

Meeting of the Koochiching Economic Development Authority

Wednesday, February 21st, 2018
County Board Room

- Board Members Present:** Bob Anderson, Allen Rasmussen, Jerry Struss (Alt for Mike Hanson), Harley Droba
- Members Absent:** Brian McBride, Mike Hanson, Wade Pavleck, Ron Norby
- Staff Present:** Paul Nevanen, Kyra Hasbargen
- Others Attending:** JoAnn Smith, Laurel Beager (The Journal), Darci Sullivan (KCC-TV), Chrystal Clance, Tricia Heibel (Chamber), Sherril Gautreaux (City of Ranier), Bob Peterson (County Treasurer), Marty Goulet (Cantilever Bridge Distillery)

Meeting called to order at 1:02 p.m. by Chairman Rasmussen.

- 01 Approve agenda – **Motion by Droba, a second by Struss to accept the agenda. Motion carried unanimously.**
- 02 Election of Officers – **Motion by Anderson that the current officers for Chair, Vice-Chair and Treasurer remain in their same positions for the next year’s term, a second by Struss. Motion carried unanimously.**
- 03 Approve minutes from 1/24/18 – **Motion by Droba, a second by Anderson to approve the 1/24/2018 meeting minutes. Motion carried unanimously.**
- 04 Public Comment – None
- 05 Treasurer’s Report – Rasmussen presented the CWT financial reports in Treasurer McBride’s absence for January and monthly bills for February in the amount of \$20,770.83, and JLR bills of \$7,293.00, along with a transfer of \$17,000 to CWT while explaining the details. Rasmussen explained that there was a correction to the Balance Sheet and Profit & Loss sheets because the JLR Lease Improvement was coded incorrectly. Nevanen explained that there were two separate checks to Bremer because he has one card for KEDA and one for CWT and the wrong card was used, so the checks reflect how the accounting was done to record it properly. Anderson questioned the MN Power bill and if it had increased due to the third cold box. Nevanen said that it was due to the addition of the third cold box and that it was expected to increase as such. **Motion by Anderson, a second by Droba to approve the January CWT financial reports, including the updated reports and bills for February with a total of \$20,770.83, and JLR bills of \$7,293.00, along with a transfer of \$17,000 to CWT. Motion carried unanimously.** Rasmussen presented the KEDA financials for January and bills for February in the amount of \$19,691.23. **Motion by Droba, a second by Struss to approve the January KEDA financial reports and bills for February in the amount of \$19,691.23. Motion carried unanimously.**
- 06 Cantilever Distillery Subsidy Action – Nevanen explained that the previous resolution from KEDA was sent to the County. Cantilever has completed the business subsidy application, which includes their corporate structure, job creation, narration of the project and financial projections. Bob Palmquist of Northspan conducted a financial review of the candidates and summarized that the

