

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

12-0286R

RESOLUTION AUTHORIZING AN APPLICATION TO THE STATE OF MINNESOTA FOR A MINNESOTA INVESTMENT FUND GRANT IN THE AMOUNT OF \$1,000,000 (AAR AIRCRAFT SERVICES, INC.)

CITY PROPOSAL:

BE IT RESOLVED, that the city of Duluth (city) act as the legal sponsor for the project contained in the business and community development application to be submitted on June 12, 2012, and that the mayor of the city is hereby authorized to apply to the Minnesota department of employment and economic development for funding of this project on behalf of the city.

FURTHER RESOLVED, that the city has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to ensure adequate construction, operation, maintenance and replacement of the proposed project for its design life.

FURTHER RESOLVED, that the city has not incurred any costs and has not entered into any written agreements to purchase property.

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

FURTHER RESOLVED, that upon approval of its application by the state, the city may enter into an agreement with the state of Minnesota for the above-referenced project and that the city certifies that it will comply with all applicable laws and regulations as stated in all contract agreements and described on the compliance section (S-7) of the business and community development application.

FURTHER RESOLVED, that the city has obtained credit reports and credit information from AAR Aircraft Services, Inc. (AAR). The city and its city attorney will review the reports and information to ensure that no adverse findings or concerns regarding, but not limited to, tax liens, judgments, court actions and filings with state, federal and other regulatory agencies are

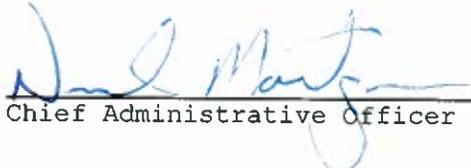
identified. Failure to disclose any such adverse information could result in revocation or other legal action.

FURTHER RESOLVED, that the proper city officials are hereby authorized to execute such agreements, and amendments thereto, as are necessary to implement the project on behalf of the city.

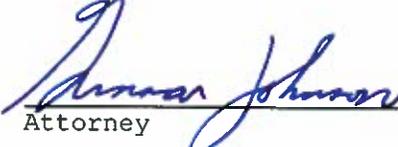
Approved:


Department Director

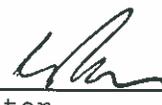
Approved for presentation to council:


Chief Administrative Officer

Approved as to form:


Attorney

Approved:


Auditor

BD/ATTY HTB/JC:bel 06/01/2012

STATEMENT OF PURPOSE: AAR provides diverse products and services to the worldwide commercial aviation and government/defense industries. The Duluth AAR facility will serve passenger airlines, cargo carriers, tier two suppliers and aircraft and engine original equipment manufacturers with maintenance repair and overhaul (MRO), engineering, logistics and precision fabrication capabilities. AAR is the second largest independent provider of MRO services in North America. AAR will be leasing the majority of the former NWA MRO facility at the Duluth International Airport and will have the first right of refusal on any remaining square feet in the facility. AAR is committing to a minimum of 100 jobs and a \$1M investment in the Duluth project by the end of year one. By the end of year four, AAR is committing to the creation of 192 jobs. The estimated project budget is \$5.35 million.

Approval of this resolution authorizes the application by the city of Duluth to the state department of employment and economic development (DEED) for two \$500,000 Minnesota investment fund (MIF) grants to the city, for a total of \$1,000,000 dispersed over a two-year period. The resolution also authorizes

the city to enter into necessary agreements with the state if the funding is awarded. If the grants are awarded to the city, the city may then make a \$1,000,000 loan to AAR for its Duluth project. A MIF loan from the city to AAR represents one of three proposed financial subsidies provided to AAR by the city; the other two are JOBZ benefits and post-JOBZ tax abatement. All three subsidy requests will be presented for council consideration on June 25, 2012.