

City of South St. Paul Economic Development Authority Agenda

Monday, November 5, 2018

6:30 PM



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 Minutes of October 22, 2018

B. Approval of Certificate of Completion and Release of Forfeiture – 339 4th Avenue S.

C. Approval of Certificate of Completion and Release of Forfeiture – 341 4th Avenue S.

D. Approval of Satisfaction of Mortgage – Resolution No. 2018-28

5. PUBLIC HEARINGS:

6. GENERAL BUSINESS:

A. Approval of Business Development Loan for leasehold improvements at 820 Southview Boulevard, Resolution 2018-29

B. Approval of Business Development Loan for leasehold improvements at proposed brewery and taproom at Concord Exchange and Veteran's Memorial Parkway, Resolution 2018-30

7. ADJOURNMENT:

Respectfully Submitted,

Ryan Garcia, EDA Executive Director

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

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

Special Meeting
October 22, 2018
City of South St. Paul Training Room

1. CALL TO ORDER

Chair called the meeting to order at 6:30 P.M.

2. ROLL CALL

Members Present: President Francis, Commissioners Flatley, Forester, Hansen, Podgorski, Rothecker and Seaberg.

Staff Present: EDA Executive Director Ryan Garcia, City Administrator Joel Hansen, Finance Director Michelle Pietrick.

3. AGENDA

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

4. CONSENT

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

A. EDA Minutes of September 4, 2018

B. Approval of Satisfaction of Mortgage – Resolution No. 2018-26

Motion carried 7 ayes / 0 nays

5. PUBLIC HEARINGS

There were none.

6. GENERAL BUSINESS

A. DEED Contamination and Cleanup Application, Resolution 2018-27

Mr. Garcia advised that the Minnesota Department of Employment and Economic Development (DEED) offers funding for environmental cleanup activities at redevelopment sites through a competitive application process and requires a resolution from a public body to accompany an application by November 1, 2018. Mr. Garcia noted that the EDA was awarded approximately \$865,000 from this program for this project in 2017, but additional cleanup work was needed to make the entire site suitable for development. The remaining costs for cleanup are estimated at \$945,200, and the application identifies that \$707,775 (75%) of these costs would be paid for by the grant with \$236,300 (25%) paid for by the developer. Mr. Garcia noted that it is possible that DEED only provides a portion of the funding, and in that case the developer would be responsible for the remaining costs per the resolution and agreement.

Motion/Second: Commissioner Seaberg moved and Commissioner Hansen seconded approval of Resolution No. 2018-27 approving the authorizing the submission of a contamination cleanup grant for property at 587 Verderosa Avenue.

Motion carried 7 ayes / 0 nays

B. Approval of a Property Management Agreement with CommonBond Housing

Mr. Garcia summarized the process taken by the City Council and staff to arrive at an agreeable and thoughtful management contract. Mr. Garcia acknowledged that the contract provides the City with the procedures and metrics to evaluate and work with CommonBond to assure that the Public Housing program remains a high performing operation.

Motion/Second: Commissioner Rothecker moved and Commissioner Podgroski seconded approval to execute a Management Contract with CommonBond Housing for property management services at 300 Grand Avenue West and 200 Marie Avenue, as presented:

Motion carried 7 ayes / 0 nays

7. ADJOURNMENT

Motion/Second: Commissioner Seaberg moved and Commissioner Hansen seconded the motion to adjourn the meeting at 6:57 P.M.

Approved: November 5, 2018

Edie Kleinboehl, Secretary

CERTIFICATE OF COMPLETION AND RELEASE OF FORFEITURE

WHEREAS, the Housing and Redevelopment Authority of the City of South St. Paul, a Minnesota municipal corporation (the "Grantor"), by a Deed recorded in the Office of the County Recorder or the Registrar of Titles in and for the County of Dakota and State of Minnesota, as Document Number 2499352, has conveyed to JK Anderson Builders, Inc. (the "Grantee"), the following described land in the County of Dakota and State of Minnesota to-wit:

Lot 10, Block 12, Riverside Park Addition to the City of South St. Paul

Containing 4,960 square feet, more or less. Subject to easements of record, if any.

and

WHEREAS, said Deed contained certain covenants and restrictions, the breach of which by Grantee, its heirs and assigns, would result in a forfeiture and right of re-entry by Grantor, its successors and assigns; and

WHEREAS, said Grantee have to the present date performed said covenants and conditions insofar as it is able in a manner deemed sufficient by the Grantor to permit the execution and recording of this certification.

