

City of South St. Paul Economic Development Authority Agenda

Monday, April 6, 2020

Please be advised that the regular meeting location is City Hall Council Chambers located at 125 3rd Ave. N., South St. Paul, but pursuant to Minn. Stat. 13D.021, under the current emergency declaration due to the COVID-19 health pandemic, some or all of the commissioners may participate in remote locations using *Web-Ex*. Please be advised that City Hall is closed to the public, therefore, any member of the public wishing to monitor the meeting may do so electronically by logging in as follows:

WebEx Meeting For the Public

Join by phone: 1-312-535-8110

Access Code: 282 743 195

1. CALL TO ORDER:

2. ROLL CALL:

3. AGENDA:

A. Approval of Agenda

Action – Motion to Approve

Action – Motion to Approve as Amended

4. CONSENT AGENDA:

All items listed on the Consent Agenda are items, which are considered to be routine by the Economic Development Authority and will be approved by one motion. There will be no separate discussion of these items unless a Commissioner or citizen so requests, in which event the item will be removed from the consent agenda and considered at the end of the Consent Agenda.

A. EDA Meeting Minutes of March 2, 2020

5. GENERAL BUSINESS:

A. Approval of an Amendment to Lease Agreement – 135 Grand Avenue East

B. Resolution 2020 - 3 - Termination of Development Agreement – 285 Hardman Avenue South

C. Resolution 2020 – 4 –Business Development Loan – Temporary Deferrals

6. ITEMS FOR FUTURE FOLLOW-UP:

General communications of the President and Commissioners are provided and may be considered for inclusion on a future agenda. There will be no discussion or decisions made related to these items at this meeting.

7. ADJOURNMENT:

This meeting is being taped by Town Square Television (NDC4).

Replays can be viewed on Government Channel 19.

Replay Times – Friday following Meeting at 1:00 p.m. & 7:00 p.m.

651-451-7834

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ryan Garcia". The signature is stylized with a large initial "R" and a cursive "G".

Ryan Garcia, EDA Executive Director

MINUTES OF
THE ECONOMIC DEVELOPMENT AUTHORITY
CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA

Regular Meeting
March 2, 2020
City of South St. Paul Council Chambers

1. CALL TO ORDER

Chair Francis called the meeting to order at 7:40 PM.

2. ROLL CALL

Members Present: President Francis, Commissioners Flatley, Hansen, Seaberg, Forester, Kaliszewski and Dewey.

Staff Present: EDA Executive Director Ryan Garcia, City Administrator Joel Hanson, and Legal Counsel Kori Land.

3. AGENDA

Motion/Second: Commissioner Forester moved and Commissioner Dewey seconded approval of the agenda.

Motion carried 7 ayes / 0 nays

4. CONSENT

- A. EDA Annual Meeting Minutes of January 21, 2020
- B. Approval of Proposal for Geotechnical Consulting Services – Concord Exchange North Redevelopment Sites

Motion/Second: Commissioner Flatley moved and Commissioner Forester seconded approval of the consent agenda.

Motion carried 7 ayes / 0 nays

5. GENERAL BUSINESS

- A. Authorization to Execute a Preliminary Development Agreement with Beard Group, Inc.

Mr. Garcia presented an overview of the Agreement, which intends to frame the process of preceding through diligence of the redevelopment site at the northwest corner of Concord Exchange North and Grand Avenue.

Motion/Second: Commissioner Forester moved and Commissioner Flatley seconded approval of a Preliminary Development Agreement with Beard Group, Inc.

Motion carried 7 ayes/ 0 nays

6. FUTURE FOLLOW-UP ITEMS

There were none.

7. ADJOURNMENT

Motion/Second: Commissioner Forester moved and Commissioner Dewey seconded the motion to adjourn the meeting at 7:37 PM.

Approved: April 6, 2020

Renee Schmitt

Renee Schmitt, Secretary



EDA Agenda Item Report

Date: April 6, 2020

EDA Executive Director: _____

5-A

Agenda Item: Approval of an Amendment to Lease Agreement – 135 Grand Avenue East

Action to be considered:

Motion to approve an Amendment to Lease Agreement for EDA-Owned property at 135 Grand Avenue East.

Overview:

In June 2019, the Economic Development Authority (EDA) acquired the property at 135 Grand Avenue East and assumed lessor rights via a lease agreement between the previous owner and the industrial tenant (MLCV 2020 Holdings). The lease agreement is set to terminate on June 30, 2020, and the tenant had been negotiating a lease at an industrial facility in a neighboring community. However, in light of the COVID-19 pandemic, the business has sought to defer their relocation for the time being as they concentrate on keeping their operations run as smoothly as possible through this disruption.

