

CITY OF SAINT PETER  
AGENDA & NOTICE OF SPECIAL MEETING  
ECONOMIC DEVELOPMENT AUTHORITY  
Wednesday, August 19, 2020

**\*\*Virtual Meeting Only – See below for electronic access to the meeting\*\***

- I. Call to Order
- II. Approval of Agenda
- III. Approval of Minutes
  - A. July 23, 2020
- IV. Unfinished Business
- V. New Business
  - A. Fire Station Rural Development Financing – Finance Director Vogel
  - B. COVID-19 Micro Loan Program – Application Deadline
  - C. Revolving Loan Fund(s) – Interest Rate Establishment
  - D. Chamber of Commerce – Marketing Initiative Report
- VI. Reports
  - A. Revolving Loan Report
- VII. Adjournment

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**CITY OF SAINT PETER, MINNESOTA  
Economic Development Authority  
REGULAR MEETING MINUTES – July 23, 2020  
Virtual Meeting Under M.S. 13D.021**

**Call to Order**

The meeting of the Saint Peter Economic Development Authority (EDA) was called to order by Community Development Director Russ Wille at approximately 12:04 pm. Roll call was taken with Brad DeVos, Ed Johnson, James Dunn, and Mike Favre in attendance. Absent were members Cory Abels and Bob Southworth. Community Development Director Russ Wille and Administrative Secretary Cindy Moulton were also in attendance. Visitors present were Spring Touch owner Marv Kottke and Christine "Montana" Rasmussen owner of River Rock Kitchen & Baking.

**Approval of Agenda**

A motion was made by Dunn, seconded by DeVos to approve the agenda as presented. With all voting in favor, the agenda was approved.

**Approval of Minutes**

A motion was made by Johnson, seconded by Dunn to approve the minutes of the June 25, 2020 regular meeting. All members voting aye, the minutes were approved as presented.

**Guentzel Holdings, LLC – Reaffirm Recommendations**

Wille stated that the City Council considered the EDA's recommendation to award Guentzel Holdings, LLC a revolving loan in the amount of \$77,500 to help finance the construction of a new building to house Anytime Fitness. At the meeting the City Council questioned why Guentzel would not be contributing 10% of the cost of the project as outlined in the revolving fund guidelines.

The City Council tabled the request and suggested that the EDA acknowledge the variance from the guidelines and reaffirm the recommendation that the Council award the loan in the absence of the applicants 10% contribution.

Wille informed the EDA that Guentzel has paid \$2,500 in earnest money that has been placed in escrow towards the purchase of the real estate. The City's proposed loan would be reduced by \$2,500 to \$75,000. He has also paid a \$1,500 fee to Anytime Fitness corporate entity for their consideration and review of his relocation plans. Guentzel would also be required to pay a 1% origination for loans made out of the "general" revolving loan fund of \$750.

Favre asked Wille what the interest rate spread has been in the past.

Wille stated that the interest rate has been based on the prime rate and most loans have been between 3% – 3 1/2 %. He added that the past guidelines, which were determined on a case by case basis, were amended to allow for consistency when establishing an interest rate.

Favre recalled loans having much lower interest rate.

Dunn agreed with the variance and felt that this wasn't a standard situation with what is going on with our economy due to COVID and this wasn't a standard first time loan. He indicated that Guentzel has a long standing track record of being responsible and a consistent member of our community and being part of our economy.

A motion was made by Dunn, seconded by Johnson to reaffirm the recommendation to the City Council to award Guentzel Holdings, LLC a revolving loan in the amount of \$75,000. All members voting aye, the motion carried.

### **Kottke Real Estate Holdings, LLC (Spring Touch)**

Marv Kottke, Kottke Real Estate Holdings, LLC, has requested a five year extension on his balloon payment for his revolving loan he received in 2015.

Wille indicated that Kotte's business remains solid and recommended approval with an increased interest rate from 3% to U.S. Prime of 3.25%.

Wille stated that Favre and Abels conducted a review of Kottke's financial and found nothing that would prohibit the extension of the loan.

Kottke addressed the EDA and said that he appreciated the loan he received in 2015. He asked should the 5 year extension be approved, if the interest could remain at 3%.

Favre did not agree with an interest increase in this particular instance. He asked that an item be placed on the next regular meeting agenda to discuss the interest rate policy.

DeVos agreed that the interest rate should remain at 3%. He felt in normal times the interest rate should be established at prime but due to COVID it wasn't a good idea to raise rates.

