

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

**IRRRB
Eveleth, Minnesota**

Tuesday, June 14, 2016 – 11:00 a.m.

**Meeting of the Iron Range Resources and Rehabilitation Board
IRRRB, Eveleth, Minnesota
Tuesday, June 14, 2016
11:00 a.m.**

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**MEETING OF THE IRON RANGE RESOURCES
AND REHABILITATION BOARD**
Eveleth, Minnesota
Tuesday, June 14, 2016 – 11:00 a.m.

AGENDA

- 1) Roll Call

- 2) Approval of February 22, 2016, Meeting Minutes
See Exhibit A

- 3) Commissioner's Comments

- 4) FY17 IRRRB Budget
 - a. IRRRB Annual Budget
See Exhibit B

 - b. Giants Ridge Capital Expenditure
See Exhibit C

- 5) Siding Manufacturing Company

- 6) Swan Lease, LLC/Swan Machine, Inc.

- 7) FY16 Infrastructure Projects
 - a. City of Grand Rapids

 - b. City of Virginia

- 8) Other
 - a. Northshore Business Center

- 9) Adjournment

FY17 IRRRB Budget

a. IRRRB Annual Budget

See Exhibit B

b. Giants Ridge Capital Expenditure

See Exhibit C

Siding Manufacturing Company
Site-Rail-Road-Utility Upgrades

Project Location:	Laskin Energy Park Colby Lake Road Hoyt Lakes, MN 55750
About the Client:	The prospective business that would build a manufacturing facility (“Client”) is a publicly traded global leader in engineered wood building products with most recent year sales of \$1.9 billion and 3,900 employees.
Project Description:	Following a North American site selection search to facilitate growth of their siding line, the Client has made preliminary recommendations to build a 2-line Super Plant producing siding at Laskin Energy Park in Hoyt Lakes, Minnesota. This decision is contingent upon having a ready-to-build site. Driving factors in this decision include Northeastern Minnesota’s valuable timber resource, talented workforce and culture that supports accelerated, large scale, industrial growth. Locations in Michigan, Canada, and other local communities were analyzed by the client prior to this decision.
Market Opportunity:	<p>The Client’s siding growth volumes set a new company record in the First Quarter 2016, positioning them for this expansion. Northeastern Minnesota is sufficient in natural resource business, as the impacts of a competitively priced siding facility to the timber products world are fully understood.</p> <p>Minnesota is an international leader in the timber industry. The forestry industry has been the focal industry initiative for many years with the significance of this opportunity recognized by a coordinated effort of Minnesota leadership including Governor Dayton, the Minnesota Legislature, IRRRB, DEED, MPCA, DNR, County and Local Partners. This project perfectly aligns with our strategy of diversifying and expanding the economy.</p>
Site Work Needed:	IRRRB Commissioner Mark Phillips is seeking Board approval for the expenditure of funds for a ready-to-build site for the Client. Site work needed includes roadway improvements, site preparation, storm sewer, water main, sanitary sewer, gas, electric, rail extension & spur. Financial and technical expertise will be deployed upon project approval providing periodic updates to the board during construction with full oversight and transparency.

Project Investment:		
	IRRRB DJJ	10,000,000
	21 st Century Fund	20,000,000
	Partner Investor Estimate	10,000,000
	Private Funding Estimate	400,000,000
	TOTAL	\$440,000,000
Partner Investors:	ALLETE – MN Power, St. Louis County and other partnering agencies amounts TBD based on final site needs.	
Sales Tax Rebate:	IRRRB Commissioner Phillips is also seeking Board approval for a sales tax rebate for building materials and supplies during a three-year period of construction of up to \$6 million to backfill legislation that was not approved in the tax bill. Procedures will mirror Department of Revenue review.	
	IRRRB DJJ	\$6,000,000
Legislative Incentive:	Enacted into law during 2016 session: Siding production incentive program set up with payments of up to \$3 million a year for 10 years, contingent on siding production, up to \$30 million.	
Jobs Projected:		
	250+ full time employees	Permanent Jobs
	500 - 600 indirect employees	Loggers, Truckers, Forestry, Supplier & Secondary Retail Jobs
	1.3 million hours	Construction Work Needed
	700,000 – 800,000 cords of wood	Annual Usage
	200 logging trucks	Per Day (Up to 300 in Winter)
	\$60 million annually estimated	Revenue to Loggers & Truckers
Contingencies:	Client’s Board of Directors review at meeting on July 29, 2016, and entry into mutually acceptable agreement that provides for reimbursement by Client if the desired work is performed on the site but Client does not complete the project.	
Technical Advisory Committee Recommendation:	Approval recommended on June 10, 2016.	
Funding Authorization:	Douglas J. Johnson Economic Protection Trust Fund (corpus): 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 projects and programs described in Minnesota Statutes Section 298.292, subdivision 1 that either (a) are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses; or (b) encourage diversification of the economy and promote the development of certain sectors of the TAA economy; or (c) for which technological and economic feasibility have been demonstrated.
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**Swan Lease, LLC/Swan Machine, Inc.
825 First Street NE
Perham, MN 56573**

IRRRB Bank Participation Loan Program

Applicant:	Swan Lease, LLC/Swan Machine, Inc.	
Project Location:	Grand Rapids, MN	
Principal(s):	Craig Swanson, Darrin Swanson, Brian Swanson, Trent Swanson	
Project Description:	<p>Construction and establishment of an approximately 13,000 square foot manufacturing facility west of the Grand Rapids Airport.</p> <p>Equity into the project will consist of contributed equipment and working capital as well as a cash contribution into the cost of the facility.</p>	
Market Opportunity:	This project will provide the companies with additional capacity that is expected to help facilitate continued double digit revenue growth.	
Project Investment:		
	Bank to be determined, negotiated rate, maximum 20 year amortization	\$ 600,000
	IRRRB, bank participation loan, formula rate, maximum 20 year amortization*	600,000
	IRRRB forgivable loan, formula rate, up to 7 year term**	150,000
	City of Grand Rapids/GREDA – land improvements including those funded with an IRRRB grant	265,000
	Equity	2,400,000
	TOTAL	\$4,015,000
	<p>*The Borrower on the bank participation loan will be Swan Lease, LLC.</p> <p>**The Borrower on the forgivable loan will be Swan Machine, Inc. This Borrower will be eligible for forgiveness on this loan in three installments of \$50,000 should it attain its employment objectives</p>	

	and should Swan Lease, LLC remain in compliance with all terms of the participation loan.
Jobs:	10 Planned New 5 Retained Wages \$30,000 - \$62,000 per year plus benefits
Collateral:	The bank participation loan to Swan Lease, LLC will be secured with a shared first position mortgage along with the bank and will be guaranteed by Kit Masters Inc. and Swan Machine, Inc. The forgivable loan to Swan Machine, LLC will be secured with personal guaranties of Craig Swanson, Darrin Swanson, Brian Swanson and Trent Swanson as well as a guaranty of Kit Masters Inc.
Business History:	Kit Masters was incorporated in 1996 by Keith Swanson to design and produce fan clutch parts kits for large vehicles. Originally, the kits were manufactured in the garage of the Swanson home in the northern suburbs of the Twin Cities. In 2000, the business expanded into a small industrial space in Ramsay. All four of Keith Swanson's sons – Craig, Darrin, Brian and Trent – were involved in the business. In 2004, the Swansons constructed a 16,000 square foot manufacturing facility in Perham, MN – Keith Swanson's hometown and an area in which the family had vacationed every summer. At the same time, they established Swan Machine, Inc., a precision manufacturer. Initially, Swan Machine made parts for Kit Masters, but they had plans to do precision manufacturing for other customer. Keith Swanson died in 2006 and his sons have carried on the business since. In 2014, the company completed a major expansion in Perham and established a small operation in Grand Rapids. Today, Kit Masters continues to supply fan clutch kits to major truck makers including Peterbilt, Freightliner, Navistar and Volvo as well as engine manufacturers Caterpillar, Cummins and Detroit. Swan Machine has grown to serve many customers in addition to Kit Masters. They manufacture parts for the firearms, paint spray equipment, electronics, housings, and agricultural equipment among other industries. Combined employment for the companies is currently 150. They operate out of a total of 60,000 square feet of space in Perham and have made a strategic decision to grow in Grand Rapids.
Past IRRRB History:	None.

Contingencies:	<ol style="list-style-type: none"> 1) Alternate funding structures may be considered as long as the IRRRB position is not materially compromised. 2) The participation loan to Swan Lease will be “on par” with the lead bank in every aspect. 3) Documentation of the value of the real estate satisfactory to both the bank and IRRRB be obtained prior to release of IRRRB funds. 4) IRRRB funding – both participation and forgivable loans – is to be used for costs related to the building construction.
Technical Advisory Committee Recommendation:	Approval recommended on June 10, 2016.
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.

FY16 Infrastructure Projects



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: Mark Phillips
Commissioner

Date: June 14, 2016

Re: FY16 INFRASTRUCTURE PROJECTS

PURPOSE

The Infrastructure Grant program provides funds for cities and townships that can be used for infrastructure, site work, or healthcare capital projects that support community and economic development. State law requires half of the agency's economic development fund to be invested in infrastructure projects in local communities.

