



Amended Business Subsidy Agreement Pre-Approval Report

Sofidel Duluth Paper Mill Expansion Project

Business Subsidy Recipient Information

1. Name of Business or Organization: Sofidel America Corp.
2. Address: 100 N Central Ave, Duluth, MN 55807
3. Does the recipient have a parent corporation?
Yes.
4. Did the recipient relocate as a result of signing this agreement?
No.

Summary Agreement Information

1. Brief description of the proposed project

Sofidel America will invest \$200M in an expansion to their current footprint at the Duluth Paper Mill. They will add a converting facility and automated warehouse – allowing for paper products to be finished on-site and ready for distribution. This expansion will add 160 new jobs, and the City of Duluth is seeking Minnesota Investment Funding, and Tax Increment Financing to support the project moving forward.

2. Total value of proposed project

Total Development Costs: Approximately \$200,000,000

Total projected estimated market value: \$111,137,700

3. Summary of type(s) of subsidy and total dollar value for each

- a. Grantor of assistance

- i. Tax Increment Financing

1. DEDA

2. Total value of assistance: TIF Plan allows up to \$18,425,222

- ii. MN Investment Fund

1. Total value of assistance: Up to \$3,100,000

- a. In process

- iii. MN Job Creation Fund (DEED funding)
 - 1. Total value of assistance: Up to \$1,700,000
 - a. In process
- iv. Job Training (DEED funding)
 - 1. Total value of assistance: Up to \$200,000
 - a. In process
- b. Total dollar value of assistance
 - i. Up to \$23.4 million or approximately 11% of the total project cost.

- 4. What other financing avenues were pursued?
 - a. N/A

Applicability of Current Duluth and State Laws

- 1. Is this project covered under Duluth's Prevailing Wage law as defined in Article 2, Section 2-25?
 - a. Yes.
- 2. Is this project covered under Duluth's Project Labor Agreement law as defined in Article 2, Section 2-29? If not, state the specific applicable exclusion.
 - a. Yes.
- 3. Is this project is covered by Duluth's Living Wage law as defined in Article 26, Chapter 2 of the Duluth City Code?
 - a. Yes.
- 4. Is this project covered by the business subsidy statute as defined in Minnesota Statutes 116J.993-.995 and subject to reporting?
 - a. Yes.

Public Purpose and Public Benefit Criteria

- 1. Public Purpose Criteria. State which two (minimally) of the five public purposes this project meets with a brief explanation of why it the proposed project meets these criteria.
 - a. High quality jobs.
 - i. This project will create at least 160 FTE permanent high-quality jobs.
 - b. Diversify Duluth's economy
 - i. Sofidel America, and the Mill's former owner ST Paper, have worked to transition the Duluth Paper Mill from office paper to tissue paper and napkin paper, which has a strong market. The expansion of this facility will strengthen the diversity Duluth's manufacturing economy with the ability for finished product to be shipped from the site.
 - c. Quality of life
 - i. Sofidel America is already one of the larger manufacturing employers in the City, providing high-wage jobs. This expansion will expand the footprint of the existing facility, creating more density and revitalizing previously unused areas

near the Mill. Increasing jobs in the Spirit Valley and West Duluth area is key to the growth of this core neighborhood.

- d. Tax Base
 - i. The tax base is projected to increase from the current annual net tax capacity of \$170,098 to a net tax capacity of approximately \$3,158,021 (after Tax Increment Financing ends). It is important to note that Sofidel America will pay taxes during this period, which are currently not being paid under a Tax Abatement.
2. Preferential Public Benefit Criteria. Which other preferential public benefit criteria does this project meet, if any? Provide a brief explanation of how it meets the criteria.
- a. Locally owned businesses
 - i. When available, local contractors or consultants will be hired to renovate the building. Adding a converting facility also allows for greater potential for pipeline businesses, and an expansion with local purchasing of materials and services.
 - b. Workforce development and hiring low-income, unemployed and hard-to-employ residents
 - i. The construction of the project will be accompanied by hiring goals via a Community Benefit Agreement, including providing building trades-opportunities for women and those experiencing real barriers to employment.
 - c. Protected class business owners
 - i. See above.
 - d. Other community benefits
 - i. N/A.
3. Duluth Comprehensive Plan and other City Plans
- a. What current City plans, if any, cover this project? How does the project relate to the applicable plans?
 - i. The future land use designation of the development site is General Industrial (G-I). According to the Imagine Duluth 2035 Comprehensive Plan, G-I areas are intended for the manufacturing, processing, and other activities that may have off-site impacts and are generally isolated or buffered from other uses. Sites should have direct access to major regional transportation.
 - b. Additionally, the project adheres to the following principles identified in the Comprehensive Plan:
 - 1. Principle #1 – Reuse previously developed lands
 - 2. Principle #3 – Support existing economic base
 - 3. Principle #4 – Support economic growth sectors
 - c. Are there any special zoning or permitting exemptions that need to be made for this project? If yes, provide a brief explanation.
 - i. No

Specific project goals

1. For each public purpose state the specific, measurable and tangible goals that were set for the project:
 - a. Public Purpose - Type of goal
 - i. The public purposes stated will all be achieved once the buildings have been completed and 160 jobs have been created. This includes an increase to the property tax base achieved by the capital investments to real property (and associated expenses).
 - b. Specific Goals established
 - i. Achievement of the Business Subsidy Goal in accordance with City Council Resolution 18-0515 shall be measured as follows: Developer agrees that on or before 12/31/2027, it shall have constructed the Project on the Property in accordance with the Development Agreement.
 - c. Target Attainment Dates
 - i. See above.
2. Progress toward these goals will be reported by the recipient of a business subsidy on an annual basis by February 1st for the preceding year (see Section 8 (d) - Business Subsidy Criteria), and provided to the Council by March 15th.