

**Meeting
of the
Iron Range Resources
and
Rehabilitation Board**

**IRRRB
Eveleth, Minnesota**

Thursday, November 7, 2013

**Meeting of the Iron Range Resources and Rehabilitation Board
IRRRB, Eveleth, Minnesota
Thursday, November 7, 2013
10:00 a.m.**

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**MEETING OF THE IRON RANGE RESOURCES
AND REHABILITATION BOARD
IRRRB
Eveleth, Minnesota
Thursday, November 7, 2013 – 10:00 a.m.**

AGENDA

- 1) Roll Call
- 2) Approval of August 8, 2013, Minutes
See Exhibit A
- 3) Commissioner's Comments
- 4) Delta Air Lines, Inc. – *Budget Resolution #14-038 (Budget) and Resolution #14-039 (Delta Air Lines)*
- 5) Detroit Diesel Remanufacturing (DMR) – *Resolution #14-040*
- 6) Hibbing Fabricators – *Resolution #14-041*
- 7) TEDF
 - a. Keetac – *Resolution #14-042*
 - b. Minntac – *Resolution #14-043*
- 8) Other
Central Iron Range Sanitary Sewer District – *Resolution #14-044*
- 9) Adjournment

Delta Air Lines, Inc.
P.O. Box 20706
Atlanta, Georgia 30320

IRRRB Direct Loan Program

Applicant:	Delta Air Lines, Inc. (“Delta”)	
Project Location:	601 Iron Drive Chisholm, Minnesota 55719	
Principal(s):	Richard H. Anderson, CEO	
Project Description:	Renovation and modernization of the approximately 40,000 square foot customer engagement center located in Chisholm, MN (the “Chisholm Center”). The funding under consideration would transform the facility into a modern state-of-the art customer engagement center and to refurbish the infrastructure of the facility.	
Market Opportunity:	Delta is one of the largest North American based passenger airline. The Chisholm Center is one of ten customer engagement centers, and one of three emergency response centers, throughout the Delta system.	
Project Investment:		
	IRRRB Twelve year amortization	\$5,900,000
	TOTAL	\$5,900,000
Jobs:	107 Planned Current Employment 418 Wages \$22,000 - \$48,000 per year plus benefits	
Collateral:	First position mortgage lien on the Chisholm Center.	
Business History:	Delta, headquartered in Atlanta, Georgia, was founded in 1929. Today it provides scheduled air transportation for passengers and freight internationally through its system with hubs in Amsterdam, Atlanta, Cincinnati, Detroit, Memphis, Minneapolis-St. Paul, New York, Paris, Salt Lake City, Seattle and Tokyo. Delta acquired the former Northwest Airlines in 2008 forming, at the time, the largest airline in the world.	
Past IRRRB History:	In December 1994, Northwest Airlines entered into the NAI Iron	

	<p>Range Reservation Center Facilities Agreement with the IRRRB, whereby the IRRRB provided a \$9.7 million forgivable loan to the establishment of the Chisholm Center. \$8.7 million of the loan has been forgiven and the remaining \$1 million was repaid as agreed. Delta (as survivor to Northwest Airlines) remains in full compliance with the agreement, as amended, which was scheduled to terminate in January 2015 (the agreement would terminate with the execution of the loan agreement for this project under consideration).</p>
Contingencies:	None.
Technical Advisory Committee Recommendation:	Approval at its November 1, 2013 meeting.
Funding Authorization:	<p>This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341, and is further authorized under the provisions of the Iron Range Resources and Rehabilitation Board account, as codified under Minnesota Statutes, Sections 298.22 and 298.28, subdivision 7, as an expenditure within or for the benefit of the Taconite Assistance Area.</p>

Detroit Diesel Remanufacturing (DMR)
1111 East 7th Avenue
Hibbing, Minnesota 55746

IRRRB Direct Loan Program

Applicant:	Chisholm-Hibbing Airport Authority	
Project Location:	3895 South Hughes Road, Hibbing, Minnesota 55746	
Principal(s):	Shaun Germolus, Executive Director, Airport Authority David Rhode, Operations Manager, Detroit Diesel Remanufacturing DMR	
Project Description:	This project is to increase the size of the airport speculative building by 30,000 square foot for growth of Detroit Diesel Remanufacturing DMR. This project will provide the company 60,000 square foot of space at the airport site. The company and the airport have signed an eleven-year renewable lease with purchase options.	
Market Opportunity:	Through its affiliation with Daimler AG and Daimler Trucks North America, DMR has access to a large market for their products and services. Prior to its acquisition by Detroit Diesel, DMR annual revenues were approximately \$4 million. Since 2007, revenues have increased to over \$20 million and employee headcount has more than doubled. Their current facility footprint has limitations and has resulted in some manufacturing being shifted from Hibbing to other Detroit Diesel Remanufacturing centers in Utah and Mexico. DMR is aggressively pursuing several key growth initiatives and has recently received approval from Daimler to begin marketing key electronic control modules to the world market. Their current facility footprint has reached max capacity and they are in need of additional manufacturing space. DMR has an immediate need for 60,000 square-feet of manufacturing space and anticipates the potential need for an additional 30,000 square-feet by 2017. The airport site affords the unrestricted ability to support future facility growth needs for business expansion on the Iron Range.	
Project Investment:	IRRRB: increase to our existing non-recourse direct loan to the Airport Authority at our formula rate. Repayment will be from lease revenues generated by the building.	\$5,035,000
	TOTAL	\$ 5,035,000

Jobs:	Current employment is 97 full-time. In addition to the 10 new full-time employees planned related to DMR's relocation approved last year, 40 new full-time employees are planned with this expansion. Wages \$28,392 - \$52,520 per year plus benefits.
Collateral:	The loan is secured with a first-position mortgage and an assignment of lease revenues on the building.
Business History:	DMR was founded in Hibbing in 1987 to serve the truck, bus, heavy-duty equipment and light rail industries with electrical and electronic assemblies. In 2001, DMR relocated to a 15,000 square-foot building in the Hibbing industrial park. DMR was acquired by Detroit Diesel Remanufacturing Corporation in 2007. Detroit Diesel's history goes back to 1938 with the GM Diesel Division. Detroit Diesel is a "Daimler" company and is affiliated with Daimler Trucks North America, which manufactures Freightliner and Western Star trucks, Thomas Built Busses and custom chassis for motor-homes and busses. The company continues to grow and currently occupies 51,000 square-foot of space in four separate locations in Hibbing and is preparing to move into the airport building by April, 2014.
Past IRRRB History:	<p>Airport: The 30,000 square-foot airport speculative building project direct loan of \$790,000 was approved by the IRRRB at the August 18, 2005 Board meeting. At the September 11, 2006 Board meeting, an additional \$835,000 was approved by the IRRRB as an increase to the direct loan to cover the increased cost of building materials and for the change from a steel building to a concrete building. At the October 11, 2012 Board meeting, an additional \$2,500,000 was approved for build-out of the original 30,000 square foot building. The loan requires payment from lease revenues generated by the building.</p> <p>DMR: IRRRB participated in the funding for construction of the 15,000 square-foot building DMR currently leases in the Hibbing industrial park.</p>
Contingencies:	None. A development agreement and long-term lease between Detroit Diesel and the Chisholm-Hibbing Airport Authority have been executed.
Technical Advisory Committee Recommendation:	Approval at its November 1, 2013, meeting.

