

An Assessment of the Re-Use Potential for
The Ely Community Center Building
in Ely, Minnesota

Prepared For:
Ely Economic Development Authority



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May 26, 2016

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Executive Director
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Mr. Langowski:

Attached is the analysis titled, "**An Assessment of the Re-Use Potential for the Ely Community Center Building in Ely, Minnesota.**" The analysis examined the potential market conditions for uses that had been identified as part of the earlier reuse analysis study in September 2014, and then also identifies other industry sectors and opportunities to for potential uses of the building.

The scope of this study includes: an analysis of population and household growth trends for Ely and the surrounding area, a review of economic trends including industry clusters that represent economic development opportunities, an evaluation of the current market condition for various types of uses in Ely including lodging and conference center space, office space, community facilities, meeting spaces, among other components. Cost estimates for retrofitting various types of buildings and costs to construct new are examined for several of the potential use opportunities. The cost estimates are somewhat general as each individual user will have a specific cost structure and business plan for their proposals. Conclusions and Recommendations are listed at the end of the report.

Please contact us if you have questions or require additional information.

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Mary C. Bujold
President

Attachment

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Purpose and Scope of Study

Maxfield Research and Consulting, LLC was engaged by the City of Ely to provide an analysis of the potential reuses that could be accommodated in the existing Ely Community Center building and review and analyze projected revenue and costs for each type of use based on the current market conditions that exist in the community. The analysis provides additional information and documentation of current market conditions, space needs in Ely, competitive facilities, pending developments and the ability of the existing center in an unrenovated or renovated condition to support various types of uses.

The scope of this study includes: an analysis of the population and household growth trends for Ely and the surrounding area and regional employment and industry trends in the Arrowhead Region; interviews with landlords and real estate brokers, lodging and event facilities, school district staff, community education staff, and others that may be knowledgeable about commercial space needs in the community. Revenue and expense projections consider the potential to lease out spaces at market rate rates and identify the potential utilization of space by floor level. A debt service estimate is provided in consideration of a potential for-profit entity taking on debt financing or the City considering bonding for the capital expenditures. Conclusions and recommendations focus on the potential to attract various types of uses to the building and how to optimize economic benefits to the City and the surrounding area.

Introduction

This section discusses the characteristics of the Ely Community Center building and its location in the City of Ely and the north central region of Minnesota regarding its appropriateness for reuse. The City of Ely is located in far north central Minnesota near the BWCA (Boundary Waters Canoe Area) a national wilderness preserve that was dedicated in the 1930s. Each year, visitors from the US and other countries visit the BWCA to enjoy this unique natural area. Minnesota maintains a Department of Natural Resources (DNR) office near the BWCA. In addition, Vermillion College, a part of the Minnesota State Colleges and Universities system, attracts students from the region and from nearby states predominantly to participate in the College's outdoor courses of study. During the summer months, the population in the City of Ely swells to almost double, similar to other destination vacation locations in the State.

Property Characteristics

The Ely Community Center is located at 30 South 1st Avenue in the heart of the City of Ely and approximately two blocks south of East Sheridan Street between Harvey and Chapman Streets, which is considered to be the primary commercial street in Ely. The property is occupied by a late 1930s Art Deco structure with three floors that has served as the City's public library and gathering/event space for decades. Due to high operations and maintenance costs, aging mechanical infrastructure, and limitations of the structure under the American's with Disabilities Act, the building is currently closed, but during the winter months, an adequate temperature level is being maintained in the building to avert further damage to the interior structure and finishes. The property on which the building sits is within easy walking distance to many of Ely's services and retail commercial district including the Post Office, financial institutions, City Hall, the Public Library and other key locations. Although the building dates to the late 1930s, it has been well-maintained and is in generally good to very good condition for its age. Until just recently, the building was being used as a site for local and regional events, along with small office spaces primarily for local non-profit organizations. The property has good visibility from Harvey and Chapman Streets and is easily accessible via the existing Ely street network.

Adjacent and surrounding land uses are as follows:

North – predominantly private and public commercial structures

East – predominantly older single-family homes

West – predominantly commercial retail and office development and older single-family homes

South – predominantly older single-family homes

The Community Center in Ely was built during the Depression Era as part of Franklin D. Roosevelt's New Deal policies which established the Public Works Administration that funded more than 30,400 public works projects throughout the US. Because the history of the area

SITE EVALUATION AND BUILDING WALK-THROUGH

included mining interests, the finishes in the building incorporate features that are similar to other properties on the Iron Range but unique to the area with terrazzo floors, gleaming woodwork, brass stair rails, marble fixtures and other high quality materials that have stood the test of time. The building features a full commercial kitchen and dining area in the lower level. The first floor was home to the Ely Public Library until just recently when a new library was built across from City Hall. The second floor features a 5,000 square-foot multi-purpose auditorium with stage where public and private events were held. The third floor features a fan room, projection booth and storage space. The building was completed in February 1938 at a cost of \$229,416 and was constructed in the Art Moderne style of the period. The building is eligible for the National Register of Historic Places and the City has submitted a nomination for registration. Formal designation would make the building eligible for Federal historic tax credits which may assist future developers in accessing funds for redevelopment. No application has yet been filed for tax credits.

The building exterior is Minnesota limestone, Mankato gray, with bas relief carvings ornamenting the lower walls on the west and south sides of the building. Large glass block windows are located on all sides. Window trim is aluminum. The two major entrances to the building have stainless steel doors, frames and trim. The building exterior and interior was built of high quality materials that have stood the test of time. The building has 28,834 square feet.

Building interiors continue with the Art Moderne style. Floors are generally terrazzo with brass trim. Walls are plaster. Railings at the main entrance are bronze. Wood doors, frames and panels are a combination of various woods including walnut, oak, birch and clear northern white pine. Interior walls are clad with Montana Travertine from Gardner Montana – a dark rose tan marble, Napoleon Gray marble, Domestic black marble and Select white marble.

As mentioned in the previous re-use document, the building may have potential environmental hazards including oil deposits and asbestos from insulation around pipes.

Utility connections are provided by the City and are available to the building including phone, internet and cable.

The area zoning allows a wide variety of commercial and institutional uses. Whether these uses would “fit” well within the building or the building could be reconfigured to sufficiently accommodate some potential uses is discussed to a degree in this report.

Previously, the primary user of the Ely Community Center was the public library. The public library is now in a new building across from City Hall.

From 1999 to 2005, users of the building included 1) AA Meetings, 2) Actors Anonymous, 3) AEOA, 4) American Legion, 5) Berean Baptist Church, 6) Boy Scouts 7) Cable Committee, 8) Census Committee, 9) Chess Club, 10) Community Center Task Force 11) Community Education Classes, 12) Cub Scouts 13) Ely Community Resources Group 14) Election Training, 15) 4H, 16)

SITE EVALUATION AND BUILDING WALK-THROUGH

Girl Scouts (17) Home School Group, 18) Individual organizations 19) Library Meetings 20) Line Dancing 21) Planning and Zoning 22) Police 23) Social Security and 24) YMCA.

The community center hosted large events including craft fairs, weddings, dances and fund raisers.

The number of large events dropped from a high of 27 per year in 1999 to only 9 in 2005, substantially increasing the burden of operating costs on the City with relatively no event income to offset the operating and maintenance costs of the structure. Increased budget costs also limited public usage hours and had a negative impact on the number of meetings that were traditionally held in the evenings. Organizations that previously used the Community Center building for office space, event space or recreation space have either found other spaces, reduced their space usage or moved out of the Ely area.

Average annual operating costs to the City (not including capital improvement costs) ranged from \$141,676 to \$148,280 annually. Operating costs savings may be achieved through an upgrade of the HVAC and other mechanical systems in the building resulting in lower heating and electric costs, especially if insulation were to be added. As identified, custodial costs were the largest annual operating costs for the building. These might not change if the City is still responsible for providing custodial services to the building and increasing events and ongoing public use.

If the property is sold to a private for-profit owner or to a non-profit organization, the new owner would be responsible for the operational costs of the building. If the City retains ownership (not preferred), then the City would be responsible for upgrading and maintaining the building. The goal of the City is to reuse the building with a viable alternate use that may bring jobs, serve the recreation needs of area residents, and/or place the building on the tax rolls. With a current operating cost of \$150,000 annually to pay for maintenance and upkeep of the building, the revenues generated from any reuse would need to be an absolute minimum of \$150,000, but preferably higher. There may also be additional administrative and/or other function costs to coordinate events.

Access and Visibility

Primary access to the property is available from 1st Avenue and from Harvey Street. There is an alleyway that runs along the north side of the building with an access from the building on the basement level out to the alley. It has not been determined if any reuse of the property would maintain this access point at the ground level. Public entries to the building are located on the west and south sides of the building. As mentioned previously, the building does not have any elevators and there has been concern regarding making the building available and accessible to persons with disabilities.

SITE EVALUATION AND BUILDING WALK-THROUGH

The map below outlines the location of the subject property and the existing Ely Community Center building.

Site and Building Location



Building and Property Photos



View of ECC facing NE from Harvey Street



View of ECC's south face on Harvey Street



Second Floor Auditorium Stage



Interior mural painting



Dining Area in basement level



Commercial kitchen in ECC

SITE EVALUATION AND BUILDING WALK-THROUGH



Main stairwell from west side of Bldg.



Entry to the auditorium-2nd Floor



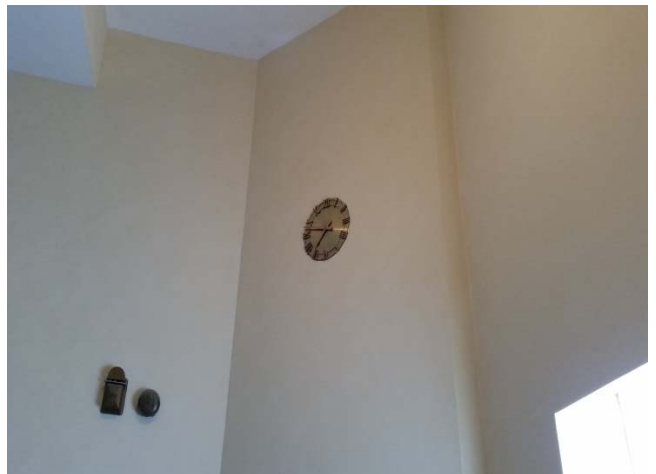
First floor public areas



Fireplace in former library space



Light fixtures in a portion of the building



Historic wall clock fixture



Terrazzo floors



Glass Block Windows

Proximity to Employment, Retail, Health Care, Recreation and Services

The subject Site is situated in the middle of a mixed use district that contains a variety of retail, office and service businesses in addition to single-family homes. City offices are located within walking distance of the Site as is the new Public Library. The area is well-supplied with neighborhood and convenience items to serve local residents and during the summer months, many additional businesses are open to serve the visitor and tourist traffic that comes to Ely.

The area immediately surrounding the ECC Building is urban in character and pedestrian-oriented. There are sidewalks and people can easily access the property.

A downside to the existing property is that it does not have any dedicated parking. Off-street parking is available across South 1st Avenue East from the west side main entrance to the ECC Building or on the street. The parking adjacent to the Ely Senior Center is public parking and is owned by the City of Ely. It is primarily used as patron parking for the Ely Senior Center's members and guests.

The nearest health care services (including emergency services) are located a short distance from the subject Site at Ely-Bloomenson Hospital, 328 West Conan Street.

Appropriateness of the Subject Site for Various Uses

Housing

The Ely CC Building could be converted into multifamily housing. The existing rental housing stock in Ely is limited and is largely occupied by students. A number of landlords reserve their units to rent to students during the school year. Accordingly, during the high season, most rental units in Ely are not rented out to visitors. The ECC building could be appropriate for conversion to housing, but this would require a substantial investment to reconfigure the Building to housing units. This cost would be substantially higher than what is proposed for just immediate upgrades and improvements, which is \$2.7 million.

In speaking to local community resources and local real estate agents, it was determined that the Building was not really suitable for traditional retail uses, but may be suited to some type of destination retail or special use retail, such as art gallery, arts endeavors, etc.

Office Space

There are a number of smaller spaces in the Building that could be used effectively as office space if renovated.

Event/Conference Center Space

Event space is available for special functions, some types of fitness and amateur sporting events. The kitchen could be refurbished to that it could accommodate a food production or food service business and the lower level could be used for banquet facilities. The auditorium could accommodate approximately 174 to 230 people in rounds or theater seating for special events and presentations.

Light Manufacturing

Light manufacturing or storage could be accommodated in the building. The primary drawbacks to using the building for either light manufacturing or storage is that these type of uses would likely require an elevator in the building (potentially a freight elevator in addition to a passenger elevator) and may also require some type of loading/unloading area for deliveries and shipping. The current configuration of the building does not allow for these spaces. If the Building receives an "historic" designation and the owner or developer accepts state or federal funds, they would be required to meet the Department of Interior standards for a specified period of time defined in the grant contract. If they do not accept any federal or state funds, the owner/developer would not be obligated to comply with any standards other than those required by local zoning ordinances should a development or redevelopment proceed. If the building were to be demolished, Minnesota state law requires that an EPA review be completed prior to any demolition.

Data Center

The Building is being considered for redevelopment to a data storage center. Data storage centers have been springing up across the United States in response to the need for backup and emergency retrieval of data. Several location criteria are often considered when siting a data center facility including:

- Close proximity to high speed fiber optic networks
- Building structure that can withstand the elements
- Areas of low electric and other utility costs (especially for cooling)
- High ceiling heights to stack equipment to achieve lower costs of operation

The Ely area and the Ely CC Building offer most, if not all of these features. While a portion of the building's ceiling heights are high, the ceiling heights in the lower level are not. This reduces the ability of the Data Center to achieve profitable operations.

Call Center

The potential developer of the data center is also considering an option to convert the building to a call center. Call center operations would require primarily computer work stations with communications facilities for sales, customer service operations, reservations operations, etc.

One of the components in considering the call center operations is the potential to have on-site food service for employees. Some call center operations are open 24/7. In the event of severe weather or staff working overtime or additional shifts, having food service on-site reduces down time and improves operating profits for call center operations. The largest concern for a proposed call center facility is the ability to be able to draw between 150 to 300 people from the immediate area to take a job position). Maxfield Research completed a brief labor shed assessment (commuter travel patterns) for residents residing in the Housing Market area (see previous Ely Comprehensive Housing Needs. This information is presented in a following section of the report. Currently, service center operations for companies such as Delta Airlines, Blue Cross Blue Shield and other employers employ a combined 1,200 people on the Iron Range.

