

**COUNTY OF ST. LOUIS, MINNESOTA  
Tax Abatement Agreement 5721; REV 1**

**THIS TAX ABATEMENT AGREEMENT** is made and entered into between the **County of St. Louis**, a body politic and corporate existing under the laws of the State of Minnesota, hereinafter referred to as the "County," and, **The City of Duluth**, located at **411 West 1<sup>st</sup> Street, Duluth, MN 55802**, hereinafter referred to as the "City."

**WITNESSETH:**

**WHEREAS**, the City has requested St. Louis County to consider up to \$600,000 in tax abatement financing for the ST Paper 1, LLC plan to convert the existing Version paper mill facility into a new tissue paper manufacturing plant and associated site development costs;

**WHEREAS**, The St. Louis County Board held a public hearing on Tuesday, May 25, 2021, at 9:35 AM CT at the Grand Lake Townhall, located at 5297 Highway 583, Saginaw, MN, to solicit public input prior to considering the proposed tax abatement request;

**WHEREAS**, The St. Louis County Board of Commissioners determined that the benefits gained by the creation of new full-time jobs, potential spin-off development and support services, development of unused or underutilized real property, and other benefits exceeds the costs of the tax abatement; and

**WHEREAS**, St. Louis County has the authority and ability to fund this project.

**NOW, THEREFORE**, for good and valuable consideration, the parties do hereby agree as follows:

**DEFINITIONS**

1. Project:  
Shall mean the redevelopment of the property located at 100 N Central Ave, Duluth, Minnesota 55807, and its associated facilities and parcels.
2. Property:  
Shall mean the property upon which the Project will be located in St. Louis County, Minnesota and legally described on Exhibit A, attached hereto and made a part of herein.
3. Tax Abatement:  
Shall mean the County Tax Abatement, of up to \$600,000.00.

4. Tax Abatement Financing (TAF) Proceeds:  
Shall mean the portion of the County real property taxes on the Property which is received by the County in any year.
5. TAF-Eligible Costs.  
Shall mean the Eligible Costs, as determined by the city, incurred and paid for by ST Paper 1, LLC in association with the redevelopment of the Project.
6. Abatement Capacity:  
Shall mean the maximum amount of property taxes that may be abated in any year by a political subdivision under Minnesota Statutes §469.1813, Subdivision 8, as amended.

## **BACKGROUND**

7. The City of Duluth has identified the need for public investment to convert the prior Verso paper mill and its associated facilities into a new tissue paper manufacturing plant, as proposed by ST Paper 1, LLC, and applied to St. Louis County to contribute to such investment. The City has determined that the plant conversion would not proceed without this investment.
8. ST Paper 1, LLC (and/or Verso Corporation) is proposing to convert the facility to a tissue paper manufacturing plant with an anticipated total project investment in excess of \$42 million, which includes about \$22 million in property acquisition, machinery and equipment purchases, \$13 million in facility improvements, and \$7 million in site improvements. The converted manufacturing plant, when fully operational, is expected to support approximately 80 new full-time jobs, have estimated annual gross sales of approximately \$84.6 million, and have region-wide economic impacts. The plant will employ operators, engineers, technicians, IT specialists, Human Resources, Finance, and Purchasing staff; these job classifications will have an estimated average wage of \$35.22, with an additional \$10.57 in benefits (for a total estimated compensation wage and benefit package of \$45.79).
9. The specific parcels to be included in the tax abatement are as follows: 010-0130-00170; 010-2700-00514; 010-2806-00010; 010-2806-00020; 010-2806-00030; 010-2806-00040; 010-4470-04220; 010-4470-04225; 010-4470-04230; 010-4470-04240; 010-4470-04250; 010-4470-05330; 010-4470-05480; 010-4470-05640; 010-4470-05650; 010-4470-05660; 010-4470-05670; 010-4470-05680; 010-4470-05700; 010-4470-05710; 010-4470-05720; 010-4470-05730; 010-4470-05740; 010-4470-05750; 010-4470-05760; 010-4470-05770; 010-4470-05780; 010-4490-00010; 010-4490-00040; 010-4490-00050; 010-4490-00060; 010-4490-00070; 010-4490-00080; 010-4490-00090; 010-4490-00100; 010-4490-00110; 010-4490-00120; 010-4490-00130; 010-4490-00135; 010-4490-00185; 010-4490-00215; 010-4490-00285; 010-4490-00505; 010-4490-02735; 010-4490-02862; 010-4490-07220; and 010-4490-07400.
10. The current estimated market value of the Property is \$24,495,000.00, generating around \$912,000.00 annually in total real estate taxes; current annual real estate taxes paid to St. Louis County for its tax share is estimated to be over \$323,000.00 annually.