Staff is proposing an amended lease agreement that would extend the end date of the lease through December 31, 2020. We fully acknowledge the disruption that the pandemic has introduced, and feel a six-month extension at the exact same terms of tenancy (extremely favorable to the tenant) are appropriate. That said, the EDA has committed considerable resources towards an objective of fostering redevelopment of the “Hardman Triangle” district, within which 135 Grand Avenue is a key property, and should not similarly defer (indefinitely) action on that objective.

Staff suggests that perpetuating 2020’s occupancy at the property – particularly at a drastically below-market lease rate – is inconsistent with the EDA’s redevelopment strategy and its core objectives as an organization. Thus, we are proposing that if the business desires to extend its lease of the property beyond the initial 6-month extension period, the lease rate should be increased such that it is priced competitively in the market.

Staff’s position is that it is fundamentally not our role to compete with the private industrial real estate market for tenants by providing sub-market deals. The EDA will recall that we made significant efforts to secure a development partner, and to deliver a site, for 2020 to relocate within South St. Paul at an extremely competitive price point. MLCV/2020 decided not to pursue that option; they felt that they could get better pricing in Saint Paul (the option that they pursued). As of late-March, MLCV/2020 chose to back out of that option, as well – obviously under extraordinary circumstances (the broad impacts of COVID). We are happy to do what we can to help MLCV/2020 identify its next home, if possible within the City of South St. Paul, and will spend the rest of the year 2020 attempting to do that.

Funding Sources and other fiscal considerations:

The Property is located within the Concord Street TIF District, therefore all lease revenue is kept within the district for other eligible project costs. The current lease rate of \$12,000/month gross is about ½ of the current market rate for Office/Production/Warehouse facilities. We suggest an increase to \$20,000 per month for an additional 3-month extension (through March 30, 2021), and to \$25,000 per month if an additional 3-month extension (through June 30, 2021) on top of that.

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (“First Amendment”) is made, entered into and effective as of the 1st day of July, 2020, by and between the South St. Paul Economic Development Authority, a public body corporate and politic under the laws of Minnesota (“EDA”) and MLCV 20/20 Holdings, LLC, a Minnesota limited liability company (“MLCV”); and

WHEREAS, J & S Ryan Properties, LLLP, a Minnesota limited liability limited partnership (“Assignor”) and 2020 Promotion, LLC, a Minnesota limited liability company entered into a Lease Agreement dated June 30, 2014, with respect to the property described in said Lease Agreement (the “Property”); and

WHEREAS, 2020 Promotion, LLC, a Minnesota limited liability company, MLCV 20/20 Holdings, LLC, a Minnesota limited liability company and Assignor entered into a Landlord’s Consent to Lease Assignment and Estoppel dated September 30, 2014, assigning the Lease Agreement dated June 30, 2014 from 2020 Promotion, LLC, a Minnesota limited liability company to MLCV 20/20 Holdings, LLC, a Minnesota limited liability company; and

WHEREAS, Assignor and EDA entered into an Assignment and Assumption of Lease Agreement dated June 25, 2019, assigning the Landlord’s Consent to Lease Assignment and Estoppel dated September 30, 2014 from Assignor to EDA; and

WHEREAS, the Assignment and Assumption of Lease Agreement dated June 25, 2019, Landlord’s Consent to Lease Assignment and Estoppel dated September 30, 2014 and Lease Agreement dated June 30, 2014 are collectively referred to as the “Lease;” and

WHEREAS, the current term of the Lease expires on June 30, 2020; and

WHEREAS, the MLCV has requested an extension of the Lease; and

WHEREAS, the EDA does not object to an extension of the Lease upon the expiration of the Lease, which shall continue through June 30, 2020.

NOW THEREFORE, in consideration of the mutual promises and covenants of each to the other contained in this First Amendment and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto do covenant and agree as follows:

1. Effective July 1, 2020, the Lease shall be amended as follows:

AMENDMENTS

- A. The **Term** of the Lease is hereby deleted in its entirety and replaced as follows:

Term. The term of this Lease, subject to the renewal option provided below, shall be

for a period commencing on July 1, 2020, and terminating six (6) months thereafter on December 31, 2020 (“Initial Term”).

B. The **Rent** of the Lease is hereby deleted in its entirety and replaced as follows:

Rent. Lessee shall pay as base rent during the Initial Term of this Lease, monthly installments of Twelve Thousand Dollars (\$12,000) in advance of the first day of each month.