Dunn agreed with DeVos, He asked Favre if his concerns were related to COVID or if he had other concerns.

Favre said if the EDA is targeting at prime and the banks could be lending at prime, there will be no spread potentially between the EDA and bank. He indicated that this could be an issue once interest rates increase.

A motion was made by Favre, seconded by Johnson to amend the resolution establishing a 3% interest rate. All members voting aye, the motion carried.

A motion was made by Favre, seconded by Johnson to introduce Resolution No. 2020-06 entitled, "A Resolution Modifying The Terms Of The Revolving Loan Previously Provided to Kottke Real Estate Holdings" as amended. All members voting aye, the Resolution was passed and adopted.

### **River Rock Kitchen & Bakery**

Christine "Montana" Rasmussen owner of YCDHT, LLC, has submitted an application requesting a revolving loan in the amount of \$21,500 to partially finance the purchase of the commercial properties located at 217 & 219 Park Row.

Wille stated that in January, 2016 Rasmussen received a revolving loan in the amount of \$40,000 to partially finance the start-up of the commercial baking and catering operations. He indicated that all loan payments have been made as due, and in the amount due without exception.

Wille also added that Rasmussen obtained a COVID-19 Micro Loan in the amount of \$10,000. The repayment of the 0% interest note is scheduled to begin June 1, 2021 at \$100 per month.

Rasmussen would like to purchase the property at 217 and 219 Park Row from the St. Peter Development Corporation. The purchase price of the real estate is \$420,000. Rasmussen has worked with the Small Business Administration 504 (SBA 504) program and First National Bank to develop a loan package. Between the two lenders, up to 90% of the project costs would be financed. SBA 504 would provide \$172,000 (40%) and First National Bank \$215,000 (50%).

According to the adopted loan guidelines, it suggests that the borrower finance 10% of the project. Rasmussen has requested that she invest \$21,500 or 5% of the remaining costs and that the EDA finance the remaining 5% or \$21,500.

Wille stated that Rasmussen's business has been negatively impacted by the COVID-19 situation. He stated that Rasmussen would like to maintain sufficient funds on deposit to cover certain expenses as her business fully recovers from the loss of sales resulting from the virus situation.

Wille stated that should the loan be approved, the note would be secured by a promissory note, personal guarantee and a mortgage recorded against the 217/219 Park Row properties. He indicated that the City's mortgage would be subordinate to the mortgages of both SBA 504 program and First National Bank.

Wille noted that Rasmussen's business occupies the ground floor commercial space of the 219 Park Row Property. He stated that income is generated from the two apartments above that property as well as the commercial space located at 217 Park Row and the single apartment unit on the second floor.

Wille recommended approval of a \$21,500 loan with an interest rate of 3.25% (prime rate) , amortized over 25 years with a review after five years.

Rasmussen addressed the EDA and expressed her gratitude for past loans and for considering her new request.

DeVos asked what the consequences would be should the revolving loan not be approved.

Rasmussen said that she would like to purchase the property to secure her future there. She hoped that the EDA would approve her 5% contribution as she would like to maintain sufficient funds on deposit to cover her loss of sale as a result of the virus.

DeVos felt that the City Council may question why Rasmussen would not continue to rent.

Wille indicated that the two variations from the revolving loan guidelines would include the applicant investing 5% vs 10% of her own funds and that the loan be amortized on a straight 25 year schedule.

Favre asked what the benefit would be to continue renting. He stated that the Development Corporation did a great job renovating the buildings and that it is a nice asset to the community. Should Rasmussen buy the building, it would allow the Development Corporation to take on additional projects.

A motion was made by Johnson, seconded by DeVos to introduce Resolution No. 2020-07 entitled, "Resolution Recommending Approval Of A \$21,500 Revolving Loan To YCDHT, LLC To Partially Finance The Purchase Of The 217 and 219 Park Row Properties". Members Brad DeVos, Ed Johnson, and James Dunn voting aye, member Favre abstaining, the Resolution was passed and adopted.

## **REPORTS**

**COVID-19 Micro Loan Program** – Wille reported that the City has closed on 50 micro loans totaling \$465,000.

**Chamber of Commerce Marketing** – The City Council has approved the \$10,000 request by made by the Chamber of Commerce for marketing Saint Peter businesses due to COVID.

**Review Interest Rate Policy** - Favre requested that the revolving loan fund interest rate policy be included on a future agenda in order to be reviewed.

