



MINUTES

Council - Work Session Meeting

6:00 PM - Monday, August 18, 2025

City Hall, 8 Summit Drive, Blackduck MN

The Council - Work Session of the City of Blackduck was called to order on Monday, August 18, 2025, at 6:19pm, in the City Hall, 8 Summit Drive, Blackduck MN, with the following members present:

- COUNCILORS PRESENT:** Mayor Maxwell Gullette, Councilor Nicholas Seitz, and Council member Ronald Fredrickson
- COUNCILORS EXCUSED:** Councilor Donald Johnson and Councilor Laurie Hamilton
- STAFF PRESENT:** City Administrator Christina Regas, Public Works Director Mike Schwanke, Director of Liquor Operations Shawnda Lahr, Assistant Liquor Store Manager Melissa Gullette, and Golf Director Misty Frenzel
- OTHERS PRESENT:** Tim Ramerth, Widseth; Kayla Smischney, John Winnett and Ron Rockis - Planning Commissioners; Alan Bonsett and Mike Sahlman NoBo Inc.

1 CALL TO ORDER

- a) Roll Call
Regas took roll call of those present to the work session.
- b) Pledge of Allegiance
Mayor Gullette dispensed with the pledge as it was stated preceding the public hearing.

2 APPROVAL OF AGENDA

- a)

Nicholas Seitz moved to approve the agenda as presented Ronald Fredrickson seconded the motion.

Carried 3 to 0

Maxwell Gullette	For
Nicholas Seitz	For
Ronald Fredrickson	For

3 OLD BUSINESS

- a) Lead Service Line Updates
Ramerth reports there are 31 unknown lines still needing identification. Widseth has scheduled several for August 18 and 19th.
- b) Kitchigami Regional Library Improvement Project
Regas provided a quote from the electrical sub-contractor, Bessler Electric, to relamp

the facility with two options - new fixtures or retro-fit with new bulbs. Regas reports providing the electrical sub with the go-ahead to proceed with the new fixture option of which will not move forward until late September.

Regas further provided documents needing approval for the Board of Education for the Library Grant and will provide those on the agenda in September. Regas further states there will two additional policies to accompany the agreement. Councilor Fredrickson agrees with the new fixtures for the facility so the existing fixtures are not outdated. Nothing further.

c) Lions Duck Restoration Project & Historic Duck partnership with Blackduck Fire Relief - updates

Regas reports meeting with Fire Department Volunteers recently to develop a plan to incorporate their departments wishes for the corner the Historic Duck is located with the flag pole and old department bell. Regas states the plans and ideas meld well with the City ideas and will bring additional plans and ideas forward once narrowed down between parties. Regas reports new cracks in the new patches in the statue since last summer. Council Seitz states additional patching can be added.

4 NEW BUSINESS

a) Cannabis Mezzo Cultivation Opportunity Discussion - The Shade Store Properties - Mike Sahlman, West Face Partners LLC

Bonsett and Sahlman presented to the City Council and Public in attendance there intentions to purchase the Shade Store properties to head three operating companies for their Cannabis Mezzo Businesses. Sahlman reports it will provide about 150 jobs, manufacturing, and about 45,000 square feet of cultivation space. Bonsett of NoBo Inc. was founded in 2019 and he presented history of his business in cannabis cultivation including locations in Michigan, Illinois, and Colorado. Bonsett is proposing the properties to be provide flower and other types of cannabis products for manufacturing for three mezzo licenses with the state of Minnesota. Bonsett reviewed the cannabis business in Minnesota and the growth that will happen in the coming years. Bonsett states the properties from the Shade Store they are interested in they would like support from the Council and Community. Bonsett states his company has success in working with communities to employ locals. Bonsett states his business is a vertical integration company which means they grow their product, develop products, and dispense in their own stores. Bonsett states the reason they do this is to control the product completely. Bonsett states they own all their own technology including their own lighting, racking systems, etc. Bonsett states they do all this because they started in the business early when no one else was developing product yet. Bonsett states the product is the most regulated product. Bonsett reports in 2022 NoBo Inc. was the fastest growing company in Colorado.

Bonsett presented a case study of Benton Harbor, MI. Bonsett states industry went away in Benton Harbor and there was a high unemployment rate and poverty. Bonsett was awarded a license in MI so NoBo Inc built a start of the art facility which is still running today and employs about 50 people. Bonsett reports NoBo Inc. puts money back into the community and has helped make large improvements to the city.