Museum/Art Gallery/Studio Space

There are a number of local artists in Ely and in the surrounding region that produce and exhibit their work either in their own studio spaces or show their work in a retail or gallery setting. Through local interviews, at least two community spaces are currently available for artists to show or exhibit their work.

The Ely CC Building would be appropriately suited to create artists' studio spaces, although several areas of the building are somewhat dark. Some types of painting require a large amount of unfiltered natural light. Some types of painting would need a high light environment.

Attendance at museums across Minnesota has decreased since 2010. Creating a museum within the Ely CC Building would could utilize some of the existing spaces to create special galleries or interactive exhibits on topics of special interest to the region. A key element mentioned in successful museums is that they provide a dynamic visual and learning environment, with changing exhibits and events that engage the public. A museum space within the building could be combined with other types of space usage so that there would be combined activities occurring within the same Building. If the focus is on the Boundary Waters, then specific events or seminars regarding survival and wilderness training could go on in the building along with the history of the natural environment and ongoing environmental studies. Vermillion College may be a potential partner in this type of venture with its current environmental and forestry programs.

SITE EVALUATION AND BUILDING WALK-THROUGH

Table S-1 presents a matrix of site strengths and weaknesses for various types of uses that could be considered for the Ely CC Building. In addition to strengths and weaknesses, the table also lists other factors that may enhance or detract from the ability to redevelop the building into the suggested use.

TABLE S-1 SITE MATRIX ELY COMMUNITY CENTER BUILDING			
Proposed Use	Strengths	Weaknesses	Other Considerations
Multifamily Housing Market Rate Rental Housing Age-Restricted Ind. Living Workforce Rental Housing	Centrally-located in Downtown Convenient access to Sr. Ctr. Walking distance to jobs and retail goods and services Sound exterior structure Attractive interior finishes	Some large spaces challenging to convert to residential Likely would only result in a limited no. of housing units No attached parking area Building not really residential in character	Greater availability of funding for workforce housing State Legislature providing funds for affordable Sr. Hsg. Historic tax credits can reduce costs to redevelop Market rate hsg. Would still need some public assistance
Conference Center Regional Conference Ctr to attract public/private groups	Auditorium Space w/stage Commercial kitchen for food service; Smaller rooms for breakout sessions.	Would compete against existing conference facilities in the region; may oversaturate the market; Need to effectively coordinate hotel rooms for overnight stays which may be difficult during high season.	Need to have some unique factor to consistently draw groups to the facility Funding options may be somewhat limited
Recreation Center Local community center to provide fitness and recreation options for residents and visitors	Large auditorium space could be converted to running track and exercise area Smaller rooms for weight training, fitness studios, etc. More space for Community Ed. Potential to utilize an upgraded kitchen for food service	Would compete somewhat with other existing private facilities in the City; No ability to install aquatics facilities	Costs to retrofit the building may be high; Patron memberships will likely only cover a portion of the total operation costs
Event Space Community event space for community education, weddings, family reunions, other public functions movies, concerts	Large auditorium space to accommodate guests Commercial kitchen for food service Smaller ancillary spaces could be used for smaller events or meetings	Would compete with other private event facilities in town No indication that there is sufficient demand to support another event facility of this size; no parking on-site; parking across street may not be adequate for large events or may not be available	More challenging to secure funding for this type of operation Community education needs more space and wants to expand but is limited in what they can pay for space. Movie theater in town is being renovated to show films.
Data Center Provide private market off-site IT storage and backup for clients	Building structure is solid High ceiling heights on second and third floors Spaces for administrative offices and security Fiber Optic connections Low cooling costs (utilities)	Cannot optimize the use of the lower level because ceiling height is too low; Reduced amount of space for equipment may result in costs that are too high	Building already designated historic; Historic tax credits can lower the costs of development.

SITE EVALUATION AND BUILDING WALK-THROUGH

**TABLE S-1
SITE MATRIX
ELY COMMUNITY CENTER BUILDING
(continued)**

Proposed Use	Strengths	Weaknesses	Other Considerations
Call Center Private company to provide call center services to clients	Need larger open spaces for call center cubes 24-7 business operation Need on-site food service for staff Building is in Downtown and within walking distance of goods and services	May not be sufficient labor force within 40 minute drive-time to support call center operations No parking on-site; parking across street may be unavailable	Historic tax credits could lower costs of development; May be other funding allocations to support new jobs in the community. If higher paying positions are available, may draw away from labor force for call center.
Light Manufacturing Opportunities in food production, light assembly, small manufacturing	Commercial kitchen below could provide space for food production Large auditorium space could provide space for equipment and production spaces	No on-site parking available for staff; existing spaces may not be suitable or optimized for light manufacturing depending on the specific equipment needed. Shipping or loading/unloading likely to be difficult	Historic tax credits could lower costs of redevelopment; Needed changes to building could be difficult if historic preservation requirements take precedence.
Engineering or Research Opportunities for private or public research or engineering or other type of professional positions that would primarily need office space	Located in Downtown Ely within walking distance of retail goods and services Small spaces for separate offices Larger open spaces could be configured into work stations	No on-site parking available for staff May take more time to renovate the building than to build new to house new employees	Historic tax credits could lower costs of redevelopment; May be other funding allocations to support new jobs in the community; higher paying jobs would be looked on favorably.
Film Production Sound/production stage for filming	Auditorium space could be used for this. Other areas could be incorporated as technical production areas Fiber optic connections for technical production	May need more open spaces than what is currently available in the building; no on-site parking If snowbate discounts are reduced or eliminated, demand would drop perhaps significantly. Compete with facility in Chisholm	Historic tax credits could lower costs of redevelopment; Arts use could have access to Legacy funding for start-up Current additional 20% snowbate discount on top of 20% snowbate discount
Museum or Artists Studio Space Potential to combine cultural activities under one roof	Located in Downtown near to many visitor venues and the heart of the retail shopping district; Large building could house many separate artists; Could accommodate studio, exhibit, gallery and performance spaces in one location	Two other facilities in Dwntrn. Ely that have space to exhibit artists' works; Building may not have sufficient natural light for certain types of studio space (painters) Additional special lighting or other types of equipment may be needed	Historic tax credits could lower costs of redevelopment; May be other funding allocations such as Legacy fund to support this type of use for the space; May need separate funding for ongoing operations
Source: Maxfield Research and Consulting, LLC			

Introduction

This section of the report presents some information on projected growth of people and households in the Ely Market Area. This information is consistent with what was recently presented to the City in the Comprehensive Housing Needs Assessment report, presented in 2015. The Comprehensive Housing Needs Assessment identified projected population and household growth for three scenarios: Low Growth, Medium Growth and High Growth. The Medium Growth and High Growth scenarios assume that additional mining operations open near to the City of Ely during the forecast period including the proposed PolyMet and Twin Metals projects. In the Low Growth scenario, the City is projected to increase its household base but the rate of growth would be lower.

This section of the report provides an analysis of population and household growth trends under various growth scenarios. A review of these characteristics provides insight into the projected growth trends for the City of Ely with the impact of various economic changes caused by the development of new businesses.

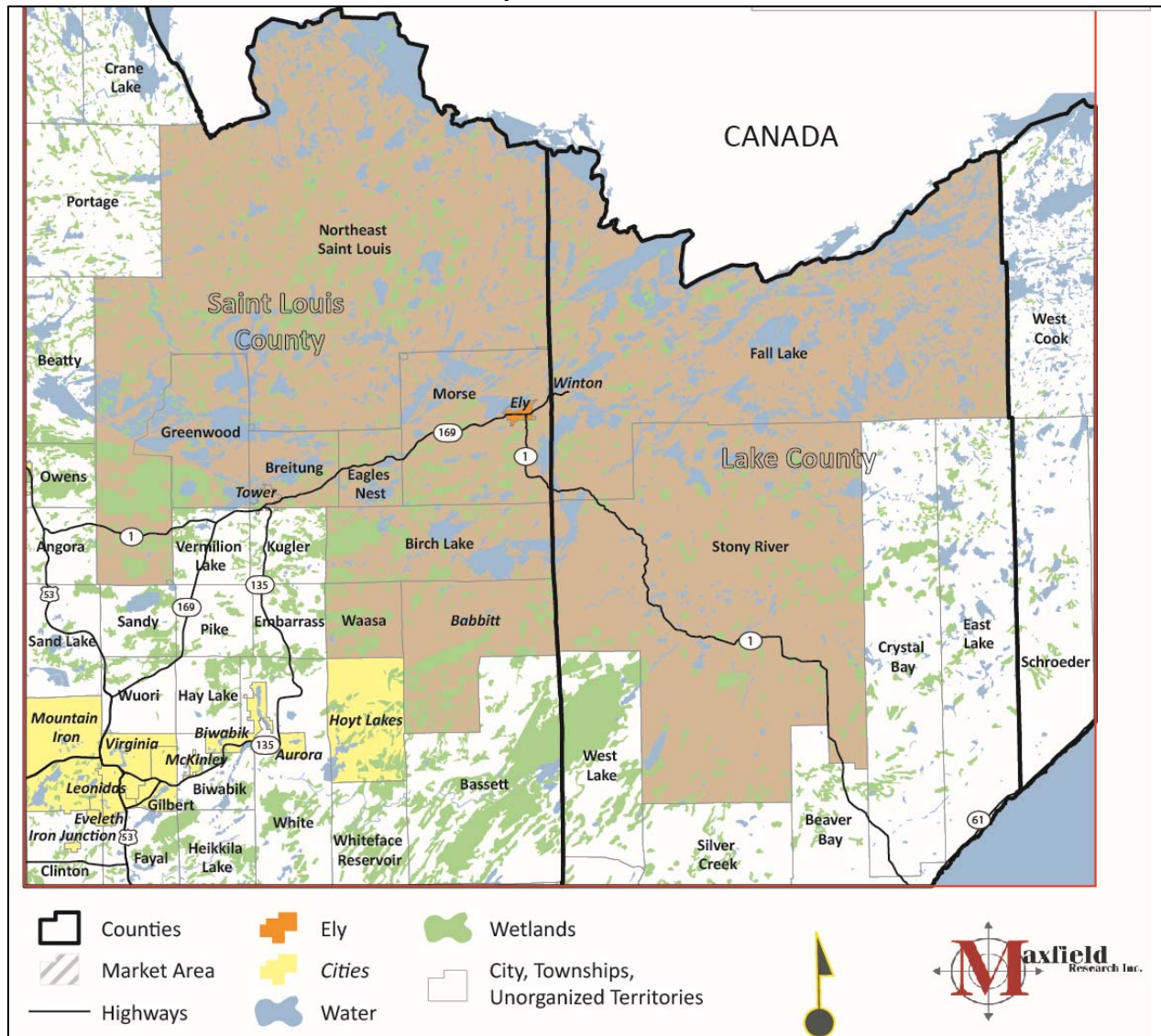
Market Area Definition

The primary draw area (Market Area) for housing in Ely was defined based on traffic patterns, community and school district boundaries, geographic factors, and our general knowledge of housing draw areas across Minnesota. The Market Area is comprised of subdivisions located in St. Louis and Lake Counties as summarized in Table D-1. The boundaries of these subdivisions were reapportioned between the 2000 and 2010 Census but represent the same combined geographical area.

TABLE D-1 MARKET AREA GEOGRAPHIES ELY MARKET AREA 2000 and 2010	
2000	2010
ST. LOUIS COUNTY	
Angleworm Lake UT	Babbitt city
Babbitt city	Birch Lake UT
Bear Head Lake UT	Breitung township
Birch Lake UT	Eagles Nest township
Breitung township	Ely city
Crab Lake UT	Greenwood township
Eagles Nest township	Morse township
Ely city	NE St Louis UT
Greenwood township	Tower city
Morse township	Waasa township
NE St. Louis UT	Winton city
Pfeiffer Lake UT	
Picket Lake UT	
Slim Lake UT	
Sunday Lake UT	
Tower city	
Waasa township	
Winton city	
LAKE COUNTY	
Fall Lake township	Fall Lake township
Stony River township	Stony River township

Source: Maxfield Research and Consulting, LLC

Ely Market Area



Population and Household Growth from 2000 to 2010

Table D-2 presents population and household growth in 2000 and 2010. The data is from the U.S. Census Bureau.

Population

- The population in the City of Ely declined by 264 people (-7.1%) between 2000 and 2010 to total 3,460 people in 2010. Similarly, the Market Area overall declined by 679 people (-6.2%) over the same time period.
- Population decline in the City of Ely accounted for 39% of the total population loss in the Market Area over the decade, which is proportional to the percentage of the total Market Area population accounted for by Ely.

TABLE D-2 HISTORIC POPULATION AND HOUSEHOLD GROWTH TRENDS ELY MARKET AREA 2000-2010				
	U.S. Census		Change 2000-2010	
	2000	2010	No.	Pct.
Population				
Ely city	3,724	3,460	-264	-7.1%
Remainder of Market Area	7,285	6,870	-415	-5.7%
Market Area Total	11,009	10,330	-679	-6.2%
<i>St. Louis County</i>	200,528	200,226	-302	-0.2%
Households				
Ely city	1,694	1,681	-13	-0.8%
Remainder of Market Area	3,245	3,325	80	2.5%
Market Area Total	4,939	5,006	67	1.4%
<i>St. Louis County</i>	82,619	84,783	2,164	2.6%

Sources: U.S. Census Bureau; Maxfield Research Inc.

- A significant contributing factor to the population declines in the 2000s is the housing market downturn and economic challenges faced locally and nationally. The Market Area communities were more affected than other portions of St. Louis County as the population in the County as a whole lost 302 people (-0.2%) compared to the Market Area loss of 679 people (-6.2%).
- As of 2010, the Market Area included roughly 5% of the total population in St. Louis County.

DEMOGRAPHIC ANALYSIS

Households

- Household growth trends are usually a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit. However, additional housing demand can come from changing demographics of the population base, which results in demand for different housing products.
- Ely lost 13 households (-0.8%) during the 2000s, resulting in a household base of 1,681 in 2010. However, the Remainder of the Market Area gained 80 households (+2.5%), during the decade, increasing the total Market Area household base to 5,006 (+1.4%).
- As mentioned, the Market Area experienced household growth although the population decreased. The disparate growth rates for population and households represent a trend toward fewer people per household, which is driven by demographic and social trends such as increasing divorce rates, a growing senior base, and couples' decisions to have fewer children or no children at all.