Funding Authorization:	Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize loans for projects that are designed to create and maintain productive, permanent and skilled employment within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341. Funding is sought from the DJJ corpus under the authority of 298.296, subd. 2(c).
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Hibbing Fabricators
525 West 41st Street
Hibbing, Minnesota 55746

Bank Participation Loan Program

Applicant:	Hibbing Fabricators	
Project Location:	525 West 41 st Street Hibbing, Minnesota 55746	
Principal(s):	Sandy Bryant, President	
Project Description:	Add manufacturing and precision inspection equipment.	
Market Opportunity:	The equipment additions will allow Hibbing Fabricators to increase their production, remain competitive with other manufacturers and add to their current customer base.	
Project Investment:		
	Bank 7- year amortization	250,000.00
	IRRRB Formula rate 7- year amortization	250,000.00
	TOTAL	\$ 500,000.00
Jobs:	Current employment is 28 full-time. 1 Planned New Wages \$21,000 - \$33,000 per year plus benefits	
Collateral:	First-position security interest, shared with the bank, in the equipment to be purchased.	
Business History:	Hibbing Fabricators, a Subchapter S Corporation, began operations in 1985 as a sheet metal job shop. Today, the company produces thin metal products requiring exact tolerances for manufacturers in the medical, aviation, aerospace, non-fossil fuel energy and recreational industries.	
Past IRRRB History:	Bank Participation Loan funded in FY 2006 for \$300,000, current balance is \$4,006. Bank Participation Loan funded in FY 2002 for \$150,000, paid in full. Bank Participation Loan funded in FY 2000 for \$250,000, paid in	

	<p>full. Bank Participation Loan funded in FY 1998 for \$150,000, paid in full. Bank Participation Loan funded in FY 1989 for \$200,000, paid in full. Bank Participation Loan funded in FY 1985 for \$208,000, paid in full.</p> <p>All Iron Range Resources Loan history has been satisfactory.</p>
Contingencies:	None.
Technical Advisory Committee Recommendation:	Approval at its November 1, 2013, meeting.
Funding Authorization:	This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

TEDF

- a. United States Steel – Keetac
- b. United States Steel - Minntac

United States Steel - Keetac



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4261 Highway 53 South
Eveleth, Minnesota 55734-0441
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To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: November 07, 2013

**Re: UNITED STATES STEEL – KEETAC TACONITE ECONOMIC
DEVELOPMENT FUND PROJECTS (Pay 2013, Production 2012) - \$1,538,730**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by the board, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

US Steel – Keetac Mining Company is eligible for a pay 2013, based on 2012 production, Taconite Economic Development Fund rebate of \$1,538,730, subject to the company providing a match of \$367,433, for a total project cost of \$1,906,163.

The US Steel Keetac Mining Company TEDF Review Committee completed its review on September 6, 2013, and unanimously approved submitting the following projects.

Project 1 - Carlz Pit Pump House - \$2,600,000

At Keetac, the Reservoir 5 pit dewatering basin provides make-up process water to the plant. The Keetac Mine Plan forecasts mining through the Reservoir 5 area starting in 2013, which will eliminate this reservoir. The nearby Carlz Pit has been identified as an optimal location to create a new water reservoir because of its close proximity to the plant and its volume will accommodate seasonal fluctuations. Additionally, the Wolf Hill water reservoir has reached the end of its useful life and is beyond repair. This project proposes a new pump transfer station to transfer water from the Carlz Pit to a new Wolf Hill storage tank for plant process water, as well as infrastructure and piping to redirect the existing mine dewatering sumps to the Carlz Pit.

TEDF Grant	\$1,538,730
Company	<u>\$1,061,270</u>
Estimated Project Total Cost	\$2,600,000

Project 2 – Burning Machine - \$250,000

The existing Keetac burning machine is difficult to use, has numerous safety concerns, and uses outdated technology. Consequently, the existing machine has become unreliable, creates undesirable quantities of scrap, and creates additional machining work. This machine also creates noxious fumes, extreme noise, and bright light. Old burning machines, like Keetac's, cannot carry out their tasks while submerged. The newer burning machines can carry out submerged cutting.

The new machine will use Computer Numerical Control technology. This upgraded, superior control software provides more reliable and precise cutting, reduces scrap, and additional machining. The new machines also generate less noxious gas, noise, and light. This results in a cleaner and safer work environment.

TEDF Grant	\$0
Company	<u>\$250,000</u>
Estimated Project Total Cost	\$250,000

United States Steel – Minntac



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To: Iron Range Resources and Rehabilitation Board Members

From: Tony Sertich
Commissioner

Date: November 07, 2013

**Re: UNITED STATES STEEL – MINNTAC TACONITE ECONOMIC
DEVELOPMENT FUND PROJECTS (Pay 2013, Production 2012) - \$3,860,006**

Minnesota Statutes 298.227, authorize grants to Minnesota's taconite producers *for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton.* These funds are held in the Taconite Economic Development Fund.

Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by the board, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225.

US Steel - Minntac is eligible for a pay 2013, based on 2012 production, Taconite Economic Development Fund rebate of \$3,860,006, subject to the company providing a match of \$939,276, for a total project cost of \$4,799,282.

The US Steel - Minntac TEDF Review Committee completed its review on September 6, 2013, and unanimously approved submitting the following projects.

Project 1 - Fine Tails Pumping - \$4,900,000

Since the inception of operations at Minntac, approximately 3,000 tons per day of fine tailings have flowed by gravity to the north from the Concentrator through ditches to the individual tailings basin cells to allow fines to settle. Course tailings are deposited first, near the concentrator and are trucked from the Concentrator to build the outer perimeter dikes of the tailings basin. The elevation of the tailings basin (course tails perimeter and fines tails interior cells) has been rising at a rate of approximately two feet per year. This has reduced the elevation difference between the concentrator and the basin. Now a pumping station is needed to lift the fine slurry to an elevation where gravity flow is still possible.

This project will install a fine tailings capture and pumping facility to lift tailings slurry to a higher elevation. This will permit continued gravity flow operation of the basin for the next 20 years.

TEDF Grant	\$3,860,006
Company	<u>\$1,039,994</u>
Estimated Project Total Cost	\$4,900,000

Project 2 – Concentrator Finisher Upgrades - \$2,500,000

Magnetic separation is a critical component of the taconite pellet process. Magnetic separation separates crude ore from the waste materials such as silica and other undesirable mineral wastes. The existing Minntac separators are 3 feet by 10 feet in size, were installed in the late 1960's and use outdated technology. State of the art separators are now 4 feet by 10 feet in size, are equipped with stronger magnets and have a different flow pattern optimizing flushing water use and ore extraction. New 4 x 10 separators were installed as test units on Concentrating Line 5 in 2004 and 2007. Trials and operational use have proven that the separators increase iron ore extraction and reduce downstream silica.

The scope of this project is to purchase and install 36 state-of-the-art 4 x 10 finisher magnetic separators for the fifteen remaining operating lines at Minntac. The new 4 x 10 separators feature a double drum design that reduces the overall number of magnetic drums from 210 to 76, thus reducing power consumption and maintenance costs. The resulting reduced silica concentration in the product will also require less chemical usage in the remaining processing steps.

TEDF Grant	\$0
Company	<u>\$2,500,000</u>
Estimated Project Total Cost	\$2,500,000

Exhibit A IRRRB Meeting Minutes

Thursday, August 8, 2013

10:00 a.m.

