

## AGENDA



### **REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF ST. LOUIS COUNTY, MINNESOTA**

**Tuesday, August 9, 2022, 9:30 A.M.**

**Government Services Center  
201 S. 3<sup>rd</sup> Avenue West  
Virginia, Minnesota**

**FRANK JEWELL  
First District**

**PATRICK BOYLE-VICE CHAIR  
Second District**

**ASHLEY GRIMM  
Third District**

**PAUL McDONALD-CHAIR  
Fourth District**

**KEITH MUSOLF  
Fifth District**

**KEITH NELSON  
Sixth District**

**MIKE JUGOVICH  
Seventh District**

County Auditor  
Nancy Nilsen

County Administrator  
Kevin Gray

County Attorney  
Kimberly Maki

Clerk of the Board  
Phil Chapman

Citizens can appear at the meeting in person or submit comments for the public comment portion or for specific Board agenda items prior to the meeting by e-mailing them to [publiccomment@stlouiscountymn.gov](mailto:publiccomment@stlouiscountymn.gov).

Comments to individual Commissioners or staff are not permitted. The St. Louis County Board promotes adherence to civility in conducting the business of the County. Civility will provide increased opportunities for civil discourse in order to find positive resolutions to the issue before the Board. Tools of civility include: pay attention, listen, be inclusive, do not gossip, show respect, be agreeable, apologize, give constructive criticism and take responsibility [County Board Resolution No. 560, adopted on September 9, 2003]. Speakers will be limited to five (5) minutes.

**\*\*In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the Administration Department 72 hours prior to the meeting at (218) 726-2450.\*\***

All supporting documentation is available for public review in the County Auditor's Office, 100 North 5th Avenue West - Room No. 214, St. Louis County Courthouse, Duluth, MN, during regular business hours 8:00 A.M. - 4:30 P.M., Monday through Friday. Agenda is also available on our website at <http://www.stlouiscountymn.gov/GOVERNMENT/BoardofCommissioners.aspx>

**AGENDA**  
**St. Louis County Board of Commissioners**  
**August 9, 2022**  
**Page 2**

9:30 A.M.      Moment of Silence  
                    Pledge of Allegiance  
                    Roll Call

AT THIS TIME CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD ON ITEMS NOT ON THE AGENDA. [Speakers will be limited to 5 minutes each.]

FOR ITEMS LISTED ON THE BOARD AGENDA OR COMMITTEE OF THE WHOLE AGENDA, CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD AT THE TIME A MOTION IS ON THE FLOOR.

**CONSENT AGENDA**

Approval of business submitted on the consent agenda.

**REGULAR AGENDA**

**Finance & Budget Committee – Commissioner Nelson, Chair**

1. Authorize negotiations for tenant lease agreements for the St. Louis County Heritage and Arts Center (the Depot) as recommended by the Depot Operations Committee. **{22-352}**  
**[Without recommendation.]**

**NOTE: The Board will recess and reconvene to consider items passed at the Committee of the Whole meeting.**

**ADJOURNED:**

# BOARD LETTER NO. 22 – 352

## FINANCE & BUDGET COMMITTEE NO. 3

### AUGUST 9, 2022 BOARD AGENDA NO. 1

**DATE:** August 2, 2022

**RE:** Permission to Enter into  
Negotiations for Tenant Lease  
Agreements with  
Recommended Proposals for  
Use of Space at The Depot (St.  
Louis County Heritage and  
Arts Center)

**FROM:** Mary Tennis, Director  
St. Louis County Depot

Brian Fritsinger  
Deputy Administrator

#### **RELATED DEPARTMENT GOAL:**

To manage County owned properties in an efficient and cost-effective manner to ensure success in their designated public use.

#### **ACTION REQUESTED:**

The St. Louis County Board is requested to authorize Depot Director Mary Tennis and other appropriate County staff to enter into negotiations for tenant lease agreements for the St. Louis County Heritage and Arts Center (The Depot) as recommended by the Depot Operations Committee.

