

## Iron Range Resources and Rehabilitation

## Projects Summary

(\$ in thousands)

Project Title	Rank Fund		Project Requests for State Funds			Gov's Rec	Gov's Planning Estimates	
			2016	2018	2020	2016	2018	2020
Giants Ridge Aerial Lift	1	GO	5,000	0	0	5,000	0	0
<b>Total Project Requests</b>			5,000	0	0	5,000	0	0
<b>General Obligation Bonds (GO) Total</b>			5,000	0	0	5,000	0	0

[www.mn.gov/irrrb](http://www.mn.gov/irrrb)

### AT A GLANCE

- Iron Range Resources and Rehabilitation Board (IRRRB) is a unique state agency whose budget is annually established and approved by a nine member board.
- IRRRB serves a portion of the state, a 13,000 square-mile area of northeastern Minnesota.
- The agency works with over 178 communities (49 cities and 129 townships) within its service area.
- IRRRB is funded by a portion of local taconite production tax which is paid by mining companies on each ton of iron ore pellets or concentrates produced instead of local property taxes.

### PURPOSE

Established in 1941, the agency was created to diversify the economy within a region largely dependent on a natural resource based economy--primarily iron mining.

The purpose of the IRRRB is to promote and invest in business, community and workforce development for the betterment of northeastern Minnesota.

The IRRRB supports the following statewide outcomes:

- **A thriving economy that encourages business growth and employment opportunities**
- **Minnesotans have the education and skills needed to achieve their goals**
- **Strong and stable families and communities**

### STRATEGIES

IRRRB works with businesses customizing financial assistance that meets business goals and objectives. Agency low-interest loans or other incentives are affordable and flexible. The agency works with businesses, their banks and other economic development partners to complete financial packages.

IRRRB provides grants and other funding for innovative education and workforce development initiatives. The agency partners with the Northeast Higher Education District, other Minnesota State Colleges and Universities, the University of Minnesota system, regional K-12 school districts and the region's business community to meet learning needs.

IRRRB also provides grants and other funding to local units of government and non-profits to support community and economic development to advance a community's long-range plans.

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[M.S. 298.22](https://www.revisor.mn.gov/statutes/?id=298.22) (<https://www.revisor.mn.gov/statutes/?id=298.22>) provides the legal authority for IRRRB.

**At A Glance**

The Iron Range Resources and Rehabilitation Board (IRRRB) is an economic development agency that promotes and invests in business, community, and workforce development for the betterment of northeastern Minnesota. Agency strategic priorities include:

- Job Creation
- Vibrant & Prosperous Communities
- Tomorrow's Mining
- Talent Development
- Giants Ridge

**Factors Impacting Facilities or Capital Programs**

The IRRRB funds annual capital improvements and repairs at its facilities in Eveleth, Biwabik, and Chisholm, from its operating budget. The high speed aerial lift replacement is an asset preservation expense that exceeds typical expenditures and resources. Giants Ridge's service to residents of the state, over 100,000 visitors a year, makes the project a good fit for bonding. The investment is necessary to ensure the continued economic impact of Giants Ridge and it protects the nearly \$60 million in public investment made at the site since the 1980s. The high speed aerial lift replacement is critical to a contemporary ski operation; the current lift is 20 years old and lacks the technology, comfort, safety and capability expected by today's skiers. Without this improvement, Giants Ridge will lose market share.

**Self-Assessment of Agency Facilities and Assets**

Giants Ridge is seeking funding to purchase a four person high speed aerial lift. The cost for this lift is approximately \$5 million, which includes dismantling of the existing lift, and the erection of the new one. The lift will meet new safety standards and increase skier/rider capacity by shortening the travel time up the ski hill from 8 to 2.3 minutes and loading 4 rather than 3 skiers per lift. Aerial lifts can be used for summer or fall chair lift rides, and be outfitted with bicycle racks to serve mountain biking customers and events, increasing revenue opportunities.

**Agency Process for Determining Capital Requests**

The agency is reviewing a variety of strategies to make Giants Ridge more competitive while increasing revenues and reducing costs. Replacing aging infrastructure, equipment and facilities is key to both. The following have been strategic investments over the last 8 years: a snowmaking system upgrade in 2009, addition of a tubing hill in 2010, erecting a sports pavilion in 2014 and currently, construction of an Event Center that replaces the original chalet. While other developments around the recreation area remain important, they are largely private sector driven. Making strategic public investments in the core business increases destination visitors, enhances property values and attracts new third party development.