IRRRB, Eveleth, Minnesota

1) Roll Call

Senator David Tomassoni called the meeting to order at approximately 10:04 a.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug. Excused: Senator Rod Skoe. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Al Becicka, IRRRB Legal Counsel; Steve Peterson, Executive Director of Development; Matt Sjoberg, Director of Development; Chris Ismil, Community Development Representative; Bob Scuffy, Accounting Officer Sr.; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Roy Smith, IRRRB/NHED Workforce Director; Tim Bungarden, Cast Corporation; Lori Fedo, Hibbing Area Chamber of Commerce; Vincent Meyer, Arrowhead Economic Opportunity Agency; Max Peters, City of Cohasset; Kate Gribble, Sundell Eye Associates; Larry Cuffe, City of Virginia

2) Approval of the June 17, 2013, Minutes

Action required: Approval requires a simple majority of the quorum

Representative Jason Metsa moved approval of the June 17, 2013, minutes. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Representative Joe Radinovich, Senator Rod Skoe

3) Iron Range Higher Education Fund – Resolution No. 14-032

Action required: Approval requires a simple majority of the quorum

Representative Carly Melin moved to approve the request to expend up to \$1,850,000 of the Iron Range Higher Education Account funds for use by the Northeast Higher Education District (NHED) for the Iron Range Engineering program (\$1,000,000), the completion of phase II implementation of telepresence technology classrooms (\$500,000) and for the development and implementation of a professional level Certified Nurse Practitioner program (\$350,000) on the Iron Range as presented in Resolution No. 14-032. Seconded by Representative Jason Metsa. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe



Iron Range Resources & Rehabilitation Board

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To: Iron Range Resources and Rehabilitation Board

From: Iron Range Higher Education Committee

Date: August 8, 2013

Re: Iron Range Higher Education Programs

In 2008, the Minnesota legislature established the Iron Range Higher Education Account. Under current law, five cents per taxable ton is set aside in a special account administered by the Iron Range Resources and Rehabilitation Board (IRRRB). The purpose of the Iron Range Higher Education Committee (IRHEC) is to advise the Commissioner of IRRRB regarding potential higher education programs to be offered within the Taconite Assistance Area that meet the needs of the regional economy. Upon the recommendation of the Commissioner of IRRRB, the IRHEC and IRRR Board must approve all expenditures from the account.

The IRHEC met on Wednesday, July 17 and approved the following expenditures from the Iron Range Higher Education Account:

1. Up to \$1,000,000 to the Northeast Higher Education District (NHED) for use by the Iron Range Engineering program for the continued development of a higher education program that, in collaboration with private industry, will allow students to earn a Bachelor's of Science degree in engineering from Minnesota State University Mankato.
2. Up to \$500,000 to NHED for the completion of phase II implementation of telepresence technology classrooms located at NHED regional institutions.

3. Up to \$350,000 to NHED for the development and implementation of a professional level Certified Nurse Practitioner (CNP) program on the on the Iron Range.

The IRHEC FY14 expenditure of \$1,850,000 is contingent upon the Agency's receipt of the second half of production year 2012 taconite taxes in the projected amount of \$957,758.00.

Funding Authorization:

This expenditure is authorized under the provisions of the Iron Range Higher Education Committee and the Iron Range Higher Education Account as codified under Minnesota Statutes, Section 298.2214 and 298.28, subdivision 9d, respectively.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
IRON RANGE HIGHER EDUCATION ACCOUNT EXPENDITURE APPROVAL**

Resolution No.: 14-032

WHEREAS, Minnesota Statutes Section 298.28, subd. 9d allocates five cents per taxable ton of taconite taxes to the agency to be deposited in an Iron Range higher education account ("**Higher Education Account**") to be used for higher education programs conducted at educational institutions in the Taconite Assistance Area designated in Minnesota Statutes Section 297.1341 ("**TAA**"); and

WHEREAS, Minnesota Statutes Section 298.2214 created the Iron Range Higher Education Committee ("**Committee**") to advise the commissioner of Iron Range Resources and Rehabilitation on providing higher education programs within the TAA; and

WHEREAS, pursuant to 298.28, subd. 9d, both the Iron Range Resources and Rehabilitation Board ("**Board**") and the Committee must approve all expenditures from the Higher Education Account; and

WHEREAS, the Committee has recommended the expenditure of the following amounts for the programs described below ("**Proposed Programs**"):

1. Up to \$1,000,000 to the Northeast Higher Education District (NHED) for use by the Iron Range Engineering program for the continued development of a higher education program that, in collaboration with private industry, will allow students to earn a Bachelor's of Science degree in engineering from Minnesota State University Mankato;
2. Up to \$500,000 to NHED for the completion of phase II implementation of telepresence technology classrooms located at NHED regional institutions;
3. Up to \$350,000 to NHED for the development and implementation of a professional level Certified Nurse Practitioner program on the Iron Range; and

Iron Range Resources and Rehabilitation Board

August 8, 2013, Meeting Minutes

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WHEREAS, in order to provide the aforementioned grants of the Higher Education Account funds to the NHED for the Proposed Programs, it is necessary for the Board to approve the proposed expenditures of funds from the Higher Education Account; and

WHEREAS, the Board met in open session starting at 10:00 a.m. on August 8, 2013, at the agency’s Administration Building near Eveleth, Minnesota to consider, among other matters, the proposed expenditure of up to \$1,850,000 of Higher Education Account funds for the purpose of providing three grants to the NHED to fund the Proposed Programs within the TAA and has determined that the proposed expenditures would be in the public interest.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the expenditure of up to \$1,850,000 of Higher Education Account funds (including some funds carrying forward from production year 2011 taconite taxes) for three grants to the NHED to be used for the Proposed Programs, subject, in the case of the disbursement of the second half of the calendar year 2013 portion of the funds for each grant, to the precondition that the agency has received in its Higher Education Account the amount of the distribution of the second half of production year 2012 taconite taxes in the projected amount of \$957,579.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 8th DAY OF AUGUST 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

4) Cast Corporation – Resolution No. 14-033

DJJ – Action required: Project approval requires 5 votes

Representative Jason Metsa moved to approve the Cast Corporation request for financial assistance in the form of a bank participation loan in an amount not to exceed \$945,000, for the construction of a 20,000 square foot building and the purchase of production equipment to allow the business to enter into the foundry business as presented in Resolution No. 14-033. Seconded by Representative Tom Anzelc. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

**Cast Corporation
11364 East Highway 37
Hibbing, MN 55746**

IRRRB Bank Participation Loan Program

Applicant:	Cast Corporation	
Project Location:	11364 East Highway 37 Hibbing, MN 55746	
Principal(s):	Tim Bungarden	
Project Description:	Construction of a 20,000 square foot building on its current site and the purchase of production equipment to allow the business to enter into the foundry business.	
Market Opportunity:	The new product lines will complement the existing products of the company. It is expected that a mix of the sales from the foundry line will be to new and existing customers.	
Project Investment:		
	Security State Bank, up to 20 year amortization	\$ 945,000
	IRRRB, formula rate, up to 20 year amortization	\$ 945,000
	SBA 504	\$1,260,000
	Equity	\$ 350,000
	TOTAL	\$3,500,000
Jobs:	30 Planned New 17 Retained Wages \$31,000 - \$52,000 per year plus benefits	
Collateral:	Lien on real estate and equipment, shared with bank, subordinate only	

	to existing lien(s) of bank.
Business History:	<p>Cast Corporation, incorporated in 1995, produces tooling, castings and production machinery for the automotive, recreational, heavy equipment, and electrical utility industries. The company added truncated domes, warning plates installed in sidewalks to conform with the ADA, to its product line several years ago.</p> <p>The company began in the Whiteside shops area of Buhl and in 2005 moved into a 13,000 square foot facility at its currently location on Highway 37 in Hibbing just west of the Range Regional Airport. Cast completed an 8,200 square foot expansion of that facility early in 2013.</p>
Past IRRRB History:	<p>Cast Corporation currently has an outstanding bank participation loan with the agency. The agency portion of the loan had an original principal balance of \$390,000 and has a current principal balance of \$380,000. The loan has been paid as agreed.</p> <p>Cast Corporation also two prior participation loans with the agency, with the amount retained by the agency being \$250,000 and \$165,000. Both of these loans were paid as agreed and have been paid in full.</p>
Contingencies:	<p>An appraisal of contemplated collateral, acceptable to the Bank and IRRRB, is obtained.</p> <p>Alternative financing structures may be considered, as long as the position of the IRRRB is not materially compromised.</p>
Technical Advisory Committee Recommendation:	Approval on August 1, 2013.
Funding Authorization:	Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
FUNDING APPROVAL FOR PURCHASE OF A PARTICIPATION INTEREST IN
LOAN FOR CAST CORPORATION PROJECT**