candidates' proposal had minimal risk and they had a strong financial background. Cantilever is currently working with architects and developers to determine the final details. They are also planning on doing the entire project in one phase instead of the two phases that were initially planned. Ranier met and recommended Cantilever for tax abatement for 15 years to KEDA. Goulet explained that the reason for working on both properties at once was due to economies of scale and it would only be one summer that Ranier would be in construction instead of two summers. They have completed the design phase of the project and are planning on going out for bids the beginning of March. Property 2069 is estimated for completion at the end of October 2018 and property 2078 is estimated for completion at the end of December 2018. They have been working on their branding and have their bottle design, mash build, and key staff in place. This is a big investment, approximately 7 million plus that will be invested. There is a large risk that goes along with this, such as aging inventory and logistics of distribution. The taxes on the current property are \$800 a year. Cantilever is asking for tax abatement for 15 years. Once this is complete, Cantilever will be paying approximately \$20,000 in property taxes a year. Dr. Struss asked Goulet what his background was. Goulet replied that he has a background in commercial and investment banking. He is also the CFO of Wagner Construction and manages an investment fund for Wagner that has interest in a wood pellet plant and ethanol plant. Goulet said they are planning on dropping the school from the abatement and would like to request a 20 year abatement. Peterson explained that if they do not abate all three then the maximum amount of years can be 20. The County supports the tax abatement for 15 years without the school. Tax abatement is based on valuation and the tax bill is generated on value, the state general tax cannot be abated. Sherril from the City of Ranier said that the Council was on board with the tax abatement and the next step would be a public hearing. They are using the same application as the County and working with the County to ensure correct processes are carried out. Nevanen explained that there would be a distillery with hotel, a tasting room, and restaurant. The second building would have retail, an office, and hotel. There would be 26 hotel rooms. This project encompasses the history of the area including the bridge and bootlegging that was done. It is a strong project. The city is even talking about extending the dock in Ranier for larger boats to access the businesses there. There will be 10 jobs created with this new project. Struss questioned what they would be producing at the distillery. Goulet explained they would be making a vodka, gin, and American whisky. They will also have a Cantilever brand that includes a scotch, bourbon and custom gin. They will be using local peat in the making of these spirits. There are about 23 other small distilleries in Minnesota, but about 10 of them are the most competitive. Craft beer has had a lot of growth in the market recently. Cantilever has connections in the Chicago market and other distribution channels. They want to be a regional exporter of the products they make. Nevanen explained that there was concern about the impact the project would have on the current businesses in Ranier. The project will complement them instead of hinder them. Cantilever has reached out to businesses of Ranier and suggested partnerships to allow for regional growth. The next step is to make a recommendation to the County for abatement, and then the County will publish a date for a public hearing. In the meantime, there will be a developer's agreement that will be finalized to reflect the application and plan. He would like to recommend Cantilever to the County for tax abatement. Peterson explained that the terms of the tax abatement could be 15 years if the school is out, 10 years if the school is included, but if the school is out it can go to 20 years for tax abatement. It is negotiable. Discussion followed on abatement options. Droba questioned if the tax abatement would be for both pieces of property. Anderson questioned if there were separate applications. Goulet said there is a single application and the abatement is for both properties. Anderson questioned if the terms could be looked at after the 15 years and adjusted if agreed upon. Peterson explained that the terms could not be adjusted and after the time has expired, they would not be able to request for tax abatement again for another 8 years. **Motion from Anderson to have the Director draft a recommendation for tax abatement for both properties up to 20 years, a second by Struss. Motion carried 3-1.** Droba stated that he agreed with having one property for tax abatement, but not both. He agreed with the recommendation for the distillery, but not the hotel and boutique.

07 Coronal Resolution – Nevanen explained that the RECAP (Renewable Energy Clean Air Project) project was moving toward regionalization of landfills and waste energy. They are following the model from the Minnesota Pollution Control Agency. Looking at the feasibility in Koochiching County, this project is most likely not going to happen here. The Arrowhead is looking at forming a waste district and conducting waste energy projects near landfills. St. Louis County is being looked at for this. Federal and State dollars were committed to the project and there will be a finalizing of the spenddown for the project. They will develop the technology if it is feasible. They are looking for a resolution to recommit the money. The KDA was successful in obtaining federal and state grant monies to fund the RECAP project and \$28,850 was allocated as part of the project budget to the KEDA to cover administrative costs associated with project support. To date, \$1,242.52 of those funds have been expended, leaving a balance of \$27,607.48. KEDA's role will no longer require the remaining balance, and those funds could better be spent by the RECAP team for completion of the preliminary design and work plan. The team has a date of November 1st of 2018 that the funds have to be spent and the project closed. Struss questioned if this is sited in the Duluth area, will Koochiching County still be part of it? Nevanen responded that yes, it would still be closer than the current facility that is being used. He would recommend that they redirect the funds and finish the work that was started. **Motion by Struss, a second by Droba.** Anderson questioned if they were releasing Coronal from doing business with the County. Nevanen stated that they would be using the state funds for the project design and the site would be in Minnesota, so not necessarily. Clance questioned if the original money from the state was taxpayer money. Nevanen explained that the money was acquired from a Federal DOE grant from bonding money, so yes it was tax money. Chrystal questioned if the money could be used for anything else. If it is not given back what will happen to the money? Nevanen responded that taking a risk was part of this project, especially with new technology. There has been an evolution of the state and they are not allowing for any new landfills. They are looking at regional incineration or other technologies that are more cost effective. The locations for these sites would be where there is the largest population and the most waste produced. Rasmussen questioned if Koochiching County would still face transportation costs. Nevanen responded that the distance from other users and technology holds hope, but the cost compared to incineration is not there yet, so there would still be transportation costs. **Motion for resolution to release funds from Struss, a second by Droba, motion passes 3-1.**

