affiliated with not only local cruising, but with Great Lakes cruising as well.

Director Ronchetti explained that large draft ships that cannot currently dock have been docking at the port and passengers are required to take tender boats to come to shore. This is an interruption in service to these passengers and is not fully accommodating.

Commissioner Randorf asked if there was an aggregate total for the number of passengers in 2023. Hobbs clarified that for 2023, there was about 4,500 total passengers. For turn-around visits, the number was closer to 2,000 passengers in 2023. Commissioner Randorf then asked if there are any per passenger fees collected in any way come back to DEDA to offset the costs of investing in this project. Director Ronchetti described the current tariff agreements between the DECC and the cruise industry. Director Ronchetti explained that there are three tiers to how the tariffs are structured. First, the DECC gets repaid from the tariffs for its operations in relations to the operations of the Customs and Border Patrol facility. Once the DECC has been repaid for those operating costs, it then goes to the city and the city is repaid for the expenditure of the buildout of the Customs and Border Patrol facility. Once the city has been paid back for those funds, any overflow funds then go directly to the DECC operating fund. With the current tariff agreement and the agreement between the DECC and the city, no funding comes to DEDA. Director Ronchetti states that with this project however, they are looking at an additional infrastructure tariff with an additional agreement between DEDA and the DECC. In this agreement, the tariff would flow through the DECC and then to DEDA to pay the dredging expenditures.

Commissioner Randorf asked if there was a date as to when the project buildout cost is to be paid off. Director Ronchetti explained that with one construction season completed, the DECC is currently going through the allocation of funding to determine qualifying costs of the DECC, for the operation of the Customs and Border Patrol facility, and after that is complete, the city will be reimbursed for the expenses for the buildout. If DEDA is to move forward with this resolution, DEDA is to recapture the funds rather than the funds going back to the city to pay for the buildout. DEDA would recapture the funds from the dredging rather than the city.

President McEntyre asked what the amount that would be recaptured for the buildout. Director Ronchetti clarified that the City of Duluth would be repaid \$650,000 from that tariff agreement which DEDA would be in receipt of.

Director Ronchetti explained that resolution 24D-10 works in tandem with resolution 24D-09 and began a discussion and answered clarifying questions on the second resolution prior to a vote being held for the first resolution.

****Janet Kennedy arrived to meeting at 12:24pm.***

Vote to approve resolution 24D-09: (Cartier/Randall) Passed (6-0)

RESOLUTION 24D-10: RESOLUTION AUTHORIZING THE TRANSFER OF \$575,000.00 OUT OF THE STOREFRONT LOAN PROGRAM FUND 867 TO THE DEDA OPERATING FUND 860 FOR THE PURPOSE OF FUNDING THE DREDGING PROJECT.

Director Ronchetti explained that the purpose of this resolution is to repurpose the Storefront Loan Program Fund 867. This Storefront Loan program is no longer operational. This fund was established many years ago and during the North Shore Theater reconstruction, this fund was heavily leveraged to make that project happen, which depleted much of the fund. As of now, there is around \$575,000 in the fund which does not allow for many opportunities to loan to small businesses with such minimal funds. Director Ronchetti goes on to explain that through the funding of the dredging project, the dredging would allow for large cruise ships to dock at the seawall at the DECC, which allows for greater opportunities for turn-around vessels which would provide more opportunities for hotel stays, car rentals, and greater participation in the Duluth retail market.

Given the 2028 forecast, Duluth is estimated to receive 9,000 passengers a year from cruising which would make for a considerable amount of local economic participation. Director Ronchetti explains that he and DEDA staff are focused on what Duluth excursions look like for cruise passengers, with a desire to be a class leader for cruise excursion. These excursions can be tailored with a greater focus on local shopping to make sure passengers are participating in the local economy at a retail level.

Commissioner Kennedy inquired as to when the last time the loan program was used and as to how much of the fund was utilized at that time. Director Ronchetti explained that he does not have that information off-hand, however it had been multiple years since the program was active. He also stated that with the implementation of the new tariff agreement, there would be a new revenue stream for DEDA which will recapitalize the funding of this project as well as provide greater funding in the future.

Commissioner Cartier inquired as to how much funding may be generated through the new tariff agreement. Director Ronchetti stated that given the estimation of 9,000 passengers multiplied by \$9 per passenger, DEDA will be netting around \$80,000 from the tariff each year once the loans are paid back, depending on the cruising industry. Hobbs stated that given the 10-year period for the tariff, it would be a little over \$798,000 for revenue from just the infrastructure tariff. This would be in total and before expenses are paid back. Commissioner Cartier asked if this was how DEDA was to be paid back for this project by the yearly tariff amount. Director Ronchetti clarified that while the tariff would play a role in paying back DEDA, DEDA would also be paid back through the agreement the city has with the DECC. Commissioner Cartier asked a final question in regards to when DEDA would be paid back in full. Director Ronchetti explained that pay back for the project will be about 10 years given the current forecast.

