



SPECIAL EDA MEETING

EDA Members Present: Russ Smith, Lara Wilkinson, Ross Peterson

EDA Members Absent: Shelly Peterson, Steve Micke, Dave Bjerkness, Mike Schutz.

Staff Present: Brian Fritsinger, Holly Butcher, Al Cottingham (City); Kelly Zink (Cloquet Area Chamber of Commerce); Connie Christenson (Carlton County EDA).

Others Present: George Sherman, Diana Dyste, Paul Keenan, Maintenance Director from Duluth Office (Sherman Associates), Jody Anderson (DSGW), Jim Crowley, Dave Battaglia, Ken Scarborough (ISD 94/School Board), Deb Shaff (Cloquet HRA), Dave Johnson (resident).

President Ross Peterson welcomed Sherman Associates and asked everyone present to introduce themselves. George Sherman provided an overview on his staff and their areas of expertise stating that Diana Dyste specializes in historic properties and programs while Paul Keenan specializes in development. Mr. Sherman said that his team would be presenting to the Cloquet School Board at 5 p.m. that evening. He mentioned that 70% of his projects are housing related (for sale and rental) and 30% are in the hotel and office sectors (Sheraton in Duluth, Russell building in Canal Park, Aloft in Minneapolis etc.). His investment markets are Minneapolis, Duluth, St. Louis, Milwaukee, and they are starting to do some in Iowa. Sherman is known for quality of construction and will be working with the DSGW architecture firm in Duluth at which time he introduced Jody Anderson.

Mr. Sherman began his PowerPoint presentation providing the EDA an overview of their firm's history, types of work they've done throughout the Midwest including their management and maintenance divisions. They employ 450 people total, 80 in Duluth with a full management and maintenance divisions which this Cloquet project would be managed by. Locally in Cloquet they will need two new staff positions. Their passion is complex projects with a community need. Sherman Associates develops and manages for themselves, not for others, and has held 95% of their assets for over 35 years.

Mr. Sherman reviewed Cloquet's demographics and then national trends. He noted the Cloquet EDA's hired 2014 Housing Study referencing the need for 260 rental units in the next 10 years. Mr. Sherman stated there is lower demand for single family homes post-recession. Minnesota at one point led the U.S. in home ownership at 72% and that peak occurred in 2003 but will statistically decline and stabilize between 55-60%. Rental has been the trend. After reviewing in detail the Cloquet housing stock he mentioned rental vacancies are between 1-2% as a consistent trend and



accessibility of housing is a problem for seniors. Sherman's Cloquet Middle School proposal is not age restricted to speak to broad need in Cloquet. Sherman proposes a mix of unit numbers from efficiencies to three bedroom units. Several of these units will likely have children and there could be 40-50 kids in the building (national divorce rate roughly 50% many single led households now). He mentioned strong growth in low wage industries and that 78% of Cloquet's population falls under workforce income wages. This project is a high fit against Cloquet incomes with 50-60% area median income as the target occupiers.

He mentioned that school buildings have an appeal that yield high occupancy and offer good soundproofing with brick and plaster. He provided an overview of the Lincoln Park School project in Duluth and mentioned community programming partners mean those entities with ongoing routine programming needs with tied funding (e.g. Boys and Girls Club, Senior Centers, YMCA's, etc.).

He spoke specifically about the Cloquet Middle School proposal stating he wants to retain the auditorium, but the pool and gym will have to be analyzed. He noted three development options:

1. Find community partner to manage and finance the programming of the pool, gym, lunch, and kitchen by the community at large. (Community partner – formally organized, with program funding).
2. Covert the pool, gym, lunchroom, and kitchen into parking.
3. Remove the pool, lunchroom, kitchen, and replace with surface parking which would result in the elimination of 6 units.

Mr. Sherman reviewed his proposed financial pro forma's sources and uses and development timeline.

Sherman Associates answered questions from the group. President Ross Peterson thanked Sherman Associates and DSGW for attending. The meeting ended at 1:30 p.m.

Holly L. Butcher, Community Development Director