Resolution No.: 14-033

WHEREAS, the Commissioner is authorized to expend, upon approval of over one-half of all members of the Board, the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”), to provide loans and participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

WHEREAS, the agency’s FY14 Budget includes provision for the use of certain DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects; and

WHEREAS, Cast Corporation, a Minnesota business corporation, has made application to the Commissioner for financial assistance to enable it, in combination with funds provided from other sources, to invest \$3,500,000 to expand its manufacturing facility in Hibbing, which is located within the TAA (the “**Proposed Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$945,000 of FY14 DJJ Business Development Project funds to purchase a participation interest in a \$3,150,000 bank loan which is being made to enable Cast Corporation to finance the costs of the Proposed Project, with the participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting (the “**Board Packet Materials**”); and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on August 1, 2013, and recommended approval of the requested financial assistance for the Proposed Project; and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Thursday, August 8, 2013, at 10:00 a.m. to consider, among other matters, Cast Corporation’s request for financial assistance for the Proposed Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of DJJ Funds for Cast Corporation’s Proposed Project, and that the granting of the requested financial assistance would promote economic development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$945,000 of FY14 DJJ Business Development Project funds to purchase a participation interest in a \$3,150,000 bank loan which is being made to enable Cast Corporation to finance the costs of the Proposed Project, with such participation interest to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency’s standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on construction projects.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 8th DAY OF AUGUST 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

4) Business Energy Retrofit Program – Resolution No. 14-034

TEPF – Action required: Approval requires a simple majority of the quorum

Senator Tom Saxhaug moved to approve funding for the Business Energy Retrofit Program in an amount not to exceed \$500,000, as presented in Resolution No. 14-034. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe



P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: August 5, 2013

Re: Business Energy Retrofit Program Funding Request

I recommend funding the Business Energy Retrofit Program (BER) for FY14 in the amount of \$500,000. This proposal would expand the program to the entire IRRRB service area providing grants to eligible business owners to make cost effective energy improvements on buildings they own. These grants will cover one third of the investment with the other two thirds coming from utility rebates, owner match, other energy funds or low interest loans. The savings realized from these investments will allow those local business owners to retain existing jobs as well as create new economic opportunities for their business with an improved bottom line. The work provided through local contractors and materials purchased from local suppliers will also retain local jobs as well as create additional new economic opportunities.

The pilot program which began last year in the City of Hibbing has been highly successful and well received. There have been 13 completed projects for local businesses and this increased level of investment has the potential to add an additional 40 projects across the IRRRB service area. The data shows that the average total project investment by business owners was \$47,559, of which the average investment by the IRRRB was \$17,896.

To date, 16 local contractors have worked on these local projects and 12 local vendors have supplied products for the projects which have been completed. Local banks have also provided loans to businesses for their projects.

AEOA will deliver the IRRRB funded BER program for commercial properties by providing a one-stop service to the business owner that results in energy savings, short-term payback and a design that enhances the business and its operations which can then be replicated and expanded. The program is designed to save business owners energy and money by focusing on challenges that businesses face when making energy improvement decisions. These challenges include limited financial resources and time, limited knowledge of energy saving products and lack of access to qualified contractors. Area Chambers of Commerce, DEED, CDBG and Energy Insight will continue to support and invest in this program.

Letters of support for the expansion of the program have been received from the following:

Senator Al Franken	Grand Rapids Area Chamber of Commerce
Hibbing Area Chamber of Commerce	Two Harbors Area Chamber of Commerce
City of Hibbing	Nashwauk Area Chamber of Commerce
Clean Energy Resource Team (CERT)	Lake County HRA
City of Ely	Cook County Economic Development Authority
City of Virginia	

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2014 AGENCY BUDGET AMENDMENT
AND BUSINESS ENERGY RETROFIT PROGRAM APPROVAL**

Resolution No.: 14-034

WHEREAS, the Board and Governor have previously approved a Fiscal Year 2014 Budget pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11, for the funding of the operational expenditures, programs and projects of the agency during the State's fiscal year 2014, which covers the period of time from July 1, 2013, through June 30, 2014 (the "**FY14 Budget**"); and

WHEREAS, the Commissioner has requested the Board to approve an amendment to the FY14 Budget to add \$500,000 of available TEPF carryforward funds to be used to add a Business Energy Retrofit (BER) program line item in the FY14 Budget (the "**Proposed Budget Amendment**"), which funds would be used to continue and expand the program as provided in the Board packet materials and presented at the Board meeting (the "**BER Program**"); and

WHEREAS, the Board met in open session at 10:00 a.m. on August 8, 2013, in the agency's Administration Building located near Eveleth, Minnesota, to consider, among other matters, the Proposed Budget Amendment and BER Program and determined that amending the FY14 Budget to continue and expand the BER Program as proposed would help promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves amending the FY14 Budget to add \$500,000 of available TEPF carryforward funds to add a BER program line item in the FY14 Budget, which funds will be expended and used for the BER Program as presented at the Board meeting.

BE IT FURTHER RESOLVED that the Board's approval for the expenditure of FY 14 TEPF Funds for the BER Program is contingent upon the beneficiary of agency funds to commit to the payment of prevailing wages as required by law, or to the extent required in the Board's Resolution 96-005.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 8th DAY OF AUGUST 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

5) Grants – Resolution No. 14-035

TEPF – Action required: Project approval requires a simple majority of the quorum
 Representative Jason Metsa moved to approve the expenditure of up to \$12,500 to the city of Cohasset for new water and sewer line connections to service a new retail development project and an existing business and up to \$350,000 to the city of Virginia for water, sewer, utility extension and site work for a new surgery center on Bailey’s Lake, as presented in Resolution No. 14-035. Seconded by Representative Tom Anzelc. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 PUBLIC WORKS PROJECTS APPROVAL**

Resolution No.: 14-035

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY14 Budget includes the allocation of \$7,000,000 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”); and

WHEREAS, the Commissioner has received proposals for the expenditure of up to \$362,500 of such TEPF Public Works Funds for those certain community and economic development projects that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Projects**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on August 8, 2013, at the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the proposed amounts of TEPF Funds for the purposes specified would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$362,500 of FY14 TEPF Public Works Funds to provide grants for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY 14 TEPF Public Works Funds for the Proposed Projects is contingent upon the agency, in its grant contracts, requiring the grantee entities to commit to the payment of prevailing wages for the funded projects as required by law, or to the extent required in the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY14 TEPF Public Works Funds for the Proposed Projects is further contingent upon all such project financing being in place before the agency’s funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 8th DAY OF AUGUST 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