ECONOMIC IMPACT*

FY 16 development infrastructure grants	2
IRRRB investment	\$516,000
Total public/private investment	\$7,951,575
Leverage	14 to 1

City of Grand Rapids**Grant Amount: \$166,000**

The City of Grand Rapids is requesting an infrastructure and site development grant to develop building space for a new business expansion on a 3.4-acre parcel in the Grand Rapids EDA Airport South Industrial Park. Swan Machine is constructing a new 13,000 sq. ft. manufacturing facility on this industrial park lot. Swan Machine manufactures component parts for many product lines, some of which include firearms, paint spray machines, electronic, housings, agriculture equipment, etc. The project is expected to add 10 permanent jobs and 10 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Infrastructure and site work	\$302,754	IRRRB(Grant)	\$166,000
Land	132,252	IRRRB (Loan)	750,000
Building	1,150,000	Private	876,754
A&E	107,089	City	99,341
Equipment	200,000		
TOTAL	\$1,892,095	TOTAL	\$1,892,095

City of Virginia**Grant Amount: \$350,000**

The City of Virginia is requesting an infrastructure and site development grant to redevelop the old Horace Mann School site for a new business. Spectrum Health is constructing a new 24,000 sq. ft., 36-unit assisted living facility on this undeveloped former school site. Due to the aging population and increased demand for assisted living services in our region, Spectrum Health has successfully opened and is operating "Carefree Living" assisted living facilities in Silver Bay, Babbitt, Ely, Orr and Aurora. The project is expected to create 25 permanent jobs and 30 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Site work	\$627,660	IRRRB	\$350,000
A & E	103,119	City	150,000
Land	150,000	Private	5,559,480
Building	4,978,701		
Contingency	200,000		
TOTAL	\$6,059,480	TOTAL	\$6,059,480

Other

- a. Northshore Business Enterprise Center

Northshore Business Enterprise Center



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: Mark Phillips
Commissioner

Date: June 14, 2016

Re: NorthShore Business Enterprise Center (NSBEC) - \$38,000 Matching Grant Request

Background

The NSBEC is a non-profit 501C(3) corporation, established in 1996 to support regional economic diversification and job creation by nurturing and facilitating the successful development of small start-up manufacturing, technology, and research & development in Lake County by providing flexible, affordable space.

The facility is a 20,000 sq. ft. facility on a 4.2-acre lot donated by Lake County. The NSBEC was built in 1996 and has helped many small businesses both as start-ups and expansions. Today NSBEC houses seven tenants of various backgrounds and professions. Two of the current tenants are in the bio-medical field; Bioactive Regenerative Therapeutic (BRTI) whose product is used by scientists in cell research and Betula Extractives LLC, whose process is to extract chemicals from birch bark, which can be used in medicines, preservatives, and cosmetics.

Request

NorthShore Business Enterprise Center is requesting a \$38,000 grant from the IRRRB to assist a bio-medical tenant in its growth. NSBEC would like to renovate, construct, and furnish a 21x17 sq. ft. space, to be established as a Cancer Cell Biology Research Laboratory in their facility. This laboratory would be utilized and affiliated with the University of Minnesota, School of Medicine located on the UMD campus and support the work done by BRTI in the Biomaterials Research field.

The logo for NorthShore Business Enterprise Center features the word "NORTHSHORE" in a large, blue, serif font, with "BUSINESS ENTERPRISE CENTER" in a smaller, blue, sans-serif font below it. The text is centered between two horizontal lines that curve upwards at the ends, resembling a stylized bridge or wings.

NORTHSHORE
BUSINESS ENTERPRISE CENTER

A place for growing businesses.

Mark Phillips
Iron Range Resources, Commissioner
1006 Hwy 53 S.
Eveleth, MN 55734-0441

On behalf of the NorthShore Business Enterprise Center (NSBEC), and as a follow-up to our conversations, I hereby request financial assistance to help us assist a bio-medical tenant in its growth.

Our project is to construct and furnish a 21.6 x 16.6 sq. ft., \$100,000 laboratory which will be leased by the tenant. Our request to you is for a \$75,000 grant and the NSBEC will provide the remaining \$25,000.

The NSBEC is a non-profit 501C (3) corporation, established in 1996 to support regional economic diversification and job creation by nurturing and facilitating the successful development of small start-up manufacturing, technology and research & development activities in Lake County by providing flexible, affordable space.

The facility is a 20,000 sq. ft. concrete block building located on a 4.2 acre wooded site (donated by lake County) near major truck and rail transportation routes. It offers 17,000 sq. ft. for tenant lease and 3,000 sq. ft of commons area that houses a conference room, a lunch room and shared office space. The Corporation is directed by a volunteer six-member Board of Directors who serve without remuneration.

The NSBEC was built in 1996, twenty years ago, and has helped many small businesses in getting their start and during their growth. Today we house seven tenants of various backgrounds and professions. We have retired our debts and, at this time, have a modest, but positive cash flow. At twenty years old we, as expected, are having to replace and repair some things in the building and grounds. Our annual expenses run about \$60,000 - \$75,000, of which \$16,000 are for property taxes.

Two of our tenants are in the bio-medical field;
Bioactive Regenerative Therapeutic, Inc. (BRTI) whose product is used by other Scientists in their research of cells. See enclosed business information.

**NORTHSHORE**
BUSINESS ENTERPRISE CENTER

A place for growing businesses.

Betula Extractives, LLC extracts chemicals from birch bark which can be used in medicines, preservatives, and cosmetics.

BRTI has been a tenant for about 2 ½ years and has experienced steady growth in their need for space. It is their desire and our vision to construct and furnish a research laboratory, which BRTI would lease. Such a lab would help them in their efforts to improve their product "Cell-Mate 3D". This lab would also further our vision by positioning the NSBEC in its efforts to attract other small and start-up bio-medical type businesses.

BRTI has already invested \$ 113,206 in leasehold improvements at the NSBEC. Due to their request for this additional space we feel it is in theirs and our best interest to provide additional space in the form of a furnished research laboratory. Betula Extractives has indicated that they may cooperate in a joint venture with BRTI in the use of this lab. A leading cancer cell research biologist at the University of Minnesota has indicated a desire to work in this lab also, and can provide more sophisticated equipment. We have received a favorable bid for the lab furniture through this contact. (See enclosed bids).

Enclosed please find information on the NSBEC, BRTI, construction bid, and lab furniture bid, letter of commitment for a five year lease, letter of support from BRTI and a source/use of funds statement. Construction and installment of furniture will be accomplished in accordance with prevailing wage requirements.

Sincerely,,



Michael Valentine, Manager

Exhibit A – IRRRB February 22, 2016, Meeting Minutes

IRRRB Meeting Minutes
Monday, February 22, 2016 – 11:00 a.m.
IRRRB Administration Building
Eveleth, Minnesota

1) Roll Call

Representative Tom Anzelc, chair, called the meeting to order at approximately 11:01 a.m. Present: Representative Rob Ecklund, Representative Carly Melin, Representative Jason Metsa, Representative Dale Lueck, Senator Tom Bakk, Senator Tom Saxhaug, Senator David Tomassoni, Senator Rod Skoe. Also present: Mark Phillips, Commissioner; Mary Finnegan, Deputy Commissioner, Al Becicka, IRRRB Legal Counsel; Bob Scuffy, Accounting Director; Dave Hart, Assistant Director of Business Development; Chris Ismil, Community Development Representative, Brian Hiti, Senior Policy Advisor; Dan Jordan, Mineland Reclamation Supervisor, Roy Smith, Director of Workforce Development; Director; Linda Johnson, Managing Director of Giants Ridge; John Filander, Special Events; Sheryl Kochevar, Information Officer 4; Janette Paul, Executive Assistant; Derek Vekich, KMDA; Larry Lehtinen, Matt Lehtinen and Joe Broking, Magnetation; Rolf Weberg, NRRI; Mike Jukovich, City of Chisholm; Desiree Yourczek, Nick Dragisich, Springsted; Gary Cerkvenik, MIB School; John Klarich, MIB Superintendent; Angie Williams, St. Louis County School District; Greg Krog, Ehlers & Associates; Troy Martinson, MIB School Board Chair.

2) Approval of the December 21, 2015, Minutes

Action required: Approval requires a simple majority of the quorum

Senator David Tomassoni moved approval of the December 21, 2015, minutes. Seconded by Representative Rob Ecklund. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin, Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

3) FY 16 Budget Amendment – Resolution #16-021

Action required: Approval requires a simple majority of the quorum

Senator Tom Bakk moved approval of amending the FY16 Budget to add \$150,000 of available Board Account carryforward funds to the Commissioner's fund line item in the FY16 Budget,

thereby increasing the authorized amount of that line item to \$300,000 as presented in Resolution #16-021. Seconded by Representative Jason Metsa. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin, Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2016 AGENCY BUDGET AMENDMENT APPROVAL**

Resolution No.: 16-021

WHEREAS, the Board and Governor have previously approved a Fiscal Year 2016 ("FY16") agency 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, which covered the period of time from July 1, 2015, through June 30, 2016 (the "**FY16 Budget**"); and

WHEREAS, the Commissioner has requested the Board to approve an amendment to the FY16 Budget to add \$150,000 of available Board Account carryforward funds to the Commissioner's fund line item in the FY16 Budget, which action would have the effect of increasing the authorized balance in the FY16 Budget's Commissioner's fund line item by \$150,000 (the "**Proposed Budget Amendment**") to the total sum of \$300,000 for FY16; and

WHEREAS, the Board met in open session at 11:00 a.m. on February 22, 2016, at the agency's Administrative Building located near Eveleth, Minnesota, to consider, among other matters, the Proposed Budget Amendment and determined that amending the FY16 Budget as proposed would help promote economic development within the Taconite Assistance Area, as defined in Minnesota Statutes Section 273.1341.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves amending the FY16 Budget to add \$150,000 of available Board Account carryforward funds to the Commissioner's fund line item in the FY16 Budget, thereby increasing the authorized amount of that line item to \$300,000.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF FEBRUARY 2016.