11. The City of Duluth is working with ST Paper 1, LLC and will enter into a project labor agreement, prevailing wage rates, and community benefits agreement for the conversion of the existing Verso paper mill facility into a new tissue paper manufacturing plant.
12. St. Louis County is requested to provide up to \$600,000 in financial support for the plant conversion to a tissue paper manufacturing facility through tax abatement financing. The City has approved an additional \$600,000 of tax abatement in May 2021, for a total tax abatement of \$1,200,000.00. The County tax abatement financing would be paid over a period of no more than ten (10) years, beginning the first tax year after project completion. Depending upon future real estate estimated market value and taxes generated, TAF payments could be paid on an accelerated schedule, at the County's discretion. Plant acquisition and conversion is expected to begin in the fall of 2021 and completed in the spring of 2023.
13. County Board Resolution No. 02-187, adopted March 1, 2002, approved a tax abatement financing policy (TAF) as authorized under Minnesota Statutes §§469.1812 through 469.1815. The project requires the county to waive certain county tax abatement financing policy requirements including the current limitation on annual TAF being in excess of \$30,000 per year, application fees and other provisions deemed necessary for this project to proceed. The City of Duluth has paid for all financial reviews and drafted legal documents.
14. The project public benefits generated and by and through the ST Paper 1, LLC development include the creation of new jobs, spin-off development and support services, as well as the development of unused or underutilized real property. Taxes collected are expected to exceed the costs of tax abatement.
15. Minnesota Statutes require that a public hearing be conducted prior to granting TAF. The St. Louis County Board held a public hearing on Tuesday, May 25, 2021, at 9:35 AM CT at the Grand Lake Town Hall, located at 5297 Highway 53, Saginaw, Minnesota to solicit public input prior to considering the proposed tax abatement request. TAF will be payable from Fund 100, Agency 178001, Object 500900, or its designated fund.

## **TERM OF SERVICE**

16. The City agrees to perform the services described in this Tax Abatement Agreement during the period commencing the date of first receipt of TAF Proceeds by City from the County for a period of up to ten (10) years, or until the total amount of TAF Proceeds received by the City equals the amount of the Tax Abatement, whichever is sooner (the "Termination Event").
17. Upon the happening of the Termination Event, this Agreement shall terminate and County shall have no further obligation to remit TAF Proceeds to the City.

## **TAX ABATEMENT AGREEMENT DOCUMENTS**

18. It is understood and agreed that any Exhibits and this Tax Abatement Agreement 5721 shall collectively constitute the agreement between the County and the City, and shall be referred to as the Tax Abatement Agreement and the work shall be done in accordance therewith.

## **RESPONSIBILITIES OF THE CITY**

19. The City, in conjunction with ST Paper 1, LLC shall provide all staff needed to perform services described in the application process for this Tax Abatement Agreement. The City will appoint a liaison person who shall be responsible for the overall administration of projects and communication with County.
20. The City and its agents will maintain sufficient records to enable the County to determine compliance with the requirements of this Tax Abatement Agreement. Records must be kept in a manner that identifies the source of funds for each project. The City will submit reports as required by the County on an annual basis and also prior to project execution. The City will submit regular progress reports to the County in the form, content, and frequency as required by the County.
21. The City will maintain real property records which clearly identify properties purchased, improved or sold. Records will be maintained in the format specified by the County.
22. The City will cooperate with the County in any evaluation project or performance report, as determined by the County or the appropriate governmental agency, and will make available all information required by any evaluation process.
23. Should the City give ST Paper 1, LLC any notice of default under the Development Agreement, City shall promptly provide a copy of the default notice to the County.
24. City shall provide all signed developer and city agreements and amendments thereof.

## **TAF-ELIGIBLE COSTS STIPULATION**

25. Developer shall incur, and the City shall validate, that TAF-Eligible Costs are in compliance with applicable requirements
26. By requesting TAF, the City certifies to the County that it has determined the Project would not proceed without TAF, and understands that the County will rely on such determination in passing any Board Resolution authorizing the transfer of TAF Proceeds to the City.

## **PROCEEDS TO CITY**

27. Commencing with real estate taxes, payable in the year 2023, the County hereby agrees and commits that it will remit all TAF Proceeds as herein defined to the City for the term of this Agreement in a not to exceed amount of Six Hundred Thousand Dollars and no cents (\$600,000.00).
28. Said payments shall be due and payable to the City no later than thirty (30) days after receipt thereof by the County. County shall be obligated to pay to the City only those TAF Proceeds actually received by the County.