## **Adjourn**

A motion was made by Johnson, seconded by Dunn, the meeting adjourned at 12:37 pm.



## Memorandum

**TO:** Chair and Members of the EDA

**DATE:** 8/13/2020

**FROM:** Todd Prafke  
City Administrator

**RE:** Fire Station Update

### ACTION/RECOMMENDATION

None needed. For your information and discussion only.

### BACKGROUND

As members know the Council has been in the process of working towards the construction of a new Fire Station for the last four years. That process has included the hire of an Architect, a Construction Manager, the appointment and work of a Building Committee and the purchase of a site located at the corner of Sunrise and Broadway. The Council has also undertaken a building space needs study and a location study. The building space needs study provided an outside perspective on the need for a new facility and the location study provided info about best locations based on where the Department provides services to help solidify the choice of location.

In addition, the Council made the decision to pursue an opportunity to use sales tax to help fund a portion of the building. That request for sales tax authority to the State Legislature was not acted on this year as COVID and other issues took up much of their time. We were one of 14 to request this authority and none saw action.

Facts to consider as a part of this update:

- The budget, as illustrated in the attached document, is \$9.4 million.
- The City now has USDA loan approval (funding is encumbered by USDA) for \$9.4 million at an interest rate of 2.25 percent with a term of up to 40 years. The loan funding allocation is available for five years and the interest rate cannot go up.
- Council previously decided that whether or not sales tax was approved, a new fire station would be built based on the documented need. It is important to note that sales tax would generate approximately \$270,000 per year or about 70% of the revenue needed to satisfy debt service. Property taxes would need to provide about 30% of the total debt service or \$115,000.
- The Economic Development Authority (EDA) would be utilized to issue the debt and the City would then lease the facility from the EDA. This would be done in a very similar fashion to how financing was provided for the Community Center which was built about 20 years ago. This allows for greater financing flexibility and avoids the potential for a reverse referenda on any debt issue.

- Construction inflation, based on the Construction Manager's experience over the last six months, is less than 2% where we had planned previously for an annual average greater than 5%.
- Council's established timeline was to solicit bids in early 2021 for late 2021 building completion. The project is on track to be ready as it is now at about 60+% design.
- To date the Council has spent about \$466,000 on land and planning.

The basis for this update is driven by the USDA funding, its' timeline, Council discussion and my commitment to keep you updated as they move forward and what we believe to be a construction inflation reduction.

My goal for your meeting is to update you on Council discussion that is planned for August 17<sup>th</sup> focusing on timeline and financing updates and provide opportunity for any questions Members may have as the EDA is certainly significantly involved in the funding for the project. I also hope to put the EDA in a position to be ready to take future action to approve what is commonly called an "Award Resolution". This will not obligate the EDA or City to close on any loan. Final obligation is only done at time of closing which is a separate action.

Please feel free to contact me if you have any questions or concerns about this agenda item.

TP/bal

## Saint Peter Fire Station Overall Budget

Construction Budget	
Construction Manager	\$150,300.00
Special Testing Sub	\$45,000.00
General Conditions	\$148,375.00
Concrete	\$1,410,936.00
Masonry	\$244,900.00
Structural Steel	\$262,209.00
Carpentry	\$203,094.00
Thermal and Moisture Protection	\$358,187.00
Doors & Windows	\$351,300.00
Drywall	\$381,462.00
Finishes	\$175,501.00
Division 10 Specialties	\$57,495.00
Division 11 Equipment	\$29,067.00
Furnishings	\$37,105.00
Fire Protection	\$70,000.00
Plumbing/HVAC Subcontractor	\$1,478,000.00
Plymovent Exhaust System	\$115,000.00
Electrical	\$309,000.00
Sitework/Site Utilities	\$555,740.00
Landscaping	\$110,000.00
Paving Subcontractor	\$262,874.00
Irrigation System	\$26,250.00
Sales Tax	\$32,178.00
Contingency	\$340,694.00
Building Permit	\$71,456.00
Roadway Improvements	\$260,000.00
CM Fee	\$173,427.00
<b>Construction Total</b>	<b>\$7,659,550.00</b>