Member	Aye	Nay	Abstain	Excused
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Senator Tom Bakk	X			
Senator Tom Saxhaug	X			
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative Rob Ecklund	X			
Representative Dale Lueck	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
TOTAL	9			

Signed: _____
Representative Tom Anzelc, Chair

4) KMDA, Inc. – Resolution #16-022

Action required: Approval requires an affirmative vote by 5 members

Senator Tom Saxhaug moved to approve the expenditure of up to \$455,000 of FY16 DJJ Business Development Funds to finance KMDA Inc’s proposed business expansion project as presented in Resolution #16-022. Seconded by Representative Tom Anzelc. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin, Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN A LOAN
FOR THE KMDA, INC. PROJECT**

Resolution No.: 16-022

WHEREAS, the Commissioner is authorized to expend, upon approval 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 FY16 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 (“**FY16 DJJ Business Development Funds**”); and

WHEREAS, the Commissioner has received a proposal for financial assistance from KMDA, Inc., a Minnesota business corporation (“**KMDA**”), to expand its hunting and fishing product manufacturing operation that, in combination with funds provided from other sources, will finance its proposed business expansion project, which is more specifically described in the Board packet materials which are attached hereto and incorporated by reference as Exhibit A (the “**Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$455,000 of FY16 DJJ Business Development Funds to purchase a participation interest in two bank loans, which are being made as part of a \$1,566,000 total investment, to enable KMDA to finance the costs of the Project, with the participation interest to be acquired on the terms and subject to the conditions set forth in Board packet materials and as otherwise discussed at the meeting; 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 February 16, 2016, and recommended approval of the requested financial assistance for the Project; and

WHEREAS, the Board met in open session at 11:00 a.m. on February 22, 2016, at the agency's Administrative Building located near Eveleth, Minnesota, to consider, among other matters, approval of the requested financial assistance for the Project; and

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

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$455,000 of FY16 DJJ Business Development Funds to purchase a participation interest in two bank loans which are being made to enable KMDA to finance a portion of the costs of the 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 borrowers 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 22nd DAY OF FEBRUARY 2016.

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 Dale Lueck	X			
Representative Rob Ecklund	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
TOTAL	9			

Signed: _____
Representative Tom Anzelc, Chair

KMDA, Inc.
404 2nd Avenue
Bovey, Minnesota 55709

Bank Participation Loan

Applicant:	KMDA, Inc.	
Project Location:	404 2 nd Avenue Bovey, Minnesota 55709	
Principal(s):	Derek Vekich and Mike Vekich	
Project Description:	KMDA is expanding their hunting and fishing product manufacturing operation with the purchase of Baker Tools, currently located in Pennsylvania. Baker Tools will be relocated to a new facility to be constructed in Bovey to house the existing KMDA operation and Baker Tools.	
Market Opportunity:	The acquisition of Baker Tools will add 70 new customers (including Walmart) to KMDA's existing 200. It also opens up more markets on the east and west coasts.	
Project Investment:		
	Woodland Bank- two loans \$375,000 to purchase Baker Tool, 7 year term \$80,000 to construct building, 20 year term	\$455,000
	IRRRB – two bank participation loans at formula rate \$375,000 to purchase Baker Tool, 7 year term \$80,000 to construct building, 20 year term	455,000
	Bank or ARDC To fund working capital	150,000
	Owner's equity cash \$50,000 to purchase real estate \$50,000 to purchase equipment	500,000

	\$150,000 for working capital \$250,000 for construction	
	TOTAL	\$1,560,000
Jobs:	4 Planned New 5 Retained Wages \$12.50 - \$20.00 per hour plus benefits	
Collateral:	A shared first position on the equipment, inventory, accounts receivable and the new building.	
Business History:	KMDA, Inc. was formed in 2002 in Bovey, MN by brothers Derek and Mike Vekich. The company manufactures hunting and fishing products. Customers include sporting goods retailers in all 48 contiguous states and 5 countries. In addition to the products KMDA has developed, they have increased their products through the purchase of other manufacturers, such as: Inhaler, Lakco, Croxton Ice, Dixie Dancer, Opti Tackle, Vibe and Angler's Choice.	
Past IRRRB History:	A previous Bank Participation Loan of \$43,000 was paid off in 2010.	
Contingencies:	All other financing must be confirmed. Construction is subject to prevailing-wage requirements.	
Technical Advisory Committee Recommendation:	Approval recommended February 16, 2016.	
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.	

5) Mining Reinvestment Project - Resolution #16-016

Action required: Approval requires a simple majority of the quorum

RESOLUTION 16-016 WAS REMOVED FROM THE TABLE FROM THE DECEMBER 21, 2015, IRRRB MEETING

Representative Tom Anzelc moved to take Resolution 16-016 off the table for discussion. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin,

Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: None

Senator Tom Saxhaug moved to approve the expenditure of \$736,349 of the Mining Reinvestment Fund for Magnetation, LLC as a rebate from its 2014 production as presented in Resolution #16-016. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin, Representative Jason Metsa, 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
TACONITE ECONOMIC DEVELOPMENT FUND EXPENDITURE APPROVAL:
MAGNETATION LLC – PAY 2015 MINING REINVESTMENT FUNDS**

Resolution No.: 16-016

WHEREAS, taconite economic development funds (“**Mining Reinvestment Funds**”) are made available to the Commissioner under the provisions of Minnesota Statutes Section 298.28, Subdivision 9a to provide grants to taconite producers who provide required matching expenditures for projects that involve workforce development and associated public facility improvements, or the acquisition of plant and stationary mining equipment and facilities, or the funding of research and development in Minnesota on new mining or taconite, iron, or steel production technology (“**Eligible Purposes**”), all in accordance with the provisions of Minnesota Statutes Section 298.227 (the “**Mining Reinvestment Statute**”) and for the benefit of the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”); and,

WHEREAS, iron ore producer Magnetation LLC (“**Applicant Producer**”) is eligible to receive up to \$736,349 of Mining Reinvestment Funds for Eligible Purposes based upon its 2014 production (“**Pay 2015 Mining Reinvestment Funds**”); and,

WHEREAS, Applicant Producer made application to the Commissioner to receive Mining Reinvestment Funds for the project described in the attached Addendum A (the “**Proposed**

Project”), and has committed to pay at least the required matching share of \$736,349 of the costs of the Proposed Project which the Commissioner has determined is for Eligible Purposes; and,

WHEREAS, the Mining Reinvestment Statute provides that the Mining Reinvestment Funds available to an applicant producer for any proposed project cannot be released by the Commissioner until (a) a joint committee consisting of an equal number of representatives of the salaried employees and the non-salaried production and maintenance employees of that producer (the “**Committee**”) has had up to six months to review the Applicant’s proposal for expenditure of the Mining Reinvestment Funds, and (b) the Board has approved the Proposed Projects; and, **WHEREAS**, the Committee of the Applicant Producer on December 9, 2015, indicated to the Commissioner that it has approved the Proposed Project identified in Addendum A; and,

WHEREAS, the Board met in open session at 11:00 a.m. on February 22, 2016, at the agency’s Administrative Building located near Eveleth, Minnesota, to consider the Proposed Project and the Applicant Producer’s request to receive Mining Reinvestment Funds for such project.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby approves the Proposed Project specified in Addendum A.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF FEBRUARY 2016.

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 Rob Ecklund	X			
Representative Dale Lueck	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
TOTAL	8	0	0	1

Signed: _____
 Representative Tom Anzelc, Chair

Addendum A

Project 1 – Plant 4 Flotation Circuit (Bank 1) - \$1,540,966

This project will involve the purchase and installation of flotation bank #1 in Plant 4. This flotation bank will process WHIMS (Wet High Intensity Magnetic Separator) concentrate. The flotation is performed at a neutral pH of 7, which makes the process environmentally friendly and safe. The flotation cells allow for higher magnetic circuit recoveries – to produce iron ore concentrate and simultaneously reduce the silica

percentage. This factor enhances the product's marketability and enables the plant to effectively process feed from a variety of diverse resources.

