

**SPECIAL MEETING OF THE
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
PURSUANT TO MINNESOTA STATUTE 13D.021 REGARDING
MEETINGS BY TELEPHONE OR OTHER ELECTRONIC MEANS
FRIDAY, APRIL 3, 2020 – 12:00 P.M.
COUNCIL CHAMBERS, THIRD FLOOR, CITY HALL
AGENDA (Revised)**

CALL TO ORDER

PUBLIC TO ADDRESS THE COMMISSION

PUBLIC HEARINGS

APPROVAL OF MINUTES

APPROVAL OF CASH TRANSACTIONS

NEW BUSINESS

RESOLUTIONS FOR APPROVAL

RESOLUTION 20D-21: RESOLUTION AUTHORIZING A FIFTH AMENDMENT TO THE LEASE AGREEMENT WITH AAR AIRCRAFT SERVICES, INC. ABATING RENT FOR THE MRO FOR THE MONTHS OF APRIL, MAY AND JUNE, 2020.

RESOLUTION 20D-22: RESOLUTION AUTHORIZING MODIFICATION OF LEASES IN RESPONSE TO COVID-19 EMERGENCY.

RESOLUTION 20D-23: RESOLUTION AUTHORIZING MODIFICATION OF LOAN DOCUMENTS IN RESPONSE TO COVID-19 EMERGENCY.

RESOLUTION 20D-24: RESOLUTION AUTHORIZING THE DEDA EXECUTIVE DIRECTOR TO ENTER INTO AN AGREEMENT WITH THE ENTREPRENEUR FUND, INC. RELATED TO THE DEDA SMALL BUSINESS EMERGENCY LOAN PROGRAM IN THE AMOUNT OF \$90,000

DISCUSSION

- 1.) DEDA's potential long-term COVID-19 economic response options.

DIRECTOR'S REPORT

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NOTICE: The Duluth Economic Development Authority will be holding its April 3, 2020 Special Meeting by telephone or other electronic means pursuant to Minnesota Statutes Section 13D.021 in response to the COVID-19 emergency. Some members of the Board may participate by conference call or video conference. Due to the COVID-19 emergency and the closure of City facilities, public comment will not be taken at the meeting. The public is encouraged to watch the meeting by tuning into Public Access Television, Channel 180.

RESOLUTION 20D-21

RESOLUTION AUTHORIZING A FIFTH AMENDMENT TO THE LEASE AGREEMENT WITH AAR AIRCRAFT SERVICES, INC. ABATING RENT FOR THE MRO FOR THE MONTHS OF APRIL, MAY AND JUNE, 2020.

RESOLVED, by the Duluth Economic Development Authority ("DEDA") that the proper DEDA officials are hereby authorized to enter into a Fifth Amendment to the Lease Agreement (DEDA Contract No. 12 65 666), substantially in the form of that attached hereto, with AAR Aircraft Services, Inc., abating rent payable under the Lease for the months of April, May and June, 2020.

Approved by the Duluth Economic Development Authority this 3rd day of April, 2020.

ATTEST:

Executive Director

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize the execution of a Fifth Amendment to the Lease Agreement with AAR for the lease of the MRO facility at the Airport.

The effects of COVID-19 impacted the operations at the MRO. Because of the reduction in air travel and the resulting reduction in the number of flights being undertaken by the airlines, including AAR's customer, the demand for AAR's services has been materially reduced, concomitantly reducing their available revenues, further straining their operations in Duluth.

AAR has requested some relief from DEDA in response to these unanticipated cost factors to make its Duluth operations more financially viable. In response, DEDA staff recommend that AAR's lease payments for the months of April, May and June of 2020 be abated to ease the burdens of these cost factors. The reduction in revenues to DEDA resulting from this amendment will be approximately \$111,750. The amendment authorized by this resolution would authorize such relief.

FIFTH AMENDMENT TO LEASE AGREEMENT

DULUTH ECONOMIC DEVELOPMENT AUTHORITY

NWA MRO FACILITY

AAR AIRCRAFT SERVICES, INC.

THIS FIFTH AMENDMENT TO LEASE AGREEMENT, entered on the ___ day of _____, 2020, , by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as "DEDA", and AAR AIRCRAFT SERVICES, INC., a corporation created and existing under the laws of the State of Illinois, hereinafter referred to as "Lessee".