**EXHIBIT A
PUBLIC WORKS GRANTS FY14**

City of Cohasset

Grant Amount: \$12,500

The project is comprised of new water and sewer line connections to service a new retail development project and an existing business. The City of Cohasset has to vacate some existing water and sewer lines and add a new connection to the Highway 2 water and sewer lines. This project will provide leverage for a new 8500 square foot retail development. The project is expected to create 6.5 FTE construction jobs and a number of permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Buildings	\$800,000	IRRRB	\$12,500
Water, sewer and roads	12,500	Private	800,000
Land Purchase	211,000	City	211,000
TOTAL			\$1,023,500
		TOTAL	\$1,023,500

City of Virginia

Grant Amount: \$350,000

The public works grant to the City of Virginia is for a project that is comprised of water, sewer, utility extension and site work for a new surgery center on Bailey's Lake. This project is an expansion of the Sundell Eye Associates Clinic and will be located on the same site on Baily's Lake. The new eye clinic is near completion and the new 8000 square foot surgery center is scheduled to be bid in September and construction will commence immediately. The new surgery center will be owned and operated by Sundell Eye Associates with additional health care providers offering surgical procedures. The project is expected to create 12 FTE permanent jobs and 19.5 FTE construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Buildings	\$3,000,000	IRRRB	\$350,000
Water, sewer and roads	275,000	Private	3,000,000
A & E	50,000		
Contingency	25,000		
TOTAL			\$3,350,000
		TOTAL	\$3,350,000

6) Land Purchase – Resolution No. 14-036

TEPF – Action required: Project approval requires a simple majority of the quorum
 Representative Tom Anzelc moved to approve the expenditure of up to \$547,000 of TEPF Funds to finalize a purchase agreement for local area lands, as presented in Resolution No. 14-036. Representative Jason Metsa. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: Senator Tom Bakk

Abstain: Representative Carly Melin

Excused: Senator Rod Skoe, Representative David Dill



**Iron Range Resources &
Rehabilitation Board**

**P.O. Box 441
4261 Highway 53 South
Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047**

To: Iron Range Resources and Rehabilitation Board

From: Tony Sertich
Commissioner

Date: August 8, 2013

Re: Local Area Land Purchase

At its June 14, 2012 meeting, the IRRRB Board approved the expenditure of up to \$250,000 as an escrow deposit to authorize the Commissioner to enter into a purchase agreement to acquire up to 730 acres of land that are in close proximity to Balkan, Buhl and Chisholm. The acreage includes frontage on Highway 169 and County Road 67, and the source of Chisholm's potable water supply. The Board determined that consolidating ownership of lands strategically located near so many central communities with potential for recreational and business development would be a good use of agency resources. The lands along the highway corridors could be attractive locations for businesses, and some of the lands immediately east of County Road 67 could be developed for business or residential housing. Mineland reclamation opportunities also exist, especially with the potential water access to the Sherman pit that could be developed. The Board withheld approving additional monies for the sale until the Commissioner had an opportunity to perform due diligence on the valuation of the lands and possible environmental issues left behind by previous mining and other uses of the lands.

Subsequent to the Board meeting, the agency entered into a purchase agreement with the Seller, contingent upon confirming the valuation of the lands and that there were no environmental hazards requiring performance of a Phase II environmental assessment. The purchase agreement includes 667.79 acres; all but 27.21 acres of the lands also include mineral rights.

Iron Range Resources and Rehabilitation Board

August 8, 2013, Meeting Minutes

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The agency contracted with Carlson McCain, Inc., to perform a Phase I environmental site assessment. The site assessment determined that there were no obvious environmental issues that would require a more detailed Phase II assessment.

To determine valuation, the agency entered into separate contracts with Ramsland and Vigen, Inc. (through a DNR master contract) to determine the valuation of the surface interests (assuming no mineral values existed), and Global Minerals Engineering LLC (through an RFP process) to determine the valuation of the minerals based on the assumption that the agency would receive royalties for any minerals extracted on the lands and not engage in direct mining itself (the usual method for valuing mineral interests in the region).

Ramsland and Vigen appraised the surface interests at \$447,000 effective July 26, 2013. The appraisal also indicated that there are remediation issues (primarily fencing) that would need to be completed to block access to many areas surrounding the pits. We expect remediation could cost up to \$150,000, meaning that the real value of the surface interests, subtracting remediation costs, is \$297,000.

Global Minerals Engineering provided a range of royalty values to the owner of the mineral interests; however, we believe the most likely value based on the probability and timing of future mining, if any, is \$500,000.

Combining the surface appraisal and minerals valuation work, the agency has determined that the fair market value of the lands is \$797,000.

Based on the information now available, I am recommending the Board approve the expenditure of \$547,000 from the Taconite Area Environmental Protection Fund (“TEPF”), under the authority of section 298.223, subdivision 1, which authorizes the expenditure of TEPF monies for “reclaiming, restoring and enhancing” those areas within the TAA that are adversely affected by mining operations, and for the purpose of promoting economic development. The expenditure would be used to finalize a purchase agreement with the Seller for the local area lands. Should the Seller decide not to proceed with the sale at the price offered, the funds will not be utilized, and the \$250,000 previously approved for the sale will be returned.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE ENVIRONMENTAL PROTECTION FUND ACT
PURCHASE OF LANDS NEAR CHISHOLM, BUHL
AND BALKAN TOWNSHIP**

Resolution No.: 14-036

WHEREAS, the Commissioner is authorized under the provisions of Minnesota Statutes Section 298.22, Subdivision 5a to purchase, upon approval of the Board, forest lands in the taconite

assistance area defined in Minnesota Statutes Section 273.1341 (the “**TAA**”) for inclusion in an Iron Range Miners’ Memorial Forest (“**Miners’ Memorial Forest**”); and

WHEREAS, the provisions of Minnesota Statutes Section 298.223, Subdivision 1 provide the authority to use money from the Taconite Area Environmental Protection Fund to purchase lands for the Miners’ Memorial Forest (“**TEPF Funds**”); and

WHEREAS, the Commissioner has been presented with an opportunity to purchase up to 670 acres of undeveloped, partially forested land in the vicinity of the cities of Chisholm and Buhl and the Township of Balkan, which has frontage on Highway 169 and includes the lands on which the City of Chisholm’s potable water supply lines and pumping facilities are located (the “**Available Lands**”); and

WHEREAS, on June 14, 2012, the Board approved the expenditure of up to \$250,000 for an escrow deposit to enable the Commissioner to enter into a purchase agreement to purchase the Available Lands for inclusion in the Miners’ Memorial Forest, and determined that the expenditure of such funds for those purposes would promote economic and recreational development in the TAA because they could be included within and be managed and administered as part of the authorized Iron Range Miners’ Memorial Forest (collectively, the “**Commissioner’s Proposed Project**”); and

WHEREAS, the Board conditioned the approval of additional monies to complete the purchase upon the Commissioner obtaining information about the value of and potential issues associated with environmental conditions on the Available Lands; and

WHEREAS, the Commissioner has completed obtaining such information and has presented it to the Board, and, based on such information, is recommending that the Board approve the expenditure of an additional \$547,000 from TEPF Funds to complete the potential purchase of the Available Lands; and

WHEREAS, the Board met at 10:00 a.m. on August 8, 2013, in the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters, approval of the requested funds for the Commissioner’s Proposed Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure at this time of up to \$547,000 of TEPF Funds in addition to the \$250,000 already approved to enable the Commissioner to complete the purchase of the Available Lands for inclusion in the Miners’ Memorial Forest upon the agreement of the owner of the Available Lands, and that the expenditure of such funds for those purposes would promote economic and recreational development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$547,000 of TEPF Funds to enable the Commissioner to make an offer that, if accepted by the owner of the Available Lands, would lead to the purchase of the Available Lands for inclusion in the Miners’ Memorial Forest.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 8th DAY OF AUGUST 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk		X		
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill				X
Representative Carly Melin			X	
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	5	1	1	2