29. Notwithstanding anything to the contrary herein, the County's obligation to pay the TAF Proceeds is furthered condition upon the following:
  - 29.1 ST Paper 1, LLC having fully paid real estate taxes on the Property in the tax-payable year;
  - 29.2 Certification from the City of the total TAF-Eligible Costs have been paid by ST Paper 1, LLC; and
  - 29.3 No Default or Termination of the Development Agreement having occurred.
30. Payments may be made via check or wire transfer, as mutually agreed by the finance staff of the County and City, respectively. If a payment is not made in a particular year because of the conditions described in paragraph 29 are not met, the City's right to receive the payment in that year is terminated (I.E., payments are not withheld and paid in the current and future years).
31. The City shall apply the County TAF Proceeds solely to reimburse ST Paper 1, LLC, pursuant to the Development Agreement, for TAF-Eligible Costs.

## **RECORDS AUDITING AND RETENTION**

32. The City's books, records, documents, papers, accounting procedures and practices, and other evidence relevant to this Tax Abatement Agreement are subject to the examination, duplication, transcription and audit by the County and either the Legislative or State Auditor, pursuant to Minn. Stat. § 16C.05, Subd. 5. Such evidence is also subject to review by the Comptroller General of the United States, or a duly authorized representative, if federal funds are used for any work under this Tax Abatement Agreement. The City agrees to maintain such evidence for a period of six (6) years from the date of services or payment were last provided or made or longer if any audit in progress requires a longer retention period.

## **OWNERSHIP OF DOCUMENTS**

33. All materials prepared or developed by the City or its employees or independent contractors, hereunder, including documents, computer data, correspondence, calculations, maps, sketches, designs, tracings, notes, reports, data, models, and forms specific to St. Louis County shall become the joint property of the County when prepared, whether delivered to the County or not, and shall, together with any materials furnished by the County, be delivered without cost to the County upon request, or in any event, upon the determination of final performance or termination of this Tax Abatement Agreement.

## **NON-DISCLOSURE OF INFORMATION OR DATA**

34. Pursuant to Minnesota Statutes chapter 13 (Minnesota Government Data Practices Act), the City agrees to maintain and protect data on individuals received, or to which the City has access, according to the statutory provisions applicable to the data. No private, public, or confidential data developed, maintained or reviewed by the City under this Tax Abatement Agreement may be released to the public by the City or its employees or representatives.
35. The requirements of Minn. Stat. § 13.05, Subd. 11 may apply to this Tax Abatement Agreement. The City shall administer and protect any and all government data according to the provisions of the Minnesota Government Data Practices Act, codified at Minnesota Statutes Chapter 13.

## **REPORTING**

36. This Tax Abatement Agreement may constitute a “business subsidy” within the meaning of Minnesota Statutes, Sections 116J.993 to 116J.995 (the “Business Subsidy Act”). In the event the Commissioner of the Department of Employment and Economic Development (“DEED”) declared the County Abatement to be subject to the reporting identified in Section 116J.994, subd. 8(b) of the Business Subsidy Act, City agrees to file such reports on the County’s behalf, with copies to the County. If the City fails to timely file such reports with DEED, and fails to cure that default within thirty (30) days after receiving written notice from the County regarding such default, the County may terminate this Agreement.

## **DISCRIMINATION IN EMPLOYMENT**

37. The City agrees to comply with all federal, state and local laws, ordinances, rules, regulations and executive orders pertaining to unlawful discrimination on account of race, color, creed, religion, national origin, sex, sexual orientation, marital status, status with regard to public assistance, disability or age. The City further agrees to comply with all federal, state and local laws or ordinances and all applicable rules, regulations and standards established by any governmental agency having jurisdiction over the City’s performance of the provisions of this Tax Abatement Agreement.

## **MODIFICATIONS/AMENDMENTS**

38. Any alterations, variations, modifications, or waivers of the provisions of this Tax Abatement Agreement shall only be valid when they have been reduced to writing and signed by the authorized representatives of the County and the City. This Tax Abatement Agreement shall supersede all other oral and written Tax Abatement Agreements prior to execution of this document.
39. The County may in its discretion amend this Tax Abatement Agreement 5650 without consent of the City to comply with changes in federal, state or local governmental regulations, policies and available funding amounts. The amendments will make specific reference to this Tax Abatement Agreement and will be in writing and signed by the County.

