



Business Subsidy Agreement Pre-Approval Report

Tax Abatement – Duluth Paper Mill Site

Business Subsidy Recipient Information

1. Name of Business or Organization: ST Paper 1, LLC
2. Address: 9201 Corporate Blvd, Ste. 420 Rockville, MD 20850
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”)

ST Paper 1, LLC is seeking to purchase the Duluth Paper Mill, formerly in use by Verso. They are seeking Tax Abatement of up to \$600,000 over 10 years, City of Duluth forgivable loan of \$242,000 and state loan funding to assist with purchasing the project site and converting the machinery and equipment to tissue manufacturing.

2. Total value of proposed project

Total Cost – Project: In excess of \$40 million

Total projected estimated market value (EMV)

Duluth Mill Property: \$24,495,500

3. Summary of type(s) of subsidy and total dollar value for each
 - a. Type of assistance:
 - i. Tax abatement - \$1,200,000
 - ii. City of Duluth forgivable Loan – \$242,000
 - b. Grantor of assistance
 - i. City of Duluth - \$600,000
 - ii. St. Louis County - \$600,000

- c. Total dollar value of assistance
 - i. \$1,200,000 over 10 years.
- 4. What other financing avenues were pursued?
 - a. MN Investment Fund Loan – up to \$3,000,000
 - b. MN Job Creation Fund Loan – up to \$1,500,000
 - c. New Market Tax Credits – potentially between \$5- \$10 million

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? I
 - 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 is 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 this criteria.
 - a. High quality jobs.
 - i. The project will allow for the creation of 80 new high paying jobs at the Duluth Paper Mill site. This job creation is required within the pending applications to the MN Investment Fund and Job Creation Fund for the project. Jobs are full-time with benefits at an average pay of \$47.87 per hour. ST Paper 1 LLC estimates another 400 indirect jobs created or retained through construction and other operations during this project.
 - b. Job retention
 - i. The proposed project will be to create 80 new positions on the Duluth Paper Mill site, which previously employed 250.
 - c. Diversify Duluth's economy
 - i. N/A.
 - d. Quality of life
 - i. The purchase of the Duluth Paper Mill by ST Paper 1, LLC will add benefit to the local economy with 80 high-quality jobs in the West Duluth neighborhood. The conversion of site equipment to bath tissue and other tissue projects will meet a

market demand and contribute to the sustainability of the mill. As a primary user of waste-water recycling, this project will reduce the burden of high utility rates.

- e. Tax Base
 - i. The total estimated market value of the Mill property is \$24,495,000. This will preserve the existing tax base where in 2021 tax year the Verso total Property Taxes were \$913,882 per year. The City of Duluth receives \$203,626 and St. Louis County (SLC) receives \$323,598 per year and the school district receives \$136,820 in taxes per year.
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. Local contractors and subcontractors will likely be for utilized for the conversion and construction required in converting the Mill to tissue operations. There will also need to be a natural gas fired boiler built to provide process steam.
 - 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. **Utilities:** While in operation by Verso, the Duluth Paper Mill site was a significant consumer of utility and energy services including: water, wastewater treatment, steam and electrical energy. This higher volume of utilization resulted in reducing the incremental operating and maintenance costs for the residents of Duluth and the broader region who were served by the local utilities. This high rate of utilization resulted in driving down the cost of utilities for all residents. The utility revenues anticipated for the with ST Paper 1 LLC operations will be approximately one-third of prior amounts. However, when contrasting the revenue associated to a scenario where the Duluth Paper Mill is permanently idled (or potentially liquidated) the incremental revenues (without including commodity expenses for gas) for Comfort Systems customers are approx. \$1.0M per year. The ST Paper 1 LLC operations will also result in lowering wastewater treatment expense for Duluth residents by approximately \$275K per year compared to an idled Mill.
 - ii. **Employee wages:** The 80 proposed jobs created are high-paying, quality, full-time jobs with the average wage base salary of \$99,567 per year without benefits and approximately \$129,000 per year with benefits included.
3. Duluth Comprehensive Plan and other City Plans, Zoning

- a. What current City plans, if any, cover this project? How does the project relate to the applicable plans?
 - i. The land use of the project site within the 2035 Imagine Duluth Comprehensive Plan is labeled as General Industrial, and the intention is to keep these designations to preserve the area for manufacturing use. According to the Comprehensive Plan, the General Industrial land use category aligns with the proposed project, and is described as: “areas for 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 facilities and other infrastructure.”
- b. The proposed redevelopment of the Duluth Paper Mill adheres to the following Governing 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
 4. Principle #5 – Promote reinvestment in neighborhoods
- 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. All public purposes will be achieved by completion of the sale of the site, conversion of equipment and operation of the site.
 - b. Specific Goals established
 - i. Achievement of the Business Subsidy Goal in accordance with City Council Resolution 18-0515 shall be measured as follows: ST Paper 1, LLC agrees that on or before December 31, 2023, it shall have completed equipment conversion and begun operations in accordance with the Development Agreement.
 - c. Target Attainment Dates
 - i. Construction to begin September, 2022 after the sale of the facility.
2. Progress toward these goals will be reported by the recipient of a business subsidy on an annual basis by June 1 for the preceding year (see Section 8 (d) - Business Subsidy Criteria), and provided to the Council by July 1.