



*Resolution
of the
Board of County Commissioners
St. Louis County, Minnesota*
Adopted on: February 8, 2022 Resolution No. 22-110
Offered by Commissioner: Jewell

Tax Abatement Financing for the City of Duluth – Cirrus Aircraft

WHEREAS, Minn. Stat. § 469.1812 through § 469.1815, Abatement Authority, requires that a public hearing be conducted prior to approving a tax abatement; and

WHEREAS, Minn. Stat. § 116J.993 through § 116J.995, Business Subsidy Law, requires that a public hearing be conducted prior to granting any business subsidy in an amount greater than \$150,000 in value; and

WHEREAS, The City of Duluth, Minnesota, has requested St. Louis County to consider up to \$600,000 in tax abatement to assist the City of Duluth – Cirrus Aircraft's plan to convert the existing Maintenance, Repair and Overhaul (MRO) building at the Duluth International Airport to expand its corporate headquarters, operations, and production facility at the Duluth International Airport; and

WHEREAS, The specific parcels to be included in the tax abatement request are as follows:

- A. 010-2747-00050
- B. 010-2747-00080
- C. 010-2747-00020
- D. 010-2747-00030

; and

WHEREAS, The St. Louis County Board held a public hearing on Tuesday, February 8, 2022, at 9:45 a.m., at the St. Louis County Government Services Center, 320 W. 2nd Street, Duluth, Minnesota, to solicit public input prior to considering the proposed tax abatement request; and

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

THEREFORE, BE IT RESOLVED, That the St. Louis County Board authorizes up to \$600,000 tax abatement financing to the City of Duluth, payable from Fund 100, Agency 178001, Object 500900, or its designated fund.

RESOLVED FURTHER, That the County tax abatement amount is contingent upon the approval of tax abatement assistance by the City of Duluth.

RESOLVED FURTHER, That the St. Louis County Board waives applicable provisions of the Board's Tax Abatement Financing Policy to include the current limitation of annual TAF being in excess of \$300,000 per year, application fees and other provisions deemed necessary for this project to proceed.

RESOLVED FURTHER, That provided all required documentation is submitted by the City of Duluth, the appropriate county officials are authorized to execute a tax abatement agreement with the City of Duluth and execute any other related documents after review and approval by a representative of the County Attorney's Office.

Commissioner Jewell moved the adoption of the Resolution and it was declared adopted upon the following vote:

Yeas – Commissioners Jewell, Boyle, Grimm, Musolf, Nelson, Jugovich and Chair McDonald – 7

Nays – None

STATE OF MINNESOTA

Office of County Auditor, ss.
County of St. Louis

I, **NANCY NILSEN**, Auditor of the County of St. Louis, do hereby certify that I have compared the foregoing with the original resolution filed in my office on the 8th day of February, A.D. 2022, and that this is a true and correct copy.

WITNESS MY HAND AND SEAL OF OFFICE at Duluth, Minnesota, this 8th day of February, A.D., 2022.

NANCY NILSEN, COUNTY AUDITOR

By:

Clerk of the County Board/Deputy Auditor

COUNTY OF ST. LOUIS, MINNESOTA
Tax Abatement Financing Agreement 5883

THIS TAX ABATEMENT FINANCING 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 1st Street, Duluth, MN 55802**, hereinafter referred to as the "City."

WITNESSETH:

WHEREAS, the City requested St. Louis County to consider up to \$600,000 in Tax Abatement Financing (TAF) to convert Cirrus Aircraft Corporation's existing Maintenance, Repair and Overhaul (MRO) building, located at the Duluth International Airport, to expand its corporate headquarters, operations, and production facility;

WHEREAS, The St. Louis County Board of Commissioners held a public hearing on Tuesday, February 8, 2022, at 9:45 a.m. in the St. Louis County Government Service Center in Duluth, Minnesota, to solicit public input prior to considering the proposed TAF request;