6) Natural Resources Research Institute – Resolution #16-023

Action required: Approval requires a simple majority of the quorum

Senator Dave Tomassoni moved to approve the expenditure of up to \$300,000 of FY16 TEPF Business Development Funds to provide a grant to NRRI to fund a pilot-scale demonstration of ilmenite processing technology as presented in Resolution #16-023. Seconded by Representative Dale Lueck. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin, Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
NATURAL RESOURCES RESEARCH INSTITUTE GRANT APPROVAL**

Resolution No.: 16-023

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Economic 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 FY2016 Budget includes provision for the use of certain TEPF Funds for economic development projects under a budget line item category of TEPF Business Development Projects (“**FY16 TEPF Business Development Funds**”); and

WHEREAS, the University of Minnesota's Natural Resources Research Institute (“**NRRI**”) has requested a \$300,000 grant from the IRRRB to match \$300,000 from the University to fund a pilot-scale demonstration of ilmenite processing technology (“**the NRRI Project**”) and the Commissioner has requested the Board to approve a grant of up to \$300,000 of TEPF Business Development Funds for that project; and

WHEREAS, the Board met in open session at 11:00 a.m. on February 22, 2016, at the agency's Administrative Building located near Eveleth, Minnesota, to consider, among other matters, the

proposed grant for the NRRI Project and has determined that the expenditure of the requested funds for that purpose would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves the expenditure of up to \$300,000 of FY16 TEPF Business Development Funds to provide a grant for the NRRI Project in accordance with the board packet materials and other information provided to the Board at the meeting.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF FEBRUARY 2016.

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 Rob Ecklund	X			
Representative Dale Lueck	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
TOTAL	9			

Signed: _____
 Representative Tom Anzelc, Chair

Natural Resources Research Institute



**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: Mark Phillips
 Commissioner

Date: February 15, 2016

Re: Natural Resources Research Institute - \$300,000 Grant for Pilot-Scale Demonstration of Ilmenite Processing Technology

As the attached memo further details, the University of Minnesota Duluth’s Natural Resources Research Institute (NRRI) has requested a \$300,000 grant from the IRRRB to match \$300,000 from the University to fund a pilot-scale demonstration of ilmenite processing technology. If successful, this technology could be used to develop the Longnose ilmenite deposit located a few miles northeast of the city of Hoyt Lakes. Successful development of this resource could diversify Minnesota’s mining industry to deliver high value products and position Minnesota as a strategic supplier to new markets.

Background

Ilmenite is an iron–titanium compound found in a number of deposits located immediately south of the Mesabi iron range. Most of these deposits are located relatively close to the surface and would be easily amenable to open-pit mining with minimal stripping of overburden. Titanium is a metal used mostly in jet engines, airframes and space and missile applications. In powdered form, titanium is used as a white pigment for paints, paper, plastics, rubber and other materials. The table below displays a dollar-per-ton value comparison between the average iron ore product (pellets) and various products derived from mining and processing ilmenite.

Product	2015 Price (Dollar per Ton)
Average Iron Ore Product	84
Titanium Mineral Concentrate	110
Titanium Dioxide (Pigment Grade)**	3,090
Titanium Sponge Metal	9,930
Iron Oxide (Pigment Grade)	1,650
Magnesium Metal	4,740

**Note: Year 2013 value

The difficulty in processing the region’s ilmenite deposits has been removal of impurities such as magnesium oxide, which has stood in the way of further refining the ore for higher value applications. NRRI, in partnership with a Canadian company, Process Research Ortech (PRO), has identified a proprietary technology that allows them to overcome these limitations and produce an ultra-pure titanium dioxide product that can be directly used as a high value pigment or alternatively used as a feedstock for titanium metal production.

Research to Date

NRRI secured 50 tons of ilmenite ore from the Longnose deposit and conducted mineral processing testing at its Coleraine Minerals Research Laboratory (CMRL) over the years 1992 – 2002. By 2014, they had developed a mineral processing flowsheet that allowed them to conduct a prefeasibility bench test program. In the time between the completion of this test work and acquiring permission to begin hydrometallurgical testing at PRO, PRO sold 51% of the titanium testing technology to a third party which was able to complete small scale testing of the concentrate produced at CMRL. The results of this study indicated good initial success but the need for pilot-scale work.

Future Testing and Timeline

The goals of the current proposal are to generate a bulk sample for pilot hydrometallurgical testing as well as to improve the iron-to-titanium ratio in the concentrate through mineral processing research. The \$600,000 will allow the preparation of 3 tons of concentrate and subsequent separation. The time required for this work at CMRL is approximately 6 months to prepare the concentrate and an additional 4-6 months to complete pilot demonstration of separation techniques to improve the iron-to-titanium ratio. Upon successful completion of the pilot-scale study, it is recommended that full feasibility costing \$1.5 – 2.5 million be completed. A full feasibility study will include the following components:

- Full characterization of the ore body and surrounding region
- Characterization of impacts and controls
- Confirmation of processes
- Engagement of engineering and planning consultants
- Investment modeling and economic analysis
- Preparations for investor attraction

Potential for Ilmenite Processing at Existing Iron Processing Facilities

Utilization of existing mineral processing assets in the region to allow processing of ilmenite ore into titanium oxide is not immediately feasible without extensive modifications. Alternative technology, such as the ITmk3 technology used at Mesabi Nugget or the NuIron Reduced Iron process developed by NRRI could potentially be used to produce a high purity iron nugget as well as a high-titanium slag. The initial pilot-scale work will better define such opportunities.

Intellectual Property Concerns

The ilmenite ore processing and concentrate production flowsheets developed over the past years is the intellectual property (IP) of the University of Minnesota, although it is the practice of known art and not patentable in and of itself but rather enabling technology which will support hydrometallurgical technology that is proprietary to PRO and another external party. As such, any joint development between parties to adapt the technology to Minnesota ilmenite will be covered by future legal agreements which deal with licensing, royalties and other IP matters.

Request for Funding

4 February, 2016

To: Mark Phillips, Commissioner – IRRRB
Brian Herman, Vice President for Research – University of Minnesota
Andrea Schokker, Executive Vice Chancellor for Academic Affairs – University of Minnesota Duluth

From: Rolf Weberg, Director – Natural Resources Research Institute
Re: Pilot of Titanium Recovery from Minnesota Ilmenite

The Minnesota mining region possesses vast quantities of mineral resources ranging from iron ore to non-ferrous metals. While copper/nickel non-ferrous metals have driven much of the recent exploration/development activity in Minnesota, the state also has favorable geology for hosting valuable deposits of other metallic minerals such as ilmenite. Ilmenite is an iron-titanium oxide mineral found in significant deposits, many easily accessible in existing mining areas, that can be a strategic source of titanium dioxide for pigment production and titanium metal recovery. Past difficulty in processing Minnesota ilmenite deposits has been associated with impurities, such as magnesium oxide, in the ore. Successful development of this resource could diversify Minnesota's mining industry, deliver high value products and position Minnesota as a strategic supplier to new markets.

The University of Minnesota Duluth Natural Resources Research Institute (NRRI) has identified a process technology that overcomes the challenges posed by the presence of magnesium oxide to allow successful processing of Minnesota's ilmenite resources. This process has been under development by NRRI partner Process Research Ortech (PRO) located in Mississauga, Ontario, Canada. It involves an atmospheric mixed chloride leaching technology that produces an ultra-pure titanium dioxide product that can be directly used as a high value pigment or alternatively used as a feedstock for titanium metal production. In addition, clean separation of magnesium and iron products can also be realized.

NRRI secured over 50 tons of material from the Longnose titanium deposit in northeastern Minnesota and has developed concentrates to be processed using the PRO technology. Lab-scale testing of an NRRI ilmenite concentrate was performed under confidential agreement by a third-party PRO customer. The conclusions from this study included digestion efficiencies between 89 to 91%, iron-to-titanium ratios of 1.36 to 1.47, and high magnesium levels in the concentrate. It was concluded that this processing scheme shows very promising initial success and supports feasibility demonstrations.

The next step to continue development of this resource is a pilot-scale demonstration. NRRI will generate a 3-ton bulk sample of concentrate for pilot-scale hydrometallurgical testing using the PRO technology to reproduce the earlier results and attempt to improve the iron-to-titanium

ratio. This work will require \$600,000 in funding to cover NRRI and development partner costs. Assuming that this pilot-scale pre-feasibility study is successful, a full feasibility study will follow to provide the final basic data set to be used to attract investment.

NRRI does not have the funding to pursue the next phase of development. In light of the needs of the mining industry to diversify and generate higher value products, this investment is timely and necessary. In previous discussions, verbal support has been given for the following funding scheme:

UMN OVPR	\$150,000
UMD EVCAA	\$150,000
IRRRB	\$300,000

This memo is meant to confirm this commitment to allow NRRI to pursue this work on behalf of the State of Minnesota and in keeping with the University of Minnesota's land grant status and mission.

I look forward to your confirmation and to working with you to deliver this opportunity to Minnesota.