C. **Notices** of the Lease is hereby deleted in its entirety and replaced as follows:

Notices. All notices, requests, demands or other communications required or permitted by this Agreement shall be in writing and delivery shall be deemed to be sufficient if delivered personally or by registered or certified mail, return receipt accepted, postage prepaid, addressed as follows:

If to Lessor: South St. Paul Economic Development Authority
Attn: Executive Director
125 Third Avenue North
South St. Paul, MN 55075

If to Lessee: MLCV 20/20 Holdings, LLC
135 Grand Avenue East
South St. Paul, MN 55075

D. **Renewal Option** of the Lease is hereby deleted in its entirety and replaced as follows:

Renewal Option. Lessee shall have the right, upon giving Lessor written notice and upon written acceptance of such notice by Lessor, not less than thirty (30) days prior to the expiration of the then current term, to extend the term of this Lease for two (2) additional terms of three (3) months each (the “Renewal Terms”). Lessor reserves the right to terminate the Lease upon receipt of Lessee’s written notice to extend the Lease and shall provide written notice of same to Lessee, within ten (10) days of receiving Lessee’s written notice. Any reference in this Lease to “Term” of this Lease shall include the Initial Term and the Renewal Terms. If the parties elect to extend this Lease for one (1) or two (2) Renewal Terms, base rent for each such Renewal Term shall be as follows:

- a. First Renewal Term. From January 1, 2021 through March 31, 2021, Lessee shall pay as base rent monthly installments of Twenty Thousand Dollars (\$20,000) in advance of the first day of each month.
- b. Second Renewal Term. From April 1, 2021 through June 30, 2021, Lessee shall pay as base rent monthly installments of Twenty-Five Thousand Dollars (\$25,000) in advance of the first day of each month.

2. Except as provided for above, the terms and provisions of the Lease shall remain in full force and effect.

3. This First Amendment and all disputes or controversies arising out of or relating to this First Amendment or the transactions contemplated hereby shall be governed by, and construed in accordance with, the internal laws of the State of Minnesota, without regard to the laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of Minnesota.
4. Nothing contained herein shall be deemed a waiver by the EDA of any governmental immunity defenses, statutory or otherwise. Further, any and all claims brought by Assignor or their successors or assigns, shall be subject to any governmental immunity defenses of the EDA and the maximum liability limits provided by Minnesota Statutes, Chapter 466.
5. This First Amendment may be executed in two or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by the parties and delivered to the other parties. Delivery of a copy of this First Amendment bearing an original signature by facsimile transmission or by electronic mail in “portable document format” shall have the same effect as physical delivery of the paper document bearing the original signature.
6. This First Amendment shall not be amended, modified or supplemented except by a written instrument signed by an authorized representative of each party.

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IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the date hereinbefore first written.

**EDA:
SOUTH ST. PAUL ECONOMIC DEVELOPMENT AUTHORITY**

By: _____
James P. Francis
Its: President

By: _____
Ryan Garcia
Its: Executive Director

STATE OF MINNESOTA)
)
) ss:
COUNTY OF DAKOTA)

On this ____ day of _____, 2020, before me a Notary Public within and for said County, personally appeared James P. Francis and Ryan Garcia to me personally known, who being each by me duly sworn, each did say that they are respectively the President and the Executive Director of the South St. Paul Economic Development Authority, a public body corporate and politic organized under the laws of Minnesota, named in the foregoing instrument, and that it was signed on behalf of said entity by authority of its Board and said President and Executive Director acknowledged said instrument to be the free act and deed of said entity.

Notary Public



EDA Agenda Item Report

Date: April 6, 2020

EDA Executive Director: _____

[Handwritten signature]

5-B

Agenda Item: Resolution 2020 - 3 - Termination of Development Agreement – 285 Hardman Avenue South

Action to be considered:

Motion to approve Resolution 2020 - 3.

Overview:

In September 2019, the EDA entered into a Development Agreement with Hardman Industrial LLC and Interstate Development Corporation for the developer's acquisition and development of an approximately 4.2 Acre site owned by the EDA at the southwest corner of Hardman Avenue and Hardman Court. The property was positioned for the development of an approximately 45,000 square foot light industrial facility for 2020 Brands. As the EDA is aware, ultimately 2020 opted against finalizing their agreement to lease this proposed new facility. The Developer was unable to identify and secure an alternative tenant for the project, and in the interim, Staff has successfully marketed at least a portion of the property to another buyer for an industrial development.

The 2019 Development Agreement identified that closing was to occur no later than November 29, 2019. Failure to close on or before this date qualifies under the agreement as a condition of default under the contract, and as such staff is recommending that the EDA exercise its right to cure that default through a termination of the Development Agreement. Essentially, this is a "housekeeping" matter, to clearly indicate in the public record that the EDA is no longer pursuing development of the site with Hardman Industrial/Interstate and pave the way for a future agreement as related to development of the property.

