



## Legislation Text

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**File #:** 21-0348R, **Version:** 1

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RESOLUTION RELATING TO A TAX ABATEMENT; GRANTING THE ABATEMENT FOR THE ST PAPER 1 LLC PROJECT.

**CITY PROPOSAL:**

BE IT RESOLVED, by the City Council (the "City Council") of the city of Duluth, St. Louis County, Minnesota (the "City"), as follows:

Section 1. Purpose and Authorization.

1.01 The City, pursuant to the provisions of Minnesota Statutes, Sections 469.1812 to 469.1815, as amended (the "Act"), is authorized to grant an abatement of the property taxes imposed by the City on a parcel of property, if certain conditions are met, through the adoption of a resolution specifying the terms of the abatement.

1.02 ST Paper 1, LLC proposes to acquire the closed Verso Paper Mill located at 110 North Central Avenue in Duluth, Minnesota and to convert it to the production of tissue paper products (the "Project").

1.03 Pursuant to the Act, on the date hereof, the City Council conducted a public hearing on the desirability of granting an abatement of property taxes on certain properties expected to be benefitted by the proposed Project, which properties are identified on the list attached hereto Exhibit A (the "Properties"). Notice of the public hearing was duly published as required by law in the *Duluth News Tribune*, the official newspaper of the City, on April 28, 2021, which date is no fewer than 10 and no more than 30 days prior to the date hereof.

Section 2. Findings. On the basis of the information compiled by the City and elicited at the public hearing referred to in Section 1.03, it is hereby found, determined and declared:

2.01 The Project is in the public interest because it will increase and preserve tax base in the City, create at least 80 new jobs, and will redevelop currently unused real property.

2.02 The City expects that the benefits of the proposed abatement are not less than the costs of the proposed abatement. The public benefits that the City expects to result from the abatement are the increase in tax base created by the Project and the creation of at least 80 new well-paid jobs in the City, and will redevelop currently unused real property.

2.03 The Properties are not located in a tax increment financing district.

2.04 The granting of the proposed abatement will not cause the aggregate amount of abatements granted by the City under the Act in any year to exceed the greater of (i) 10% of the City's net tax capacity for the taxes payable in the years to which the abatement applies, or (ii) \$200,000.

2.05 It is in the best interests of the City to grant the tax abatement authorized in this Resolution.

2.06 Under Section 469.1813, subdivision 9 of the Act, it is not necessary for the City to obtain the consent of any owner of any of the Properties to grant an abatement.

Section 3. Granting of Tax Abatement.

3.01 A property tax abatement (the "Abatement") is hereby granted in respect of property taxes levied by the City on the Properties for 10 years, commencing with taxes payable in 2023 and concluding with taxes payable in 2032 unless the maximum amount of the abatement is provided prior to that date in which case, abatement shall thereafter cease. The Abatement will reduce all of the City's portion of the taxes for each of the Properties, and the Abatement will not exceed \$60,000 per year and a total aggregate amount of not to exceed \$600,000. Abatement payments will be made only from property tax proceeds received by the City from the Project.

3.02 The City shall remit the Abatement amounts only to reimburse for a portion of the costs of constructing the Project.

3.03 The Abatement may be modified or terminated any time by the Council in accordance with the Act.

STATEMENT OF PURPOSE: This resolution authorizes the abatement of taxes for the purpose of providing for a portion of the costs of the ST Paper 1 Project.

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. The City'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.