Signed: _____
 Senator David Tomassoni, Chair

7) Legislative Appropriated Projects – Resolution No. 14-037

Action required: Approval requires a simple majority of the quorum

Senator Tom Bakk moved to approve the Legislative Appropriated Projects in an amount not to exceed \$166,498, as presented in Resolution No. 14-037. Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 10 CPT MONEY PROJECT APPROVALS**

Resolution No.: 14-037

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite

Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, Minnesota Statutes Section 298.227 contains provisions related to the Taconite Economic Development Fund program (the “**TEDF Law**”). Paragraph (b) of that TEDF Law, which was originally enacted during the 2008 Legislative session, appropriated an amount equal to ten cents per taxable ton of production in 2007 (the “**10 CPT Money**”) to provide funds with which the Commissioner, with Board and Governor approval, could make loans or grants for costs associated with constructing value-added wood products facilities that would be located within the TAA; and

WHEREAS, Paragraph (b) (ii) of the TEDF Law provides that, if the authorized loan or grant for the value-added wood products facility was not made prior to July 1, 2012, the 10 CPT Money thereafter would be transferred into the TEPF account to be available for expenditure as TEPF Funds, without Governor approval, for public works projects in various proportions in the house legislative districts within the TAA; and

WHEREAS, the Commissioner prior to July 1, 2012, did not make any loan or grant of any portion of the 10 CPT Money for any such value-added wood products facility and the 10 CPT Money is therefore now available for expenditure as TEPF Funds for public works projects allocated in accordance with the provisions of Paragraph (c) of the TEDF Law; and

WHEREAS, the Board at its June and August 2012 meetings previously approved the expenditure of up to \$3,715,795 of such 10 CPT Money for certain public works projects and the Commissioner now has received proposals for the expenditure of up to \$166,498 of the remainder of such 10 CPT Money for those certain community and economic development projects that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Projects**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on August 8, 2013, at the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the expenditure of the following amounts of 10 CPT Money for the purposes and in the amounts specified below would be in the public interest, would promote economic development within the TAA, and would provide for the allocation of such 10 CPT Money in the manner required by Paragraph (c) of the TEDF Law.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$166,498 of the 10 CPT Money to provide TEPF Fund grants for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of the 10 CPT Money for those Proposed Projects listed in the attached Exhibit A which have associated private development work is contingent upon the agency, in its grant contracts, requiring each such grantee entity to commit to the payment of prevailing wages for the funded project and

associated private development construction work as indicated in, and to the extent required in, the Board's Resolution 96-005.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 8th DAY OF AUGUST 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe				X
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

**EXHIBIT A
 PROPOSED PROJECTS**

Grantee	Description	Amount
City of Orr	Toward the purchase of capital equipment to support work of the Voyageur Trail Society.	\$75,000
St. Louis County School District #2142	St. Louis County Schools Capitol Tours & Education Trust Fund	\$91,498
TOTAL		\$166,498

8) Agency Program Guidelines

Representative Tom Anzelc moved to approve the agency program guidelines as presented to the IRRR Board. Seconded by Representative Joe Radinovich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Rod Skoe

Agency Program Guidelines



FINANCIAL ASSISTANCE

2014 GRANT GUIDELINES

BUSINESS ASSISTANCE

Eligible Businesses

The purpose of this program is to increase, expand and diversify the economic base of the region. Primary consideration is given to the following types of businesses:

- Manufacturing/assembly
- Businesses, including service businesses, that attract expenditures from outside the region
- Technologically innovative projects

Ineligible Businesses

The following businesses are ineligible for consideration:

- Retail/Service
- Media
- Speculative Real Estate
- Professional Offices
- Agriculture
- Construction
- Tourism

Types of Financial Assistance Available

IRRRB financial assistance is flexible and is structured to best suit the needs of the project.

Types of financial assistance include:

- Bank Participation Loans – IRRRB may purchase a portion of a loan from a bank to an eligible business, with the interest rate on the portion purchased by the agency being three percent less than United States government securities of a similar maturity (minimum of 1%).
- Direct Loans – IRRRB may make a direct loan to an eligible business at an interest rate of one percent less than United States government securities of a similar maturity (minimum of 3%).*
- Loan Guarantees – IRRRB may consider a limited guaranty on a loan to an eligible business (all businesses that have been operating for a minimum of two years in the IRRRB service area under the same management are eligible for the IRRRB Local Business Loan Guaranty Program).
- Equity Investment – IRRRB has the statutory authority to make equity investments in eligible companies and may consider this for businesses that demonstrate extraordinary growth potential.

Allowable Uses of Proceeds

Allowed uses of IRRRB financing include:

- Land acquisition and improvements
- Building construction, acquisition, and renovation
- Equipment purchase and installation
- Marketing and inventory purchase

Review Criteria

Applications for IRRRB financial assistance will be evaluated on criteria that include:

- Anticipated economic activity including the creation/retention of quality jobs
- Credit worthiness of applicant including a demonstrated repayment ability
- Management capability and commitment to the business and project
- Ability to leverage other funding
- Adequate collateral coverage

DEVELOPMENT PARTNERSHIP GRANT PROGRAM

Purpose

The Development Partnerships Grant Program supports initiatives that have been determined by the Commissioner to play a key role in supporting the mission of the agency. Examples of this type of project include: cooperative economic development initiatives between two or more local units of government; funding for services delivered to businesses within the TAA by providers designed to increase sales, increase efficiencies, expand markets, or to demonstrate viability of a business or expansion; programs offered by regional development leaders designed to increase the leadership capacity within the TAA; services that may assist the agency in its outreach and business recruitment function, and; investment in other development opportunities that are consistent with IRRRB objectives.

Eligibility

Eligible applicants include cities, townships, other local units of government, nonprofits and other organizations located, or who provide services to clients, within the IRRRB service area. Multi-organization collaborative projects are eligible for this grant program.

Criteria

Awards from this fund will be for projects that have been determined to advance the mission and objective of the IRRRB and are subject to the discretion of the IRRRB Commissioner. Funding priorities include, but are not limited to:

- Initiatives that demonstrate collaborative economic development initiatives between multiple local units of government.
- Programs designed to assist area businesses in growth, including increasing sales and levels of employment.
- Programs offered to area businesses an opportunity to increase efficiencies, such as implementation of lean manufacturing techniques.
- Services provided to businesses with the objective to assist the business in penetrating new markets.

- Services, such as the assistance in the creation of businesses plans, that an organization will to a proposed start up or established businesses to allow the business to demonstrate viability.
- Initiatives to assist the agency in its outreach and business recruitment function.
- Programs offered to increase the leadership capacity within the TAA.

The applicant must demonstrate that all funding, to complete its activities as outlined in its application, is in place prior to entering into a grant contract. The project activities must begin within six months of the grant award.

COMMERCIAL REDEVELOPMENT GRANT PROGRAM

Purpose

The Commercial Redevelopment Grant Program supports the demolition and removal of dilapidated commercial buildings or publicly-owned structures or the cleanup of Brownfield sites. These projects should make way for potential new development. **Maximum grant award is \$200,000, although the agency reserves the right to grant awards higher than this amount where circumstances warrant.**

Eligibility

Eligible applicants are cities, townships and non-profits located in the IRRRB service area. Multi-organization collaborative projects are eligible for this program. Eligible projects must benefit a business that fits one of the following categories:

- Publicly-owned structures
- Manufacturing or assembly industry
- Technologically innovative industries that manufacture goods or provide a service that is primarily exported from the region
- Retail and service businesses
- Brownfield sites

Criteria

ECONOMIC IMPACT – Priority #1

- Priority is given to projects that have specific redevelopment proposals
- Attracts new investment
- Broadens the local tax base
- Enables new development
- Removes slum and blight
- Mitigates public safety concern
- Supports smart growth and sustainable communities

LEVERAGE – Priority #2

IRRRB will provide up to two-thirds (2/3) of the cost of a project. For every two dollars (\$2) requested from IRRRB, the applicant must provide a minimum of one dollar (\$1) in funding from other sources. Priority consideration may be given to projects that provide greater leverage of IRRRB funds.