08 Director's Report – Koochiching Housing Study – Nevanen has been impressed by the giving throughout the county for the study. There are more groups that have pledged money, but have not donated yet. Currently, there are commitments that total \$33,000 toward the estimated cost of \$35,000. With this, the goal of \$35,000 should be met by month end. An RFP is being finalized to present to **potential companies to conduct the study.** FTZ Site – Currently exploring additional options for the FTZ site in Ranier. In order to develop this site, lots of rock must be removed and there are also wetlands to consider, both of which are costly. Nevanen met with Joe Sutherland, the County Engineer, to look at options for selling or leasing the property. Instead of using money to remove the rock from the property those funds could be focused on other sites, such as the multimodal site. One option would be to re-explore selling or leasing the site or a portion of the site, with the understanding that a private company could possibly begin developing the site by removing the rock material. The first step would be to meet with Ranier's Planning and Zoning Committee to see if they would allow the current Conditional Use Permit that allows for quarry activity on the site to be transferred to a new owner. They would also like to determine the interest for the site use and get feedback. Anderson added that CN's focus is to move trains as fast as possible while maintaining the track conditions. They do not want to move cars if it is not needed, that would be creating less value with the property. The City and the County owned the property for many years and it has not created any additional value, therefore it needs to go into the sale or lease direction. Nevanen added that KEDA has been the marketing agent for the property since 2001. **Miscellaneous** – International Falls Comprehensive Plan – Nevanen continues to meet with the

committee to review the initial draft of the plan's zoning and land use regulations. It has been a rigorous review process, but they are close to sending it back to the consultants with the committee's edits before a final draft will be available to the public. **Highway 53 Visual Quality Committee** – Nevanen continues to work with the Highway 53 Visual Quality Committee as they develop a draft plan for the reconstruction of Highway 53 through International Falls. **Opportunity Zones** – Opportunity Zones use federal tax incentives in low-income urban and rural communities nationwide to draw long-term investment to areas that are in the most economic need. DEED and Minnesota Housing are working with the Governor to make recommendations for Minnesota census tracts to be designated as Opportunity Zones. The Governor can recommend 123 census tracts out of a possible 491 in Minnesota and almost all of Koochiching County is eligible. Nevanen has a conference call Friday to learn more about the process. This could tie in nicely to the Housing Study as an incentive for future housing projects.

- 09 Growing Entrepreneurship in Koochiching County – Droba planned to have a guest speaker, they were unable to make it. He suggested that they table this topic until the next meeting.

- 10 Other (City/County Updates) – Anderson gave an update for the City of International Falls. The city is still working on the comprehensive plan as Nevanen stated. There was a Highway 53 meeting in Virginia that Anderson and Pavluck attended addressing safety improvements, passing lanes and 2 intersections. Highway 371 is trying to get a 4 lane up to Cass Lake due to all the congestion on the roadway. Anderson attended the Northeast Area MN Partnership meeting that was in Eveleth. The overpass in Ranier is going to be worked on this summer. MNDOT has hired KGM as the contractor. There will also be the sewer work up the lake and the Cantilever project. It will be very busy east of town this summer. Struss gave an update for the City of Northome. They are planning to replace the water and sewer line and do a remake of Main Street. The city is working with the DNR, EPA and the University of MN to look at Bartlett Lake, which has a history of being abused. There is a report being conducted on the lake's evolution and it should be completed next week. They are looking at options to restore the lake. It is part of the Red Lake watershed and is deepest at 18-19 feet. Currently there is not a lot of development around the lake, but there are nice potential building lots if the lake is cleaned up.

- 11 Public Comment Period – None.

- 12 The next board meeting was scheduled for Wednesday, March 21st at 1:00 p.m. in the City Council Chambers. Kyra's last day will be next week on February 28th. JoAnn will be taking over Kyra's duties while she is on leave. **Meeting adjourned at 2:13 p.m.**