WHEREAS, the parties hereto entered into a Lease Agreement dated June 29th, 2012 bearing DEDA Contract No. 12 65 666, which Lease Agreement was amended by the First Amendment to Lease Agreement entered into on July 19, 2012, a Second Amendment to Lease entered into on January 23, 2013, a Third Amendment to Lease entered into on September 15, 2015, and a Fourth Amendment to Lease entered into July, 1, 2019 which Lease Agreement, First Amendment to Lease Agreement, Second Amendment to Lease, Third Amendment to Lease, and Fourth Amendment to Lease are hereinafter collectively referred to as the "Lease" for the lease of the therein-defined Leased Property and Leased Premises to Lessee; and

WHEREAS, the airline industry, including AAR's major customer, have experienced a major reduction in airline travel due to the impacts of COVID-19 and a concomitant reduction in flights, resulting in a substantial reduction in Lessee's business at the Building; and

WHEREAS, Lessee has requested that DEDA afford Lessee some temporary relief from its financial obligations under the Lease to assist Lessee in addressing the impacts of COVID-19 on its operations in Duluth in keeping with the provisions of Article XII of the Lease; and

WHEREAS, DEDA deems the effects of COVID-19 to be a Force Majeure event

as described in said Article XII and hereby agrees to grant Lessee the following relief.

NOW THEREFORE, in consideration of the mutual covenants and conditions hereinafter contained, the parties hereto hereby agree as follows:

1. That nothing to the contrary in the Lease withstanding, Paragraph A of Article III of the Lease his hereby amended to provide that for the months of April, May, and June of 2020, the rent to be paid by Lessee shall be abated and the rent payable to DEDA those months shall be \$--00--.
2. That in all other respects, the Lease, together with all of its terms, covenants and conditions, is hereby confirmed in its entirety.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first shown above.

DULUTH ECONOMIC DEVELOPMENT
AUTHORITY, an economic
development authority

AAR AIRCRAFT SERVICES, INC., an
Illinois Corporation

By _____
Its President

By: _____
its President
"Lessee"

Attest:

By _____
Secretary

Approved:

Countersigned:

Assistant City Attorney

City Auditor

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

The foregoing instrument was acknowledged before me this _____ day of _____, 2020,
by _____, the _____ of AAR Aircraft Services Inc., an Illinois corporation, on

behalf of the corporation.

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this ____th day of _____, 2020,
by _____ and _____, the President and Secretary of DEDA , an economic
development authority created and existing under the Laws of the State of Minnesota, on behalf of
DEDA.

Notary Public

This Lease Drafted by:
Robert E. Asleson
Attorney for the DEDA of Duluth
Room 410 DEDA Hall
Duluth, MN 55802
(218) 730-5490

RESOLUTION 20D-22

RESOLUTION AUTHORIZING MODIFICATION OF LEASES IN RESPONSE TO COVID-19 EMERGENCY.

RESOLVED, by the Duluth Economic Development Authority (“DEDA”) that the Executive Director of DEDA is hereby authorized to execute on behalf of DEDA modifications of the following leases extending the term of the leases for a period of three months and grant a deferral of lease payments for the months of April, May and June of 2020 until the end of the terms of said leases as which time deferred lease payments will be payable in response to the impacts of the COVID-19 health emergency and the resulting financial impacts resulting thereof:

(Agreement Name)

(Agreement Number)

Approved by the Duluth Economic Development Authority this 3rd day of April, 2020.

ATTEST:

Executive Director

STATEMENT OF PURPOSE:

The purpose of this resolution is to authorize the Executive Director to modify the identified leases to providing a three month deferral in required lease payments until the end of the term of the lease in response to the financial impacts of COVID-19 emergency on local business operations.

This would provide for needed cash-flow relief to the affected businesses on a short-term basis without changing the entities’ ultimate lease payment obligations.

RESOLUTION 20D-23

RESOLUTION AUTHORIZING MODIFICATION OF LOAN DOCUMENTS IN RESPONSE TO COVID-19 EMERGENCY.

RESOLVED, by the Duluth Economic Development Authority (“DEDA”) that the Executive Director of DEDA is hereby authorized to execute on behalf of DEDA modifications of the loan documents, including loan agreements and notes, pertaining to the below listed loan transactions extending the term of the loans for a period of three months and abating the loan payments, including the accrual of interest thereon for the months of April, May and June of 2020 in response to the impacts of the COVID-19 health emergency and the resulting financial impacts resulting thereof:

Loan agreement between Duluth Economic Development Authority, Lender and Duluth Playhouse, Incorporated, borrower, dated June 15, 2016.

Approved by the Duluth Economic Development Authority this 3rd day of April, 2020.

ATTEST:

Executive Director

STATEMENT OF PURPOSE:

The purpose of this resolution is to authorize the Executive Director to modify loan documents pertaining to the identified loans extending the terms of them for three months and providing a three month hiatus in required payments of principal and interest thereon in response to the financial impacts of COVID-19 emergency on local business operations.

This would provide for needed cash-flow relief to the affected businesses on a short-term basis without changing the entities’ ultimate repayment obligations, except to the extent that the delayed repayment schedule provided for no accrual of interest during the hiatus period.