Lahr asked what type of products they would be producing. Bonsett states a mood gummy line, vape pens, chocolates, pre-rolls, diastole - oils or a CO2 base, drinks etc. Lahr states The Pond has lines of gummies and drinks now and asks if their company would do retail too or just manufacturing. Bonsett states just manufacturing now but would consider a store front but nothing is planned for it. Lahr asked if they distribute their product to other retailers or just to their stores. Bonsett states they do distribute to other retailers and they contract manufacture for other national brands. Sahlman states the main goal for this facility would to be a wholesaler which could bring a large impact to the community.

Bonsett states their MI location they never had any issues since the facility has security and it is required by the state so identifying the building or marketing

product is not their intention. Sahlman states on top of buying the building their company would put another 4-6 million into improvements to get started. Sahlman states what they want to do is be a viable long-term solution for the community and their business because we have seen other states collapse and they want to build it to be efficient as this is full on manufacturing.

Regas asked if the 150 job creation is locally or throughout all lines of the business. Bonsett believes 150 jobs would be locally the number could reduce and have 15-20 per store and they want to have about at least 10 stores. Bonsett believes the revenue will be about 60 million total which will take two years for the company to get to that number.

Regas asked what type of variations of regulations they are finding between states and Minnesota. Bonsett states every state messes it up a little but the regulations set and some states are better than others. Bonsett states their company controls their tissue culture or plant DNR so the product is replicated. Bonsett states the number of jobs will depend on the manufacturing build. Sahlman states if their company can move quickly in this community then they can move product throughout the state faster and be a more successful brand which will keep the company viable for a long time.

Bonsett states partnership with Blackduck is what they are seeking today and they know this part of the state can use jobs and that is what they want to provide. Bonsett is looking for open and honest communication and be good stewards of the community. Bonsett asked for other questions.

Regas states concern for the existing ordinance set back to Bi-County Cap Headstart to the facility, and asks how the City wishes to move forward. Regas further states concerns for the number of licenses in Beltrami County at this time. Sahlman states he has not attained feedback from the County and is currently working with partners with other utilities (electrical, etc.) to find out what can be figured out with the community to make this partnership move forward.

Rockis asked what the cost difference be between retro-fitting a building vs. building a new facility. Bonsett states the cost to retro fit is quite a bit more like 7.5 million to build new which he would prefer, but time to market is so tight it is better to have affordable real estate of which this building is. Bonsett states having enough employees and having the infrastructure is important too.

Regas asks if they are looking at other locations in other cities besides Blackduck. Bonsett states yes we are looking at a couple other locations. Bonsett states if this moves forward this will be the 10th or 11th build they have completed. Regas asked if they have ever had to close any locations for low success. Bonsett states yes, one dispensary in MI not a manufacturing location. Bonsett states they prefer to build a pharmaceutical grade facility but the market makes it difficult.

Gullette notes the existing ordinance does provide language providing the City Council power to approve business licenses that vary from the buffers.

Fredrickson asked where they expect the product they manufacture to be sold. Bonsett states in MI they sell product where they manufacture, they used to sell outside but no longer. Bonsett wants to sell their product to other dispensaries. Sahlman reports their goal is to sell their product all over Minnesota. Fredrickson asked how many retail stores they would have in Minnesota. Bonsett states they have 11 now within their network - but 7-8 in the Cities and 1 near the SD border, and 1 in St. Cloud which are all in the planning stages. Bonsett states they need product first before the dispensaries can open.

Schwanke asked what the water consumption need for the size of their operation. Bonsett states he will find out. Sahlman states its a 'drip' system on a couple thousand plants so not really high. Gullette asked if any of the water use goes out into the sewer. Bonsett states is all drains away and is reused so it doesn't go back into nature. Sahlman states the LED lighting developed by their company will also be a part of the manufacturing here at this facility.

Winnett asks what their base salary is. Bonsett states in MI its above minimum

wage, the dispensaries get tips so it will be a wide-range of wages. Bonsett many of their employees they train up and bring them up through the company. Bonsett states their company offers employee stock options to their employees and they would like to become an ESOP in the future.

Regas asked where they see the roadblock for the City's existing Ordinance. Sahlman states they can assist driving the city correctly. Bonsett states it sounds like the daycare is the road block and if relocating that is an option then they would be open to that but if others have a ideas they are open to that. Sahlman suggested screening as an option. Regas doesn't see screening being needed. Gullette thinks the City should just change the ordinance.

