



MINUTES OF THE REGULAR EDA MEETING

EDA Members Present: Russ Smith, Shelly Peterson, Mike Schultz, Ross Peterson, Adam Bailey

EDA/Ex-Officio Members Absent: Dave Bjerkness, Steve Micke (Cloquet EDA); Kelly Zink (Cloquet Area Chamber of Commerce); Connie Christenson (Carlton County EDA); James Barclay (City)

Staff Present Holly Hansen (City)

Others Present: Paul Abzug (Evergreen Knoll via phone), Dave Chmielewski (Blackhoof Development), Bill Helwig (Rudy Law Office)

CALL TO ORDER

President Ross Peterson called the meeting to order at 8:00 a.m.

ANNOUNCEMENTS, ADJUSTMENTS, CORRESPONDENCE AND OTHER

The May Financials were added to the agenda.

APPROVAL OF MEETING MINUTES

President Ross Peterson asked for any corrections or additions to the May 3, 2017 EDA Meeting Minutes? Hearing none he asked for a motion.

Motion: **Commissioner Smith moved, and Commissioner Shelly Peterson seconded, that the EDA approve the Meeting Minutes from May 3, 2017. (Motion passed 5-0.)**

APPROVAL OF APRIL 2017 EDA FINANCIALS

Ms. Hansen reviewed the April 2017 cash balances and loans for the EDA. For the cash balances, she noted increases in Fund 201 and 203; no change in Funds 202 and 204, a zero balance in Fund 206, and an operational deficit in Fund 207 which will be addressed structurally by the City for future years, and Fund 208 for new Small Cities funding from DEED. Commissioner Schultz asked about the Fund 207 negative balance, Ms. Hansen pointed to the assets and net position sheet noting two loans have been made from the EDA operating fund that did not fit otherwise available loan criteria. President Ross Peterson asked for a motion to approve the April 2017 Cloquet EDA financials.



Motion: Commissioner Shelly Peterson moved, and Commissioner Schultz seconded, that the EDA April 2017 financials be approved. (Motion passed 5-0).

APPROVAL OF MAY 2017 EDA FINANCIALS

Ms. Hansen reviewed the May 2017 cash balances and loans for the EDA. For the cash balances, she noted increases in Fund 201 and 203; no change in Funds 202 and 204, a zero balance in Fund 206, and an operational deficit in Fund 207 which will be addressed structurally by the City for future years, and Fund 208 for new Small Cities funding from DEED. Commissioner Ross Peterson noted that three UCC filings were set to expire within the next 6 months and asked for their renewal. President Ross Peterson asked for a motion to approve the May 2017 Cloquet EDA financials.

Motion: Commissioner Shelly Peterson moved, and Commissioner Schultz seconded, that the EDA May 2017 financials be approved. (Motion passed 5-0).

ACTION ITEMS / PRESENTATION / DISCUSSION

ORDINANCE NO. 465A CLOQUET PROJECT LABOR AGREEMENTS

Ms. Hansen dialed Paul Abzug (Evergreen Knoll) into the meeting and acknowledged Dave Chmielewski (Blackhoof Development). She noted the staff report in the EDA packets and stated that the purpose of the discussion today is to understand:

1. Ordinance 465A that was adopted by the City on May 2nd and how that impacts city assisted economic development projects in the City and answer questions any questions that developers in attendance may have as it relates to continuing with application for city assistance based on how this impacts their originally structured projects; and
2. To hear from EDA Commissioner Shelly Peterson, Boldt Construction who has worked under various PLA agreements sharing what has been beneficial and successful in using them; and
3. Identify any EDA feedback to be shared with the City Council related to this Ordinance.

With the framework of the discussion set, she asked City Attorney Helwig to review Ordinance 465A that was approved by the City Council on May 2nd. Mr. Helwig did so noting that this impacts any projects with a total project cost over \$175,000 and applies to the spectrum of developers small to large involving any city assistance (loans, TIF, abatement, bonds etc.). Reminder to all that the City only provides gap financing, not primary financing for projects (minority/gap position).