Population and Household Estimates and Projections

Table D-3 presents population and household growth estimates and projections for the Market Area through 2025. Estimates for 2015 and projections through 2025 are based on information from ESRI (a national demographics service provider) and the Minnesota State Demographer with adjustments calculated by Maxfield Research Inc. The adjustments are intended to reflect growth that will likely be realized after considering the impact of the housing market slowdown and recession as well as the subsequent recoveries and economic development. Building permit data and trends are also incorporated into household growth estimates.

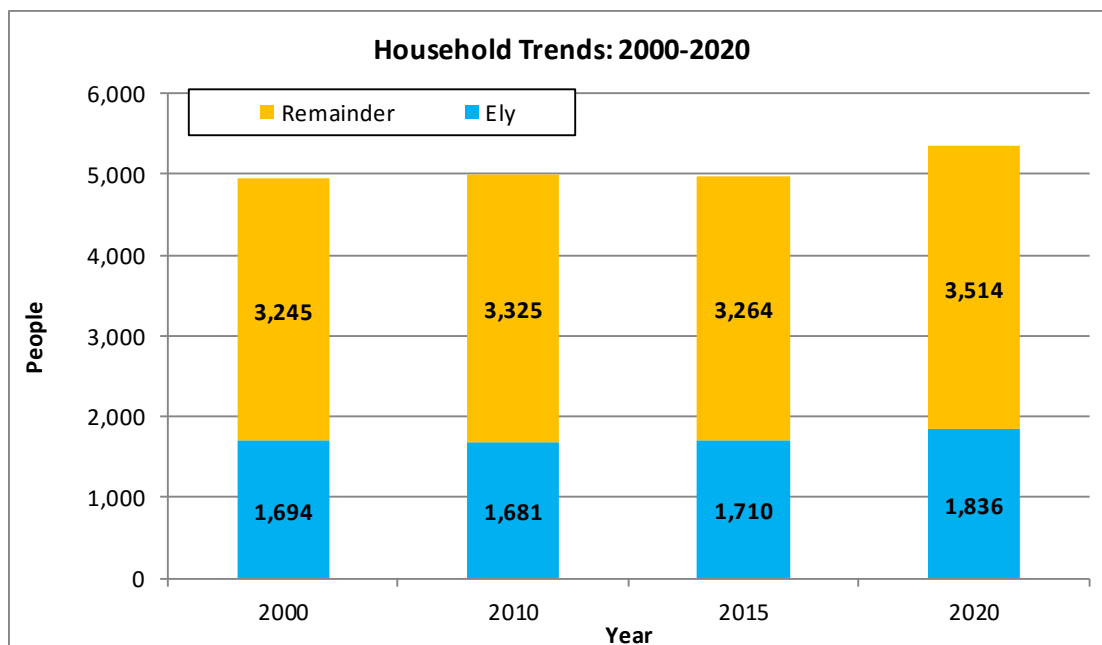
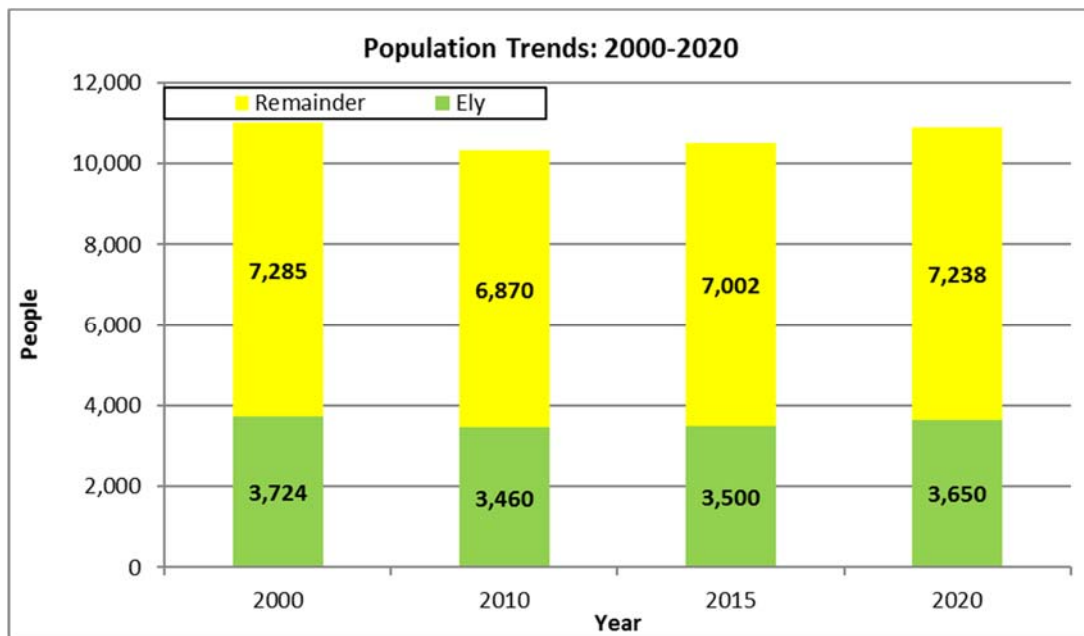
It is important to note that the growth forecasts do not consider any pending changes in the local employment market, such as the proposed Polymet and the Twin Metals projects. These are discussed in a separate section of the report. Table D-3 presents population and household estimates without these projects. Table D-4 however, presents projected population and household growth with the proposed Polymet plant. Table D-5 presents population and household growth with the proposed Polymet plant and the proposed Twin Metals development. If these projects proceed, additional economic development is likely to create more jobs in Ely and in surrounding communities, spurring construction of housing and other employment opportunities to serve additional households that would locate in the area.

Projected Population and Household Growth w/o Polymet and Twin Metals – Low Growth

- From 2010 to 2020, we project that Ely will have a stable household base with a slight increase in total households. Between 2010 and 2020, we estimate that 19 households (+1.1%) would be added in the City to total 1,700 households in 2020.

DEMOGRAPHIC ANALYSIS

- The Remainder of the Market Area is projected to increase by 205 households (+6.2%) between 2010 and 2020, a more rapid rate of growth than the prior decade during which 80 households (+2.5%) were added.
- Population growth is expected to slow slightly relative to household growth due to continued decline in the number of persons per household. There is no change projected in the population base for Ely between 2010 and 2020. Over the same interval, the Remainder of the Market Area is projected to increase by 280 people (+4.1%) as households locate in some of the rural township areas surrounding the City.



**TABLE D-3
POPULATION & HOUSEHOLDS
ELY MARKET AREA
LOW-GROWTH SCENARIO - WITHOUT ADDITIONAL MINING OPERATIONS
2000 to 2020**

	Number of People					Change			
	U.S. Census		Projections						
	2000	2010	2015	2020	2025	2000-2010		2010-2020	
Population	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	3,724	3,460	3,485	3,510	3,540	-264	-7.1%	50	1.4%
Remainder of PMA	7,285	6,902	7,002	7,178	7,210	-383	-5.3%	276	4.0%
PMA Total	11,009	10,362	10,487	10,688	10,750	-647	-5.9%	326	3.1%
<i>St. Louis County</i>	<i>200,528</i>	<i>200,226</i>	<i>200,500</i>	<i>201,170</i>	<i>201,850</i>	<i>-302</i>	<i>-0.2%</i>	<i>944</i>	<i>0.5%</i>

	Number of Households					Change			
	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	1,694	1,681	1,706	1,736	1,770	-13	-0.8%	55	3.3%
Remainder of PMA	3,245	3,315	3,413	3,514	3,610	70	2.2%	199	6.0%
PMA Total	4,939	4,996	5,119	5,250	5,380	57	1.2%	254	5.1%
<i>St. Louis County</i>	<i>82,619</i>	<i>84,783</i>	<i>85,651</i>	<i>86,710</i>	<i>87,760</i>	<i>2,164</i>	<i>2.6%</i>	<i>1,927</i>	<i>2.3%</i>

People per Household									
Ely	2.20	2.06	2.04	2.02	2.00				
Remainder of PMA	2.24	2.08	2.05	2.04	2.00				
PMA Total	2.23	2.07	2.05	2.04	2.00				
<i>St. Louis County</i>	<i>2.43</i>	<i>2.36</i>	<i>2.44</i>	<i>2.35</i>	<i>2.34</i>				

Source: U.S. Census Bureau, ESRI, MN Demographer, Maxfield Research and Consulting, LLC

**TABLE D-4
POPULATION & HOUSEHOLDS
ELY MARKET AREA
(WITH POLYMET MINE-MEDIUM GROWTH SCENARIO)
2000 to 2025**

	Number of People					Change			
	U.S. Census		Projections						
	2000	2010	2015	2020	2025	2000-2010		2010-2020	
	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Population									
Ely	3,724	3,460	3,485	3,650	3,750	-264	-7.1%	190	5.5%
Remainder of PMA	7,285	6,870	7,002	7,238	7,450	-415	-5.7%	368	5.4%
PMA Total	11,009	10,330	10,487	10,888	11,200	-679	-6.2%	558	5.4%
<i>St. Louis County</i>	<i>200,528</i>	<i>200,226</i>	<i>200,500</i>	<i>201,170</i>	<i>201,850</i>	<i>-302</i>	<i>-0.2%</i>	<i>944</i>	<i>0.5%</i>
Households									
Ely	1,694	1,681	1,706	1,836	1,886	-13	-0.8%	155	9.2%
Remainder of PMA	3,245	3,325	3,413	3,514	3,639	80	2.5%	189	5.7%
PMA Total	4,939	5,006	5,119	5,350	5,525	67	1.4%	344	6.9%
<i>St. Louis County</i>	<i>82,619</i>	<i>84,783</i>	<i>85,651</i>	<i>86,710</i>	<i>87,760</i>	<i>2,164</i>	<i>2.6%</i>	<i>1,927</i>	<i>2.3%</i>
Persons per Household									
Ely	2.20	2.06	2.04	1.99	1.99				
Remainder of PMA	2.24	2.07	2.05	2.06	2.05				
PMA Total	2.23	2.06	2.05	2.04	2.03				
<i>St. Louis County</i>	<i>2.43</i>	<i>2.36</i>	<i>2.34</i>	<i>2.32</i>	<i>2.30</i>				

Sources: U.S. Census Bureau, ESRI, MN Demographer, Maxfield Research and Consulting, LLC

**TABLE D-5
POPULATION & HOUSEHOLDS
ELY MARKET AREA
(WITH POLYMET AND TWIN METALS-HIGH GROWTH SCENARIO)
2000 to 2025**

	Number of People					Change			
	U.S. Census		Projections						
	2000	2010	2015	2020	2025	2000-2010		2010-2020	
Population	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	3,724	3,460	3,485	4,150	5,000	-264	-7.1%	690	19.9%
Remainder of PMA	7,285	6,870	7,002	7,738	8,075	-415	-5.7%	868	12.6%
PMA Total	11,009	10,330	10,487	11,888	13,075	-679	-6.2%	1,558	15.1%
<i>St. Louis County</i>	<i>200,528</i>	<i>200,226</i>	<i>200,500</i>	<i>202,670</i>	<i>202,650</i>	<i>-302</i>	<i>-0.2%</i>	<i>2,444</i>	<i>1.2%</i>
Households	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	1,694	1,681	1,706	2,336	2,386	-13	-0.8%	655	39.0%
Remainder of PMA	3,245	3,325	3,413	4,014	3,294	80	2.5%	689	20.7%
PMA Total	4,939	5,006	5,119	6,350	5,680	67	1.4%	1,344	26.8%
<i>St. Louis County</i>	<i>82,619</i>	<i>84,783</i>	<i>85,651</i>	<i>87,770</i>	<i>88,760</i>	<i>2,164</i>	<i>2.6%</i>	<i>2,987</i>	<i>3.5%</i>
Persons per Household									
Ely	2.20	2.06	2.04	1.78	2.10				
Remainder of PMA	2.24	2.07	2.05	1.93	2.45				
PMA Total	2.23	2.06	2.05	1.87	2.30				
<i>St. Louis County</i>	<i>2.43</i>	<i>2.36</i>	<i>2.34</i>	<i>2.31</i>	<i>2.28</i>				

Note: Under this scenario, changes between 2020 and 2015 reflect increase due to construction and then slight decrease to permanent employment figures.

Sources: U.S. Census Bureau, ESRI, MN Demographer, Maxfield Research and Consulting, LLC

- Growth expectations by percent in the Market Area surpass those for St. Louis County. Between 2010 and 2020, the household base in the Market Area is forecast to grow by +4.5% compared to the County's +2.3% projected growth. Numerically, although the Market Area accounts for about 6% of the County's total household base, it is projected to capture nearly 12% of the County's total projected household growth under the Low Growth scenario through 2020.

Projected Population and Household Growth with Polymet, but excluding Twin Metals – Medium Growth

Table D-4 presents population and household growth trends and projections to 2025 under a medium growth scenario which includes the opening of the Polymet mining operations.

Note: For the purpose of these projections, Polymet is assumed to begin construction in 2016 with an opening of the plant and mining operations in 2018 for an estimated period of 20 years.

Projected Population and Household Growth w/Polymet, and including Twin Metals – High Growth Scenario

Table D-5 presents population and household growth trends and projections to 2025 under a high growth scenario which includes the operation of the Polymet mine and the Twin Metals mining operation.

Note: For the purpose of these projections, Polymet is assumed to begin construction in 2016 with an opening of the plant and mining operations in 2018 for an estimated period of 20 years. Twin Metals is assumed to begin development in 2023 with construction of a period of at least 3 years with operations extending for a period of 30 years. The Twin Metals development is likely to change names after a Chilean mining firm, Antofagasta, purchased Duluth Metals, the company spearheading the project in the area.

Employment by Industry – Arrowhead Planning Region

Table D-6 presents information on employment growth trends for the Arrowhead Planning Region in 2000 and then from 2010 through 2nd Quarter of 2015 (most recent data available). The data shows that the industries that have experienced the highest growth in the Arrowhead Region over the past year include Accommodation and Food, Health Services, Arts and Entertainment, Public Administration, Manufacturing, Transportation and Warehousing, and Real Estate. Nearly all other industries experienced modest decreases during the past year in employment. Business and Professional Services also experienced a modest increase.