## TERMINATION

40. If the City fails to perform any of the provisions of this Tax Abatement Agreement or so fails to administer the work as to endanger the performance of the Tax Abatement Agreement, this shall constitute a default. Unless the City's default is excused by the County, the County may upon written notice immediately terminate this Tax Abatement Agreement in its entirety.
41. The County's failure to insist upon strict performance of any provision or to exercise any right under this Tax Abatement Agreement shall not be deemed a relinquishment or waiver of the same, unless consented to in writing. Such consent shall not constitute a general waiver or relinquishment throughout the entire term of the Tax Abatement Agreement.

## NOTICES/COMMUNICATIONS

42. All notices and demands pursuant to this Tax Abatement Agreement shall be directed in writing to:

### **City**

Chris Fleege  
Planning & Economic  
Development Director  
411 West First Street  
Duluth, MN 55802  
(218) 730-5297  
[cfleege@duluthmn.gov](mailto:cfleege@duluthmn.gov)

### **St. Louis County**

Matthew Johnson  
Planning & Community  
Development Director  
320 W 2<sup>nd</sup> Street, STE 301  
Duluth, MN 55802  
(219) 725-5000  
[johnsonm12@stlouiscountymn.gov](mailto:johnsonm12@stlouiscountymn.gov)

## OTHER CONDITIONS

### 43. **Compliance with Laws/Standards**

The City shall abide by all Federal, State or local laws, statutes, ordinances, rules and regulations now in effect or hereinafter adopted pertaining to this Tax Abatement Agreement or the duties for which the City is responsible.

### 44. **Minnesota Law to Govern**

This Tax Abatement Agreement shall be governed by and construed in accordance with the substantive and procedural laws in the State of Minnesota without giving effect to the principles of conflict of laws. All proceedings related to this Tax Abatement Agreement shall be venued in the State of Minnesota District Court for the Sixth Judicial District in Duluth, Minnesota.

45. **Non-Participation in Political Activities**

The City will comply with the provisions of the Hatch Act in that no funds provided, nor personnel employed under this Tax Abatement Agreement, will be in any way or to any extent engaged in the conduct of political activities (5 USC Ch.15).

**LIMITATION OF LIABILITY**

46. Neither party shall be liable for any special, consequential, or punitive damages resulting from or relating to any breach of the Tax Abatement Agreement under any circumstances.

**SEVERABILITY**

47. The provisions of this Tax Abatement Agreement shall be deemed severable. If any part of this Tax Abatement Agreement is rendered void, invalid, or unenforceable, such rendering shall not affect the validity and enforceability of the remainder of this Tax Abatement Agreement unless the part or parts which are void, invalid, or otherwise unenforceable shall substantially impair the value of the entire Tax Abatement Agreement with respect to either party.

**ORDER OF PRECEDENCE**

48. In all instances where any language in any attachment or Exhibit attached hereto is inconsistent with this Tax Abatement Agreement 5721 (all sections and the recitals), this Tax Abatement Agreement 5721 (all sections and the recitals) shall govern and control.

**FINAL AGREEMENT**

49. This Tax Abatement Agreement is the final expression of the Tax Abatement Agreement of the parties and the complete and exclusive statement of the terms agreed upon, and shall supersede all prior negotiations, understandings, or agreements. There are no representations, warranties, or stipulations either oral or written not herein contained.

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**IN WITNESS WHEREOF**, the parties hereto have executed this Tax Abatement Agreement on the day and year indicated below.

**The City of Duluth**

**County of St. Louis**

By: \_\_\_\_\_  
**Emily Larson**  
Mayor of Duluth

By: \_\_\_\_\_  
**Matthew Johnson**  
Planning & Community Dev. Director

Date: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_  
City Clerk

By: \_\_\_\_\_  
**Mike Jugovich**  
Chair, County Board

Date: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_  
**Josh Bailey**  
City Auditor

By: \_\_\_\_\_  
**Nancy Nilsen**  
Auditor

Date: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_  
**Robert Asleson**  
Assistant City Attorney