NOW THEREFORE, this is to certify that all building construction and other physical improvements specified to be done and made by the Grantee have been performed by the Grantee therein and that the provisions for forfeiture of title and right to re-entry for breach of condition subsequent by the Grantor therein is hereby released absolutely and forever insofar as it applies to the land described herein, and the County Recorder or the Registrar of Titles in and for the County of Dakota and State of Minnesota is hereby authorized to accept for recording and to record this instrument, which be a conclusive determination of the satisfactory termination of the covenants and conditions of the contract referred to in said Deed, the Breach of which would result in a forfeiture and right of re-entry, but the covenants created by Sections 3 and 4 of said Deed shall remain in full force and effect as set forth therein.

CERTIFICATE OF COMPLETION AND RELEASE OF FORFEITURE

WHEREAS, the Housing and Redevelopment Authority of the City of South St. Paul, a Minnesota municipal corporation (the "Grantor"), by a Deed recorded in the Office of the County Recorder or the Registrar of Titles in and for the County of Dakota and State of Minnesota, as Document Number 2533700, has conveyed to JK Anderson Builders, Inc. (the "Grantee"), the following described land in the County of Dakota and State of Minnesota to-wit:

Lot 11, Block 12, Riverside Park Addition to the City of South St. Paul

Containing 5,000 square feet, more or less. Subject to easements of record, if any.

and

WHEREAS, said Deed contained certain covenants and restrictions, the breach of which by Grantee, its heirs and assigns, would result in a forfeiture and right of re-entry by Grantor, its successors and assigns; and

WHEREAS, said Grantee have to the present date performed said covenants and conditions insofar as it is able in a manner deemed sufficient by the Grantor to permit the execution and recording of this certification.

NOW THEREFORE, this is to certify that all building construction and other physical improvements specified to be done and made by the Grantee have been performed by the Grantee therein and that the provisions for forfeiture of title and right to re-entry for breach of condition subsequent by the Grantor therein is hereby released absolutely and forever insofar as it applies to the land described herein, and the County Recorder or the Registrar of Titles in and for the County of Dakota and State of Minnesota is hereby authorized to accept for recording and to record this instrument, which be a conclusive determination of the satisfactory termination of the covenants and conditions of the contract referred to in said Deed, the Breach of which would result in forfeiture and right of re-entry, but the covenants created by Sections 3 and 4 of said Deed shall remain in full force and effect as set forth therein.



EDA Agenda Item Report

Date: November 5, 2018

EDA Executive Director: _____

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4-D

Agenda Item: Approval of Satisfaction of Mortgage – Applicant #1016

Action to be considered:

Motion to approve Resolution No. 2018-28.

Overview:

Applicant #1016 received an HRA rehabilitation loan of \$7,700 in 2013, with a mortgage recorded at that time. The mortgagee recently paid back the loan in full, thus satisfying the mortgage. Therefore, the EDA is advised to approve Resolution No. 2018-28, which will authorize the designated officers of the City's Housing and Redevelopment Authority to execute all necessary documentation required to record the Satisfaction of Mortgage.