WHEREAS, The St. Louis County Board of Commissioners determines that the benefits gained by the creation of new full-time jobs, new potential spin-off development and support services, development of unused or underutilized real property, and other benefits exceeds the costs of the TAF; 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 the Duluth International Airport (Airport Code DLH), 4600 Stebner Road, Duluth, Minnesota, 55811 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 Financing (TAF):
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 actually 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 Cirrus Aircraft Corporation in association of 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 MRO building at the Duluth International Airport to expand the Cirrus corporate headquarters, operations, and production facility, 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. Detailed engineering and estimating are ongoing, but Cirrus anticipates additional capital investments will be required to increase the manufacturing and production capacity throughout the Duluth Cirrus Campus. An excess of \$7 million is anticipated to be spent at the MRO building for remodeling, project site improvement, equipment purchases and relocations. Financial assistance from city, county and state funding sources is necessary for the project to proceed as proposed and result in the creation of 80 jobs and retaining 285 jobs. This will bring the number of total employees to 1,286 from its current number of 1,206. Given the partnership and history with Duluth and St. Louis County, Cirrus is looking to continue its commitment to its hometown and headquarters by making these significant additional capital improvements and remains hopeful its local and regional partners remain supportive of its operations.
9. The specific parcels to be included in the tax abatement are as follows: 010-2747-00050, 010-2747-00080, 010-2747-00020, and 010-2747-00030.
10. The City of Duluth is working with Cirrus Aircraft Corporation and will enter into a project labor agreement, prevailing wage rates, and community benefits agreement for the conversion of the existing MSO building located at the Duluth International Airport.
11. St. Louis County is requested to provide up to \$600,000 in financial support for the conversion of the existing MRO building located at the Duluth International Airport. The City has approved an additional \$600,000 of tax abatement in August 2022, 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, but no more than the maximum amount of property taxes that may be abated in any year by a political subdivision under Minnesota Statute §469.1813, Subdivision 8, as amended.

12. 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. The City of Duluth has paid for all financial reviews and drafted legal documents.
13. The project public benefits generated by, and through, the Cirrus Aircraft Corporation development will 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 the tax abatement.
14. Minnesota Statutes requires that a public hearing be conducted prior to granting TAF. The St. Louis County Board held a public hearing on Tuesday, February 8, 2022, at 9:45 AM CT in the St. Louis County Government Service Center in Duluth, 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

15. 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 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").
16. 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

17. It is understood and agreed that any Exhibits and this Tax Abatement Agreement 5883 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

18. The City, in conjunction with Cirrus, 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.
19. 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.

20. 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.
21. 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.
22. Should the City give Cirrus Aircraft Corporation any notice of default under the Development Agreement, City shall promptly provide a copy of the default notice to the County.
23. City shall provide all signed developer and city agreements and amendments thereof.

TAF-ELIGIBLE COSTS STIPULATION

24. Developer shall incur, and the City shall validate, that TAF-Eligible Costs are in compliance with applicable requirements.
25. 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

26. Commencing with real estate taxes, payable by Cirrus 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).
27. 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.
28. Notwithstanding anything to the contrary herein, the County's obligation to pay the TAF Proceeds is furthered condition upon the following:
 - 28.1 Cirrus Aircraft Corporation having fully paid real estate taxes on the Property in the tax-payable year;
 - 28.2 Certification from the City of the total TAF-Eligible Costs have been paid by Cirrus Aircraft Corporation; and
 - 28.3 No Default or Termination of the Development Agreement having occurred.
29. 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).

30. The City shall apply the County TAF Proceeds solely to reimburse Cirrus Aircraft Corporation, pursuant to the Development Agreement, for TAF-Eligible Costs.

RECORDS AUDITING AND RETENTION

31. 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

32. 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

33. 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.
34. 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

35. 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

36. 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

37. 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.
38. Notwithstanding the preceding paragraph, the County may in its discretion amend this Tax Abatement Agreement 5883 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

39. 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.
40. 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

41. 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

St. Louis County

Matthew Johnson
Planning & Community
Development Director
320 W 2nd Street, STE 301
Duluth, MN 55802
(219) 725-5000
johnsonm12@stlouiscountymn.gov

OTHER CONDITIONS

42. **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.

43. **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.

44. **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

45. 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

46. 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

47. In all instances where any language in any attachment or Exhibit attached hereto is inconsistent with this Tax Abatement Agreement 5883 (all sections and the recitals), this Tax Abatement Agreement 5883 (all sections and the recitals) shall govern and control.

FINAL AGREEMENT

48. 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.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

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

The City of Duluth

By: _____

Mayor of Duluth

Date: _____

By: _____

City Clerk

Date: _____

By: _____

City Auditor

Date: _____

By: _____

Assistant City Attorney

Date: _____

County of St. Louis

By: _____

Matthew Johnson
Planning & Community Development
Director

Date: _____

By: _____

Patrick Boyle
Chair, County Board

Date: _____

By: _____

Nancy Nilsen
Auditor

Date: _____

APPROVED AS TO FORM & EXECUTION:

By: _____

Thomas G. Stanley
Assistant County Attorney

Date: _____

County Contract Number: 2023-0121



TAX ABATEMENT FINANCING APPLICATION

St. Louis County, Minnesota

About: St. Louis County Tax Abatement Financing is authorized under MN Stat. 469.1812-469.1815. The purpose of the program is provide a tool for the county to accomplish its goals in the areas of housing and economic development. The County has a tax abatement policy that establishes the criteria and procedures to be used in administering the program.