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**TABLE D-6
COVERED EMPLOYMENT TRENDS
ARROWHEAD ECONOMIC DEVELOPMENT REGION
2000, 2010 through 2014 (Annual Averages); 2015 (2nd Quarter)**

	No. of Establishments							No. of Jobs							Change-# of Jobs 2014-2015	
	2000	2010	2011	2012	2013	2014	2015	2000	2010	2011	2012	2013	2014	2015	No.	Pct.
	Agriculture, Forestry, Fishing	166	137	137	125	128	127	124	720	590	647	596	605	647	603	-44
Mining	27	30	31	30	30	29	28	5,585	4,020	4,267	4,542	4,466	4,627	4,543	-84	-1.8
Construction	990	1,094	1,064	974	955	946	923	7,121	6,061	6,188	6,080	6,299	7,154	7,005	-149	-2.1
Manufacturing	416	376	375	358	346	344	341	12,695	8,436	9,127	8,982	8,824	8,590	8,708	118	1.4
Utilities	43	51	53	52	54	56	54	1,683	1,653	1,686	1,711	1,698	1,758	1,735	-23	-1.3
Wholesale Trade	375	304	302	281	284	280	267	3,855	3,046	3,149	3,192	3,013	3,150	3,147	-3	-0.1
Retail Trade	1,624	1,456	1,432	1,391	1,385	1,372	1,372	19,090	17,476	17,803	17,931	17,812	17,957	17,978	21	0.1
Transp. And Warehsg.	372	336	301	333	325	326	328	5,304	3,505	3,503	3,567	3,714	3,835	3,927	92	2.4
Information	172	179	212	171	153	146	141	2,862	1,854	1,704	1,713	1,740	1,628	1,592	-36	-2.2
Finance and Insurance	511	471	468	451	441	430	424	4,357	4,653	3,918	4,722	4,868	4,867	4,505	-362	-7.4
Real Estate and Leasing	312	316	301	274	267	266	269	1,217	1,164	1,124	1,110	1,224	1,212	1,326	114	9.4
Services																
Professional/Business Serv.	528	557	558	558	556	555	549	3,346	3,813	3,495	3,782	4,054	4,275	4,323	48	1.1
Management of Companies	47	48	47	42	37	38	36	1,227	1,037	981	934	844	854	807	-47	-5.5
Administrative/Waste Mgmt.	312	312	309	304	303	301	293	3,988	4,050	4,261	3,972	3,916	4,144	4,221	77	1.9
Education	305	334	339	333	267	265	265	12,403	12,457	12,485	12,380	12,547	12,643	12,333	-310	-2.5
Health Services	725	865	880	864	887	885	879	23,818	32,822	32,483	32,839	32,901	32,559	33,028	469	1.4
Arts, Entertainment, Rec.	230	233	233	239	240	242	237	3,674	3,529	3,404	3,465	3,477	3,436	3,790	354	10.3
Accommodation and Food	1,018	983	979	959	923	922	896	13,181	13,606	13,252	13,691	13,389	13,801	15,019	1,218	8.8
Other Services	848	770	774	756	770	770	768	4,758	4,362	4,293	4,289	4,642	4,752	4,955	203	4.3
Public Administration	349	426	430	423	345	331	331	10,189	10,316	10,161	10,338	10,540	10,483	10,827	344	3.3
Total/Average	9,370	9,278	9,225	8,918	8,696	8,631	8,525	141,073	138,450	137,931	139,836	140,573	142,372	144,372	2,000	1.4

Sources: Minnesota DEED; Maxfield Research and Consulting, LLC

DEMOGRAPHIC AND ECONOMIC ANALYSIS

It is no surprise that as the recovery has continued, tourism has increased throughout Minnesota and in Northern Minnesota where tourism is one of the primary industries. Of note, is that manufacturing experienced an increase in employment during the period, after substantial decreases in employment several years ago.

Employment – Labor Shed

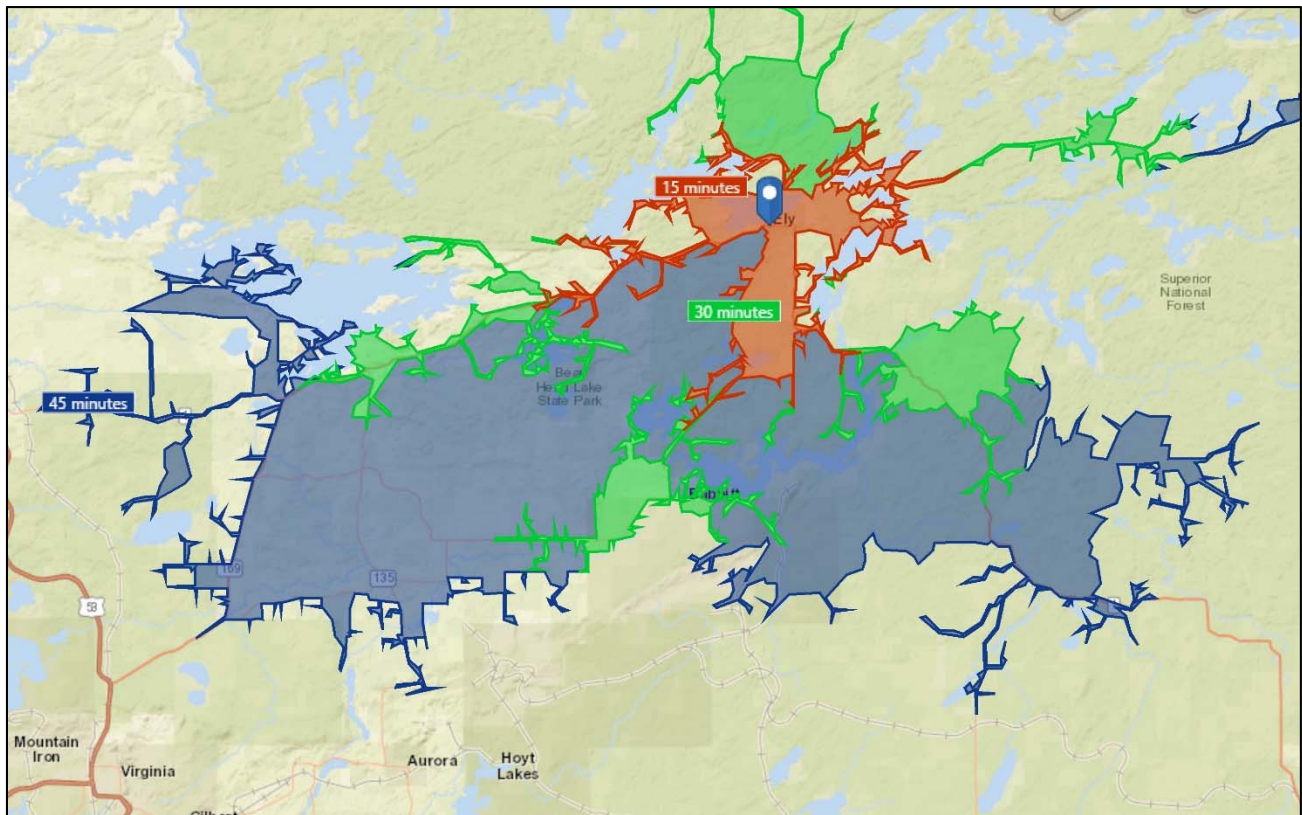
Table D-7 presents an assessment of the potential labor force within 15-, 30- and 45-minute drive times of the City of Ely. This information is useful in determining the number of potential workers that would be located within a specific geographic area. This would be important in considering future uses such as light manufacturing and a call center.

	2010	2015	2020
Total Population			
Within 15 minutes	4,523	4,521	4,551
Within 30 minutes	7,073	7,094	7,156
Within 45 minutes	9,568	9,613	9,707
Total Employees			
Within 15 minutes	1,992	2,743	2,593
Within 30 minutes	3,768	3,736	3,844
Within 45 minutes	4,634	4,321	4,962
Total Age 16-65			
Within 15 minutes	2,104	2,790	2,681
Within 30 minutes	4,321	4,261	4,069
Within 45 minutes	5,902	5,810	5,557
Labor Force/Employees (16+)			
Within 15 minutes	1.06	1.02	1.03
Within 30 minutes	1.15	1.14	1.06
Within 45 minutes	1.27	1.34	1.12

Sources: ESRI Inc.; Maxfield Research and Consulting, LLC

The table shows that the eligible workforce (16 to 65) increased between 2010 and 2015 within 15 minutes of Ely, but decreased slightly as the distance from Ely grows. This is in large part because of the potential for declining population in the Ely area although additional employment from Poly Met Mining Company may reverse this trend to a degree. The current ratio of labor force to employees was estimated to be highest in 2010 within 15 and 30 minutes of driving time from Ely. As of 2015, this ratio is the highest for a drive time within 45 minutes of Ely, suggesting that 45 minutes encompasses additional population centers which boost the

ratio. The 15-minute drive time is in red; the 30-minute drive time is in green and the 45-minute drive time is in blue.



Tourism in Ely – Economic Impacts

Tourism in Ely is a primary and significant industry for the community. Each year, thousands of people visit the BWCA and the City of Ely is the gateway to the 1.0 million acres that exists in far northern Minnesota. Recently, the Northspan Group and the Labowitz Center for Economic and Business Research at the University of Minnesota-Duluth and the Bureau of Business and Economic Research (BBER) were asked to study and report on the significance and effect that leisure and hospitality has on the economy of the IRRRB’s service area which includes Ely. Tourism, commonly referred to as leisure and hospitality, represents a regional economic cluster whose magnitude on the economy may not be fully understood.

The analysis highlights trends over the past 10 years in the IRRRB’s service area, identifies the current state of the industry and estimates the economic impact and value to the region moving forward. The impact area analyzed included all or parts of Aitkin, Cook, Crow Wing, Itasca, Lake and St. Louis Counties in Minnesota. The following cities were removed from the analysis to establish a consistent set of baseline data for 2012: Duluth, Hermantown, Baxter and Brainerd.

DEMOGRAPHIC AND ECONOMIC ANALYSIS

Key findings of the analysis include

Total estimated economic impact of tourism to the IRRRB's service area was \$1 billion and contributes to the creation of more than 13,600 jobs in the region. Leisure and hospitality-related spending contributed approximately \$493 million in wages, rents and profits to the region.

The largest economic impacts in the service area were in food services and drinking places followed by hotels and motels.

Between 2003 and 2012, an analysis of the hospitality gross sales in the IRRRB service area showed minimal to no growth. Businesses experienced a compound annual growth rate of 2.29%, the net loss in purchasing power was -0.19%. That compares to net growth across Minnesota of 1.6% and 1.87% in Duluth and Hermantown.

Annual growth in gross sales in amusement, gambling and recreation sub-sector decreased by 1.77%. The net loss in purchasing power was minus -4.24%. In the accommodations subsector, the IRRRB service area realized an increase of 3.29% annually. Net growth however, was only 0.82%. Food services and drinking places experienced annual growth of 2.18%, but had a net loss of -0.29%.

The analysis focused on gross sales for accommodation, gambling, recreation, accommodation, food service and drinking places because the MN Department of Revenue had incomplete data for performing arts, spectator sports, museums, and historical sites. Interviews were conducted with local providers to determine how conditions had changed over time in each of these sectors.

Overall, museums and historical sites are struggling. Many are aging and resources to invest and/or reinvest are limited. Pockets of financial stress exist in accommodations, particularly for resorts, which tend to focus on a highly seasonal clientele. Industry leaders stated that unpredictability and impact of weather year-round, struggles with profitability and the economic recession from 2007 through 2011 (estimated general years), had continued to place negative economic pressure on these areas.

The impact analysis utilized NAICS categories for sales data (North American Industry Classification System) to measure industry health. Series 700 data was utilized with sub-categories identified as follows:

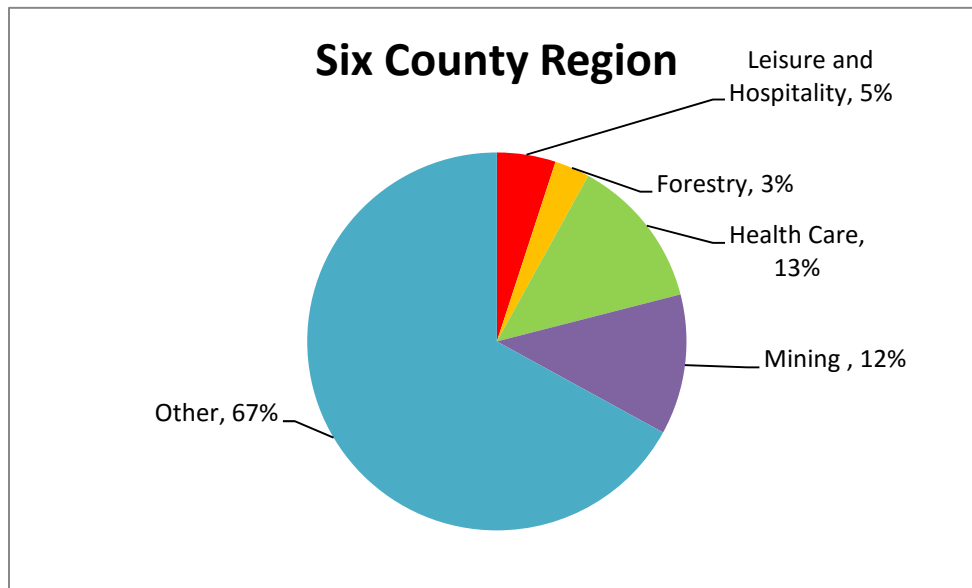
- 711 – Performing Arts, Spectator Sports, and Related
- 712 – Museums, Historical Sites, and Similar
- 713 – Amusement, Gambling and Recreation
- 721 – Accommodation
- 722 – Food Service, Drinking Places