Funding Sources and other fiscal considerations: N/A

South St. Paul Economic Development Authority
Dakota County, Minnesota

RESOLUTION NO. 2018-28

WHEREAS, the City Council transferred all administration of the South St. Paul Housing and Redevelopment Authority (HRA) programs to the South St. Paul Economic Development Authority (“EDA”) by City Council Resolution 2015-197; and

WHEREAS, one of those programs was a rehabilitation loan program, for which there are several outstanding loans; and

WHEREAS, the South St. Paul Housing and Redevelopment Authority of the City of South St. Paul, Minnesota issued a mortgage to Applicant #1016 in the amount of \$7,700.00;

WHEREAS, such mortgage recorded on August 30, 2013, in Dakota County has been satisfied in full by the applicant;

NOW, THEREFORE, BE IT RESOLVED by the Economic Development Authority of the City of South St. Paul that:

1. The EDA shall secure the signatures of the appropriate representatives of the HRA to execute the required documents to satisfy the loan and mortgage.

Adopted this 5th day of November, 2018.

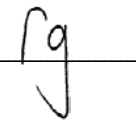
President, James P. Francis

Executive Director, Ryan Garcia



EDA Agenda Item Report

Date: November 5, 2018

EDA Executive Director: 

6-A

Agenda Item: Approval of a Business Development Loan for leasehold improvements at 820 Southview Boulevard, Resolution 2018-29

Action to be considered:

Following discussion, motion to approve Resolution 2018-29, authorizing execution of a Business Development Loan with Kathy's License Center LLC, d/b/a Quick-Serv License Center

Overview:

Quick-Serv License Center, formerly Kathy's License Center, is a private, for profit business that has been a long-term tenant in South St. Paul's City Hall. The business currently employs about 20 people and provides a range of licensing and registration services for residents and businesses throughout the region. Quick-Serv occupies approximately 1,500 square feet within the lower level of City Hall, operating under a lease agreement that was renewed for a period of one year on October 1, 2018. Over the past eighteen months, Quick-Serv has successfully navigated the challenges associated with a new statewide IT system (MnLARS) that Quick-Serv was required to implement. Quick-Serv's owners, Vinton and Jan Lewis, estimate that they invested at least \$80,000 in personal funds to keep the business operation stable through this time of transition and difficulty.

In spite of all of this, the business continues to provide a critical service to the community and their leadership remains optimistic about the business' viability. In this spirit, Quick-Serv has agreed to lease approximately 4,000 square feet of commercial space at 820 Southview Boulevard, owned by Frankot Properties. To accommodate Quick-Serv's relocation, the building will require significant renovation and buildout. With the MnLARS challenges leaving the business with limited near-term capital to fund the relocation and improvements all at once, the Lewis' have approached Staff to request financing assistance through our Business Development Loan Fund.

Staff has reviewed business and personal financial information related to the request for loan financing, and are prepared to recommend that the EDA extend credit financing through the Business Development Fund to Quick-Serv for their relocation and renovation at 820 Southview. In summary, we are comfortable recommending financing the project based upon the following assessment of Quick-Serv's capacity as a borrower:

- The company has a stable history of carrying very little debt, and paying its bills in a timely and complete manner.
- When challenges present themselves to the business, the ownership has shown a commitment to investing personally in the business to address these challenges. The owners are on solid personal financial ground, and have agreed to provide personal guarantee to attain the needed financing.
- The company appears to have a very good handle on overhead, even in difficult years, by maintaining costs proportionately with sales.
- Prior to 2017, the company's operating profits were trending positively. Taken out of context, this would be concerning. However, given the disruption that MnLARS introduced to the entire industry in the State, it is understandable that 2017 was a "bad year".

- The business financial projections appear to recognize that the MnLARS impacts may be lasting, in that while the business is expected to rebound, profit growth is projected to be more conservative than pre-2017.
- Discretionary expenses – most specifically rent – for the business are likely to be reduced in the near-term. By reducing their occupancy costs, the business should retain its capacity to pay its debt obligation.
- The proposal supports Goal #1 of the City’s 2017 Economic Development Strategy, which is to “support existing SSP businesses”.
- While the loan does not represent a “Business Subsidy” by statutory definition, the proposal meets a number of the purposes found in the City’s Subsidy Policy and other policies for financial assistance:
 - Redevelop underutilized areas of the community
 - Encourage development of commercial areas in the City that will result in higher quality development and private investment
 - Enhance economic growth by increasing the tax base
 - Retain high-quality local jobs in the City that offer stable employment and attractive wages and benefits
 - Accelerate the redevelopment process to achieve development on sites that may not be redeveloped without public financial assistance
 - Enhance the economic diversity of the City and provide essential products and services within the City.