**Major Capital Projects Authorized in 2014 & 2015**

Development and construction of the Giants Ridge Event Center

State Bonding FY14	\$ 3,800,000
Agency Funding FY14 and FY15	\$ 8,910,940
Project Total	\$ 12,710,940

**Giants Ridge Aerial Lift****AT A GLANCE****2016 Request Amount:** \$5,000**Priority Ranking:** 1**Project Summary:** Giants Ridge is requesting 5 million dollars for a detachable aerial lift. The lift replaces critical infrastructure with the latest aerial technology, increased capacity, safety improvements, speed, and year-round access to the ski hill.**Project Description**

Funding will be used to purchase a four person detachable aerial lift. The cost is approximately 5 million dollars which includes dismantling and moving the existing lift and installing the new one. The lift meets new safety standards, improves the customer experience, and increases operational capacity and efficiency. The aerial lift can be used year-round, expanding seasonal customer use and revenue.

**Project Rationale**

Replaces critical infrastructure that is integral to market growth

- Protects 30 years of public/private investment
- Generates new participation and revenue

Meets new industry safety standards

- Improved monitoring
- Safety bars
- Child restraints

Improves the customer experience with increases in uphill capacity and speed

- A 33% increase in riders/skiers per hour capacity, from 1,800 – 2,400
- Guests travel up the hill 3.5 times faster, a trip decreases from 8 to 2.3 minutes

The lift can be used year-round, diversifying seasonal activities and revenue

- Hiking and mountain biking access and services can be expanded

**Other Considerations**

The aerial lift complements the reinvestment plan underway at Giants Ridge that includes the new \$12.8 million dollar event center, now under construction. The event center is funded by \$9 million in agency funds and \$3.8 million provided by the state. Increased year-round use of the

facility generates economic impact throughout the region, draws destination tourists and provides high quality recreation for residents.

### **Impact on Agency Operating Budgets**

Enhanced revenues offset increases in maintenance costs.

### **Description of Previous Appropriations**

N/A

### **Project Contact Person**

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Managing Director  
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### **Governor's Recommendation**

The Governor recommends \$5 million in general obligation bonds for this request.

# Iron Range Resources and Rehabilitation

# Project Detail

(\$ in thousands)

## Giants Ridge Aerial Lift

### PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2016	FY 2018	FY 2020
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 0	\$ 5,000	\$ 0	\$ 0
<b>Funds Already Committed</b>				
<b>Pending Contributions</b>				
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 5,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2016	FY 2018	FY 2020
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 80	\$ 0	\$ 0
Construction	\$ 0	\$ 4,613	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 307	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 5,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2016	FY 2018	FY 2020
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

### SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 5,000	100 %
User Financing	\$ 0	0 %

**STATUTORY REQUIREMENTS**

The following requirements will apply to projects after adoption of the bonding bill.

<b>M.S. 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)</b>	Yes
<b>M.S. 16B.335(3): Predesign Review Required (by Dept. of Administration)</b>	
Does this request include funding for predesign?	No
Has the predesign been submitted to the Department of Administration?	No
Has the predesign been approved by the Department of Administration?	No
<b>M.S. 16B.325(1): Sustainable Building Guidelines Met</b>	N/A
<b>M.S. 16B.325(2) and M.S. 16B.335(4): Energy Conservation Guidelines</b>	
Do the project designs meet the guidelines?	N/A
Does the project demonstrate compliance with the standards?	N/A
<b>M.S. 16B.335(5 &amp; 6): Information Technology Review (by MN.IT)</b>	N/A
<b>M.S. 16A.695: Public Ownership Required</b>	Yes
<b>M.S. 16A.695(2): Use Agreement Required</b>	N/A
<b>M.S. 16A.695(5): Program Funding Review Required (by granting agency)</b>	Yes
<b>M.S. 16A.86 (4b): Matching Funds Required</b>	N/A
<b>M.S. 16A. 642: Project Cancellation in 2021</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 174.93: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A