

## RESOLUTION 24D-41

### RESOLUTION APPROVING A DEVELOPMENT AGREEMENT WITH SOFIDEL AMERICA CORP. FOR THE DEVELOPMENT OF THE DULUTH PAPER MILL

WHEREAS, Sofidel America Corp. (“Developer”), proposes to develop property located at 100 N Central Ave, Duluth, Minnesota to create a new converting facility and automated warehouse (the “Project”);

WHEREAS, DEDA has determined that it is reasonable and necessary to provide certain financial assistance to Developer in order to facilitate Developer’s plans for the Project and to that end, DEDA and Developer have negotiated a Development Agreement for the Project; and

WHEREAS, DEDA has approved the establishment of Tax Increment Financing District No. 38, an Economic Development District (the “TIF District”) pursuant to Minnesota Statutes §§469.174 to 469.1794, as amended; and

WHEREAS, pursuant the terms of the Development Agreement, DEDA proposes to provide certain tax increment financing assistance to Developer consisting of a pay-as-you-go tax increment revenue note (the “TIF Assistance”) payable from the TIF District; and

WHEREAS, the TIF Assistance constitutes a business subsidy within the meaning of Resolution 18-0515R of the City of Duluth (the “Business Subsidy Resolution”), and the Development Agreement constitutes a “business subsidy agreement” under the Business Subsidy Resolution; and

WHEREAS, DEDA on this same date held a duly noticed public hearing, at which all interested persons were given the opportunity to be heard, on the granting of a business subsidy to Developer pursuant to the Development Agreement and on setting the wage and job goals in accordance with the Business Subsidy Act; and

NOW, THEREFORE, BE IT RESOLVED:

1. DEDA finds that the Development Agreement is in the best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of the applicable State and local laws and requirements under which the development will be undertaken.
2. DEDA hereby determines that the Project will increase the number and diversity of jobs that offer stable, predominantly full-time employment with high quality wages and benefits; enhance the economic diversity of the City and the City’s tax base; enhance the quality of life of the City’s residents by investing in neglected neighborhoods or business areas and stimulating the

redevelopment of underutilized, blighted or obsolete land uses including rehabilitation or demolition of commercial and industrial areas in the city and substandard structures and contaminated land; expand the City's tax base and realize a reasonable rate of return on the public investment; encourage the development of areas in the City that result in higher quality development and private investment; and achieve redevelopment on a site which would not be redeveloped without assistance.

3. DEDA hereby authorizes the proper DEDA officials to enter into a Development Agreement containing a business subsidy agreement with Developer substantially in the form of that attached hereto, together with any related documents necessary in connection therewith.
4. DEDA staff, officials and consultants are authorized and directed to implement the terms of the Development Agreement as provided therein and carry out DEDA's obligations under the Development Agreement.

Approved by the Duluth Economic Development Authority this 25th day of September 2024.

ATTEST:

Signed by:  
  
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Executive Director

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize a development agreement with Sofidel America Corp. ("Sofidel") and the Duluth Economic Development Authority to support Sofidel's expansion project of the Duluth Paper Mill. To support the proposed creation of approximately 160 new jobs, tax increment financing ("TIF") will be utilized.

This \$200M investment by Sofidel would add 160 new jobs at an average wage of \$32 per hour, annual payroll of \$11M into the local economy and an estimated \$37M in tax value to the property, increasing the estimated annual taxes collected by the City by \$244,000.

An Economic Development TIF subsidy of \$14.3M over 9 years, once certified, will see the continued payment of taxes by Sofidel at their current tax rate during that period, while allowing the future tax capacity (a result of the expansion) to be captured for investment in the project.

To support job growth from this project, the State of Minnesota is considering several subsidies for this project through MN DEED: a \$3.1M Minnesota Investment Fund loan, a \$1.7M Job Creation Fund grant, and a \$2M Clean Up Grant. The proposed subsidies terms are tied to job numbers, wages and use of PLA's.

The Duluth Paper Mill was built in 1987 and expanded in 1993 to supply recycled pulp to Duluth and other paper mills across the region. The mill formerly owned by Verso was an economic driver in the region for over 30 years. As the largest utility user, the Duluth Mill's expansion will continue to subsidize Comfort Systems utility rates for residential consumers. This expansion also opens the potential for Duluth businesses to serve as pipeline businesses for supplies and equipment to the enterprise. Sofidel's production lines will be manufacturing final products for shipping and expanding their use of port infrastructure.