Resolution 2018-29 provides EDA approval of a loan to the business in an amount not to exceed \$135,000 for relocation and buildout expenses, and authorizes the Executive Director to proceed with the preparation, execution, and filing of loan documentation as outlined in the enclosed Commitment Letter. In the event that total costs are less than the currently estimated \$150,000, the total loan amount will equal not more than 90% of those costs. Staff is recommending a 6-month deferment of the monthly payment as there may be some overlap (paying rent at both locations) while the new space is being built-out. In addition, Staff is suggesting that there be no penalty for prepayment of the loan in full. The borrower has indicated that it is possible that in the future the State will repay the License Center for a portion of the “damages” incurred with the MnLARS rollout, and if so they’d seek to pay off the debt proposed by this loan.

Funding Sources and other fiscal considerations:

The City’s Development Loan Fund has sufficient cash balance to fully support the proposed credit facility. Project Sources & Uses are summarized below:

Use of Funds	Estimate (\$)		Source of Funds	Amount
Relocation Expense	\$10,000		Owner Equity	\$25,000
Leasehold Improvements	\$150,000		EDA Loan (5 yr. @ 2.5%)	\$135,000
Total	\$160,000			\$160,000

ATTACHMENTS

- Resolution 2018-29
- Commitment Letter

South St. Paul Economic Development Authority
Dakota County, Minnesota

RESOLUTION NO. 2018-29

WHEREAS, the South St. Paul Economic Development Authority (the “EDA”) has determined that the renovation of property at 820 Southview Boulevard within the City of South St. Paul (the “Property”) by Kathy’s License Center LLC, d/b/a Quick-Serv License Center (“Borrower”) will benefit the City of South St. Paul (the “City”) by expanding the local property tax base, retaining job opportunities within the City, and eliminating the blighting influence of dilapidated and distressed properties; and

WHEREAS, the Borrower has requested that the EDA utilize certain funds from the Development Loan Fund Program to assist the Borrower with financing certain costs related to the relocation to and improvement of an office building located at the Property (“Project Costs”), subject to the execution of a loan agreement between the EDA and the Borrower that is wholly consistent with a Commitment Letter dated November 5, 2018 (“Commitment Letter”); and

WHEREAS, among the terms of the Commitment Letter is agreement that the EDA would provide financing for not more than \$135,000 in Project Costs, to be fully repaid in equal installments with interest by the Borrower over a period of 5 years following a 6-month deferral period.

NOW, THEREFORE, BE IT RESOLVED by the Economic Development Authority of the City of South St. Paul that the EDA approves the extension of a credit facility to the Borrower, and authorizes its Executive Director to prepare, execute, and record all required documentation to extend financing and secure the EDA’s interests.

Adopted this 5th day of November, 2018.

President, James P. Francis

Executive Director, Ryan Garcia

Commitment Letter

November 5, 2018

Quick-Serv License Center
Vint & Jan Lewis
8679 Lower 8th Place North
Lake Elmo, MN 55042

Dear Vint & Jan:

This letter is to advise you that your loan application to the South St. Paul Economic Development Authority's Business Development Loan Fund has been approved subject to the following terms:

Maximum Loan Amount (not more than 90% of total eligible costs)	\$135,000
Interest Rate	2.75%
Amortization Term	5 years – no penalty for prepayment
Monthly P+I	\$2,410.80 (6-month deferment)

This approval is subject to the following terms and conditions:

1. Prior to Closing:
 - a. Executed lease for commercial property at 820 Southview Boulevard, South St. Paul, MN 55075 (the "Property")
 - b. Verified construction contracts for tenant improvements at the Property
 - c. Verification of other funding necessary to complete relocation and leasehold improvements at the Property, as applicable
 - d. Personal Guarantee of Vinton Lewis
2. Execution of all required loan documents
 - a. Promissory Note
 - b. Mortgage/UCC 1
 - c. Loan Agreement
3. Payment of out of pocket expenses at closing

Please sign and return one copy of this letter indicating your acceptance of these terms and acknowledgement that you are responsible for any closing costs incurred whether the loan closes or the application is withdrawn. This commitment is valid for 90 days following the date above written.

