

**MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
MONDAY, AUGUST 28, 2024 – 5:15 P.M.
COUNCIL CHAMBERS-CITY HALL
MINUTES**

Present: Arik Forsman, Dan Markham, Connor Randall, Roz Randorf

Absent: ChaQuana McEntyre, Ellie Just, Janet Kennedy

Others Present: Amanda Mangan, Tricia Hobbs, Ariana Dahlen, Chad Ronchetti, Thomas Church, Sam Smith, Nick Anderson, Dodie Brown

CALL TO ORDER: This meeting was called to order at 5:15 p.m.

PUBLIC TO ADDRESS THE COMMISSION

President Connor Randall made note that item .16 on the agenda is for a Notice of Cancellation of Public Hearing for Resolution Authorizing Parcel Transfer No. 1 to One Roof and Parcel Transfer No. 2 to One Roof. This item is not on the voting agenda, however those in the public who wish to speak on the item were welcomed to do so. The item will be moved to a future meeting agenda.

Commissioner Markham identified a conflict of interest he has with 24D-35 and will abstain from the discussion and vote on that item.

No public comment was made to the commission.

PUBLIC HEARINGS

No comment.

APPROVAL OF MEETING MINUTES

MINUTES FROM JULY 24, 2024, MEETING

No comments.

Vote to approve July 24, 2024, Meeting Minutes: (Randorf/Markham) Vote: Passed (4-0)

MINUTES FROM AUGUST 5, 2024, SPECIAL MEETING

No comments.

Vote to approve August 5, 2024, Meeting Minutes: (Markham/Randorf) Vote: Passed (4-0)

MINUTES FROM AUGUST 12, 2024, SPECIAL MEETING

No comments.

Vote to approve August 12, 2024, Meeting Minutes: (Randorf/ Markham) Vote: Passed (4-0)

APPROVAL OF CASH TRANSACTIONS

July 1, 2024, to July 31, 2024

Director Chad Ronchetti made note of a transaction made under the 860 Operating Fund for the transfer of funds to DEDA per City Council Resolution 24-0425R. He stated that much of this money is obligated to projects across the city through separate agreements. For unobligated funds, City Council Resolution 24-0425R has guardrails in place for this funding to be spent on affordable housing, blighted properties specifically the Downtown area of Duluth, and childcare projects.

Commissioner Roz Randorf asked for a quick summary of what funds have been obligated, to what projects have they been obligated to, and how much of the funding is expected to be left over after those obligations have been met. Director Ronchetti stated that there is an obligation to Center City West for the Wadena Project which will draw around \$5,000,000 from those funds. The Residence Project with Merge Urbane Development for \$4,000,000 will be pulled from those funds as well. Finally, the Brae View Project in partnership with One Roof will draw \$5,000,000 of those funds. The remaining funds, which is expected to sit at around \$3,900,000, will be partially used for the Plover Place Project. The remainder may also be used towards the rehabilitation of the New Garrick's building upon DEDA approval on a later date.

Commissioner Randorf asked for clarification regarding the TIF pooling for the Shopper's Ramp, asking to confirm that the TIF pooling will be used for the removal of the ramp and that the funds in this instance will be used for redeveloping the site. Director Ronchetti confirmed that was correct and that the TIF pooling dollars will be used for the demolition of the ramp and the stabilization of the New Garrick's building. The redevelopment will be funded by these mentioned funds.

Commissioner Randorf ask what the next benchmark for the Residence project is and when it must be completed. Director Ronchetti stated that a notice of breach had been sent to Merge a couple months prior. Merge responded that they are in negotiations to sell the project to another developer. If that happens, the new developer will most likely seek assignments of that contract for the project from DEDA. This action must come through DEDA to be executed.

Commissioner Arik Forsman noted that in July, Council passed a resolution that allowed funding from ARPA dollars tied Stepping on Up and asked if this needed to pass through DEDA to move forward. Director Ronchetti confirmed that was correct.

Vote to approve cash transactions-July 1, 2024, to July 31, 2024: (Markham/Randorf) Vote: Passed (4-0)

NEW BUSINESS

RESOLUTIONS FOR APPROVAL

RESOLUTION 24D-35: RESOLUTION AUTHORIZING A PRE-DEVELOPMENT AGREEMENT AND OPTION AGREEMENT WITH GOODWILL INDUSTRIES VOCATIONAL ENTERPRISES INC. FOR THE TRUE GOODWILL RESOURCE CENTER PROJECT

***Commissioner Dan Markham stepped out of the Council Chambers and abstained from the discussion and vote on item 24D-35.

Director Ronchetti stated that this is a project to take place within the Atlas Industrial Park with True North Goodwill for the creation of a resource center. This will provide Goodwill with warehousing, distribution, mattress recycling, and other training center services for the labor force. There will also be a childcare center for participants who utilize the resource center. This includes an option to purchase which provides True North Goodwill with exclusive rights to purchase the parcels and property. Director Ronchetti stated that the option agreement with Goodwill has a longer than typical duration as Goodwill is looking to acquire new market tax credits.

Commissioner Forsman inquired about the duration of the option agreement and asked if this may be precedent setting for other parcels in Atlas. Director Ronchetti stated that discussion has gone on for over a year with True North about the negotiated parcels. There are several other sites within Atlas Industrial Sites that are available, and DEDA is willing to negotiate terms on those parcels with any potential parties. As for this action being precedent setting, Director Ronchetti stated that he believes projects should be negotiated on a case-by-case basis and based on negotiated particulars around the project.

