

**DULUTH TRANSIT AUTHORITY**  
2402 West Michigan Street \* Duluth, MN \* (218) 722-4426  
**Special Board of Directors Meeting**  
Thursday, November 17, 2016  
The Duluth Depot Ruth Maney Room  
Approximately 4:00 p.m.

**MINUTES**

<b>Committee Present:</b> John Brostrom, President Aaron Bransky, Vice President Wayne Nelson, Secretary/Treasurer Thomas Griffin		<b>Committee Excused:</b> Leslie Evans	<b>Committee Absent:</b>
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<b>Staff Present:</b> Dennis Jensen – General Manager Rodney Fournier – Director of Operations Carla Montgomery – Director of Finance Nancy Brown, Procurement Manager Aleda Johnson, Director of IT		Heath Hickok – Director of Marketing Lisa Paczynski – Administrative Assistant Mark Horlocker – Director of Safety and Training Rod Polson – Supervisor of Passenger Facilities
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<b>Others Present:</b> Jim Heilig Howie Hanson Jim Lasher, SRF
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**Call to Order:** The meeting was called to order by President Brostrom at 4:02 p.m.

**Action Items:**

- \* A motion to was made by Director Simons and seconded by Director Griffin to approve the Board of Directors November 2016 Resolution No. 145 authorizing DTA staff to finalize the necessary terms and conditions for the purchase of the interest of Sterling Properties Michigan Street Ramp, LLC. Manager Jensen explained the history of building the Duluth Transportation Center on this property and the reasons why Sterling has asked the DTA if they are interested in buying out their interest in the parking ramp. Manager Jensen commented that separating the parking revenues according to the existing contract is very complicated. For example, the revenue from the parking area that was built above the turn back area (which was given to the City by the State of MN) cannot be given to a private company and must be given back to the City or the DTA. In addition, Sterling owns Wells Fargo Bank, and they have been allocated a certain number of parking spaces on a contractual basis; this parking revenue flows directly to Sterling. There is a formula in place splitting the revenues from the lower level secure area and the upper parking level as well. After obtaining a couple of appraisals, DTA staff has determined that based on the initial revenue receipts (approximately \$150,000 annually), a fair purchase price for this property is \$2.6 million. The DTA has funds available in its reserve account to pay cash for this property, and it would take approximately 17.3 years to recoup its initial investment in the property by utilizing all the parking revenues. In the long term, DTA staff believe it would be a very viable option to become the sole owner of the parking ramp and have 100% control in operating the building. In answer to Director Watson, DTA staff do not believe they are competing with themselves by promoting driving vs. bus transportation. Manager Jensen added that there will always be a need for parking downtown, and DTA promotes multimodal transportation (i.e., bus, bike, vehicles). Responding to Secretary/Treasurer Nelson's question, Interstate Parking helps the DTA determine parking rates based upon the rates of other downtown parking ramps. Sterling has requested that this purchase agreement be finalized by the end of the month, and this is one of the reasons that they have lowered the purchase price. In

answer to Vice President Bransky, the purchase price does reflect the value of this particular fractional interest. Sterling's contribution to the Multimodal project was the land and purchase of the F.I. Salter Building. Jim Heilig added that Sterling's other contribution was their loss of parking revenue for the past 4 years while waiting for the project to move forward. Mr. Heilig also added that by purchasing this property and becoming sole owner, it will save monthly staff time in separating the finances. Sterling would like to have some continuing rights to have signage rights on the Southside of the building for their commercial property. By agreeing to this Sterling would be assuming full responsibility for repairs to the galvanized material. The signage would be for whoever is the primary tenant in their building (i.e. Wells Fargo). The life expectancy of the ramp is 40 years before serious maintenance repairs must be made. Director Watson asked if DTA staff expects some revenue loss during next year's utility construction project. Manager Jensen replied that it hasn't been determined yet, however, he doesn't expect it having a great impact as long as there will be access to the parking ramp similar to the access given during this past summer's construction. Secretary/Treasurer Nelson moved to amend that DTA retain all signing rights for the building, and President Brostrom agreed. Staff person Brown stated there is very limited real estate on the south end because of the solar panels, and one of the stipulations was signage cannot be added on that wall if it affects the operations of the solar panels. In addition, signage cannot be added that projects up above the parking lot because of structural issues, nor can anything can be drilled into the parking ramp. Another stipulation is that the signs would have to be solar powered, because electricity would not be installed, plus the City of Duluth has its own signage regulations that limit the types of signs that may be installed. Therefore, it would make sense to keep the signage issue as a negotiating point because truly the income potential is not as much as one might think. Vice President Bransky agrees, but then it should not be a big deal for Sterling to lose this right, and it would decrease the amount of DTA staff time with the finances. Staff person Brown replied that this is only a negotiating point, and there are other negotiating points that need to be discussed as well. After further discussion, Secretary/Treasurer Nelson withdrew his amended motion. Director Simons made a motion to authorize DTA staff to complete final purchase negotiations with Sterling. The motion was unanimously carried.

November 2016- Resolution No. 145

Concerning the authorization of DTA staff to finalize the necessary terms and conditions for the purchase of the interest of Sterling Properties Michigan Street Ramp, LLC.

Whereas; the Duluth Transit Authority and Sterling Properties have established the Michigan Street Transit Center LLC; and

Whereas, Sterling Properties has indicated a desire to sell its interest in the Michigan Street Transit Center LLC to the Duluth Transit Authority; and

Whereas, DTA staff have determined that the 100% ownership of the Michigan Street Transit Center LLC to be of long term benefit to the financial and operating interests of the DTA; and

Whereas, certain terms, conditions and price of the purchase must be negotiated to the satisfaction of both parties;

Now, therefore, be it resolved that the Duluth Transit Authority Board of Directors authorizes DTA staff to complete final negotiations for the purchase of the interest of Sterling Properties in the Michigan Street Ramp, LLC. Be it further resolved that the Purchase Agreement and all other Assignments will be submitted to the Duluth Transit Authority Board of Directors for final approval at its next scheduled Board meeting.

PASSED AND ADOPTED THIS 17<sup>TH</sup> DAY OF NOVEMBER 2016 BY THE BOARD OF DIRECTORS OF THE DULUTH TRANSIT AUTHORITY.

**Public Comment:** None

**Announcements:**

- \* Regular Board of Directors & Committee Meetings – Wednesday, November 28, 2016 at 4 p.m.

**Adjournment:**

With there being no further business, a motion was made by Director Simons and seconded by Director Griffin to adjourn the November Special Board of Directors Meeting. The motion was unanimously carried – meeting adjourned at 4:28 p.m.

Respectfully Submitted,  
*Lisa Paczynski*

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John Brostrom, Board President

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Date