Sincerely,

Ryan Garcia
Executive Director

We, Vinton John Lewis and Janet Marie Lewis, hereby agree to and accept the terms of this loan offered in this commitment letter and agree to pay any and all closing costs incurred whether the loan is closed or withdrawn.

Vint Lewis

Jan Lewis

_____ (mm/dd/yyyy)

DRAFT

attainable based upon per capita demand and relative sales comparisons for similar businesses in the Metro.

- Review of the founders personal financial statements and credit histories indicate minimal risk from an asset and creditworthiness standpoint. While the loan will not be secured by real property at the business location, if sanitation and/or taproom equipment is purchased we would secure with a lien on that property. Both founders understand and agree to provide personal guarantees for any loan amount that isn't secured.
- The proposal supports Goal #2 of the City's 2017 Economic Development Strategy, which is to "attract strong, growing, and new businesses and developments to SSP" by "leveraging SSP's geographic and demographic advantages" and facilitating "commercial... developments that diversify the City's economic activity and tax base".
- While the loan does not represent a "Business Subsidy" by statutory definition, the proposal meets a number of the purposes found in the City's Subsidy Policy and other policies for financial assistance:
 - Redevelop underutilized areas of the community
 - Encourage development of commercial areas in the City that will result in higher quality development and private investment
 - Enhance economic growth by increasing the tax base
 - Create additional job opportunities within the City
 - Accelerate the redevelopment process to achieve development on sites that may not be redeveloped without public financial assistance
 - Enhance the economic diversity of the City and provide essential products and services within the City.

Resolution 2018-30 provides EDA approval of a loan to the business in an amount not to exceed \$145,000 for assistance with purchasing inventory, equipment and completing leasehold improvements, and authorizes the Executive Director to proceed with the preparation, execution, and filing of loan documentation as outlined in the enclosed Commitment Letter. The founders are committing 10% in equity to the project. Staff is recommending an 18-month interest-only payment in light of the fact that this is a new, destination-driven business that may take time to grow and stabilize.

Funding Sources and other fiscal considerations:

The City's Development Loan Fund has sufficient cash balance to fully support the proposed credit facility. Project Sources & Uses are summarized below:

Use of Funds	Estimate (\$)	Source of Funds	Amount
Brewing Equipment	\$250,000	Owner Equity	\$50,000
Initial Inventory	\$25,000	Live Oak Loan	\$250,000
Sanitation/Taproom Equipment	\$75,000	EDA Loan	\$145,000
Other Leasehold Improvements	\$150,000	SSP Future Loan	\$55,000
Total	\$500,000		\$500,000

ATTACHMENTS

- Resolution 2018-30
- EDA Commitment Letter
- Live Oak Bank Commitment Letter

South St. Paul Economic Development Authority
Dakota County, Minnesota

RESOLUTION NO. 2018-30

WHEREAS, the South St. Paul Economic Development Authority (the “EDA”) has determined that the development and occupancy of property at 140 Concord Exchange North within the City of South St. Paul (the “Property”) by Big Heist Brewing Company LLC (“Borrower”) will benefit the City of South St. Paul (the “City”) by expanding the local property tax base, creating job opportunities within the City, and eliminating the blighting influence of dilapidated and distressed properties; and

WHEREAS, the Borrower has requested that the EDA utilize certain funds from the Development Loan Fund Program to assist the Borrower with financing certain costs related to acquiring machinery and completing leasehold improvements for a building to be constructed at the Property (“Project Costs”), subject to the execution of a loan agreement between the EDA and the Borrower that is wholly consistent with a Commitment Letter dated November 5, 2018 (“Commitment Letter”); and

WHEREAS, among the terms of the Commitment Letter is agreement that the EDA would provide financing for not more than \$145,000 in Project Costs, to be fully repaid in equal installments with interest by the Borrower over a period of not more than 10 years from the date of closing.