PROJECT READINESS – Priority #3

The applicant must provide a statement regarding the anticipated demolition date and readiness of the project. IRRRB funds will not be released until the following documentation is received:

- Required permits and an MPCA Notification of Intent to Perform a Demolition form
- Utilities Disconnection form
- Assurance of hazardous waste removal

TIMELINESS – Priority #4

The applicant must provide a statement that:

- Project financing is in place
- The project will be ready for demolition or site improvement within one year after the grant award

COMPREHENSIVE PLAN GRANT PROGRAM

Purpose

The Comprehensive Plan Grant Program provides funds to cities and collaborative organizations to aid in the development, adoption and implementation of a comprehensive plan. **Maximum grant award is \$20,000 although the agency reserves the right to grant awards higher than this amount where circumstances warrant.**

Eligibility

Eligible applicants include cities and collaborative organizations, located within the IRRRB service area, which have their own land use authority.

Criteria

LEVERAGE – Priority #1

Comprehensive plans are eligible for an IRRRB grant leveraged 1:1 by the applicant. For every one dollar (\$1) requested from IRRRB, the applicant must provide one dollar (\$1) in funding from other sources.

CONTENT – Priority #2

All funded comprehensive plans must include, but are not limited to, the following sections:

- a. Issues and opportunities section. Background information on the local governmental unit and a statement of overall objectives, policies, goals and programs of the local governmental unit

to guide the future development and redevelopment of the local governmental unit over a 20-year planning period.

- b. Housing section. A compilation of objectives, policies, goals, maps and programs of the local governmental unit to provide an adequate housing supply that meets existing and forecasted housing demand in the local governmental unit.
- c. Transportation section. A compilation of objectives, policies, goals, maps and programs to guide the future development of the various modes of transportation, including highways, transit, transportation systems for persons with disabilities, bicycles, electric personal assistive mobility devices, walking, railroads, air transportation, trucking and water transportation.
- d. Utilities and community facilities section. A compilation of objectives, policies, goals, maps and programs to guide the future development of utilities and community facilities in the local governmental unit such as sanitary sewer service, storm water management, water supply, solid waste disposal, on-site wastewater treatment technologies, recycling facilities, parks, telecommunications facilities, power-generating plants and transmission lines, cemeteries, health care facilities, child care facilities and other public facilities, such as police, fire and rescue facilities, libraries, schools and other governmental facilities.
- e. Mining, timber, tourism, natural and cultural resources section. A compilation of objectives, policies, goals, maps and programs for the conservation, preservation, promotion and effective management of natural resources such as groundwater, forests, current and future mining areas including mineral extraction and associated disturbed lands, environmentally sensitive areas, threatened and endangered species, stream corridors, surface water, floodplains, wetlands, wildlife habitat, metallic and nonmetallic mineral resources consistent with zoning limitations.
- f. Economic development section. A compilation of objectives, policies, goals, maps and programs to promote the stabilization, retention or expansion of the economic base and quality employment opportunities in the local governmental unit, including an analysis of the labor force and economic base of the local governmental unit.
- g. Intergovernmental cooperation section. A compilation of objectives, policies, goals, maps and programs for joint planning, decision making with other jurisdictions and timelines to initiate each one. Possible areas include school districts, drainage districts and adjacent local governmental units, for siting and building public facilities and sharing public services.
- h. Land-use section. A compilation of objectives, policies, goals, maps and programs to guide the future development and redevelopment of public and private property. The section shall contain a listing of the various land use types, amount of each, intensity and net density of existing uses of land in the local governmental unit, such as mining, residential, commercial, industrial, agricultural and other public and private uses.
- i. Implementation section. A compilation of programs and specific actions to be completed in a stated sequence, including proposed changes to any applicable zoning ordinances, official maps, or subdivision ordinances, to implement the objectives, policies, plans and programs. The local government unit must adopt the comprehensive plan and implementation plan before any reimbursement can be made. The adoption of the comprehensive plan shall include the commitment to update the comprehensive plan no less than every 5 years. Provide the number of FTE construction jobs created by the completion of the proposed project and the estimated construction payroll. Please use the formula of 6.5 FTE for every

\$1,000,000 in the new construction project. Provide the number of FTE permanent jobs created or retained by completion of the proposed project with the estimated payroll for the specific type of jobs.

CULTURE & TOURISM GRANT PROGRAM

Purpose

The Culture & Tourism Grant Program stimulates tourism, enriches communities and generates economic impact through cultural, artistic, heritage-related or recreational activities. **Grants are limited to a minimum of \$2,500 and a maximum of \$20,000.**

Eligibility

Eligible applicants are non-profit organizations, multi-organization and multi-community projects located within the IRRRB service area. Applicants may receive one grant per year with a maximum of three (3) consecutive years.

Ineligible expenses include but are not limited to general organization overhead of local celebrations, holiday events, reunions and centennials, existing deficits, awards and prizes.

Criteria

PROJECT PLANNING & MANAGEMENT– Priority #1

- Organizational history, past experience with projects and financial viability
- Professional, technical or artistic qualifications of contracted vendors, talent, service providers
- Plan for marketing, public relations and communications
- Project is ready to begin and is dependent upon this grant

COMMUNITY BENEFIT AND PARTNERSHIPS – Priority #2

- Unique community resources or assets that play a role in the project
- The project demonstrates innovation or value to the community
- The project demonstrates public/private partnership and collaboration

LEVERAGE – Priority #3

- IRRRB funds must be leveraged by a minimum of 1:1 from other funding sources. In-kind may constitute up to 50% of the match.
- Multi-organization and multi-community projects may receive an increased 2:1 leverage
- Committed financial, in-kind and volunteer support from the community

ECONOMIC IMPACT – Priority #4

- Projected participation, attendance or visitation
- Economic impact and job creation or retention

FILM PRODUCTION INCENTIVE GRANT PROGRAM

Purpose

The Film Production Incentive Grant Program supports productions which create jobs and result in economic impact in the IRRRB service area. **IRRRB will reimburse 20% on eligible expenditures in our service area with a cap of \$500,000 per production.**

Eligibility

Eligible applicants are production companies or producers of feature films, national television programs, Internet programs, documentaries, music videos and commercials that are filmed within the IRRRB service area and that directly create new film jobs and result in economic impact in the IRRRB service area.

All categories of production must be consistent with the purpose of Minnesota Statute Section 116U.26, Film Production Jobs Program.

To qualify for IRRRB reimbursement a project must:

- Begin production within the IRRRB service area within twelve (12) months of project approval
- Spend at least 60% of the budget or shoot 60% of production days within the IRRRB service area

Criteria

Eligible projects must benefit the IRRRB service area by creating jobs and providing economic impact.

Only those goods and services purchased within the IRRRB service area are eligible for reimbursement.