President Randall asked about the capacity of the childcare center and if services will include infant care. Dodie Brown, President and CEO of True North Goodwill, stated that childcare will just be for participants and employees of the resource and training center. If capacity allows, they may make those services available to employees in the business park but do not have capacity to serve the entire community. Brown also stated that services will include infant care.

Vote to approve Resolution 24D-35: (Randorf/Forsman) Vote: Passed (3-0-1)

RESOLUTION 24D-36: RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR DEVELOPMENT DISTRICT NO. 17, ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 38: ECONOMIC DEVELOPMENT DISTRICT THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR

Director Ronchetti gave background on this item. He stated that this is a proposed Economic Development TIF district for Sofidel America who is the recent purchaser of the ST Paper Plant. Since this time, Sofidel has proposed an expansion which is expected to be a minimum of \$180,000,000 but will likely be closer to \$250,000,000. This investment would create an additional 160 jobs. The investment by Sofidel would also bring the property to be state of the art. The investment includes 11 lines for conversion of paper, which required the expansion of their current warehouse. This required a height variance which was granted by the Planning Commission. The creation of the district would support this investment. The state of Minnesota is looking to invest \$3,100,000 of MIF dollars along with another \$1,000,000 in Job Creation Fund money. Staff has worked with Ehlers and Sofidel America to see if they meet the 'But-For Test' that is required for any TIF District. After the analysis, it was justified and warranted that this TIF district meets the 'But-For Test'.

Commissioner Forsman asked what the Jump will be in 2025 for taxable funds from this. Director Ronchetti stated that the county is determining the assessed value of this project.

Commissioner Markham asked about the calculations used to determine the taxable benefits from this district and if it reflected current or project rates. Director Ronchetti stated that staff will reconnect with Ehlers to provide a more conclusive answer, but from his understanding, the rate is reflective of the current date.

Vote to approve Resolution 24D-36: (Markham, Randorf) Vote: Passed (4-0)

RESOLUTION 24D-37: RESOLUTION UPDATING DULUTH ECONOMIC DEVELOPMENT AUTHORITY'S FEE SCHEDULE

Director Ronchetti stated that staff has been working on doing market research to correct the DEDA fee schedule. Tricia Hobbs noted that this was an effort to make sure DEDA fees were in alignment with neighboring communities. Amendment fees were also added and noted that standard operating procedures for staff have also been created to establish a clear method for how to communicate fees with developers and how to collect fees.

Vote to approve Resolution 24D-37: (Randorf/Just) Vote: Passed (4-0)

RESOLUTION 24D-38: RESOLUTION AUTHORIZING CONVEYANCE OF A STREET AND UTILITY EASEMENT OVER LESTER RIVER ROAD PROPERTY IN LESTER PARK TO THE CITY OF DULUTH

Director Ronchetti stated that this easement is for a sliver of roadway that is adjacent to the Lester Golf Course. The road was not built in the right of way when built which was discovered while doing a survey of the Lester area.

Vote to approve Resolution 24D-38: (Randorf/Markham) Vote: Passed (4-0)

RESOLUTION 24D-39: RESOLUTION APPROVING A GRANT AGREEMENT WITH THE 1200 FUND TO IMPLEMENT A STORE FRONT LOAN PROGRAM IN THE AMOUNT OF \$500,000

Director Ronchetti stated that this item is meant to provide the Duluth 1200 Fund with the funds necessary to reimplement the store front loan program. The 1200 Fund has offered to match DEDA \$500,000 if DEDA agrees to this grant agreement. These funds would be utilized mainly in the Downtown area and in core investment areas.

President Randall asked if there are underwriting terms or caps on the loans yet in place. Director Ronchetti stated that the 1200 Fund has infrastructure in place to do lending that DEDA does not have. The 1200 Fund contracts with Northspan for underwriting services. The Bylaws of the 1200 Fund will need to be amended to allow but this will just be a matter of drafting that amendment. There is debate amongst the board to determine the cap on these loans.

Commissioner Markham asked if the transfer of funds would be contingent upon the amendment made to the 1200 Fund Bylaws. Director Ronchetti stated that the transfer would be contingent upon them utilizing the funds for the Storefront loan Program and this cannot be done unless the Bylaws are amended.

Vote to approve Resolution 24D-39: (Randorf/Markham) Vote: Passed (4-0)

RESOLUTION 24D-40: RESOLUTION APPROVING APPOINTMENT OF TRICIA HOBBS AS TEMPORARY DEDA EXECUTIVE DIRECTOR

Director Ronchetti stated that he will be departing from the City of Duluth. Tricia Hobbs, having led DEDA meetings in the past as with having shown a great commitment to and passion for economic development within the City of Duluth, has been asked to stand in as the Interim DEDA Director.

Commissioners thanked Director Ronchetti for his leadership and for his commitment to the community of Duluth.

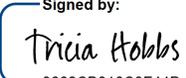
Vote to approve Resolution 24D-40: (Randorf, Markham) Vote: Passed (4-0)

DISCUSSION

Director Ronchetti stated that with many recent departures from staff, DEDA capacity is limited.

9. ADJOURN: President Randall adjourned the August 28, 2024, meeting of DEDA at 6:13 p.m.

Respectfully submitted,

Signed by:

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Tricia Hobbs- Interim Executive Director