Ms. Hansen stated that the TIF application for 14th Street Apartments Phase III is not proceeding forward at this time, and one business loan and another TIF application for Trails Edge Phase II were concerned about the requirement. Evergreen Knoll Phase III has been under discussion with staff on concepts of how to structure their project and make that work. Lastly, at this time the Cloquet HRA project White Pine Apartments is proceeding as a housing tax credit project, there is a gap the development team is working on filling and are not talking at this time about regrouping and restructuring into a private project, that is however a possibility depending on what happens. Ms. Hansen shared some comments that developers shared with her. The new owners of 1103 Avenue B (former Viking Lumber/Wehr building) stated, “the City took what was a clear gap financing loan program and turned it into a heavy handed process requiring paperwork and impeding project flow,” Luanne Gramh new building owner. “My plan will be to likely take my \$250,000 project and trim it down under the \$175,000 total project threshold.” Both Dave Chmielewski and Paul Abzug shared concerns with the PLA requirement, Mr. Abzug stating that it doesn’t send that message that the City is open for business. Mr. Chmielewski noted challenges in earth and landscaping work under PLAs, while the rest of his project (80%) is compliant with the requirement. Commissioner Shelly Peterson noted that indeed earth work and landscaping are challenging under PLAs.

Shelly Peterson shared positives of working under PLAs, stating that Boldt often will not bid on projects without one (often larger projects most commonly). She shared the successes in working with union construction firms – not automatically using their “contingency” budgets instead holding the line on a 2-5% contingency use and providing consistent construction management and quality. Ms. Peterson asked about the common percentage of city assistance in a project, Ms. Hansen noted most commonly 25%. Ms. Peterson suggested that perhaps adding a waiver process to the PLA could resolve the issue, asking projects that cannot meet the project requirements to come forward and explain why to the Duluth Trades Union. Mr. Helwig cautioned that the City cannot be making case by case exceptions, that the requirement as an Ordinance must be enforced equally and further as a City Ordinance it does not put the union in the negotiation position. The City of Duluth on larger recent projects while not requiring PLAs on private economic development has encouraged some developments to voluntarily sign a PLA, typically those have been larger projects with a visible public gap financing participation role.

City Attorney Bill Helwig noted the issue lies in what is reasonable to apply to a PLA to and what is a legal over-regulation of a PLA. Essentially there is no question when it comes to 100% publically funded City projects, however, when privately led and financed with only gap city assistance, legally the City Attorney advised the Council that this is not a valid exercise of authority, it is over regulation. If a developer were to challenge the City on this requirement, there would be little for the City to stand on to enforce. Further, there are no examples in the state of Minnesota where PLAs have been applied to city assisted private economic development projects per the League of



Minnesota, nor has the City’s Development Attorney (Briggs and Morgan) ever dealt with such a circumstance. Further, the City Attorney advised the City Council prior to voting that the one area that this would impact would be the work of the Cloquet EDA and economic development projects and work in the City.

Commissioner Schultz stated PLAs, such as they use as Sappi, are used on large projects specifically and aid in ensuring no work disruption. Commissioner Schultz stated that this type of policy hurts small business.

Motion: Commissioner Schultz moved, and Commissioner Ross Peterson seconded, that a recommendation be made to the Cloquet City Council that the Ordinance 465A not apply to any city assisted private economic development projects. (Motion passed 5-0).

DOWNTOWN VISIONING

Motion or Direction: Deferred to next meeting, will send out via email for discussion.

BRIEF REGIONAL ECONOMIC UPDATES

Brief review of City updates (Chamber, County absent).

Next meeting date

- Staff will email date for suggested EDA – City Council Work Session
- August 2, 2017

ADJOURNED 9:40 a.m.

Respectfully submitted,

Holly L. Hansen, Community Development Director