



Amended Business Subsidy Agreement Pre-Approval Report

MRO/Cirrus Redevelopment Project

Business Subsidy Recipient Information

1. Name of Business or Organization: Cirrus Design Corporation
2. Address: 4515 Taylor Cir, Duluth, MN 55811
3. Does the recipient have a parent corporation?
No.
4. Did the recipient relocate as a result of signing this agreement?
No.

Summary Agreement Information

1. Brief description of the proposed project

The project will consist of the renovation and reinvestment in the former Northwest Airline Maintenance, Repair and Overhaul (MRO) Building, which was leased by AAR through October 2020, and is owned by Duluth Economic Development Authority (DEDA) located at 4600 Stebner Rd, in the aviation corridor. This building will be used by Cirrus for logistics and technical support staff who will be relocated from the South side of the Cirrus campus to optimize and increase the efficiency of the existing manufacturing facilities on the Duluth Campus. The capital investments in the MRO and in the existing buildings located on the south side of the airport will allow for the acquisition and redevelopment of facilities on the Duluth Campus. These actions will provide additional flexibility to Cirrus to lease the MRO for up to 16 months, with the option to purchase the facility. The reuse and retrofitting of the MRO building is proposed to be funded by utilizing private investment from Cirrus, as well as through City of Duluth Tax Abatement, a St. Louis County Tax Abatement, a potential MN DEED Redevelopment Grant, and through potential awards from both the Minnesota Investment Fund (MIF) and the Minnesota Job Creation Fund (JCF).

Purchase Option: If Cirrus exercises the option to purchase the MRO facility from DEDA, the City will provide a forgivable loan allowance for the clean-up and disposal of the FSSS foam materials currently used at the MRO facility for the fire protection system. The MRO building has a current Estimated Market Value (EMV) by the Saint Louis County Assessor for the 2021 tax

year estimated at up to \$9.1M, of which DEDA is currently responsible for the tax payment. DEDA is proposing to sell the building to Cirrus for \$1 dollar if all of the ongoing operating and maintenance costs are reimbursed until time of sale. DEDA has marketed the building, and attempted to sell the MRO building to prospective buyers, including former tenants (i.e. AAR). These proposals were rejected at the same price point of \$1 due to the specialized nature of the building, high cost to retrofit for a new use other than service of large A320 Commercial Aircraft, and the high operating costs and maintenance of the large facility (estimated at over \$57,700 per month). This is coupled with the restrictive nature of potential uses that Federal Aviation Administration (FAA) will allow to operate on the site, which is zoned Airport Property, and has resulted in DEDA recommending that that this amount of up to \$9.1 M be included as a potential value for the business subsidy if Cirrus exercises the purchase option during the term of the MRO lease.

2. Total value of proposed project

Total Development Costs:	Approx. \$ 3.5 M at the MRO; and up \$ 7.0 M in total
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Total projected estimated market value (EMV):	\$9.1 M (St. Louis County)
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3. Summary of type(s) of subsidy and total dollar value for each

a. Grantor of assistance

i. DEED MN Job Creation Fund

1. Total value of assistance: Up to \$1,500,000

a. In process

ii. DEED MN Investment Fund (MIF)

1. Total value of assistance: Up to \$500,000

a. In process

iii. DEED MN LISC Grant

1. Total value of assistance: \$200,000

a. In process

iv. St. Louis County Tax Abatement

1. Total value of assistance: \$600,000

a. In process

v. City of Duluth Tax Abatement

1. Total value of assistance: \$600,000

a. Pending Council approval

vi. City Forgivable Loan – If **Purchase Option** for MRO is exercised by Cirrus

1. Total value of assistance up to: \$300,000

a. In process

vii. City Business Subsidy – If **Purchase Option** for MRO is exercised by Cirrus

1. Total value of assistance up to: \$9,100,000 (Estimated Market Value is less the nominal amount of one dollar \$1)

- a. In process
 - b. Total dollar value of assistance

The total value of current City of Duluth assistance is \$900,000. Of which, \$600,000 is in Tax Abatement and \$300,000 is in additional loans.
- 4. What other financing avenues were pursued?
 - a. Cirrus will provide equity in private capital dependent on the project cost and other state financing (MIF and JCF) awards.

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 80 FTE permanent high-quality jobs.
 - b. Job retention
 - i. This project will retain at least 1,206 FTE permanent high-quality jobs.
 - c. Diversify Duluth's economy
 - i. Following the loss of AAR in May of 2020, and the subsequent proposed expansion of Cirrus and the redevelopment of the MRO facility. Cirrus intends to redevelop the MRO facility to facilitate the overall increase of manufacturing capacity, on their Duluth Campus. These actions will strengthen Duluth's aviation economy that was negatively impacted by the economic downturn from COVID-19.
 - d. Quality of life
 - i. With the growth of one of the largest employers in Duluth and a stronger aviation corridor, the revitalization of one largely vacant building improves the neighborhood and instills greater confidence and pride in our community.

- e. Tax Base
 - i. The tax base is projected to increase slightly from the current net tax capacity of \$9.1 Million dollars. The final net tax capacity will be determined by St. Louis County (after the tax abatement is completed).
- 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 will be hired for renovations. This project also increases Cirrus' overall manufacturing capacity, and has the potential to strengthen local businesses in their pipeline, with 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 current land-use designation of the redevelopment site is the Airport and Open Space. According to the Imagine Duluth 2035 Comprehensive Plan, the future land use is Transportation and Utilities "TU" and encompasses the airports, the port terminals, large highway rights-of-way, and similar uses. It applies primarily to existing facilities (like the MRO) and low densities. Due to FAA Guidelines, the use of the building is restricted to aviation uses.
 - ii. This project aligns with the uses designed for the TU area and the required FAA use.
 - b. Additionally, the project adheres to the following principles identified in the Comprehensive Plan:
 - 1. Principle #1 – Reuse previously developed lands
 - 2. Principle #4 – Support economic growth sectors
 - 3. Principle #5 – Promote Investment in neighborhoods
 - 4. Principle #6 – Reinforce the place specific
 - 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 be achieved once the building has been revitalized and the 80 jobs have been created. This includes and increase to the property tax base achieved by the capital investments to real property (and associated expenses) of not less than \$ 3.5 M into the building. A further goal is the result of an expansion in Cirrus' Duluth campus production capacity.
 - b. Specific Goals established
 - i. Achievement of the Business Subsidy Goal in accordance with the City Council Resolution shall be measured as follows: Developer agrees that on or before July 31, 2023, it shall have constructed the Project on the Property.
 - 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.