Funding Sources and other fiscal considerations:

N/A. The Development Agreement did not involve any monetary considerations prior to closing.

**SOUTH ST. PAUL ECONOMIC DEVELOPMENT AUTHORITY
DAKOTA COUNTY
STATE OF MINNESOTA**

RESOLUTION NO. _____

**A RESOLUTION TERMINATING THE DEVELOPMENT AGREEMENT
WITH INTERSTATE DEVELOPMENT CORPORATION AND
HARDMAN INDUSTRIAL LLC FOR THE DEVELOPMENT OF
285 HARDMAN AVENUE SOUTH AND 121 HARDMAN COURT**

WHEREAS, the South St. Paul Economic Development Authority (“EDA”) entered into a Contract for Private Development (“Development Agreement”) with Interstate Development Corporation and Hardman Industrial LLC (“Developer”) on September 10, 2019; and

WHEREAS, pursuant to Section 6.2(C) of the Development Agreement, Developer has not satisfied any of Buyer and Developer’s obligations under the Development Agreement as of November 29, 2019;

WHEREAS, pursuant to Section 6.2 of the Development Agreement, EDA is exercising its right to terminate and cancel the Development Agreement.

NOW THEREFORE, BE IT RESOLVED that the Board of Commissioners of the South St. Paul Economic Development Authority authorizes its Executive Director to terminate the Development Agreement and provide written notice of the same to Developer on behalf of the EDA.

Adopted this 6th day of April, 2020.

James P. Francis, President

Ryan D. Garcia, Executive Director



EDA Agenda Item Report

Date: April 6, 2020

EDA Executive Director: _____

5-C

Agenda Item: Resolution 2020 – 4 –Business Development Loan – Temporary Deferrals

Action to be considered:

Motion to approve Resolution 2020 - 3.

Overview:

The EDA manages and administers two business and development loan programs that businesses and developers have historically tapped into to help finance capital improvements, business expansions and relocations, and facility improvements. These funds provide flexible financing at competitive interest rates, and have proven very successful over the past several decades. As the EDA is aware, the COVID-19 pandemic has resulted in extraordinarily challenging conditions for small businesses and employers. With this in mind, staff is requesting the board's authorization to permit any existing borrowers under the EDA's loan programs to defer their payment obligations for the period between April 1, 2020 and December 31, 2020.

Currently, the following borrowers have current loan agreements (in good standing) with the EDA:

- Schadegg Mechanical: Monthly payment of \$2,505.07 is due 5/1/2020 and balloon payment of \$142,919.93 is due 5/31/2020. These two payments would satisfy this loan.
- Quik-Serv License Center: Current Loan Balance of \$96,505.85. Next monthly payment of \$1,958.59 is due 5/1/2020.
- BridgePoint II (Interstate Partners – EPA Revolving Loan): Current loan balance of \$463,093.53. Next monthly payment of \$1,777.24 due May 1, 2020.

Staff would also note that an outstanding loan with a balance of \$10,605 to the business owner of Salon Sasse that has not received payment since 2018. Staff has been and will continue to pursue repayment on this loan and may return to the EDA at a later date with options to resolve this issue.

Funding Sources and other fiscal considerations:

The proposal is to defer borrowers' scheduled payment on any EDA-funded loan until no later than December 31, 2020. The loan funds in question are revolving loan funds and do not have any outgoing obligations due.

South St. Paul Economic Development Authority
Dakota County, Minnesota

RESOLUTION NO. 2020-4

**A RESOLUTION DEFERRING PRINCIPAL AND INTEREST PAYMENTS FOR ANY
EDA-FUNDED BUSINESS AND DEVELOPMENT LOANS THROUGH DECEMBER 31,
2020 DUE TO THE COVID-19 PANDEMIC**

WHEREAS, the City, through its Economic Development Authority (EDA) and the EDA's predecessor agency the Housing and Redevelopment Authority (HRA), has a long and successful history of providing gap financing and low interest loans for the renovation of properties and to support of the growth of small businesses and the local economy; and

WHEREAS, the COVID-19 pandemic has, and will continue to, have a profound economic and operational impact on small businesses.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the South St. Paul Economic Development Authority authorizes its Executive Director to approve loan payment deferrals for any existing EDA-funded loan that was previously current and in good standing.

BE IT FURTHER RESOLVED, that any deferred payment on an EDA-funded loan will be deferred for the period beginning April 1, 2020 and continuing through December 31, 2020.

Adopted this 6th day of April, 2020.

James P. Francis, President

Ryan D. Garcia, Executive Director