Best Regards,

Rolf

7) FY16 Public Works Stimulus Projects – Resolution #16-024

Action required: Approval requires an affirmative vote by 6 members

Representative Jason Metsa moved to approve \$2,388,188 of DJJ 20% Corpus Funds to assist cities and townships in funding shovel ready public works projects to support community and economic development as presented in Resolution #16-024. Seconded by Representative Dale Lueck. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin, Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J. JOHNSON ECONOMIC PROTECTION TRUST FUND
PUBLIC WORKS STIMULUS PROJECTS APPROVAL**

Resolution No.: 16-024

WHEREAS, Minnesota Statutes Section 298.296, Subdivision 2 (c) entitles the Commissioner to expend, within or for the benefit of the Taconite Assistance Area as defined in Minnesota Statutes Section 273.1341 (“**TAA**”) and upon prior approval by the affirmative vote of at least six members of the Board, up to 20% of the corpus of the Douglas J Johnson Economic Protection Trust Fund, valued as of the date of May 18, 2002, plus certain additional accrual sums (the “**DJJ 20% Corpus Funds**”), for projects and programs described in Minnesota Statutes Section 298.292, subdivision 1 that either (a) are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses; or (b) encourage diversification of the economy and promote the development of certain sectors of the TAA economy, specifically including tourism; and

WHEREAS, the amount of DJJ 20% Corpus Funds available for expenditure as of February 22, 2016, is the sum of \$4,129,620; and

WHEREAS, the Commissioner is proposing the expenditure of up to \$2,388,188 of DJJ 20% Corpus Funds to assist cities and townships in funding shovel ready public works projects to support community and economic development (“**Public Works Stimulus Grant Program**”); and

WHEREAS, the Commissioner has received proposals for Public Works Stimulus Grant Program projects 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 11:00 a.m. on February 22, 2016, in the agency's Administrative Building located near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the proposed expenditure of up to \$2,388,188 of DJJ 20% Corpus Fund monies for the purposes and in the amounts specified below would be in the public interest and promote productive and permanent employment within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$2,388,188 of DJJ 20% Corpus Fund monies 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 all Proposed Projects, including those Proposed Projects which may 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 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 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 22nd DAY OF FEBRUARY 2016.

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 Rob Ecklund	X			
Representative Dale Lueck	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
TOTAL	9			

Signed: _____
 Representative Tom Anzelc, Chair

City of Aitkin

Grant Amount: \$99,000

Water, sewer, road and site work for the construction of a new 1,245 sq. ft. dental clinic. This project will provide new development, increase in tax base, and 4 additional jobs in the community of Aitkin. The project is projected to create 5 construction jobs and 4 permanent jobs.

<u>USES</u>		<u>SOURCES</u>	
Site Development	\$114,294	IRRRB	\$99,000
Building	600,325	Private (SBA)	639,842
A&E	21,223		
Contingency	3,000		
TOTAL	\$738,842	TOTAL	\$738,842

City of Aurora

Grant Amount: \$250,000

Water, sewer, storm sewer, and road reconstruction for the Maple Drive redevelopment project. The city of Aurora spent \$3.7 million in 2015 as part of citywide street improvements and is moving forward with an additional \$1.4 million in utility/infrastructure/road improvements for 2016. The Maple Drive reconstruction project is projected to create 9 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Street reconstruction	\$1,003,600	IRRRB	\$250,000
A&E	300,000	City	1,204,600
Contingency	240,000		
TOTAL		\$1,454,600	TOTAL \$1,454,600

- 1.
2. **City of Chisholm**
3. **Grant Amount: \$250,000**
4. Building efficiency and handicap accessibility upgrades and remodel of the city hall. The city of Chisholm has a new business tenant, which requires 1,000 sq. ft. of office space. The Chisholm City Hall is need of utility upgrades to accommodate the new business tenant. The project is projected to create 3 construction jobs.
- 5.

<u>USES</u>		<u>SOURCES</u>	
Building upgrades	\$425,000	IRRRB	\$250,000
		City	175,000
TOTAL		\$425,000	TOTAL \$425,000

City of Cook

Grant Amount: \$103,000

Water, sewer and road reconstruction for Vermilion Blvd. and 5th Street. The Cook Hospital and Nursing Home has a six-million dollar shovel ready expansion project, and is working with the city collaboratively to address the reconstruction of city streets, which impact the hospital. The project is projected to create 40 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Street reconstruction	161,455	IRRRB	\$103,000
A&E	29,062	City	103,662
Contingency	16,145	Hospital	6,000,000
Hospital expansion	6,000,000		
TOTAL		\$6,206,662	TOTAL \$6,206,662

City of Crosby

Grant Amount: \$250,000

Sewer, water and road reconstruction across 10 city blocks in a Northeast section of Crosby. The city of Crosby has a shovel ready comprehensive housing rehabilitation and public infrastructure project, which has partner funding from DEED and PFA. The project has been bid and will begin in the Spring of 2016. The project is projected to create 17 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and roads	1,750,000	IRRRB	\$250,000
A&E	350,000	PFA	1,850,000
Build Rehab	435,100	DEED	435,100
TOTAL	\$2,535,100	TOTAL	\$2,535,100

City of Ely

Grant Amount: \$250,000

Water, sewer and street reconstruction of several city streets to include: Conan/Harvey Alley, 5th Avenue East and 6th Avenue East. This citywide street water/sewer project is shovel ready and is planned to begin in June 2016. The project is expected to create 7 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and roads	\$831,160	IRRRB	\$250,000
A & E	83,116	CDBG	85,000
Contingency	149,609	City	729,000
TOTAL	\$1,064,000	TOTAL	\$1,064,000

City of Gilbert

Grant Amount: \$40,000

Soil correction and site development for a new building for Northstar Specialized Services (NHS). NHS provides services in Northeastern Minnesota to persons having developmental disabilities and persons with mental illness. The proposed facility in Gilbert would provide residential based services for the elderly. The project is expected to create 12 permanent jobs and 2 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Site Development	\$30,000	IRRRB	\$40,000
Utility Extension	10,000	Private	300,000
Building	300,000		
TOTAL	\$340,000	TOTAL	\$340,000

City of Grand Marais

Grant Amount: \$100,000

Water, sewer, road and site development for a new public works facility. The new 14,500 sq. ft. facility will be located off of Highway 61. The former current public works garage will be removed and will make way for a DNR planned project to improve access on Lake Superior, a \$2.2 million project. The new road and utility extension will open access to available undeveloped commercial property for future development. The project is expected to create 25 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Water, sewer and roads	850,000	IRRRB	\$100,000
Buildings	2,250,000	City	3,750,000
A&E	300,000		
Contingency	450,000		
TOTAL	\$3,850,000	TOTAL	\$3,850,000

City of Grand Rapids

Grant Amount: \$100,000

Sanitary sewer improvements and road reconstruction for 5th Street North and 8th Avenue Northeast. The proposed improvement project is located in the City's Central Business District and also near two highways with adjacent developed and undeveloped commercial properties. The improvements will provide updated service to the existing business owners. This project is shovel ready and will be bid in March 2016. The project is expected to create 23 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Street Reconstruction	2,790,366	IRRRB	\$100,000
A&E	730,495	City (GO Bond)	1,097,968
		City	816,534
		SRTS Grant	261,000
		MSAS	745,359
		FHWA	500,000
TOTAL	\$3,520,861	TOTAL	\$3,520,861

City of Hoyt Lakes

Grant Amount: \$250,000

Upgrades to the Primary and Secondary Clarifiers, Control Structure, and Site Dewatering System at the wastewater treatment facility. The city of Hoyt Lakes is working with Public Facilities Authority and the MPCA to provide funding for improvements to their wastewater treatment facility. The project is expected to create 14 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Treatment Facility Upgrade	\$2,065,708	IRRRB	\$250,000
A&E	95,000	PFA	1,815,708
Contingency	50,000	City	145,000
TOTAL	\$2,210,708	TOTAL	\$2,210,708

City of Marble

Grant Amount: \$163,000

The project consists of replacement of waterline at five locations throughout the city. The existing infrastructure is deteriorated and has numerous breaks, which is limiting the capacity for the city to provide households with quality drinking water.

<u>USES</u>		<u>SOURCES</u>	
Water & road reconstruction	\$585,657	IRRRB	\$163,000
A&E	88,300	Morse Township	290,557
Contingency	29,600	IRRRB (FY15)	250,000
TOTAL	\$703,557	TOTAL	\$703,557

City of Taconite

Grant Amount: \$120,000

Water and sewer line casing pipe placement under Highway 169. MNDOT is expanding a 1.55-mile section of Highway 169 adjacent to Taconite from two-lane to four-lane and the city of Taconite would like to perform updates to their existing infrastructure that runs under Highway 169. The project is expected to create 62 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Road & site development	\$120,000	IRRRB	\$100,000
Building	770,000	Morse Township	400,000
A&E	10,000	Fall Lake Township	400,000
TOTAL	\$9,600,000	TOTAL	\$9,600,000

City of Two Harbors

Grant Amount: \$100,000

Infrastructure, site development and construction of a new Two Harbors campground facility. The city recently expanded its municipal campground to 34 campsites to accommodate the high demand from tourism. With the increased number of winter campers, the proposed facility is designed for year-round camping. The project is expected to create 5 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Site work & construction	\$700,000	IRRRB	\$100,000
A&E	58,000	City	658,000
TOTAL	\$758,000	TOTAL	\$758,000

City of Virginia

Grant Amount: \$213,188

Water, sewer and site work for the construction of a new 9,000 sq. ft. facility. The City of Virginia is developing lots on the former Seppi Brothers site on Silver Lake in their downtown, to make the site ready for the expansion of an existing business. The project is expected to create 20 permanent jobs and 23 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Infrastructure & site work	\$373,332	IRRRB	\$213,188
Building	1,800,000	City	50,000
Equipment	850,000	USDA	\$500,000
A&E	300,000	Private	2,760,144
Contingency	200,000		
TOTAL	\$3,523,332	TOTAL	\$3,523,332

City of Winton

Grant Amount: \$100,000

Infrastructure, site work, and construction of a new city hall/community center for the city of Winton. The project is expected to create 3 construction jobs.