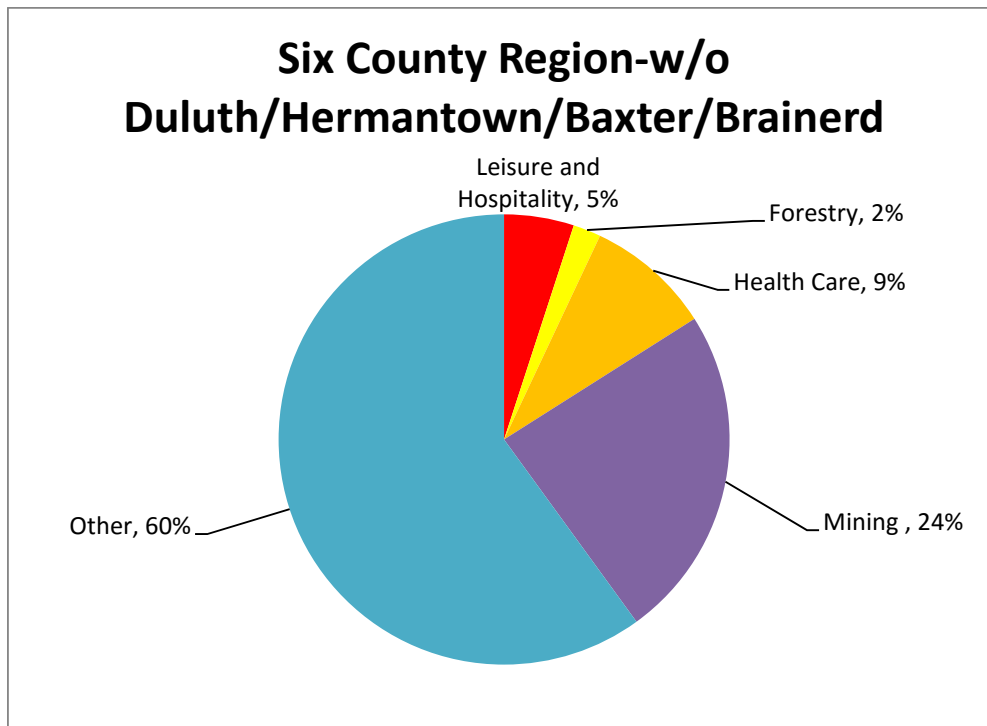
DEMOGRAPHIC AND ECONOMIC ANALYSIS

Overall, increase in retail sales between 2003 and 2012 were:

	Area Counties	IRRRB Service Area
2003	\$647.4 million	\$417.3 million
2012	\$849.8 million	\$515.8 million

The analysis also researched the Gross Regional Product (GRP), the market value of all goods and services produced. The GRP of the six-county region and the percent of GRP that each industry contributes to the whole are presented. The IRRRB service area excludes Hermantown, Duluth, Baxter and Brainerd. Mining represents a much larger share of the IRRRB service area, while health care and “other” industries comprise a larger share of the area when Duluth, Hermantown, Baxter and Brainerd are included. Forestry, leisure and hospitality industries are similar in both regions.





Data comparisons include the years 2003 and 2012. The leisure and hospitality industry as identified through the NAICS series took in more than \$446 million in gross sales in 2012, a 22.6% increase over the 10-year period. Factoring in the Consumer Price Index (CPI) and the compounded annual growth rate was 2.29% during that period. The increase is substantially less than the growth in Duluth/Hermantown and the State of Minnesota, which realized average annual growth of 4.35% and 4.07%, respectively after taking into account inflation. Moreover, the IRRRB service area was identified as losing its share of total gross sales in the NAICS 700 series in Minnesota. That percentage was 3.6% in 2012, a 14.4% degradation from 2003 when it was 4.2%. While the IRRRB service area enjoyed a 4.1% increase in total gross sales after inflation, leisure and hospitality’s share of all industry sales in the IRRRB service area dropped from 8.7% to 7.5%, a reduction of 14.3%.

There was only modest growth in the number of establishments in the IRRRB service area, a 1.5% increase from 2003 to 2012. Cook County was the leader with a 10.7% increase, followed by Crow Wing with 6.6%. St. Louis County had only a 1.0% increase during the period. However, when factoring in Hermantown and Duluth, St. Louis County experienced a loss of -22 establishments or 5.2% for the period.

Performing Arts, Spectator Sports and Related Industries are defined by four basic processes: 1) producing or presenting events, 2) organizing, managing and/or promoting events 3) managing and representing entertainers and 4) providing the artistic, creative and technical skills necessary to produce live events. This sector experienced the largest growth of the entire hospitality and leisure industry. Revenues for this segment include only Crow Wing, Itasca and St. Louis Counties. In 2004, the IRRRB gave a 10% reimbursement on expenditures, up to

DEMOGRAPHIC AND ECONOMIC ANALYSIS

\$200,000 and coordinated point-of-sale discounts at participating businesses to help bring the feature film “North Country,” filmed in 2004 and released in 2005. The production company was expected to spend \$2.0 million in the IRRRB service area. MN DEED estimated the economic impact of North Country at \$5.0 million for the entire state. This includes equipment and other items that originated in the Twin Cities and other areas outside of the IRRRB service area.

Additional investment in filmmaking in the IRRRB service area continues to draw interest. In December, 2012, the IRRRB approved \$800,000 for a Film Production Incentive Program and the State of Minnesota reinstated the “snowbate” incentive in 2013. Five feature films were shot in the summer of 2014; more are being planned through 2015. A new movie production studio, Ironbound Studios, opened in Chisholm Minnesota in the former City Hall building. The production studio is able to create television shows, movies and commercials. Once fully operational, the company in Chisholm is anticipated to have 20 full-time employees. Funding was provided with a \$500,000 infrastructure grant from the IRRRB. Part of the incentive for locating on the Iron Range is the additional 20% snowbate above the 20% snowbate for productions shot in Northeast Minnesota.

Prominent concerts were added at Fortune Bay Casino in Tower. In 1996, the hotel and conference center were built, opening the door to larger capacities for entertainment. In 2003, Fortune Bay switched its format from blues to classic rock and audiences doubled for indoor and outdoor formats. In addition, the resort casino will partner with other venues to bus people to other venues and restaurants during the entertainment events.

Live music events are also increasing along the North Shore of Minnesota with Lutsen Resort leading the way, bringing in well-known artists who attract a variety of demographics. Visit Cook County, underwrites music throughout the year.

Hockey brings many people to the IRRRB Service Area for tournaments. Sometimes people are turned away from hotels and restaurants due to high demand in this segment.

Amusements, Gambling and Recreational Facilities

This category includes amusement parks, casinos, golf courses and country clubs, skiing facilities, fitness centers, marinas, bowling and other recreational sports centers.

This segment experienced a drop in gross sales during the ten-year period ending in 2012. The compound annual growth rate was a negative -1.77% for the IRRRB Service Area. The net loss in purchasing power was -4.24%. Except for Aitkin County, the counties that comprise the Service Area realized a net loss in purchasing power, especially Lake County where it was -11.77%.

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Nearly all recreational entities including bowling centers, casinos and marinas were impacted by a drop in gross sales; the hardest hit venues were golf courses and skiing facilities. Golf generates \$2.4 billion to the State's economy. Golfing defined the 1990s as the up and coming recreation du jour for people young and old. Subsequently 41 new golf courses were developed from 2000 through 2006 including The Wilderness at Fortune Bay and The Quarry at Giant's Ridge. Then the bottom fell out. No new courses have been built in 8 years and 15 courses have closed with more expected. Nationally, 15 new golf courses were built last year, but 150 closed. Operators are quick to admit that the golf course segment is overbuilt.

Skiing plateaued in the 1970s, but skier visits have maintained a slow steady rate of growth. Regionally, snowboarding has broadened the scope of sales at area ski hills. This sector is typically heavily impacted by lack of snow or extremely cold temperatures. There are 40% fewer skiing venues nationally than there were 30 years ago due to consolidation and ski resorts going out of business.

There is a growing concern that policies that restrict slot sizes and fish limits are impacted businesses that depend on tourists fishing larger lakes. Some customers have cancelled trips in order to go elsewhere to catch (and keep) more fish. This barrier and the Recession have also had an impact on eating places on the lake; 60% have closed their doors since 2009.

Major Industry Sectors – Northern Minnesota and Northern Wisconsin

St. Louis County, where Ely is located, accounts for 44.5% of the Northland Region's Population, Area and % of Total Household Income. This is in comparison to the other 16 Counties which include counties in Northern Minnesota and Northern Wisconsin.

Seven Industry Driver/Clusters Show Strong Potential for Opportunities

They are:

Transformational Opportunities

- Forestry and Fiber
- Mining
- Transportation and Logistics Support

The State Legislature is working on a financial incentive package to lure a large publicly traded company to the Iron Range to open a new manufacturing plant. The company would produce home siding and is estimated to have 250 high-paying jobs if developed. Locations being considered for the plant include Hoyt Lakes Industrial Park, Grand Rapids, and a former Potlatch plant in Cook, Minnesota. Michigan and Canada are also vying for the company.

DEMOGRAPHIC AND ECONOMIC ANALYSIS

Sweetwater Energy, a Rochester, New York company, is considering a site in Mountain Iron for the development of a new bio mass processing center that would turn trees into bio chemicals, biofuels and bioplastics.

Wood products and wood products manufacturing has been cited as an economic opportunity industry on the Iron Range in Northern Minnesota.

Mining has long been an industry staple on the Iron Range and was responsible for much of its economic growth from the late 1800s. The rise of global trade and emerging economies in other nations reduced some of the need for US based iron ore production. However, new electronics technology has increased the demand for copper, nickel and other precious metals. PolyMet has overcome several hurdles and is now looking at applying for permits for a mining operation near Hoyt Lakes. Twin Metals applied to Minnesota to renew its mineral rights leases for land near Ely for potential mining of precious metals, but lease renewals have not yet been granted.

Transportation and Logistics Support is primarily focused on Duluth as the transportation and logistics hub because of its multimodal connections with shipping, the airport, railroad and interstate freeway system. This is a growth opportunity, but new businesses in this area will likely be centered in the Duluth-Superior Metro Area because of convenient access to the transportation hub.

Emerging Opportunities

- Biomedical and Health Care
- Creative and Professional
- Energy Alternatives and Renewable Energy
- Innovative Manufacturing

Opportunities that could arise under these categories include:

- Environmental engineering and research
- Solar power production (being considered in Ely as a new facility)
- Medical instrument manufacture or biomedical manufacture (expansion in the Twin Cities Metro currently, but much less in northern Minnesota)
- Innovative manufacturing includes fields such as rapid prototyping, engineering support, water jet cutting, CNC punching and metal forming.
- Professional opportunities could include consulting, research, engineering, and other professional areas associated with existing or emerging business areas.

DEMOGRAPHIC AND ECONOMIC ANALYSIS

In order to capitalize on these opportunities, the Northland Works Partnership and Leadership Steering Committee developed a strategic guide called Prosperity Networks,¹ an initial action plan to link and leverage resources to create transformational change in the Northland geography. The plan includes a four-pronged approach:

- Regional Collaboration and Leadership
- Education Transformation
- Entrepreneurship
- Research and Innovation

The Northland Works Partnership includes the following major partners:

- Northeast Minnesota Office of Job Training and Workforce Investment Board
- Northwest Wisconsin Workforce Investment Board and Concentrated Employment Program
- City of Duluth Workforce Council and Workforce Investment Board
- Arrowhead Growth Alliance
- Arrowhead Regional Development Commission
- Northspan/Apex (located in Duluth, MN)

Focusing on strategic partnerships and innovative education and economic development connections could also raise other opportunities not yet considered.

Ely already has a large concentration of Accommodation and Food Service facilities and this sector support the local economy. However, most of these facilities have their peak season from May through September. It would be beneficial to consider opportunities that could increase the job base in Ely year-round, to support other local businesses in the retail and services sector.

The Ely Bloomenson Hospital has a substantial campus in Ely and provides emergency and general surgery services, skilled nursing, basic health care, and senior assisted care. While health care jobs in general have been growing, we believe that this campus is prepared to continue to offer a wide array of health care services to Ely and the surrounding area.

Minnesota County and State governments maintain regional offices and research centers around the State. While some government areas have cut back, others have expanded. There may opportunities to create research or office space for specific divisions of the government.

¹ The Northland Works Partnership was comprised of individuals from the following organizations and agencies: Northeast Minnesota Office of Job Training and Workforce Investment Board, Northwest Wisconsin Workforce Investment Board and Concentrated Employment Program, City of Duluth Workforce Council and Workforce Investment Board, Arrowhead Growth Alliance and Arrowhead Regional Development Commission. See link to "Prosperity Networks:" <https://www.nado.org/wp-content/uploads/2012/07/northland.pdf>

Introduction

This section summarizes findings from interviews conducted with various facilities in the Ely area and with information gathered through local real estate brokers, facility directors, Chamber of Commerce, School District and other key community members. This review was completed in an effort to document that the proposed uses identified in the previous re-use analysis would still be viable uses for the ECC Building, if other potential uses surfaced and/or if the uses previously identified had resolved their space issues.

Segments covered in this analysis include lodging and event centers, office space, meeting space, sports facilities, arts facilities and light manufacturing.

Lodging and Conference Space

Vermillion Community College provides housing for a portion of its students during the school year. Most students that want to live on-campus lease their unit from end of August to beginning/middle of May. During the summer months, the 3BR apartments are leased out primarily to snowbirds that want to come up to Ely for one to two months during the summertime. Minimum stay is one month; maximum stay is three months. No public renting of units is allowed during the regular school season because all of the units are needed for students. The college also provides some housing for students that want to remain at the college over the summer months. They have in the past provided housing for some summer construction workers in addition to some special camps, educational programs and summer interns for the International Wolf Center. Soudan Mines used to host participants for MINOS seminars and groups from the neutrino lab at the underground Soudan Mine. However, Vermillion has not hosted this group for three years. MINOS is funded by the US Department of Energy and the National Science Foundation. The University of Minnesota leases the laboratory from the State of Minnesota and operates it under contract with the Department of Energy.

The College has stated that they prefer focusing only on long-term rentals and do not have the capacity to handle overnight stays that would require housekeeping and meals. Overnight stays would also be in competition with local hotels and resorts in the Ely area, especially during the high season.

There are two larger facilities in the Ely area that offer combined lodging and conference facilities. **Grand Ely Lodge and Conference Center** is a resort located approximately one mile outside of Ely and has the capacity to serve up to 252 people at a sit-down dinner. They have three primary function spaces, one large and two smaller spaces in addition to a reception area and smaller conference room for only a limited number of people. The conference facility has a total of 61 rooms.