RESOLUTION 20D-24

**RESOLUTION AUTHORIZING THE DEDA EXECUTIVE DIRECTOR TO
ENTER INTO AN AGREEMENT WITH THE ENTREPRENEUR FUND, INC.
TO IMPLEMENT DEDA'S SMALL BUSINESS EMERGENCY
LOAN PROGRAM IN THE AMOUNT OF \$90,000**

RESOLVED by the Duluth Economic Development Authority (DEDA) that the DEDA Executive Director is hereby authorized to enter into an agreement with the Entrepreneur Fund, Inc. substantially in conformance with the attached Exhibit A to implement DEDA's Small Business Emergency Loan Program in the amount of \$90,000, payable from fund 860.

Approved by the Duluth Economic Development Authority this 3rd day of April, 2020.

ATTEST:

Executive Director

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize an agreement with the Entrepreneur Fund to implement DEDA's Small Business Emergency Loan Program in the amount of \$90,000. The program will provide assistance to business owners who are facing significant challenges due to the COVID-19 peacetime emergency declaration. The terms of the agreement will substantially conform to the attached Exhibit A.

Exhibit A

Effective immediately, DEDA authorizes the Entrepreneur Fund to develop and implement a partially forgivable loan program to grant potentially forgivable loans to small businesses (the “DEDA Small Business Emergency Loan Program”), regardless of such business’s organizational form (i.e., independent contractor, sole proprietorship, limited liability company, etc.).

Any business receiving a loan through the DEDA contribution to the DEDA Small Business Emergency Loan Program must demonstrate that it was directly and adversely affected by the COVID19 peacetime emergency declaration. Under the DEDA Small Business Emergency Loan Program, small businesses are required to have claimed all applicable private insurance and utilized all other sources of applicable assistance available from other private Federal and State sources.

Under the DEDA Small Business Emergency Loan Program, the EF will be authorized to issue emergency loans under the following conditions and terms:

- 1.) The businesses employees must primarily work within the City of Duluth.
- 2.) The interest rate will be 0.5% percent for a term of up to 5 years.
- 3.) The first monthly payments will be deferred up to 12 months
- 4.) The minimum loan is \$2,000 and the maximum is \$20,000.
- 5.) The borrower must demonstrate that the need for the loan is primarily the impact of the COVID-19 emergency and that the amount of the loan is necessary to maintain financial viability and be accompanied by documentation supporting that determination.
- 6.) No matching contribution is required. However, business must be willing to provide collateral or personal guarantee for at least 10% of loan amount
- 7.) The business must have operated long enough to demonstrate financial viability.
- 8.) The loan must not be used to refinance debt that existed at the time of the COVID-19 peacetime emergency declaration.
- 9.) If additional financing or grants are received from other sources (Private Commercial Lenders, Federal, or State), the DEDA Small Business Emergency Loan Program funds will be repaid to EF in an expeditious manner.
- 10.) The term of the loans shall be up to 5 years unless repayment provisions are triggered (as noted above).
- 11.) Loan applications received during the COVID-19 peacetime emergency declaration will be eligible to be approved under these conditions.
- 12.) Up to **40%** of a loan may be forgiven if the business returns to operating in the community at substantially the same levels within two years following loan disbursement and operates for 12 months at that level.
- 13.) DEDA acknowledges that placement of the loan under the DEDA Small Business Emergency Loan Program, will need to include up to 3 percent of the loan amount for the purpose of financing administrative costs.

- 14.) EF will provide quarterly reports of small business emergency loans to the DEDA Executive Director that includes a description of businesses supported by the program, an accounting of the loans made during the quarter, the source and amount of money collected and distributed by the program, the program's assets and liabilities, and an explanation of administrative expenses for 3 years.
- 15.) Any amount of DEDA Small Business Emergency Loan Program funding not loaned to qualifying businesses within six months and by repayments of DEDA's Small Business Emergency Loan Program received after six months shall be reloaned under EF's standard matching loan program for businesses qualifying under No 1 above. These repaid loan funds may be repurposed back to EF after 3 years to meet the DEDA's capital contribution commitment of \$250,000 authorized by DEDA in Resolution 19D-47 on December 18, 2019.
- 16.) The business applicant should demonstrate that it is unable to qualify for a standard loan through a bank, credit union, or nonprofit lending organization
- 17.) Pay-off the DEDA emergency loan if financing is received subsequent to loan approval.
- 18.) Loans cannot be provided to businesses that:
 - a. Derive income from passive investments without operational ties to operating businesses
 - b. Primarily generate income from gambling activities
 - c. Generates any part of its income from adult-oriented activities
 - d. Have no current or historical financial statements