<u>USES</u>		<u>SOURCES</u>	
Infrastructure & site work	\$100,000	IRRRB	\$100,000
Building	275,000	Winton	300,000
A&E	25,000		
TOTAL	\$400,000	TOTAL	\$400,000

8) Giants Ridge New Amenities Proposal – Resolution #16-025

Action required: Approval requires an affirmative vote by 7 members

Senator Dave Tomassoni moved to approve the expenditure of up to \$500,000 of Giants Ridge Amenities Tax revenues for three amenities projects that are more specifically described in Exhibit A and as presented in Resolution #16-025. Seconded by Representative Rob Ecklund. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin, Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
GIANTS RIDGE RECREATION AREA TAXING AUTHORITY
GIANTS RIDGE AMENITIES**

Resolution No.: 16-025

WHEREAS, pursuant to 2010 Laws of Minnesota, Chapter 389, Article 5, Section 7, the City of Biwabik (“**Biwabik**”), upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board (“**Board**”), was authorized to impose lodging taxes, admissions and recreation taxes, and food and beverage taxes for the purpose of collecting tax revenues to invest in public amenities as provided in such law (collectively the “**Giants Ridge Amenities Tax**”); and

WHEREAS, the Board authorized the imposition of such taxes at its meeting on December 16, 2010, by passing Board Resolution No. 11-020; and

WHEREAS, Biwabik subsequently passed ordinances to impose such taxes; and

WHEREAS, such taxes were imposed and to date \$596,000 has been collected and deposited into the Iron Range Resources and Rehabilitation Board account enterprise fund created under the provisions of Minnesota Statutes, section 298.221, paragraph (c); and

WHEREAS, the proceeds of these taxes are dedicated to and must be expended by the commissioner of the Iron Range Resources and Rehabilitation Board, upon approval by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, to pay costs for the construction, renovation, improvement, expansion, and maintenance of public recreational facilities located in those portions of the city within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7 (“**GRRR**”); and

WHEREAS, the Commissioner has received a proposal for the expenditure of up to \$500,000 of Giants Ridge Amenities Tax revenues for three GRRR amenities 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 11:00 a.m. on February 22, 2016, in the agency's Administrative Building located near Eveleth, Minnesota, to consider, among other matters, the Proposed Projects and has determined that the proposed expenditure of up to \$500,000 of Giants Ridge Amenities Tax revenue monies for the purposes and in the amounts specified below 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 \$500,000 of Giants Ridge Amenities Tax revenue monies for the Proposed Projects in the amounts and for the purposes set forth in Exhibit A.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF FEBRUARY 2016.

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 Rob Ecklund	X			
Representative Dale Lueck	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
TOTAL	9			

Signed: _____
Representative Tom Anzelc, Chair

EXHIBIT A
Giants Ridge New Amenities Proposal

Project 1 – Trails - \$250,000

Purpose Built Mountain Bike Trails: 5 miles of purpose built beginner and intermediate mountain bike trails, both single track and flow.

Multi-Use Nature Trails: 1.5 miles of looped trails interconnecting the lodging properties with the recreation facilities.

Project 2 – Climbing Wall - \$150,000

A 30-35’ foot climbing wall at the mountain base.

Project 3 – Kids’ Playground - \$100,000

An adventure experience for kids, located at the mountain base. A natural playground (as opposed to a traditional playground), will be innovative and environmentally sensitive, allowing kids to experience natural play that may incorporate embankments slides built into hills, realistic caves, and other outdoor elements.

9) Iron Range School Collaboration Fund Amendment Proposal– Resolution #16-026

Action required: Approval requires an affirmative vote by 7 members

Motion by Representative Melin to Amend Resolution No. 16-026 to include guaranties, documentation and reporting of education and curriculum improvements as a part of the school collaboration for the Mountain Iron-Buhl School District. Seconded by Representative Anzelc. Motion did not pass. Roll call vote.

Voting in Favor of the Motion: Representative Carly Melin

Voting Against the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator Dave Tomassoni

Abstain: None

Excused: None

a) Iron Range School Collaboration Fund – Resolution #16-026

Action required: Approval requires an affirmative vote by 7 members

Senator Tom Bakk moved to approve the expenditure of up to \$4,277,694 from the School Account for the payment of bonds that are more specifically described in Exhibit A and as presented in Resolution #16-026. Seconded by Representative Jason Metsa. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin, Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
IRON RANGE SCHOOL CONSOLIDATION AND COOPERATIVELY OPERATED
SCHOOL ACCOUNT EXPENDITURES**

Resolution No.: 16-026

WHEREAS, in 2014 the Minnesota Legislature enacted, and the Governor approved, multiple session laws that were codified as Minnesota Statutes Section 298.28, subd. 7a, which created a new Iron Range school consolidation and cooperatively operated school account (“**School Account**”) for the purpose of providing disbursements to assist certain statutorily identified school districts with the payment of bonds that were issued for qualified school projects, or for any other school disbursement to school districts that are located within the taconite assistance area as defined in Minnesota Statutes Section 273.1341 (“**TAA**”) as approved by the Board; and

WHEREAS, all expenditures from the School Account require the approval of seven Board members; and

WHEREAS, the Board has received proposals for the expenditure of up to \$4,277,694 for the payment of bonds that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Disbursements**”); and

WHEREAS, the Board met in open session starting at 11:00 a.m. on February 22, 2016, at the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters,

Proposed Disbursements from the School Account, and has determined that such expenditures would be in the public interest and promote the advancement of the schools within the TAA.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby adopts the Proposed Disbursements presented at the Board meeting from the School Account, and further intends to make the Proposed Disbursements on an ongoing basis as provided in Exhibit A.

BE IT FURTHER RESOLVED that the Board delegates responsibility for all approved School Account expenditures to the agency.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF FEBRUARY 2016.

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 Rob Ecklund	X			
Representative Dale Lueck	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
TOTAL	9			

Signed: _____
 Representative Tom Anzelc, Chair

Exhibit A

Iron Range School Collaboration – Bond Payments

Project 1 - Mesabi East School District - \$500,000

Annual bond payments to the Mesabi East School District for ten years.

Project 2 - St Louis County School District - \$2,000,000

Annual bond payments to the St Louis County School District for the remaining years of the bond.

Project 3 - Mountain Iron Buhl School District - \$1,777,694

Annual bond payments for a building project in Mountain Iron until such bonds are paid in full, contingent upon:

- Approval of a voter referendum.
- Collaboration with one additional school district.

b) Iron Range School Collaboration Fund – Resolution #16-027

Action required: Approval requires an affirmative vote by 7 members

Senator Tom Saxhaug moved to approve the expenditure of up to \$3,005,000 for school district disbursements as described in Exhibit A of Resolution #16-027. Seconded by Representative Dale Lueck. Motion carried. Unanimous vote

Voting unanimously in Favor of the Motion: Representative Tom Anzelc, Senator Tom Bakk, Representative Rob Ecklund, Representative Dale Lueck, Representative Carly Melin, Representative Jason Metsa, Senator Tom Saxhaug, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: None

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
IRON RANGE SCHOOL CONSOLIDATION AND COOPERATIVELY OPERATED
SCHOOL ACCOUNT EXPENDITURES**

Resolution No.: 16-027

WHEREAS, in 2014 the Minnesota Legislature enacted, and the Governor approved, multiple session laws that were codified as Minnesota Statutes Section 298.28, subd. 7a, which created a new Iron Range school consolidation and cooperatively operated school account (“**School Account**”) for the purpose of providing disbursements to assist certain statutorily identified school districts with the payment of bonds that were issued for qualified school projects, or for any other school disbursement to school districts that are located within the taconite assistance area as defined in Minnesota Statutes Section 273.1341 (“**TAA**”) as approved by the Board; and

WHEREAS, all expenditures from the School Account require the approval of seven Board members; and

WHEREAS, the Board has received proposals for the expenditure of up to \$3,005,000 for certain school district disbursements that are more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Disbursements**”); and

WHEREAS, the Board met in open session starting at 11:00 a.m. on February 22, 2016, at the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters, Proposed Disbursements from the School Account, and has determined that such expenditures would be in the public interest and promote the advancement of the schools within the TAA.

NOW, THEREFORE, IT IS RESOLVED that the Board hereby adopts the Proposed Disbursements presented at the Board meeting from the School Account.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 22nd DAY OF FEBRUARY 2016.