Junction Inn & Suites Conference Center is located in Babbitt, MN and offers conference and banquet facilities in addition to lodging. This is a relatively new facility and is a short distance south of Ely. The Junction Inn has 20 lodging rooms. The meeting and banquet center has seating from 150 up to 300 for concert seating. The hotel is new and room rates range from \$90 to \$120 per night during the summer months. The hotel is already booked for the Walleye Tournament weekend in the second week of June. Room rates increase for some high volume weekends during the summer. At this time, there are limited room night bookings that have been made for this facility.

Fortune Bay Casino and Resort is located in Tower, MN on Lake Vermillion. The facility offers a casino, auditorium, hotel (173 rooms) and conference/banquet space. Fortune Bay can easily accommodate up to 350 attendees seated in rounds and up to 400 attendees seated theater-style or for receptions. They are able to accommodate other smaller size groups beginning at 20 people in the Board Room. The Woodlands Ballroom has flexible space that can be expanded or reduced based on the size of the group, similar to most event facilities. Event facility costs for 200 people for a meeting would be \$500 for the room rate, with lodging rooms and catering all additional. Additional charges would include specific AV set-ups, microphones, etc. Room rates for group range from \$93 to \$117 per night for a standard room.

In total, there are an estimated 40 lodging and resort facilities either in Ely or within a short driving distance of the City. In total, there are about 817 lodging units in the Ely area including Babbitt and Tower. The types of lodging products in the area include cabins, hotel/motel rooms, small bed and breakfast facilities, lodge rooms, bunk cabins, suites, villas and houseboats. All of these facilities except houseboats are potentially available during the winter. A portion of the cabins at resorts in the area are not winterized and are not rented during the winter months.

In discussing the lodging market with people in the area, there was a consensus that the lodging market in Ely is highly seasonal with much higher visitor volumes from June through September, less volume in May and October and the lowest volumes from November through April, although there are some specific weekends when there are special events where many facilities will be rented.

Within Ely, the total number of hotel rooms in the City is estimated at 165 rooms and include seven facilities (Grand Ely Lodge, Super 8, Budget Host, Adventure Inn, Canoe on Inn, Lakeland and Paddle Inn Motel).

The challenge in attracting seminars and conferences that have more than 60 attendees is that the only lodging facility in the area that could handle all of these individuals at one time is Fortune Bay which is about 20 to 25 minutes from Ely. In general, groups seeking to hold a conference want to have lodging in close proximity to wherever they are going to hold their events. While some conference planners will allow their groups to stay at multiple facilities, they typically do not want to split attendees up into more than two facilities.

REUSE REVIEW – MARKET CONDITIONS

For a conference of 100 or more attendees, it would require that all of the hotel rooms in Ely proper would have to be used in addition to lodging rooms outside of Ely. This makes it extremely difficult to book larger groups. The Regional Rotary conference was unable to be held in Ely because there were not enough lodging rooms available and conference room space to accommodate the size of group. There is already meeting space in Ely and Babbitt to accommodate groups of up to 250 to 300. The Babbitt space at Junction Inn however, only has a limited number of lodging rooms for overnight stays. Most of the people attending events at these facilities would need to be local.

The primary meeting times for seminars and conferences is during the Spring (March through May) and during the Fall (September through October). These time periods generally coincide with the off-season in Ely and if there were sufficient lodging rooms in a central location, an event center space in Ely could accommodate larger seminars and conferences for those days. The ECC would have to be renovated and rehabilitated to comply with ADA standards and an elevator would have to be installed in the building. The facility could be used for local events during the summer months and at other times when seminars and conferences would not be available. Under this type of scenario, it is likely that the City or the proposed Foundation would have to hire someone to operate the ECC and would be responsible for the costs associated with renovating the building. Statewide events typically shift around to different locations. When selecting a location to hold an event, planners usually select locations that:

- Have a variety of local amenities and services
- Can be held at one location
- Are centrally located within relatively 2- to 3-hour driving distance of most attendees
- Do not compete substantially with other local events and/or periods when there would be substantial usage from other groups

The International Wolf Center and the Bear Center in Ely regularly draw school groups and other special interest groups to these facilities. The International Wolf Center has meeting space and conducts overnight stays for special groups in their facility in front of the special viewing window. Part of the group tour is actually sleeping overnight in the facility to view the wolves. The Bear Center is open from Mid-March through October and is closed during the prime hibernation period which is from November through early March.

TABLE R-1 LODGING ROOMS IN THE ELY AREA January 2016		
Lodging Facility	City	No. of Rooms/Units
Fortune Bay Resort Casino	Tower	174
Grand Ely Lodge and Conference Center	Ely	61
Junction Inn and Conference Center	Babbitt	20
Budget Host Ely	Ely	17
Super 8 Ely	Ely	30
Adventure Inn Ely	Ely	21
Lakeland Motel	Ely	6
Smitty's on Snowbank	Ely	16
Canoe-on-Inn	Ely	15
Paddle Inn Motel	Ely	15
Timber Bay Lodge	Ely	16
Burndtside Lodge	Ely	20
White Iron Beach Resort	Ely	15
River Point Resort	Ely	17
Vermillion Dam Lodge	Cook	18
Ludlows Island	Cook	19
Pehrson Lodge	Cook	26
Lady Bug Resort	Ely	9
Silver Rapids Lodge	Ely	26
Northernair Lodge	Ely	18
Fenske Lake Cabins	Ely	9
Northwind Lodge	Ely	9
Echo Shores Resort	Ely	7
Garden Lake Resort	Ely	4
Timber Wolf Lodge	Babbitt	12
Lodge of Whispering Pines	Ely	8
Moose Track Resort	Ely	6
Anderson's Resort	Ely	7
Packsack Cabins	Ely	3
Pine Point Lodge	Ely	6
La Tourell's	Ely	6
Timber Trail Lodge	Ely	21
Kawishiwi Lodge	Ely	19
Big Lake Wilderness Lodge	Ely	15
Shagawa Inn Resort	Ely	6
Wintergreen Lodge	Ely	6
Northern Lights Lodge and Resort	Ely	12
Canoe Country Cabins	Ely	9
Deer Ridge Resort	Ely	9
Retreats on White Iron Lake	Ely	11
Camp Van Vac	Ely	25
Ely Lodging (Private Homes)	Ely	24
Ely Lakeside Cabins	Ely	6
Custom Cabin Rentals	Ely	10
Total		809
Sources: Maxfield Research; Local Websites; Chamber of Commerce		

High-Tech Conference Center

Converting the building to a high-tech conference center would require the following improvements to the ECC Building:

- Full renovation of the building to ADA standards
- Installation of an elevator to comply with ADA standards
- Full restoration of the kitchen area for compliance with current building codes and updated food service delivery;
- Full marketing program to attract conferences to the area; this would likely require a dedicated marketing director to coordinate all logistics aspects of the conference for the Client and to ensure that all conference operations proceed smoothly.
- Food and beverage service is essential. Any conflicts with other users in the building regarding the kitchen area would have to be resolved prior to implementing this type of an operation.
- Careful coordination with area lodging facilities that could offer lodging rooms to 50 or more people for one or more overnight stays (there are limited lodging facilities in-town to handle large groups) and during the high season, lodging rooms would be difficult to secure in a block.
- The months most often selected for conferences include from March through May and from September through November. These could work for conferences, but overnight lodging and parking situation if people are driving separately would need to be worked out. Again a full renovation of the space would be required to support today's conference technology (video, wireless, etc.).
- Because of the renovation requirements and limited number of conferences that could likely be attracted to this space regularly, we do not view a high-tech conference center as a long-term viable option for the building. Conferences would need to take preference over any community uses because of the higher price that conferences would pay to use the facility and offset other lower paying local groups.
- We estimate a minimum cost for use of the facility at \$500 per day. In order to be competitive, on-site technology would like need to be included in the daily fee (projectors, microphones, maintenance). Food and beverage costs would be in addition per person. A clean-up fee could also be charged, but this would be somewhat unusual as most other facilities in the area do not charge additional for this service.

Office Space

Interviews were conducted with real estate agents in Ely in addition to others that manage office suites in the community. At this time, there appears to be a sufficient supply of small size office spaces to satisfy demand. There are a number of storefronts that are vacant that could be used for offices in addition to some single-family homes that were converted to office space.

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The Ely Post Office has approximately four office suites above its current post office operations in Downtown Ely. These are generally single-room offices although one of the spaces is a larger size room that could accommodate two people.

The interviews indicated that there are some businesses in the Ely area that are seeking space for one or two people to try to move some employees out of a home-based business situation. Demand for these types of spaces, similar to the suites above the post office could be sized for approximately one to three people.

Lease rates for space in Ely are low. Office spaces for users that want to house one to three employees are leasing for between \$500 to \$600 per month, all in including common area upkeep, taxes and utilities, but excluding in office cleaning. This equates to a lease rate of \$12.00 gross. There is a space available in town with 1,200 square feet at \$750 per month all in, but there have been no takers for that space for about one year, which is \$7.50 per square foot. Manufacturing and production facilities are likely to pay less than these rates for space.

Some of the vacant storefronts in Ely are being converted over to retail space from office space. There may potentially be some additional demand for small offices, but the \$600 per month seems to be a ceiling on a lease rate.

Spaces in the Ely Community Center that would be appropriate for office space range in size from 80 square feet to 1,845 square feet and are located primarily on the lower level and first floor. Some of the space that could be provided as office space could also serve as meeting room space. There is limited public meeting room space in Ely and there are organizations that need meeting space. However, most of those organizations do not have the funds to pay for the space and are most likely to want free meeting room space or space that is low cost. Meeting rooms may be able to be used as breakout space for a larger seminar or conference, but these occur infrequently in Ely and there are other facilities that typically provide for daytime meetings. Overnight meetings can be accommodated at the Ely Grand Lodge Resort and Conference Center, the Junction Inn Conference Center and at the Fortune Bay Casino. All of these facilities are within a 20-minute drive of Ely.

Community Education

Maxfield Research contacted Ely Community Education to determine the size of their attendance and types of spaces that may be needed to support community education classes. About four years ago, the administration of the community education program was given over to the superintendent. This proved to be challenging due to other duties and responsibilities of that position and community education classes were reduced. Ely Community Education grew from attendance of about 450 people in 2009 to nearly 1,700 people by 2011. About 500 of those were soccer programs. Fees for programs range from about \$3.00 to \$20.00 per class. Of that revenue, 70% is paid to the instructor and the remaining 30% is available for other administrative costs and space. According to the facilitator, classes would be able to pay between 5% and 10%, but closer to 5% of the total revenue for the space in order to cover

REUSE REVIEW – MARKET CONDITIONS

costs. If a yoga class draws 12 people, each of whom pays \$10 for the Class, the total amount received would be \$120 for that class. The instructor receives \$84.00 and at 5%, the Ely CC would receive \$6.00 for a space that would typically lease out for \$12.00 or more to a traditional office user.

Classes would be offered in the late afternoons and evenings, but if space were available during the day, additional classes could be offered in the morning and early afternoon. The program is currently constrained in their space availability because of classes at the public schools and at the college during the day and no classes can be held during the summer months because the schools are closed for major cleaning and upkeep maintenance.

Some programs that are offered by the Ely Community Education would not “fit” within the Community Center space, but many would. In addition, they are looking for space whereby they could offer cooking classes, but have been unable to because there is no space with a kitchen that is suitable for this type of class. A renovated kitchen in the CC building would provide kitchen space that could be used to support cooking classes.

Spaces are needed for yoga, tai chi, photography, cooking, art, music, dances, some indoor sports activities.

The current community education catalog includes:

- Woodworking (held at the High School woodworking shop)
- Pickle Ball (held at the Vermillion College Gym)
- Art Class (held at the High School Art Room)
- Ice Skating (held at the Ice Arena)
- Archery (open Shoot- held in the basement of the NAPA Building)
- Beginning Girls and Women’s Archery (held in the basement of the NAPA building)

Classes are typically about six sessions and those that are for a charge range from \$40 to \$80 for the class. There are also some additional equipment and material fees that are charged depending on the class. The instructor retains 70% of the class fee. Most of the spaces that are currently used for community education are free of charge.

Community Events

The second floor auditorium space traditionally hosted weddings, concerts, stage performances, dances, meetings, and other types of large gatherings. Some of these events have had to move to other locations in the community such as banquet and conference centers at the resorts, to classroom space at Vermillion College, to the Ely High School.

During the initial exploration of reuses for the Ely Community Center, there were discussions regarding the need for additional gym space for athletic events at the School. A 10,000 square foot gymnasium space that was located in the JFK Building was being used by the School District for various sports practices. This allowed some additional flexibility in scheduling, but use was limited. Classrooms were used by various businesses and organizations for office space. The gym and the classrooms were removed last year. A conversation with administrative staff at the Ely School District indicated they have shuffled practice schedules and appear to be handling the needs sufficiently such that there is no pressing need for additional gym space. Although extra gym space would be desirable, the School District would not be in a position to pay for extra space of this kind. It was mentioned that there is a group that is looking to develop a recreation center in Ely, which, if built, could provide some additional athletics space for public or private sports groups.

The Ely Public Library has a meeting room space, but it is not open to the public. The meeting room space at the public library is reserved only for library events. Some other meeting room spaces that were mentioned as potentially available free of charge in the community include the Dairy Queen and Taste of Ely.

Amici's Event Center is located in Ely on 10 West Pattison Street. The event center hosts weddings, reunions and other private events such as dances, art auction, indoor tournaments and other types of special meetings and events. The event center offers several wedding packages from which to choose and also provides hourly rates in addition to full day rates. Equipment is available including projector for Powerpoint or photo presentations, microphones, iPod with speakers, full food and beverage services, and set-up and cleaning. Outdoor tent rental is now available with capacity for 100 people. Amici's leases its facility either by the hour or for a full day. Hourly rental is available and makes financial sense for any event that is less than five hours. Any event that is five hours or more could rent the facility for the entire day at the same price. Their calendar is currently available through April but in conversations with management, they are open in May. Weekdays are open most often, but weekends tend to fill up most rapidly with special community events and weddings.

Fortune Bay Resort and Casino located on Lake Vermillion, offers 173 rooms along with 12,000 square feet of meeting and event space. The 5,162 square foot ballroom can accommodate up to 425 people and there are 10 breakout rooms (capacities of between 20 and 75 people depending on the seating style) in addition to an executive board room. The property has on-site catering and full food and beverage service. Meeting planning is available through the resort's sales staff which can accommodate overnight stays in addition to daytime events.