Applicant Name DEDA / City of Duluth - on behalf of Cirrus Aircraft Corp.		Daytime # (218) 720-5297		Date 12/30/21	
Address 411 West First Street, Room #418		City Duluth	State MN	ZIP 55802	
Email cfleege@duluthmn.gov					
Contact Person <i>If applicable</i> Chris Fleege					
Title Executive Director - Duluth Economic Development Authority (DEDA)					
IF A LOCAL UNIT OF GOVERNMENT, SKIP TO NEXT SECTION					
Business form (Corporation/Partnership/Other) Corporation - Cirrus Aircraft					
Years in Operation Cirrus has been in operation for more than 25 years		Sales Revenue \$ TBD ? in 2020			
Brief description of type of business, including principal products, customers: (See Attached)					
Has applicant ever filed for bankruptcy? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <i>If Yes, provide details on separate page(s).</i>		Does applicant have commitments for conventional financing for the project? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>			
Has applicant ever defaulted on any bond, mortgage or other loan commitment? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <i>If Yes, provide details on separate page(s).</i>					
Name of applicant's legal counsel					
Address		City	State	ZIP	
Name of applicant's financial advisor					
Address		City	State	ZIP	
PROPOSED PROJECT					
Describe project Cirrus Aircraft Corp plans to lease the existing MRO facility for up to 16 months with the option to purchase the building during the lease period. The City and County Tax Abatement along with potential state grant funding will be essential to assist with needed remodeling of the existing MRO facility to make it more suitable for Cirrus production operations. The scope of work includes relocating production and design equipment to improve the capacity and efficiency of Cirrus existing manufacturing facilities located on the south side of the					
Location 4600 Stebner, Duluth MN 55803		Site Plan Attached Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>			

PUBLIC BENEFIT

Describe the public benefit the project provides:

If the Tax Abatement is awarded, Cirrus is optimistic that the MRO facility will provide the necessary space to expand their production capacity. It will be a critical first step as Cirrus stages for the larger production expansion expected to move forward in Q4, 2022 and will see the creation not less than 80 new positions.

If the public benefit is job creation, provide information below:

Current number of employees: 1283	On date of application 1283	Six-months prior to application
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Current payroll: Will be provided	On date of application 0	Six months prior to application
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Number of jobs to be created: 80	Permanent Full-time 80	Part-time
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Number of jobs to be retained: 1363	Permanent Full-time 1363	
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Hourly wage and benefits to be provided (detail by job classification)

See Attached Information

SOURCES AND USES

Project Costs	\$ Amount	Sources of Financing	\$ Amount
Land Acquisition		Conventional Loan	\$ 600,000
Site Development	\$600,000	Equity	\$1,500,00
Construction	\$900,000	SBA Loan	
Machinery & Equipment	\$500,000	Revenue Bond	
Legal Fees		Grant(s) LISC / DEED	\$200,000
Interest during construction		Other	
Debt Service Reserve			
Contingencies	\$ 300,000		
Total	\$2,300,000	Total	\$2,300,000

CONSTRUCTION AND DESIGN

Name

This is the architect ☐ engineer ☒ contractor ☐ for this project

Address

City	State	ZIP
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Name

This is the architect ☐ engineer ☐ contractor ☒ for this project C.R. Meyer

Address

City	State	ZIP
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Name

This is the architect ☐ engineer ☐ contractor ☐ for this project

Address

City	State	ZIP
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TARGET DATES

Estimated start of construction
Feb. 2022

Estimated completion of construction
May 2022

Finished estimated market value of project:
\$ TBD

NEED FOR PUBLIC FINANCING

Describe why the project needs public financing to proceed

The project requires significant financing (both private and public) to complete all the necessary improvements. This includes needed remodeling, project site improvement, equipment purchases & relocations, along with additional capital investments well in excess of \$2.3 million anticipated to be spent at the MRO facility. Financial assistance from City, County and state funding sources is necessary for the project to proceed as proposed and result in the creation of the 80 jobs. As noted the number of jobs created will also be dependent upon Cirrus making significant additional capital investments on the south side of the Cirrus Campus. Detailed engineering and estimating are ongoing but Cirrus anticipates an additional \$25-\$30 million of capital investments will be required to increase the manufacturing and production capacity throughput at the Duluth Cirrus Campus.

ATTACHMENTS

The following items should be included with the application

1. Site plan consistent with submittal requirements of the appropriate zoning authority. Include a statement from the local jurisdiction that the proposed development will conform to the comprehensive plan and zoning.
2. Audited financial statements or tax returns from the past two fiscal years.
3. Current financial statement.
4. Three year pro forma financial projects.
5. Other information related to the project.
6. Non-refundable application fee of \$2,000.

AGREEMENT

Authorized Applicant Name:
Chris Fleege

Title
Director, Planning and Construction Services

Date: 12/30/2021