President McEntyre asked for clarification regarding the length of the payback period and when the construction would be complete. Director Ronchetti explained that construction would start in the Spring of 2025 and would be completed in time for the 2025 cruise season. Payback to DEDA for this project is estimated to take 10 years. President McEntyre asked that if this funding is to be approved, would there be an opportunity to revamp the Storefront Loan Program based off the success of the cruise industry. President McEntyre also inquired as to how the success of cruising in the Canal Park area would translate into economic growth opportunities in other areas of Duluth. Director Ronchetti explained that DEDA will help to design the excursions for the cruising in Duluth. Through this, DEDA can be intentional in where they drive passengers, specifically to different parts of the greater Duluth area. Director Ronchetti explained that because DEDA does not have much in terms of net revenues, DEDA is limited in its ability to create storefront loan programs. Having additional revenues such as the tariff, would allow for the potential for new programs to be created. Director Ronchetti stated that the DEDA commission will have a voice in how the funds are spent once they are paid back to DEDA.

Commissioner Randorf inquired as to the cost of the dredging project in total. Director Ronchetti stated that the cost is estimated to be \$650,000. Commissioner Randorf inquired about the cost to maintain the dredging once completed. Director Ronchetti explained that though there will be costs of maintenance dredging, the cost will be substantially less than the cost to complete the dredging project initially, and the tariff would help to offset the cost.

President McEntyre asked for clarification regarding the proposed agreement between the DECC and DEDA. Director Ronchetti stated that he has met with the Executive Director of the DECC and has agreed verbally to \$9 per passenger. He has also spoken to Viking Cruising who have also stated that they feel comfortable with that agreement.

Commissioner Kennedy expressed concern as to the use of potential funds for a revamped Storefront Loan program. Commissioner Kennedy stated that she has had conversations with businesses in West Duluth in regards to storefront loan programs and worries that taking from this fund may take away potential opportunities for small businesses. Commissioner Kennedy asked that because there is a need for this program, where would funds come from and what the potential may be for money coming from the cruising industry currently to pay for this project. Director Ronchetti explained that under the tariff agreement with the DECC, the DECC receives payment first for their operating costs and remaining costs go to the city to cover the cost of the Customs and Border Patrol facility. Any remaining funds will go into the operating fund for the DECC. Director Ronchetti explains that because there is not much in the current Storefront Loan Fund, very little can be accomplished in terms of storefront rehabilitation given the current cost of construction. Reallocating this fund to be used on this project would allow for a new revenue stream to be created which would allow for the creation of new programs. Director Ronchetti also explained that while multiple funding options were considered, reallocating this fund was most nimble while also creating an opportunity for a new revenue stream for DEDA. Commissioner Kennedy expressed concern for this resolution and would like clarification as to how the Storefront Loan program was originally used.

Commissioner Cartier asked that if given the proposed forecast, would DEDA have just over \$1,400,000 from this project in 10 years. Director Ronchetti stated that the aforementioned \$798,000 would be used to repay DEDA and there would then be the net gain of the \$650,000 from the city. The total profit would be \$650,000 from the facility agreement.

Commissioner Randorf stated that there are several other storefront loan programs businesses in Duluth can utilize. Commissioner Randorf asked how long this specific Storefront Loan program had been inactive. Director Ronchetti stated that he does not know the exact time however it had been several years since it was last utilized. Commissioner Just stated that given her experience with buildout of a small business and receiving guidance e to do so through the city, the Storefront Loan Program Fund 867 is no longer offered as a resource to small businesses, however there are many other opportunities to find grants and other funds.

Motion was made by Commissioner Kennedy to table 24D-10, but with no second, the motion failed.

Commissioner Kennedy expressed concern that depleting this fund would take opportunities away from small businesses. Given that there are conversations being had about this fund by the community, it would be a disservice to the community to take these potential funding opportunities away and that not enough is known about Fund 867 to deplete it.

Commissioner Randorf stated that because so little is known about this Storefront Loan Program, there is no reason to protect the loan especially as it has been inactive for several years. There is potential for this project to provide the revenue necessary for DEDA to create a functional Storefront Loan program.

President McEntyre encouraged commissioners to think long-term in terms of investment for projects and the potential for new programs to be created.

Vote to approve resolution 24D-10: (Cartier/Randorf) Passed (5-1)

DISCUSSION

9. ADJOURN: President McEntyre adjourned the February, 14 meeting of DEDA at 1:06 p.m.

Respectfully submitted,

Signed by:

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Tricia Hobbs - Executive Director