Junction Inn Suites and Conference Center has a meeting room that is available to seat up to 130 people in rounds and potentially up to 150 people with theater seating. There is no cost for the meeting room as long as the event is catered by the Junction Bar and Grill, which is able to provide food and beverage service for the group. The owner and manager of the meeting facility will work closely with prospective groups regarding a menu and type of offering (i.e. seated dinner, buffet, etc.). The Suites portion of the facility has 20 rooms.

JFK Human Services Building

The JFK Elementary School was, for a time, used by several different entities including St. Louis County, the Minnesota DMV service office, the US Forest Service, AEOA, Head Start Program, Ely Public Schools Kindergarten and Happy Days pre-school. Ely Public Schools also used the gymnasium to expand their sports practice facilities. As the building deteriorated, the gymnasium and office spaces were demolished in a single project as the building was razed. Ely Public Schools continues to experience a need for classroom and other types of spaces even though they have managed to reschedule their existing sports practices and juggle other spaces within their existing facilities. All of the existing uses have moved out to other buildings or have left the Ely area (AEOA).

The current playground area is in conflict with parking for hockey tournaments which renders the playground area unusable for students when hockey tournaments are in session.

At the time of the reuse study, several of the users in the JFK Building indicated they needed either additional space or needed space that was configured differently than what they currently had. However, the Building had deteriorated to a degree that the expense to renovate was very expensive and a decision was made to remove the structure after the US Forest Service vacated the Building and constructed a new facility, the Kawaishiw Ranger District office.

Space needs still exist with regards to the school including expansion classroom space, dedicated playground space for students that is not taken over by parking for hockey tournaments, pre-school space and community education space needs.

There has been some discussion in town of partnering with the Duluth YMCA to develop a recreation/fitness center that would have an ice sheet, swimming pool, fitness areas, some meeting space, and other community spaces (flexible event space for small to large groups) that could be more efficient in its use of space.

Parking is a problem at the school and at the existing community center and a reuse of the community center would not allow for a swimming pool to be installed in the facility. A new structure could be located on property that would provide for sufficient surface parking to accommodate all users. A youth recreation center is located in Ely, but does not have enough room for expansion on their current site. A new center could provide for many of the current needs of the community and the school district in a new building.

Center for the Arts

There was mention of a center for artists or center for the arts which would include artist's studio space, artist gallery space, retail store, museum, and classroom or studio space for arts education. This could also include a performance space in the auditorium level that would incorporate regular types of performances (concerts, theater, dance, film, readings, etc.). Maxfield Research considered the potential revenues and expenses that would have to be achieved in order to support this type of a facility for the Ely Community Center. Examples include the White Bear Center for the Arts, the Hopkins Center for the Arts and the Burnsville Center for the Performing Arts. All of these organizations each have their own buildings which include gallery space, theater/auditorium space, and in the case of the Hopkins Center for the Arts (rehearsal space for resident arts companies). Revenues for 2013 were \$776,191 against expenses of \$756,363. Projected revenues for 2014 were \$692,180 against projected expenses of \$755,471. Short-term deficits in operating expenses must be made up from additional donations or capital reserves. Revenues for the White Bear Center for the Arts as of 2012 were \$327,341 plus an additional \$916,255 of temporarily restricted funds from the capital campaign against expenses of \$526,915, which include program, management and general and fundraising. It should be noted that during the period 2012 to 2013, a capital campaign was in progress to raise additional funding for new space, which caused fundraising expenses to be somewhat higher than normal. In 2013, total expenses were \$715,258 against based program and membership revenues of \$472,197 along with capital campaign contributions of 891,024.

The White Bear Center for the Arts holds more than 700 classes annually which account for almost 43% of its annual revenues and serves the Northeast quadrant of the Twin Cities Metro Area. Contributions and capital campaign funds make up the bulk of the remaining revenues for the Center for the Arts.

The MacRostie Art Center in Grand Rapids, Minnesota hosts classes, exhibits, lectures, festivals and other events to engage the community in art and arts-related functions. Was incorporated in 1970 and began operations with start-up funding from the Blandin Foundation. Ms. MacRostie donated a building to the Arts Center for them to use as a permanent home. The Center supports artists and their work by providing a dedicated, established location for the exhibit and sale of work of local artists. The MacRostie Art Center receives ongoing operating support from the Minnesota State Arts Board in addition to funding from the McKnight Foundation and the Blandin Foundation as well as private donors. Membership levels range from a low of \$15 for a student to a high of \$750 for an exhibit sponsor. The MacRostie Art Center in Grand Rapids has received funds from the MN State Arts Board for Arts Education, Exhibition Sponsorships, and Operating Support of more than \$89,000 over the past three years (2012 to 2015). The MacRostie Arts Center has an annual operating budget of between \$166,000 and \$389,999.

The Ely Greenstone is a local non-profit organization that operates the Pioneer Mine site, which includes a building called Miner's Dry House, a location in the community for the promotion and exhibit of artistic works. Ely Greenstone is creating the Ely Heritage and Arts Center at the

Pioneer Mine site and is raising funds to repair, stabilize and improve the Captains Dry building which is targeted for use as offices, classroom and studio space at the building. The estimate to repair the building is \$1.5 million. This group could relocate over to the ECC Building, but it would likely leave the Captains Dry Building and the Pioneer Mine Site with less than optimal use. Again, the ECC Building would have to be improved and upgraded to accommodate the populations that are currently using the other spaces.

Meeting Room Spaces

There is a need for public meeting room spaces in Ely. Spaces are available at Grand Ely Lodge, some of the restaurants in the Downtown have smaller private rooms for a meeting and there are some local free meeting spaces that were identified through conversations with the Chamber and other businesses. The Library has a meeting room, but it is not open to the public and is reserved only for specific Library meetings. Vermillion College has some rooms that are available for meetings and continuing education classes are held at the College, but these spaces are not generally available all of the time and are more limited when classes are in full attendance. The public schools also have limited meeting space available as many of their spaces are allocated to school activities and during the summer months, the buildings are closed for extensive cleaning.

Primary meeting spaces in Ely include Amici's (Events/Weddings), Ely Grand Lodge and Conference Center, Miner's Dry House (Ely Arts and Heritage Center), Ely Folk School (classes on a variety of subjects in the Scandinavian tradition) and US Forest Service building (meeting room space), Wolf Center (meeting room space), and Vermillion Community College (class room and gymnasium space).

Public libraries and other public facilities may charge a fee for use of a meeting room space. If the space is free, it is usually always in high demand. The higher the charge for the meeting room space, the fewer the number of groups that are able and willing to spend the funds necessary to have a dedicated meeting room location. We have reviewed meeting room spaces in other locations in other communities and prices have ranged from about \$25 to \$50 for a conference room size space that would seat between 25 and 50 people. There are several spaces in the ECC Building that could be used for meeting rooms. At a cost of \$25 per meeting room, we estimate that the ECC Building would need to lease out all of the meeting room spaces at least four times per month to contribute to the potential revenues or at least two times per month if the cost were \$50 per time. Under this cost structure, rental of the meeting room spaces would only contribute approximately 4% of the revenues needed to support the operation of the ECC, without any renovation to the existing building. If there was a full renovation to the existing building, then the meeting room spaces would contribute 6.5% of the revenues toward the newly renovated building, primarily as the heating and cooling costs for the building would be substantially lower.

Pending Developments in Ely

Movie Theater with Some Office Space

During the interviews and focus group sessions for the reuse study, an individual had come forward to indicate they would like to open a movie theater in Ely. As of mid-June 2015, the existing State Theater building in Downtown Ely is under restoration to re-open as a movie theater. An adjacent building to the east is also under renovation to include a restaurant, small offices and a second, smaller theater. Additional office space in this project would compete directly with small offices that are proposed for the Ely Community Center Building. Also, one of the previous proposed reuses for the Ely CC was a space to show movies. The renovated theater space will accommodate the potential demand for this type of use.

According to interviews with local real estate agents, the current market for office space in Ely is soft. Pricing for office space is generally low, less than \$12.00 per square foot even for renovated space, and small businesses are not likely to pay more than the current base market rent for office space. Off-street parking is desired by most businesses and while there is some parking across from the Ely Community Center building, more than a few employees coming to the building would place a strain on parking. If 200 people each drove to the area for an event, most would have to park on the street and would have to park several blocks away from the building.

Community Recreation Center

According to conversations with people involved in various areas of the community, there have been some discussions regarding a partnership with the Duluth YMCA that would potentially result in some type of recreation/fitness/community facility to be located in Ely. There is a desire for a swimming pool, additional adult fitness areas, space for community education classes including sports and fitness classes, additional gymnasium space for the school, an ice sheet and some other ancillary facilities. The existing Ely Community Center building could accommodate the following uses within a renovated building:

- Adult/youth fitness classes
- Spaces for community education classes including sports and fitness classes,
- Additional gymnasium space for the school
- Weight room with weight equipment
- Fitness equipment

Spaces not easily accommodated in the Ely CC Building would include:

- A swimming pool,
- An ice sheet

An existing facility in town currently offers some space for fitness classes, weight training and workout equipment. A new structure could be constructed to house all of these uses under one building with sufficient customer parking to handle the volume of patron traffic.

Summary

In the original reuse assessment, a number of uses were proposed for the ECC Building including a conference center, event and banquet space, performance space, office space, and food production.

Maxfield Research revisited these potential uses to determine if they were still potentially viable under current market conditions for the ECC Building. The following paragraphs summarize the findings of the analysis:

Conference Center

A new conference center would compete directly with existing conference facilities in the Ely area. The greatest use periods for conference center space are from mid-March to Mid-May and from mid-September to late November. Existing conference centers are not full during these periods and adding additional space to the market is not anticipated to increase the potential pool of customers. We recommend against developing a conference center in the ECC Building.

Event Center/Banquet Space

The existing commercial kitchen would have to be overhauled and most of the equipment replaced. Upgrades to the building would also be required. Although the lower level space would be able to accommodate at least 150 people and the upstairs auditorium would be able to accommodate up to 230 people for a sit down meal, space in the ECC Building would compete directly with Amici's. We do not recommend developing the space for public events/banquets.

Meeting Space

We identified demand for small to mid-size meeting spaces that would primarily be used by local organizations in the Ely area. There is periodically a need for larger meeting space to hold regional events which has proven to be difficult as there has not been a large enough space to accommodate a regional meeting that would attract more than 300 people. Most small organizations try to find public or low cost spaces as their budgets are usually limited because they are almost all volunteer groups. At this time, we do not see a strong demand for additional meeting space in Ely that cannot already be accommodated by other facilities in the area. The exception is a large regional meeting or conference which would typically require

lodging and banquet space as mentioned above. There are two other facilities in Ely which currently provide meeting and banquet space for larger meetings. Vermillion College also periodically offers some of its spaces for use for local meetings.

Office Space

According to local real estate brokers, the office space market in Ely has been sluggish and some spaces have been vacant for some time. There is some demand for small offices or office suites, these are being accommodated by space above the Post Office and small office spaces at other locations in the community. The ECC Building could accommodate some small offices from people that would lease space for themselves or for up to about three people. Again, the comment was made by local brokers that most users do not want to pay much for office space. Office space could be combined with other uses similar to what occurred prior to the ECC Building closing where there were some public uses and some private uses in the building combined together. We do not recommend that the building be used as all office space. In addition, there would likely be some of the smaller spaces that could serve as office suites that would not have another public use other than perhaps artists' studio space.

Film Production

Film production in Northeast Minnesota has increased over the past two years primarily due to greater incentives offered by the Region and the State, referred to as the "snowbater." The discounts incentivize film production companies to consider Minnesota as a location for film production and due to the incentives, reduce production costs. Entertainment organizations and the Minnesota Film Board continue to promote Minnesota as a location for filming and film production. A private entrepreneur was the first to develop and open a film production studio in Chisholm, Minnesota. Facilities and equipment at the facility is discussed in the following section. At this time, we do not see a need for additional film production facilities in NE Minnesota. However, if there is an increase in the number of films shot in NE Minnesota or in the vicinity, then additional facilities may be needed in the future.

Data Center

Based on an initial redevelopment assessment of the ECC Building, it has been determined that roughly one-half to two-thirds of the building could be used for a data center because it has the necessary ceiling height and structure to accommodate the data equipment. The lower level is not suitable for this use. Given this configuration, the proposed data center development would be losing about 1/3 potential revenue from the building because of unused space. They would have to either accommodate a second user on the lower level or ensure that their development and operating costs do not exceed the level that they need to reach to ensure that the other two-thirds of the space is profitable. Low utility costs and fiber optic connections have made this type of use very attractive in Ely. There is still a concern however, that not being able to use one-third of the building may jeopardize the data center project. The developer is still considering the potential to develop a new data center building in Ely on

another site. The data center would result in about 10 to 12 new permanent full-time jobs in Ely.

Call Center

Another potential use that surfaced was a call center which is being considered as a potential use for the ECC Building. A call center would likely require a minimum of 100 people to staff the call center. These individuals would work in shifts and having on-site food service is considered to be a plus. There is a possibility that a food production business could also serve as a food service for the call center and if the call center operation moves to a higher level of consideration, this could be investigated further. Call center staff would be paid a middle wage, but not a high paying wage as would be the case with some of the other manufacturing opportunities that are being considered for the Iron Range. The building structure would lend itself well to having separate workstation/call stations which would be largely office space. These types of centers have worked well in former department store or retail store buildings or other types of office buildings. Because of the significant number of people on-site at any one time for the shifts, parking would be difficult as there is no on-site parking at the building now.

Light Manufacturing/Food Production

These two opportunities could work in the ECC Building. The auditorium space could be converted into a floor production space if cooking or food processing is necessary, the lower level with the kitchen could be upgraded and then the adjacent area could be used for additional production. Although it is difficult to determine how many jobs this type of production would produce, we would estimate here between 25 to 60 new jobs depending on the industry and the product line. It is likely that this type of operation would be an expansion of a local or regional business rather than a company from out of the area. Many small manufacturing companies tend to be homegrown. This type of operation, similar to the call center, has the ability to establish full-time, permanent year-round jobs.

The primary drawback to establishing a light manufacturing or food production facility in the ECC Building is the lack of loading area to accommodate deliveries and shipments. Most facilities of this type require deliveries of raw materials and then shipments of finished products in addition to some staging or storage areas for the finished items while they are waiting to be shipped. Access to the building for this type of function is very limited.