NOW, THEREFORE, BE IT RESOLVED by the Economic Development Authority of the City of South St. Paul that the EDA approves the extension of a credit facility to the Borrower, and authorizes its Executive Director to prepare, execute, and record all required documentation to extend financing and secure the EDA’s interests.

Adopted this 5th day of November, 2018.

President, James P. Francis

Executive Director, Ryan Garcia

Commitment Letter

November 5, 2018

Big Heist Beer Company
893 Ashland Avenue
Saint Paul, MN 55104

Dear Erik and Eric:

This letter is to advise you that your loan application to the South St. Paul Economic Development Authority's Business Development Loan Fund has been approved subject to the following terms:

Loan Amount	\$145,000
Interest Rate	3.75%
Amortization Term	10 years – no penalty for prepayment
Monthly Interest-Only Payment (Months 1 through 18)	\$453.13
Monthly P+I (Months 19 through 120)	\$1,662.35

This approval is subject to the following terms and conditions:

1. Prior to Closing:
 - a. Executed lease for commercial property to be constructed at 140 Concord Exchange North, South St. Paul, MN 55075 (the "Property")
 - b. Verified construction contracts for tenant improvements at the Property
 - c. Verified quotations/billing of price for purchase, delivery, and installation of any machinery to be secured with the funding
 - d. Verification of other funding necessary to complete improvements and machinery at the Property, as applicable
 - e. Personal Guarantee of Erik Pedersen and Eric Gerold
2. Execution of all required loan documents
 - a. Promissory Note
 - b. Mortgage/UCC 1
 - c. Loan Agreement
3. Payment of out of pocket expenses at closing

Please sign and return one copy of this letter indicating your acceptance of these terms and acknowledgement that you are responsible for any closing costs incurred whether the loan closes or the application is withdrawn. This commitment is valid for 90 days following the date above written.

Sincerely,

Ryan Garcia

Executive Director

We, Erik Pedersen and Eric Gerold, hereby agree to and accept the terms of this loan offered in this commitment letter and agree to pay any and all closing costs incurred whether the loan is closed or withdrawn.

Erik Pedersen, Treasurer

Eric Gerold, President

(mm/dd/yyyy)

DRAFT

10/3/2018

Dear Mr. Pedersen and Mr. Gerold

Live Oak Banking Company dba Live Oak Bank (“LOB” and the “Bank”) is pleased to commit to provide Eriks Enterprises LLC (OC) (Borrower), a credit facility in the principal amount of (\$249,555.18). The following described credit facility is subject to all the terms and conditions contained herein, provided there has been no material adverse change in Borrower’s financial condition as determined by the Bank.

Lessee: Erik’s Enterprises LLC

Lease Amount: \$249,555.18

Purpose: To purchase brewery equipment

Repayment: 3 months deferred payment followed by 84 months of \$5,012.91

Collateral: First position lien on equipment being purchased

Guarantors: Mr.Erik Pedersen and Mr. Eric Gerold

**Material
Adverse
Change:**

Live Oak Bank’s obligations and Commitments under this letter are subject to the accuracy of all information, representations, and materials submitted with or in support of the Borrower’s request for the Loan and any material and inaccuracy, omission or change therein, shall, in the Lender’s discretion, operate to terminate this offer and the Lender’s Commitment hereunder. This Commitment letter may also be terminated by LOB upon the occurrence of any material adverse change in the financial condition,



business, prospects, properties, or management of the Borrower or the occurrence of any other event as a result of which LOB believes that the prospect of the Borrower repaying its liabilities to LOB as contemplated herein may be impaired. Without limiting the generality of the foregoing, the Commitment hereunder shall immediately terminate in the event the Borrower becomes the subject of any proceeding under the United States Bankruptcy Code or any other insolvency, reorganization, liquidation, or moratorium of law.

Approval is good for 90 days.

Sincerely,

Chris Welch

LOB Underwriter