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 Rob Ecklund	X			
Representative Dale Lueck	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
TOTAL	9			

Signed: _____
 Representative Tom Anzelc, Chair

Exhibit A

Iron Range School Collaboration – Innovative Academic Programming

Project 1 – Expansion of the Applied Learning Institute to Aitkin, Crosby-Ironton, & Cook County School Districts - \$500,000

Expansion of the Applied Learning Institute (ALI) to the TAA school districts of Aitkin, Crosby-Ironton, and Cook County. The funding will allow for the equipment necessary to complete the expansion of the ALI program to the remaining school districts in the TAA.

Project 2 – West Range STEM Program – Up to \$2,505,000

A new STEM collaborative in the TAA school districts of Nashwauk-Keewatin, Greenway, & Grand Rapids and post-secondary partner Itasca Community College. The funding will partially fund programming, equipment, technology, career pathways, and staff development.

10) Adjournment

The meeting adjourned at 2:25 p.m.

Exhibit B – FY17 IRRRB Budget

FY 2017 Budget



**Iron Range Resources &
Rehabilitation Board**

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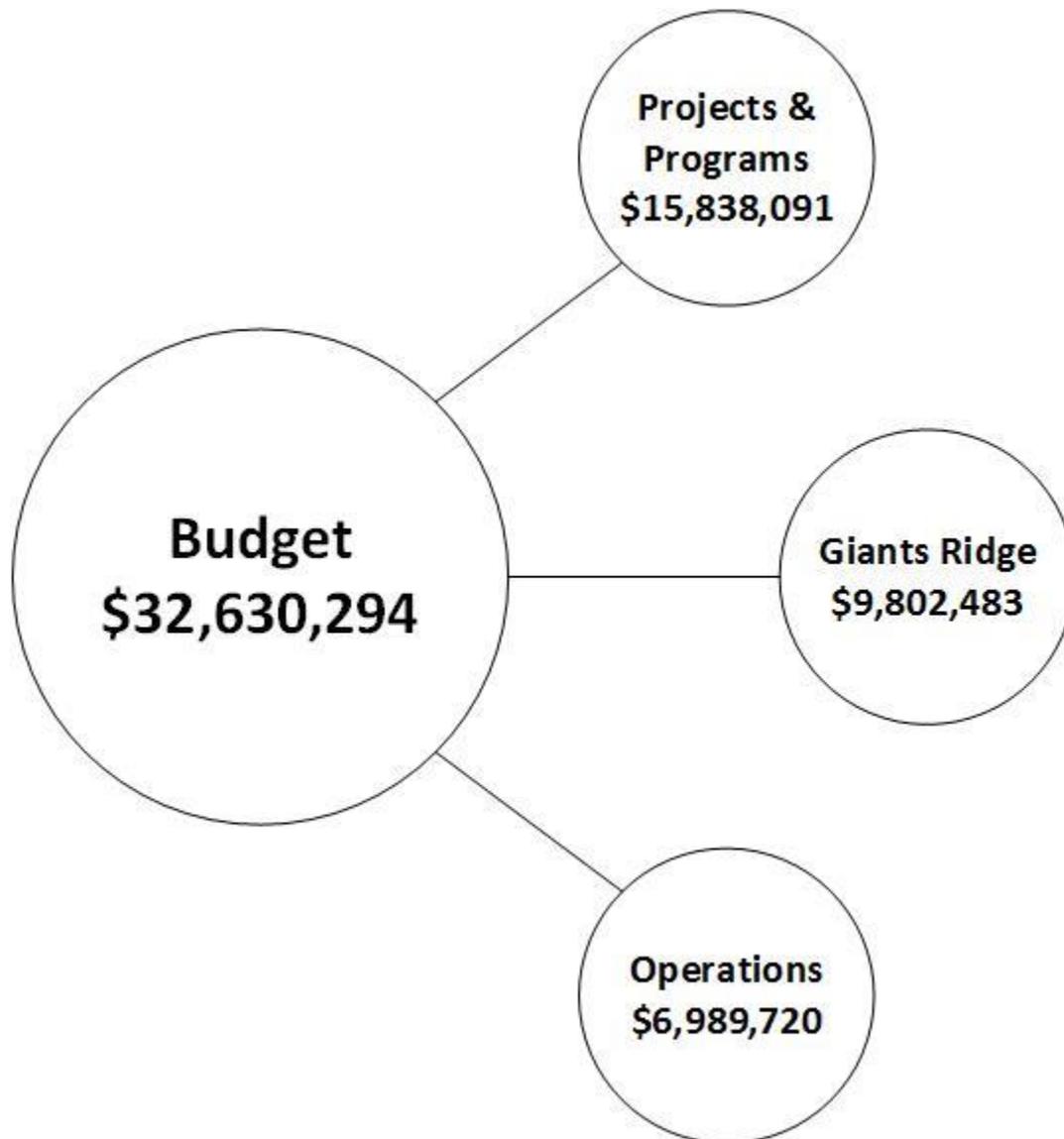
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Introduction

FY17 July 1, 2016 – June 30, 2017

This proposed FY17 IRRRB budget represents the agency’s commitment to investing in a better future for northeastern Minnesota. It is organized in order of funding priorities - public investments in development projects and programs, Giants Ridge, and operational costs.

Development projects and programs account for 49% of the agency’s spending; Giants Ridge 30%; and operations 21%.



FY17 Budget

Iron Range Resources & Rehabilitation Board	FY 2016 Budget	FY 2016 Projected	FY 2017 Budget
Resources			
Carryforward In	\$6,788,566	\$11,900,035	\$14,114,688
Current Resources			
Taconite Production Taxes	\$21,273,530	\$21,273,530	\$19,405,971
Investment Earnings	587,155	772,609	772,609
Loan Revenues	2,157,268	7,786,284	1,865,671
Facilities Revenues	4,177,513	4,129,858	5,243,542
Occupation Tax Region III	591,554	591,554	563,091
Subtotal Current Resources	\$28,787,020	\$34,553,835	\$27,850,884
Total Resources	\$35,575,586	\$46,453,870	\$41,965,572
Estimated Expenditures			
Projects			
Development Projects	5,000,000	5,000,000	5,000,000
Public Works	6,000,000	6,000,000	5,000,000
Total Projects	\$11,000,000	\$11,000,000	\$10,000,000
Programs			
Program Grants	5,395,000	5,330,145	5,275,000
Occupation Tax Region III	591,554	591,554	563,091
Total Programs	\$5,986,554	\$5,921,699	\$5,838,091
Giants Ridge	\$9,518,830	\$9,181,073	\$9,802,483
Operations & Development Fixed Costs	\$6,799,523	\$6,236,410	\$6,989,720
Total Budget	\$33,304,907	\$32,339,182	\$32,630,294
Estimated Carryforward Out	\$2,270,679	\$14,114,688	\$9,335,278

Projects

Development Projects - \$5,000,000

A total of \$5,000,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region. In an effort to streamline approvals, improve timeliness, and better serve businesses, the Commissioner, with approval of the IRRR Board Chair, will be authorized to approve development projects of \$500,000 and less for projects that meet the following conditions:

- Qualify for IRRRB financing under established guidelines.
- Approved by the Technical Advisory Committee (TAC).

Public Works - \$5,000,000

Public works grants help cities, townships, airport authorities, hospital boards, utility commissions and collaborative organizations complete projects that support community and economic development. Eligible projects include, but are not limited to, publicly owned infrastructure such as wastewater, drinking water, storm water and utility systems, health care and airport facility improvements and renewable energy or energy efficiency initiatives.

Projects Budget

Development Projects	FY 2016 Budget	FY 2016 Projected	FY 2017 Budget
Development Projects	\$5,000,000	\$5,000,000	\$5,000,000
Public Works	6,000,000	6,000,000	5,000,000
Total Development Projects	\$11,000,000	\$11,000,000	\$10,000,000

Programs

Grants

Community Development

Commercial Redevelopment - \$750,000

Commercial Redevelopment grants fund the demolition and removal of commercial or publicly-owned structures, or the clean-up of brownfield sites, making way for new development.

Residential Redevelopment - \$300,000

Residential Redevelopment grants help create cleaner and safer communities and encourage new construction by assisting in the demolition of dilapidated residential structures.

Development Partnerships - \$250,000

The program funds partnerships for research, education, and development-based initiatives which support long term economic growth within the region and are consistent with IRRRB strategies. Past and present partnerships include: APEX, Northspan, East Range Joint Powers Board, Enterprise Minnesota, Minnesota Power, Minnesota Logger Education Program, Arrowhead Manufacturers & Fabricators Association, and UMD Center for Economic Development Small Business Development Center office that is located in the quad cities.

Community Comprehensive Plan Updates - \$40,000

The grant program helps communities fund the development and adoption of comprehensive plans. Comprehensive plans provide a long range vision for how each community desires to grow and develop. The plans better enable communities to make long term development decisions and also assist IRRRB in making funding decisions.

Downtown Partnership Pilot - \$200,000

Downtown revitalization has been identified as essential to the quality of life in our communities and as a priority in communities across the IRRRB service area. The Downtown Partnership Pilot Program provides funding for projects in downtown areas to create excitement, encourage citizen engagement, and generate visible improvements in downtowns.

Business Energy Retrofit - \$750,000

The program is funded by IRRRB and administered through a partnership with Arrowhead Economic Opportunity Agency (AEOA) to assist business owners with energy efficient improvements to their buildings.