**APPROVED AS TO FORM & EXECUTION:**

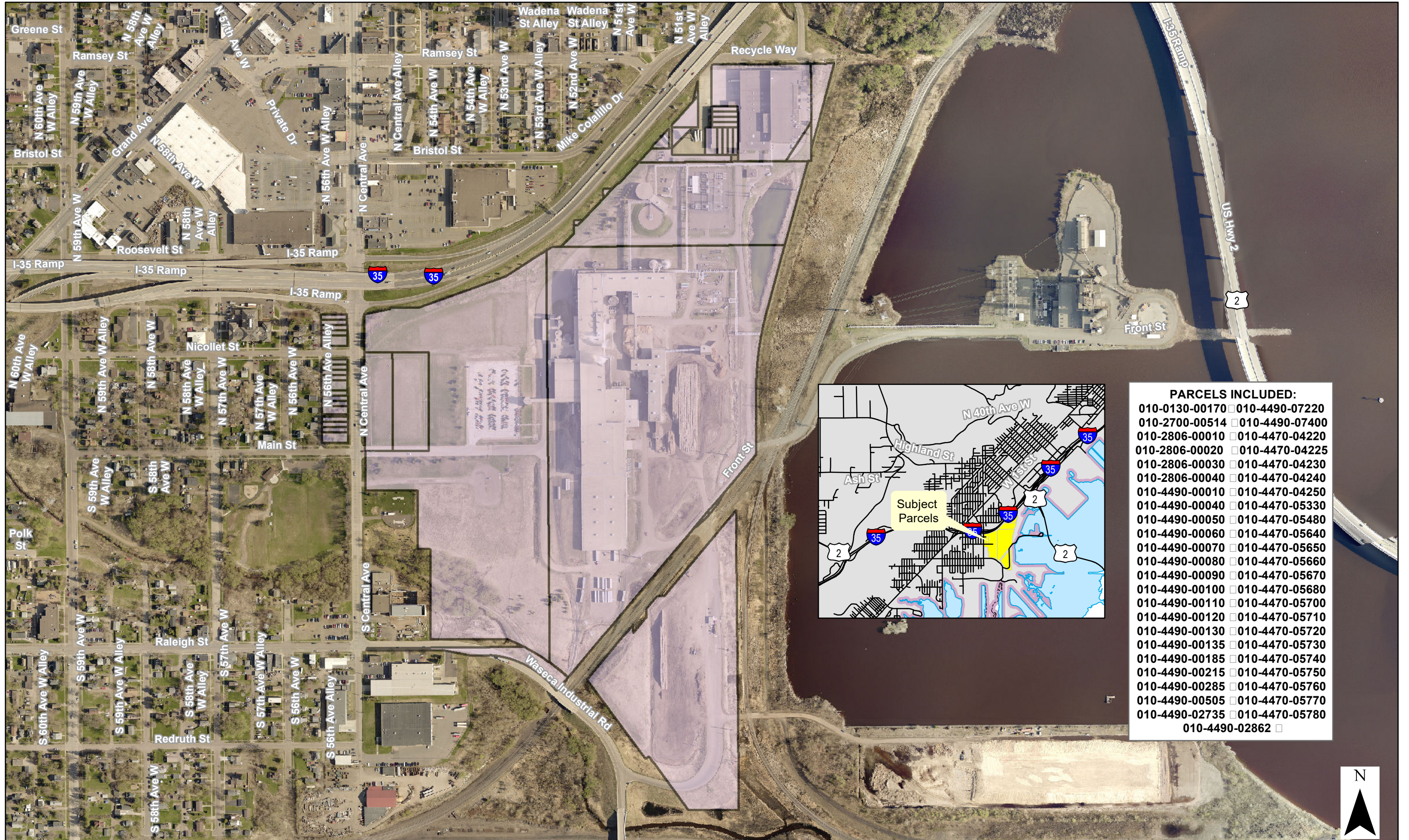
By: \_\_\_\_\_  
**Thomas Stanley**  
Assistant County Attorney

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Damion Number: 2021-014647

# ST Paper LLC Acquisition



**PARCELS INCLUDED:**

010-0130-00170	010-4490-07220
010-2700-00514	010-4490-07400
010-2806-00010	010-4470-04220
010-2806-00020	010-4470-04225
010-2806-00030	010-4470-04230
010-2806-00040	010-4470-04240
010-4490-00010	010-4470-04250
010-4490-00040	010-4470-05330
010-4490-00050	010-4470-05480
010-4490-00060	010-4470-05640
010-4490-00070	010-4470-05650
010-4490-00080	010-4470-05660
010-4490-00090	010-4470-05670
010-4490-00100	010-4470-05680
010-4490-00110	010-4470-05700
010-4490-00120	010-4470-05710
010-4490-00130	010-4470-05720
010-4490-00135	010-4470-05730
010-4490-00185	010-4470-05740
010-4490-00215	010-4470-05750
010-4490-00285	010-4470-05760
010-4490-00505	010-4470-05770
010-4490-02735	010-4470-05780
010-4490-02862	

