



Legislation Text

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RESOLUTION AUTHORIZING THE CITY OF DULUTH TO APPLY FOR AND RECEIVE A MINNESOTA INVESTMENT FUND LOAN AWARD ON BEHALF OF VERSO CORPORATION AND TO CONDITIONALLY COMMIT \$242,000 IN ECONOMIC DEVELOPMENT FUNDS AS LOCAL MATCH.

CITY PROPOSAL:

RESOLVED, that the City of Duluth (City) act as the legal sponsor for the project contained in the Minnesota Investment Fund Application in the amount of \$1,000,000 to be submitted on or about January 25, 2018, and that the Mayor and Chief Administrative Officer of the City are hereby authorized to apply to the Minnesota Department of Employment and Economic Development (DEED) for funding of this project on behalf of the City.

FURTHER RESOLVED, that the City has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to ensure professional administration of the grant.

FURTHER RESOLVED, that the City has not violated any federal, state, or local laws pertaining to fraud, bribery, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

FURTHER RESOLVED, that upon approval of its application by the state, the City may enter into a Grant Contract with the State of Minnesota for the above-referenced project and that the City certifies that it will comply with all applicable laws and regulations as stated in the Grant Contract.

FURTHER RESOLVED, that the City has obtained credit reports, credit information and completed searches of tax liens, judgments, court actions and filings with state, federal and other regulatory agencies on Verso Minnesota Wisconsin LLC. Upon review by the City, no adverse findings or concerns regarding, but not limited to, tax liens, judgments, court actions, and filings with state, federal and other regulatory agencies were identified. Failure to disclose any such adverse information could result in revocation or other legal action.

FURTHER RESOLVED, that the proper City officials are hereby authorized to execute the Grant Contract and amendments thereto, as are necessary to implement the project on behalf of the City; and

FURTHER RESOLVED, that the City conditionally commits up to \$242,000, payable from Fund 235-020-54344 (Grants and Awards Fund), as the City's local share commitment to the project subject to an acceptable forgivable loan agreement therefore approved by subsequent resolution of the council.

STATEMENT OF PURPOSE: The Verso Duluth Paper Mill was originally founded in 1987 to manufacture super calendar (S/C) grade papers. In 1993, a new Recycle Mill was started up to supply recycled pulp to Duluth and other paper mills within the company and region. Currently the Duluth Mill employs 240 people full-time at an average annual salary of \$63,000, creating a tremendous economic impact in our Community for over 30 years. Unfortunately, the demand for

paper has dropped significantly in recent years.

Fundamental changes in how consumers buy products and obtain information have resulted in a substantial decline in the demand for all paper grades, including S/C paper. Given the changing nature of the paper industry, many paper mills face dire financial challenges: as a result of industry trends, the average sales price for the Duluth Mill's paper products has declined by 30% in the last 4 years. These price-declines could render the Duluth Verso mill less profitable. Unless a significant investment is made, the Duluth mill will thus be a likely candidate for permanent closure.

To ensure the future viability and success of the Duluth Mill, Verso has developed a strategic project that involves converting the Recycle Mill so that it can process packaging grade scrap paper into a pulp that can be used to manufacture bag, medium, liner and specialty paper grades. The total cost of this conversion project is approximately \$21 million and Verso estimates very promising financials as a result of this investment.

Therefore, the Minnesota Department of Employment and Economic Development (DEED)'s Minnesota Investment Fund (MIF) program is considering the City's application on behalf of Verso for a \$1 million forgivable loan to strengthen the Duluth Mill's position in securing future resources, to retain as many of these quality jobs as possible and to solidify Verso's future operations in Duluth. This resolution authorizes staff to submit the application in the amount of \$1,000,000 and the City to accept and administer the grant.

In order to demonstrate the importance of the project to the local economy and to the community as a whole, the City has agreed with DEED that if the State is willing to make their commitment to the project as outlined above, the City would be willing to commit \$242,000 from its Grants and Awards Fund in the form of a forgivable loan to help make the project possible. The Grants and Awards Fund is a fund made up of funds received by the City from the repayment of MIF loans made by the State to other projects in the City and the City may use the subject funds as general purpose aid for any lawful expenditure (Minn. Statute 116J.8731. The City's commitment would be subject to the Council's approval of a forgivable loan agreement between the City and Verso.

Thus, if the State approves the MIF loan for this project, additional resolutions will be brought to the Council for approval of the MIF loan agreement and the City agreement with Verso.