Regas asked if there were no obstacles and the company could move forward what would be a realistic timeline for their company to open and get started. Bonsett states building could begin in January 2026 and roll out each section of the business in parts of the building every three months after.

Regas discussed the buffer of 200' to a daycare needing to be abided by. Sahlman states if offices are just in the closest building to adhere to the setbacks. Gullette believes you can change the setback to 0 feet. Frenzel states the city needs to be careful on changing the distance if another location wants to open in another area of the city. Rockis asks if there is any public comment available if the city amends the current ordinance. Regas states yes, public readings would need to be advertised and completed before approving amendments. Fredrickson states the language allowing the council to approve the specific business license then the ordinance may not need to amended. Fredrickson states he would like partners from the headstart attend a meeting. Gullette would like to change the ordinance going at the next meeting. Lahr states just approving their business application can be done at the next meeting. Sahlman asks if speaking with the County is a good idea. Regas states yes.

Bonsett and Sahlman thanked the council and public for having them and noted they will send their presentation to Regas for reference.

b) Golf Course Equipment Replacements

Regas and Frenzel reviewed the equipment replacement options discussed with the Golf Board and recommended the board approve the purchase of equipment for mowing tee boxes and collars. Regas states the golf board provided Frenzel authorization to bring the golf cart fleet back up to 30 and does not need council approval. Schwanke states the equipment currently being used for the tee boxes has been serviced without success and cannot be relied upon further. Frenzel states TORO is a better machine to select. Seitz states MTI is a great company to work with and the Bemidji School works with them. Frenzel states this equipment comes from another larger golf course and is in good condition - if the City passes on the opportunity it will cost \$16-22,000. Fredrickson asks what the city would do with the older equipment. Frenzel states that is an unknown at this time it isn't worth much based on its age. Regas recommends the council approve funding to purchase the equipment with unrestricted revolving loan funds (250). Regas states she can draft the resolution for approval on September 8th. Seitz and Fredrickson were in favor of moving forward. Frenzel presented a future request to purchase another smaller trailer for transporting mowers and equipment and golf carts when needed.

c) Lift Station Repairs - Schwanke

Schwanke reports additional repairs and issues with the liftstations recently and states the city can no longer wait for the PER/ER funding to update the Black Mallard, Westend, and Main liftstations. Schwanke states a full rehab of these three locations are needed the main panel controller went down last weekend that controls when the liftstations turn on and off and he had to do it every 30 minutes until a new controller could be installed. Schwanke states the technology is so old even MN Pump can't get parts for several sections of the locations. Schwanke states the city cannot wait another two years before funding comes in to fully update the city. Schwanke states the volume that comes in must be working and updated to three-

phase power. Schwanke states his staff daily is pulling pumps to clean and service because the pumps are getting worn out. Schwanke states a full rehab of those three locations will cost a minimum of \$50,000 each.

Regas advises the city apply for funding to fully rehab all three liftstations from MN Rural Water with a midi-loan and service the debt with sewer revenue. Regas asks Schwanke to gather full cost estimates for all three stations and she will discuss with MN Rural Water for funding and present at the next council meeting.

d) 2026 City of Blackduck General Fund Budget Review

Regas presented to the board preliminary general budgets and current levy predictions. Regas states there are other missing pieces to the budgets not received and the finance committee has another meeting August 20 to discuss those updates. Regas reviewed highlights of the department budgets and how it contributes to the levy. Regas provided a paper version of the 2026 debt schedule as it was missing from the packet. Regas provides a sample net tax capacity calculation for a sample individual tax based on current budget estimates. Regas predicts the preliminary levy may be approved in September at a Special Meeting on the 22nd preceding the regular work session. Nothing further.

e) MN Paid Leave Overview

Regas reviewed highlights regarding MN Paid Leave and the employer and employee commitments that will begin in January 2026. Regas states plans to calculate employer contributions and provide those amounts to the budgets. Regas took questions from staff and the board on MN Paid Leave and provided knowledge gained at recent webinar from the state. Regas will provide additional information as it is gained.

5 **ADJOURNMENT**

a)

Ronald Fredrickson moved to adjourn the work session at 8:48pm Nicholas Seitz seconded the motion.

Carried 3 to 0

Maxwell Gullette	For
Nicholas Seitz	For
Ronald Fredrickson	For

Christina Regas, City Administrator

Maxwell Gullette, Mayor