LAURENTIAN VISION PARTNERSHIP – INNOVATION GRANT PROGRAM

Purpose

The Laurentian Vision Partnership Innovation Grant Program supports the implementation of the Laurentian Vision Partnership's goals by assisting with projects that serve the partnership's vision and mission of *"Transforming pits and piles to living lakes and landscapes...our legacy for the future."* **Maximum grant award is \$125,000.**

Eligibility

Project proposals are accepted from local units of government, mining companies or other stakeholders working in cooperation with taconite mining companies or communities in their efforts to:

- **Preserve** lands that sustain current and future mining
- **Promote** landscape options for post mining uses
- **Identify** and discuss new development opportunities
- **Provide** the tools to achieve these goals

Multi-organization collaborative projects are encouraged for this program.

Criteria

SUSTAINABLE DEVELOPMENT – Priority #1

- The project provides for a post-mining use of the land aimed at future commercial or residential development, recreational or environmental enhancement or permanent job creation.
- The project provides and supports the sustainable and future use of mining impacted lands.
- The project mitigates public safety concerns.

PARTNERSHIPS AND COOPERATION – Priority #2

- Projects must include the cooperation of a mining company and may be developed with adjacent local units of government, nonprofit organizations or other stakeholders.
- The project is innovative and its completion is not required by existing permits or laws. If the project involves active mine areas or other lands covered by a permit, the project must be reviewed and receive approval from the appropriate state, county or local regulatory agency prior to submission. The project must also exceed the minimum requirements of applicable permits or laws e.g. the State's Taconite and Iron Ore Mineland Reclamation Rules.
- The project may be located on private or public lands.

LEVERAGE – Priority #3

- Innovation Grant funds will leverage monies from other funding sources.
- Leveraged funds can be from any source, other than IRRRB, including the value of in-kind services.

PROJECT READINESS – Priority #4

- The project should be ready for initiation within one year after the grant award.
- The applicant must provide a statement relating to the timely and successful implementation of the project and a statement certifying that all financing is in place.

MINING IMPACT PROGRAM

Purpose

Mining activities (mineral exploration, development, and mining) are the economic drivers for Northeastern Minnesota and consequently have an impact on our daily lives. The Mining Impact Grant Program will stimulate both the mining industry and local communities to identify community impacts. This will facilitate discussion, planning, and solution implementation of the current and future mining impacts. Early identification of these issues will result in more time to bring everyone together to construct a beneficial solution. **Maximum grant award is \$125,000.**

Eligibility

Eligible applicants are cities and townships located within the IRRRB service area. Applications are accepted on an ongoing basis throughout the year.

Eligible projects must:

- Provide benefits for both the applicant and the future of mining in Minnesota.
- Address an existing or potential impact between a community and a mining activity.
- Provide details regarding current and future mineral exploration, development and mining in their community.
- Provide a detailed plan for the future of the community and mining.
- Preserve mining deposits for future development.
- Leave a legacy for future generations.

Criteria

- A potential or an existing issue is clearly identified.
- The community must be committed to addressing the issue in an effort to develop a plan to address the issue.
- The community must commit to implementing the solution they develop.
- Projects that include a collaborative (other communities, mining companies, etc.) will receive preference.
- Projects that provide the opportunity for innovative, nontraditional solutions are encouraged and will be given preference.
- Leverage is encouraged and can be from any source, other than IRRRB, including the value of in-kind service.
- The submitted project should have community support and be ready to initiate within 9 months of receiving the award.
- The applicant must provide a statement relating to the timely and successful implementation of the project and a statement certifying that all financing is in place.

PUBLIC WORKS GRANT PROGRAM

Purpose

The Public Works Grant Program provides funds for cities and townships for infrastructure, site work, renewable energy and energy efficiency projects, airport or healthcare capital projects that support community and economic development. **It is the IRRRB's intent to limit grant awards to a maximum of \$250,000 for water and sewer upgrades, \$350,000 for development projects and \$500,000 for collaborative applications.**

Eligibility

Eligible applicants include cities, townships, airport authorities, healthcare boards and commissions located within the IRRRB service area. A non-profit organization, utility, department, board or other public entity may apply through the city or township in which it is located.

Eligible projects are publicly owned infrastructure to a development or a potential development including water, sewer, utility extensions, site improvements, fiber, streets, upgrades and repairs to water and sewer systems, renewable energy or energy efficiency projects, healthcare capital projects, collaborative emergency services building projects and airport projects that support community and economic development.

Criteria

ECONOMIC IMPACT – Priority #1

The proposed project should demonstrate its economic impact in the following areas:

- Adding new development
- Attracting essential services
- Attracting future development
- Attracting new investment to the area
- Broadening the local tax base
- Supporting smart growth and sustainable communities
- Promoting energy efficiency and conservation
- Correcting a water or sewer violation that is a health/safety issue or an issue that prevents capacity building
- Financial sustainability of the project
- Removing barriers to economic growth
- Preserving lands necessary to sustain current and future mining

EMPLOYMENT PROJECTIONS – Priority# 2

Provide the number of FTE construction jobs created by the completion of the proposed project and the estimated construction payroll. Please use the formula of 6.5 FTE for every \$1,000,000 in the new construction project. Provide the number of FTE permanent jobs created or retained by completion of the proposed project with the estimated payroll for the specific type of jobs.

LEVERAGE – Priority #3

IRRRB funds must be leveraged by a minimum of 1:1 from other funding sources.

PROJECT READINESS – Priority #4

The project should be ready for construction within six months after the grant award. Provide a statement relating to the timely and successful implementation of the project and a statement certifying that all financing is in place. A shovel ready project is defined as an applicant has completed the planning, zoning, environmental studies, title work and other pre-construction activities on the designated site.

COMMUNITY RESOURCEFULNESS – Priority #5

Provide information about your community resourcefulness by addressing the following:

- Describe how this project will eliminate barriers to growth.
- Describe how the project will increase the capacity of existing resources.
- Describe the long-term outcomes of this project in terms of social, economic, civic or environmental impact.
- Describe who will benefit and how many people will be served or impacted by the project.

RESIDENTIAL REDEVELOPMENT GRANT PROGRAM

Purpose

Residential Redevelopment Grant Program supports the demolition of dilapidated residential structures to encourage new in-fill development on previously developed sites where infrastructure already exists. **Maximum grant award is 75% of the demolition costs, or three dollars per building square foot, whichever is less.**

Eligibility

Eligible applicants are cities and townships (and counties in cases where properties are located in unorganized townships) in the IRRRB service area.

Criteria

Eligible projects must benefit the IRRRB service area by removing dilapidated residential structures, creating a cleaner, safer, healthier environment and encouraging new construction.

- Qualifying structures include single-unit residential houses, residential duplex homes of no more than two units, garages, basements and accessory structures.
- The structure to be demolished must be located within the IRRRB service area.
- IRRRB reserves the right to evaluate all proposed structures to determine demolition feasibility.
- Condemned structures are eligible for inclusion in this program, but IRRRB does not participate in condemnation proceedings.
- Commercial structures are not eligible for this program.

Funding

IRRRB will provide a maximum of 75 percent of the demolition costs, or three dollars per building square foot, whichever is less. IRRRB provides funding to cities and townships to assist in the demolition and removal of eligible structures. Eligible structures can be removed in one of two ways.

- Cities and townships that have the staffing, equipment and ability to demolish and remove eligible structures will be reimbursed for actual costs by IRRRB, subject to program guidelines.
- Cities and townships may opt to contract with a licensed and insured contractor through a bid solicitation process to demolish and remove eligible structures. IRRRB will reimburse the city or township, according to program guidelines and the city or township will then be responsible for compensating the private contractor. Expenses eligible for reimbursement are limited to those incurred after an individual project is approved in writing by IRRRB.

8) Adjournment

The meeting adjourned at 11:34 a.m.