#### **BACKGROUND:**

In May 2022, St. Louis County issued a Request for Proposals (RFP) for the Use of Space Within the Depot for 2023. The County issued the RFP to comply with Minn. Stat. § 373.01, St. Louis County Purchasing Rules, and to ensure occupancy and use of space within the 130-year-old building that align with The Depot Mission and Vision Statements.

Minn. Stat. § 373.01 requires a competitive bidding process be used for all leases of government owned property anticipated to be in excess of \$15,000 per year. St. Louis County Purchasing Rules contain no minimum threshold.

The RFP only addressed calendar year 2023 as at the time it was released, St. Louis County had a \$3,825,000 grant request submitted to the State of Minnesota, with a commitment to match. Those monies were to be used for significant capital

improvement projects at The Depot that likely would have impacted tenant operations in 2023. As such, the RFP was issued requesting proposals only for calendar year 2023. Another RFP for calendar year 2024 and beyond will be required.

As part of the RFP development process, current tenants were asked to submit input on what they would like considered in the RFP. Current tenants were encouraged to submit proposals pursuant to the RFP. Both non-profit and for-profit organizations were allowed to submit proposals.

The County received seven (7) responses to the RFP. The respondents included:

- Duluth Superior Symphony Orchestra (2 proposals)
- Duluth Art Institute
- Lake Superior Railroad Museum
- Minnesota Ballet
- Depot Foundation
- Lake Superior Writers
- St. Louis County Historical Society

A Selection Committee evaluated the eight (8) proposals utilizing the processes required under the County's Purchasing Rules and applying the criteria established in the RFP by the Selection Committee. Proposals were evaluated based on a number of criteria including intended use of space, rental rate, alignment with the Mission and Vision Statements of The Depot, organization-specific questions, facility-related questions and references.

Regarding rental rates, the RFP contained a suggested minimum rental rates of \$4.97/sq. ft./year for non-profit organizations and \$6.75/sq. ft./year for for-profit organizations. The suggested minimum rates were established by the Selection Committee upon review of the operating costs of The Depot and a goal of getting The Depot to a healthier, more sustainable, financial state. Even at the suggested minimum rental rates, St. Louis County taxpayers will be providing significant subsidies to the recommended organizations.

The Selection Committee then met with the Depot Operations Committee at meetings on July 19 and August 1, 2022, to present its recommendations for Committee consideration. The Selection Committee recommendations for calendar year 2023 were as follows:

- Depot Foundation: permission to enter lease negotiations for 876 square feet of space, consistent with current lease;
- Lake Superior Writers: proposal rejected;
- Lake Superior Railroad Museum: permission to enter lease negotiations for 43,201 square feet of space, consistent with current lease, with possibility to negotiate an additional 2,690 square feet;

- Minnesota Ballet: permission to enter lease negotiations for 5,817 square feet of space, consistent with current lease, with an additional 3,395 square feet and the possibility to negotiate an 1,876 additional square feet;
- Duluth Superior Symphony Orchestra: permission to enter lease negotiations for 9,342 square feet of space;
- Duluth Art Institute: permission to enter lease negotiations for 2,184 square feet of space with the possibility to negotiate an additional 2,453 square feet of space;
- St. Louis County Historical Society: permission to enter lease negotiations for 10,147 square feet of space.

During the presentation of recommendations by the Selection Committee, Operations Committee members were given an opportunity to inquire. Points of interest were the space currently known as the Underground Theatre and the proposed rental rate contained within the proposal submitted by the Duluth Art Institute.

Regarding the Underground Theatre, the Selection Committee recommended the Minnesota Ballet over the Lake Superior Railroad Museum based on the ability to use the space productively in 2023, compliance with the RFP (LSRM's proposal required significant alterations to the space), overall preparedness, and a number of other objective criteria.

Regarding the rental rate proposed by the Duluth Art Institute (DAI) of \$1.50/sq. ft./year, the Selection Committee could not recommend continuing such a low rental rate going forward. While the Selection Committee recognized the significant value DAI brings to the community and to The Depot, their proposed rate is not acceptable given the significant operating costs of The Depot and the responsibility St. Louis County has to its taxpayers. The Selection Committee nonetheless recommended approving negotiations with DAI for a reduced amount of space that should fit within the budget presented in DAI's Proposal at a rate consistent with all other proposals submitted.