Professional Office Space/Research

If a larger private professional business were to decide to locate in Ely, the CC Building would be ideally suited to establishing small offices and general office work stations. The auditorium space could also be used for various types of research functions, although a science laboratory with very specific environmental needs may not be able to be accommodated easily within the space due to higher costs of developing that type of facility.

Introduction

All of the scenarios that were identified in the Ely Community Center Re-Use Study considered that there would be a market for uses that had originally been operating in the building. At this time, most of the uses that had been utilizing space at the Community Center and paying some money for the use of this space have relocated to other existing or new spaces or have left the area. While these new spaces might not be ideal, they are currently serving the need in the market.

When we asked about space that was needed or available, most of those interviewed agreed that some additional office, meeting and event spaces were needed in the community. However, the users that expressed the most interest typically had the most limited funds to place toward using the space.

The Continuing Education Program is currently using space at Vermillion Community College for a variety of its groups and classes. Of the fees that are paid through Continuing Education, 70% goes to the instructor. The remaining 30% would be available to fund some type of space needs. If the number of people taking a class is less than ten, it does not make financial sense to keep the building open and pay for heat and electricity when the amount of money that would be garnered through the class would be about \$15.00 for that group.

We estimate that the minimum amount that would be needed to financially support having a janitor available and keeping on the lights and heat would be at least \$50 for one class. Any class that did not generate at least \$50 would have to be held elsewhere. However, there is limited space to hold certain types of classes around Ely. The existing school buildings are essentially entirely full except on weekends and for some weekends they are occupied also with school sporting events. The gymnasium at the John F. Kennedy building was razed and the office building renovated. The School District does not see a need to pay for additional gym space at this time because they have “worked out” their schedules.

Sale of the Building to a Commercial User

The estimated cost of the capital improvements to the ECC Building excluding any additional costs of acquiring adjacent property is \$2.75M. As a for-profit entity, there are limited funds that could be tapped to support the capital expenditures, although some entities may provide low-interest loans or grants to support economic development in Ely, which would be considered a rural area.

The ECC Building has a number of interior elements of very high quality which may or may not have any aesthetic value to a new manufacturing or research user. The historic features of the building are remarkable such as the glass block, terrazzo floors, marble walls, gold leaf, and brass railings, are historic elements of the community. For companies however, that are concerned with costs and making a profit, these features may not carry as much weight for preservation.

COST SCENARIOS

Selling the ECC Building will be directly correlated with the cost to renovate and reconfigure the existing building to the needs of the end user.

With that in mind, potential users whose operations are generally suited to the current layouts of the larger spaces will be able to minimize the costs associated with basic infrastructure upgrades as well as upgrades and finishes to existing interior spaces.

The following costs will be considered by potential purchasers of the facility:

Base Upgrades and Infrastructure

Total Estimated Upgrades to HVAC, ADA Compliance and other building systems - \$2.45 to \$2.75 million

Estimated Cost Per Gross Square Foot (36,720 SF): \$65.36 to \$74.89 per square foot

Estimated Cost per Net Square Foot (20,139 SF): \$119.17 to \$136.55 per square foot

These costs include the following:

- Elevator, shafts opening and pit
- Remodel Lower Lobby Level
- Remodel of Main Level Lobby
- Remodel of Second Level Lobby
- Elevator Equipment Room
- Exterior Elevator Lobby Door and Frame
- ADA Restrooms and Related Items
- Glass Block Window Restoration
- Demolition Phase
- Fire Protection
- Utilities and Water Service
- Plumbing
- HVAC
- Electrical
- All interior refinishing and restoration, but exclude any upgrades or replacement of equipment in the kitchen. A restored commercial kitchen has been identified to be a potential benefit to a call center and/or a food production enterprise.

Completing all of the above items would fully restore the building near to its original state and would upgrade and improve on new mechanical systems since the original construction of the building.

COST SCENARIOS

At a 5% escalation in pricing, the estimated restoration and renovation work would in today's dollars have likely increased to \$2.52 million to \$2.89 million.

This would increase the per square foot costs to \$68.63 to \$78.70 per gross square foot or from \$125.13 to \$143.50 per net usable square foot.

These figures represent what we believe would be the top end of the range for improvements to the building for basic use. It does not include any costs to retrofit the building for uses that would require special operating environments such as research labs, or specialized scientific or mechanical technology.

Data Center

Constructing a data center shell plus physical security is estimated to cost approximately \$200 per square foot as per the Forrester report. Forrester is an international research and advisory firm working with business and technology leaders. The shell is already there with the ECC Building and minimal upgrades are needed to the exterior of the building to accommodate the data center. Interior refinishing costs for a data center may be able to be reduced further depending on the requirements of the individual end user.

However, additional analysis is needed to determine the operating costs per kilowatt hour to derive a profit from the development of the facility. This takes in several factors including power generation, cooling costs, connection technology, etc. Originally data centers were believed to need to achieve economies of scale through building ever larger facilities upfront and "growing" into them. Current thinking is moving away from this model toward an incremental approach whereby something similar to a data center pod can be added on to as growth occurs.²

Call Center

The estimated cost of the building budget as originally identified at \$2.48 to \$2.75 million would fully restore the building except for the existing kitchen space on the lower level. The call center developer indicated that they are interested in having food service available for their staff, which typically operates 24/7 and some personnel might have to drive long distances or work two shifts if inclement weather would prevent staff from getting to the facility. An estimated cost of \$100,000 would be needed to renovate the kitchen space. It is suggested that call center developers consider the customer needs for service and then potentially increase their hours of operation to the 24/7 model, but not initially.

One of the potential drawbacks of using the ECC as a call center is that while the larger size spaces are suitable for workstations, the building is relatively dark and areas for work stations are not located near to the glass block windows. As such, it may be difficult to create an open

² Data Center Cost Myths: SCALE by Chris Crosby, EXECUTIVE, Uptime Institute

COST SCENARIOS

and bright workplace for call center staff in the ECC building. However, office uses that essentially only require computer work stations are likely to be the most efficient for the existing space.

Some additional expense may be necessary with acoustics to dampen noise transmission while staff are on the telephone with customers.

Estimated base costs to construct a call center are roughly \$20 per square foot for the shell and another \$30 to \$40 for build-out of the facility for a total per square foot cost of between \$50 and \$60 per square foot for the base space. Additional costs are incurred for the workstations and other ancillary business expenses such as furniture, cabling, back-up generator, IT and telephone equipment which adds an estimated \$4,000 per work station on to the total.

At an estimated cost of about \$65 to \$70 per gross square foot, the costs of incorporating a call center into the ECC building appears to be near what it would be to construct a new call center.

Other issues associated with establishing the call center is a concentration of employees living within a 45-minute drive of the facility to staff the operation. Initially, the call center may not be in operation 24/7, but most call centers eventually work up to that level. While there is currently high unemployment on the Iron Range, increased economic development at higher paying wages (i.e. wood fiber and bio mass production, and mining positions) could reduce the number of prospects that would take call center jobs. A portion of students at Vermillion College may be interested in having a part-time call center position however, to help defray education expenses.

Light Manufacturing/Research Facilities

Many companies are repurposing or retrofitting existing structures to accommodate their expansion and growth needs rather than building new. Most of the repurposing however, is usually done with existing warehouse or industrial buildings rather than a building as structured on the interior as the ECC Building. The ECC Building has some larger open spaces that could be equipped as production floors and the second floor has a high open ceiling for larger size equipment. If the existing kitchen is not needed for a new user, then the lower level could be reconfigured to expand the space, into either production space or staging/storage space for products.

The biggest drawback to having a manufacturing user in this space is that there is direct area for loading/unloading except from the street. As the manufacturer would grow and expand, it is likely that they would need more storage and loading space and may not stay in the space for very long. It may be possible to create a loading area off the north side of the building, but it would may require cutting into the building to build another entrance. If the building placed on the Register of National Historic Places and a new owner accepted funds from the Federal or State governments, significant changes to the Building's exterior may not be allowed. At a

COST SCENARIOS

minimum, some type of on-site parking for employees and others would increase the attractiveness of the building to potential users.

Examples of costs to convert buildings from the existing or previous use in the far left column to the new use in the second column are listed below:

Existing or Previous Use	New Use	Estimated Cost/PSF for New Use
Heavy Manufacturing	Laboratory	\$200/psf
Heavy Manufacturing	Light Manufacturing	\$40/psf
Laboratory/Research	Classified Facility (SCIF)	\$150/psf to \$250/psf
Laboratory/Research	Office	\$200/psf
Laboratory/Research	Upgrades for new uses	\$450/psf to \$750/psf
Light Manufacturing	Heavy Manufacturing	\$55/psf
Regulated Manufacturing	Data Center	\$200/psf to \$500/psf
Warehouse Distribution	Light Manufacturing	\$15/psf to \$40/psf
Warehouse Distribution	Office	\$45/psf to \$300/psf

The above estimated costs also account for a conversion of the ECC Building to a research lab which tends to have higher retrofit costs.

Film Production

The new Ironbound Studios building in Chisholm is currently promoting the following amenities at its film production lot:

- 20,000 square feet of sound stages; two stages of 10,000 square feet each
- Grid heights of 25 feet
- 28' x 20' elephant doors between all stages for moving of equipment and sets
- 12,000 to 9,000 amps of power per stage
- 150 to 200 tons of cooling per stage grid
- 34,000 square feet of support space post-production facilities
- A Vocational school to train film & media students
- Internet broadcasting facilities
- Abundant on-site parking
- Private enclave with 24-hour security
- Minutes to major roadways

Given the central location and facilities that are available at this new facility, it is unlikely that the ECC Building would be able to compete in size with what is available here.

Craft Brewery

Although this type of use could work in the building, it is likely that the equipment needed and the operation of the facility may create some challenges or has the potential to damage the existing building. The second floor is open and would be able to accommodate the large brew tanks, but most brew pubs operate their brewing area on concrete slabs. Increasing awareness of the brewery is important and Ely may be somewhat removed from the recent mid-stream.

Textile Manufacturing

While textile manufacturing is growing in the US, there are subsets of this larger industry sector that are growing even more rapidly including medical textiles and protective apparel. The US is competitive globally in these sectors. In 2015, the President announced \$75 million from the Department of Defense that has been committed to an Institute for Manufacturing Innovation, of which Innovative Manufacturing competition for Revolutionary Fibers and Textiles. Although we believe that it opportunity area may be challenging to realize, it appears to have some national support and a growing interest in supporting innovative products and process for new technology fibers.

Leasing the Building

There is also a potential to lease the building out to other parties with the City or another organization or entity taking responsibility for the property. In order to make it worthwhile to undertake this kind of scenario, an estimated minimum lease rate of \$12.00 per square foot triple net would be required to generate sufficient funds annually to amortize the debt on the upgrade. Additional costs would be required for the annual operating expenses which would be another \$6.85 per square foot. In total, the potential user would have to lease the space for nearly \$19.00 per square foot, which is much higher than the cost of other spaces available for lease in the area.

Purchasing the Building

The City could decide to sell the building for \$1.00 consideration with an agreement that the buyer will renovate the building and maintain its infrastructure. Under this scenario, there would still be the same debt service and operating expenses for a private party if they financed the restoration in a traditional loan. If a low interest loan or grant could be found to significantly reduce the restoration costs, then a mid-size to larger firm with operations that would “fit” in the building could be profitable.

Conclusions

Given the findings of the analysis, the best potential opportunities for the reuse of the ECC Building include the following:

- Office or Technology Uses
- Research Lab
- Food Production or Light Manufacturing Facility
- Recreation Space for the Community (some facilities and may be temporary if another use is found for the building).

It is assumed that the City would sell the building for a nominal amount of money and that a new user would fund the operating costs for their enterprise. Renovation of the structure could occur either through grant funding or low interest loan if the new user is bringing jobs to the community or other economic benefits.

Placing the structure on the historic register would preserve the building's character and interiors, but may create additional conflicts in reusing and selling the building because of restrictions on adjusting or changing the business model.

There is no on-site parking associated with the building. Some prospects may have a requirement for some on-site parking for staff and other visitors.

Growth areas in northern Minnesota including bio mass and bio fuels, health care services, recreation, data centers and other IT technologies and professional and business services. Given the size of the ECC Building, a user is likely to be small to mid-size initially with potential for future growth which may result in relocation from the building at a future date.

We believe that it will be necessary to assist a potential user in seeking funding for some or all of the improvements to the building.

The uses that were proposed during the initial re-use study have been largely satisfied through other venues, reorganizing schedules or the need has disappeared. While this does not preclude need and demand, in some instances, cost savings or limited financial resources have taken priority over securing additional space.

Recommendation

Maxfield Research recommends that the City continue to pursue selling the ECC Building to a private for-profit developer that would take on the responsibility of completing the necessary upgrades and continue to improve the Building. The City and/or other public agency or organization may however, have to assist the buyer with obtaining approvals and funding to help reduce costs and make their proposal financially viable.

The **benefits** of this approach include the following:

- The City is no longer responsible for the upgrades and improvements to the property and the ongoing costs of maintenance and upkeep; the City may however, be asked to assist the developer in securing grant funds or loans to make the improvements.
- The Building is placed back on the tax rolls and generates property taxes to the City;
- The City does not undertake the substantial costs to demolish the Building;
- The Developer will provide viable business uses for the property that will increase employment in the City of Ely;
- The Developer also intends to make additional investments in the City through another facility and the implementation of a solar energy field.

The **disadvantages** of this approach include the following;

- The ECC Building is no longer open for public use and the public will not have the opportunity to regular view the historic interior features of the building; the exterior features of the Building will continue to be viewed by the public.
- Ely will continue to have certain types of space needs for the community that will arise from time to time; some of those needs are currently being satisfied through other buildings in the community and some are not; when those needs reach a level where other new construction facilities are viable, then new buildings may be constructed. Those buildings are likely to be higher cost that renovating the existing ECC Building which would no longer be available.
- It may continue to take some time to find the right mix or appropriate user for the ECC Building.

CONCLUSIONS AND RECOMMENDATIONS

The Ely CC Building is a beautiful historic landmark in the center of Ely. While we believe that it is important to preserve the past, it is also important to look to the future. The current proposal to sell the property to a private developer offers several advantages to the City of Ely and would also free up funds that could be used elsewhere for other projects.