



## Legislation Text

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**File #:** 21-0347R, **Version:** 1

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### RESOLUTION AUTHORIZING TAX ABATEMENT AND LOAN AGREEMENT WITH ST PAPER 1, LLC FOR REDEVELOPMENT OF THE WEST DULUTH PAPER MILL.

#### CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into a tax abatement and loan agreement substantially in the form of that attached hereto as Exhibit A with ST Paper 1 LLC to provide up to \$600,000 in city tax abatement proceeds and a conditional loan to said company to facilitate its acquisition of the Verso Paper Mill facility in West Duluth and its conversion to a tissue manufacturing facility, conditioned on the creation of at least 80 new jobs at the facility.

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize an agreement with ST Paper 1, LLC to provide up to \$600,000 in tax abatement proceeds and a loan in the amount of \$242,000 to said company to facilitate its acquisition of the old Verso Paper Mill in West Duluth and its conversion to a tissue manufacturing facility. The loan will be forgivable conditioned on the creation of at least 80 new jobs in the new facility.

The mill had been designed and operated for the production of super-calendarized paper for use in newspaper advertising but with the changes in the newspaper industry and the consequent reduction of advertising supplements, the market for that paper product had substantially disappeared, leading to the closing of the mill and the loss of its jobs.

The City has been seeking an entity that could re-open and revitalize the mill for some time and, while re-use for production of super-calendarized paper was not attainable, staff was able to locate a potential purchaser that could, with substantial investment, re-purpose the mill facility and restore at least 80 of the jobs lost when the mill closed. But the cost of the project is very high, requiring substantial public assistance to make the project feasible.

The total cost of the project is expected to be approximately \$54,000,000. Included in the funding mix for the project will be a MIF loan of \$3 Million, a JCF loan for up to \$1.5 Million, private equity in excess of \$8 Million, New Market Tax Credits, possible industrial bond funding, bank loans and the assistance provided for under this agreement which will include up to \$600,000 in City tax abatement, a like amount of County tax abatement that will pass through this agreement and a City loan from its Economic Development Fund of \$242,000, subject to the creation of the 80 new jobs at the new facility. The City's and the County's abatement amounts will be subject to reduction depending on the amount of New Market Tax Credits the project is able to attract; as that amount increases, the need for City and County abatement will decrease, allowing the amount of abatement proceeds going to the project to be reduced.