Again, the Selection Committee was guided by the idea St. Louis County has an obligation to steer The Depot towards a point of a healthier, more sustainable financial future. The Operations Committee unanimously approved the recommendations of the Selection Committee.

#### **RECOMMENDATION:**

It is recommended the St. Louis County Board authorize Depot Director Mary Tennis and other appropriate County staff to enter into negotiations for tenant lease agreements for calendar-year 2023 consistent with recommendations received from the Depot Operations Committee.

It is further recommended the Depot Operations Committee be authorized to implement a similar RFP for calendar year 2024 and beyond.

**Permission to Enter into Negotiations for Tenant Lease Agreements with  
Recommended Proposals for Use of Space at The Depot (St. Louis County  
Heritage and Arts Center)**

BY COMMISSIONER\_\_\_\_\_

WHEREAS, Under Minn. Stat. § 373.01, St. Louis County is required to engage in a public bidding process for all leases of qualified county-owned real estate and buildings, including the St. Louis County Heritage and Arts Center (The Depot); and

WHEREAS, The County has issued a Request for Proposals (RFP) for the use of space at The Depot for calendar year 2023; and

WHEREAS, The County issued the RFP to ensure occupancy and use of space within the 130-year-old building that align with The Depot Mission and Vision Statements; and

WHEREAS, All proposals submitted in response to the RFP were evaluated based on criteria established within the RFP; and

WHEREAS, The Depot Operations Committee met on August 1, 2022, to review the proposals and unanimously adopted the recommendations of the Selection Committee for the following actions related to the proposals; and

WHEREAS, Those recommendations are as follows:

- Depot Foundation: permission to enter lease negotiations for 876 square feet of space, consistent with current lease;
- Lake Superior Writers: proposal rejected;
- Lake Superior Railroad Museum: permission to enter lease negotiations for 43,201 square feet of space, consistent with current lease, with possibility to negotiate an additional 2,690 square feet;
- Minnesota Ballet: permission to enter lease negotiations for 5,817 square feet of space, consistent with current lease, with an additional 3,395 square feet and the possibility to negotiate 1,876 additional square feet;
- Duluth Superior Symphony Orchestra: permission to enter lease negotiations for 9,342 square feet of space;
- Duluth Art Institute: permission to enter lease negotiations for 2,184 square feet of space with the possibility to negotiate an additional 2,453 square feet of space;

- St. Louis County Historical Society: permission to enter lease negotiations for 10,147 square feet of space; and

WHEREAS, Minn. Stat. § 373.01 and St. Louis County Purchasing Rules continue to require leases to be the product of a competitive bidding process.

THEREFORE, BE IT RESOLVED, That the St. Louis County Board authorizes Depot Director Mary Tennis and other appropriate County staff to enter into negotiations for calendar year 2023 tenant lease agreements for The Depot (St. Louis County Heritage and Arts Center) as follows:

- Depot Foundation: permission to enter lease negotiations for 876 square feet of space, consistent with current lease;
- Lake Superior Writers: proposal rejected;
- Lake Superior Railroad Museum: permission to enter lease negotiations for 43,201 square feet of space, consistent with current lease, with possibility to negotiate an additional 2,690 square feet;
- Minnesota Ballet: permission to enter lease negotiations for 5,817 square feet of space, consistent with current lease, with an additional 3,395 square feet and the possibility to negotiate 1,876 additional square feet;
- Duluth Superior Symphony Orchestra: permission to enter lease negotiations for 9,342 square feet of space;
- Duluth Art Institute: permission to enter lease negotiations for 2,184 square feet of space with the possibility to negotiate an additional 2,453 square feet of space;
- St. Louis County Historical Society: permission to enter lease negotiations for 10,147 square feet of space.

RESOLVED FURTHER, That the St. Louis County Board authorizes the Depot Operations Committee to implement a competitive bidding process for calendar year 2024 that may involve leases longer than one (1) year in length, if practical.