Workforce Development - \$200,000

Grants assist in workforce development by funding sector specific customized training programs for industry, industry clusters, schools or collaborative partnerships that build capacity, responsiveness or innovation to address workforce needs. Funding is also available for secondary and post-secondary educational institutions to develop and deliver curriculum that prepares students for a seamless transition from high school or post-secondary education to the workforce.

Mining and Mineland Reclamation

Mining & Mineland Reclamation - \$585,000

FY17 funded projects and programs include stocking mine pits with fish (\$15,000), emergency safety projects and repair (\$20,000), the Mining Impact Grant Program (\$300,000) that will stimulate communities to proactively address current and future conflicts with mining, and the Drilling Incentive Grant Program (\$250,000) to stimulate additional exploration in Minnesota – primarily for manganese and gold.

Laurentian Vision Partnership - \$200,000

The Laurentian Vision Partnership Innovation Grant Program assists cities, townships, mining companies or joint powers boards with projects to promote the LVP vision and mission of “transforming pits and piles to living lakes and landscapes...our legacy for the future.” Grant funds are used to preserve lands that sustain current and future mining, promote landscape options for post-mining uses, identify and plan new development opportunities, and provide the tools to achieve these goals.

Culture and Tourism

Culture and Tourism - \$300,000

Culture and Tourism grants assist non-profit organizations to undertake projects that stimulate tourism and enrich the quality of life in communities through artistic, cultural, heritage or recreational activities.

Minnesota Discovery Center - \$1,350,000

Minnesota Discovery Center’s mission is to “collect, preserve, interpret and promote the history and cultural heritage of northeastern Minnesota; and to manage, promote, sustain and develop the assets of Ironworld for the long-term benefit of area residents and visitors.”

Through FY 2017 the Sublease/Management Agreement provides an annual \$1,000,000 operating subsidy, the interest on an endowment fund and a \$150,000 challenge grant for operating or endowment fund raising. In addition to these financial terms, the budget includes \$200,000 for building capital improvements.

Commissioner Program - \$300,000

Grants under the Commissioner Program allow the agency to respond quickly to urgent situations or to support development opportunities that may not meet other program requirements.

Application Fund - \$50,000

The grant program reimburses communities, non-profits and educational organizations for up to one-half of the cost of applying for funding from other state, federal or private grant programs.

Programs Budget

Program Grants	FY 2016 Budget	FY 2016 Projected	FY 2017 Budget
Community Development			
Commercial Redevelopment	\$1,100,000	\$1,100,000	\$750,000
Residential Redevelopment	350,000	350,000	300,000
Development Partnerships	250,000	250,000	250,000
Community Comprehensive Plan Updates	150,000	250,000	40,000
Downtown Partnership Pilot	0	0	200,000
Business Energy Retrofit	750,000	750,000	750,000
Total Community Development	\$2,600,000	\$2,600,000	\$2,290,000
Workforce Development	\$300,000	\$300,000	\$200,000
Mining and Mineland Reclamation			
Mining & Mineland Reclamation	\$435,000	\$435,000	\$585,000
Laurentian Vision Innovation Projects	200,000	200,000	200,000
Total Mining and Mineland Reclamation	\$635,000	\$635,000	\$785,000
Culture & Tourism			
Culture & Tourism	\$185,000	\$185,000	\$300,000
Minnesota Discovery Center	1,350,000	1,350,000	1,350,000
Total Culture & Tourism	\$1,535,000	\$1,535,000	\$1,650,000
Commissioner Program	\$300,000	\$300,000	\$300,000
Application Fund	\$25,000	\$25,000	\$50,000
Total Program Grants	\$5,395,000	\$5,395,000	\$5,275,000

Region III

State law directs IRRRB to serve as the fiscal agent for Carlton and Koochiching County (Region III) grants from occupation taxes for economic and environmental development projects. IRRRB does not make any funding decisions, but funds pass through under the following provisions:

- The Region III allocation is equal to the amount that would have been generated by a 1.5-cent tax imposed on each taxable ton for the preceding production year.
- The amount for both counties in FY16 was \$594,116, from which IRRRB was reimbursed \$14,000 for costs of administering the fund.
- By law, one-third of the portion allocated for Koochiching County must be used to fund the Koochiching County Economic Development Commission.

Region III Grant – Carlton/Koochiching	FY 2016 Budget	FY 2016 Projected	FY 2017 Budget
Region III	\$591,554	\$591,554	\$563,091

Giants Ridge

Giants Ridge supports and promotes tourism and recreational opportunities and enhances the quality of life for area residents, while improving the economic enhancement and diversification of the IRRRB service area. The Giants Ridge recreation area includes: a snow sports area with alpine and Nordic skiing, and snow tubing; two golf courses; mountain bike trails; hiking trails; disc golf; lake access and private sector lodging and residential development. Giants Ridge is the host site for the Minnesota State High School League alpine and cross country state championship races.

The multiplier economic impacts from Giants Ridge on the local economy are estimated to be over \$43 million today and \$98 million by 2035.

The FY17 budget supports capital investments that will sustain and enhance the recreational facility.

Giants Ridge Budget

Giants Ridge	FY 2016 Budget	FY 2016 Projected	FY 2017 Budget
Revenues			
Admissions	\$2,585,210	\$2,516,678	\$2,764,469
Facility Rental	2,000	400	2,000
Other Revenue	121,213	145,237	67,031
Retail Sales	1,222,299	1,188,294	2,242,451
Total Revenues	\$3,930,722	\$3,850,609	\$5,075,951
Expenses			
Cost of Sales	\$594,370	\$687,611	\$844,163
Salaries & Benefits	4,316,052	3,685,146	4,842,575
Utilities	343,028	288,771	323,542
Advertising & Marketing	539,292	687,536	788,600
Equipment Rental	6,650	58,296	15,450
Management Fees	133,843	118,381	100,080
Maintenance & Repairs	990,191	880,016	800,191
Supplies	397,846	293,756	415,181
Insurance	106,707	80,033	128,857
Purchased Services	540,255	698,614	271,844
Capital and Non-Capital Assets - 471	440,897	593,214	862,000
Total Operational Expenses	\$8,409,131	\$8,071,374	\$9,392,483
Non Operational Expenses			
Interest and Financing	\$774	\$774	\$0
Transition Costs	0	0	410,000
Event Center Costs	1,108,925	1,108,925	0
Total Non-Operational Expenses	\$1,109,699	\$1,109,699	\$410,000
Total Expenditures	\$9,518,830	\$9,181,073	\$9,802,483

Operational Costs

Operational costs include day-to-day general and administrative expenses for running the agency: payroll, purchased services, indirect costs, supplies, materials, repairs and maintenance. Payroll expenses include all Operations and Development employees.

Operational Costs Budget

Operational Costs	FY 2016 Budget	FY 2016 Projected	FY 2017 Budget
Payroll			
Wages and Benefits	\$4,084,231	\$3,839,471	\$4,218,302
Retirement Insurance	158,422	162,797	100,444
Unemployment Compensation	100,000	47,298	50,000
Workers Compensation	120,000	78,827	80,000
Other Payroll Costs	17,700	33,127	15,150
Total Payroll	\$4,480,353	\$4,161,519	\$4,463,896
Purchased Services			
Rentals and Utilities	\$51,940	\$63,500	\$49,940
Printing and Advertising	60,040	61,179	98,000
Professional/Technical Services	470,800	516,507	747,100
Computer and Computer Services	248,460	416,566	174,000
Communications	17,780	133,177	136,100
Travel	256,900	200,209	220,000
Employee Development	46,800	36,202	51,000
Total Purchased Services	\$1,152,720	\$1,427,339	\$1,476,140
Supplies and Equipment	\$551,050	\$248,252	\$394,600
Repairs and Maintenance	\$364,000	\$61,233	\$247,000
Indirect Costs			
Statewide Indirect Costs	\$49,500	\$39,579	\$146,984
Attorney General Costs	10,000	6,848	10,000
Total Indirect Costs	\$59,500	\$46,427	\$156,984
Other Operating Costs	\$191,900	\$291,640	\$251,100
Total Operational Costs	\$6,799,523	\$6,236,410	\$6,989,720

Exhibit C – Giants Ridge Capital Expenditure



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

To: IRRRB Board

From: Mark Phillips
IRRRB Commissioner

Date: June 14, 2016

Re: Giants Ridge Capital Infrastructure

Project: Replacement of aging infrastructure at Giants Ridge Recreation Area. Total request \$5.7 million for the replacement of two lifts (includes hard construction cost and ski maintenance). In order for the recreational facility to remain current and competitive within today's recreational market the reinvestment is needed to meet the customer expectations.

The new lifts will provide greater uphill capacity, improved safety monitoring, additional opportunities for mountain biking, hiking, and event driven activities on the mountain year-around.

- Total Project Cost: \$5.7 million.
- Project Timeline: Spring 2017 construction – completion November 2017.
- Giants Ridge Economic Impact: \$43 million today and \$98 million by 2035.

1 Source: Economic Impact Study conducted by THK Associates, Inc. of Aurora, Colorado March 2016.