## Owner Budget Items

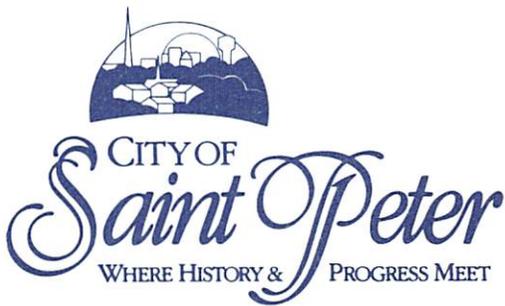
Kitchen Appliances	\$24,106.00
Soil Borings	\$11,935.00
Architect/Engineering Fees	\$1,150,565.00
Office Furniture	\$12,667.00
Meeting Room Furniture	\$38,227.00
Land Purchase	\$309,000.00
Legal	\$25,000.00
Cost of Borrowing	\$150,000.00
<b>Grand Total</b>	<b>\$9,381,050.00</b>

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## Memorandum

To: EDA Members

Date: August 13, 2020

From: Russ Wille, Community Development Director

RE: COVID-19 Micro Loan Program – August 31, 2020 Application Deadline

### ACTION / RECOMMENDATION

Adopt the attached resolution establishing August 31, 2020 as the deadline for submitting application for participation in the COVID-19 Micro Loan Program administered by the Saint Peter Economic Development Authority.

### RECOMMENDATION

The COVID-19 Micro Loan Program was established by the City Council on March 30, 2020. The first loans were processed later that week and distributed on April 3<sup>rd</sup>.

Over the last five months, 56 loans totaling \$477,702 have been administered and delivered to eligible Saint Peter businesses.

When the COVID-19 Micro Loan program was initiated, it was expected that the access to the loans would be temporary and that at some point in time an application deadline would be established by the EDA. Given that loan activity has significantly declined, it is my recommendation that access to the loan program end and that loan applications be accepted through August 31, 2020.

A resolution to that effect has been prepared for your consideration.

## COVID-19 MICRO LOAN RECIPIENTS

<u>APPLICANT</u>	<u>BUSINESS</u>	<u>ADDRESS</u>	<u>AMOUNT</u>	<u>LOAN CLOSED</u>
X Dr. Zachary Dirks	St. Peter Eyecare Center	320 Sunrise Drive	\$ 10,000	4/3/2020
X Brittany Jones	Inspire Bridal Boutique	204 South Minnesota Ave.	\$ 9,482	4/3/2020
X Arlo / Dawn Lehtinen	AmericInn	700 North Minnesota Ave.	\$ 10,000	4/3/2020
X Heather Baron	Relections Salon	222 South Minnesota Ave.	\$ 2,810	4/3/2020
X David Schultz	Fantastic Sams	1116 South Minnesota Ave.	\$ 10,000	4/7/2020
X Karl Struck	Traverse des Sioux Garden	1702 US Highway #169	\$ 10,000	4/3/2020
X Scott Dobie	Nutter Clothing Co.	320 South Minnesota Ave.	\$ 8,000	4/3/2020
X Cheri Brown	Diamond Dust Bakery	320 Sunrise Drive	\$ 10,000	4/7/2020
X Liberty Warren	Cheese & Pie Mongers	317 South Minnesota Ave.	\$ 8,081	4/7/2020
X Mike Hobday	The Flame Bar	225 West Nassau	\$ 10,000	4/7/2020
X Dr. Steve Moore	Cornerstone Wellness	220 West Broadway	\$ 10,000	4/7/2020
X Neslihan Sengul	Nicollet Café	402 South 3rd Street	\$ 10,000	4/9/2020
X Julee Johnson	Julee's Jewelry	120 South Minnesota Ave.	\$ 10,000	4/9/2020
X Rachel More	The Pulse Fitness Studio	101 West Broadway	\$ 10,000	4/9/2020
X Katie Aho	River Rock Coffee	301 South Minnesota Ave.	\$ 10,000	
X Heidi Eckberg	Hey Diddle Diddle Daycare	830 North Sunrise Drive	\$ 7,549	4/10/2020
X Jay Doyscher	4 the Team	108 South Minnesota Ave.	\$ 10,000	4/10/2020
X John Mayer	Patrick's on 3rd	125 South 3rd Street	\$ 10,000	4/10/2020
X Ed Johnson - Manager	Redmen Club	412 South 3rd Street	\$ 9,972	4/10/2020
X Christine Rasmussen	River Rock Bakery & Kitchen	219 Park Row	\$ 10,000	4/10/2020
X Original Blend II, LLC	Dunkin Donuts	1123 South Minnesota Ave.	\$ 10,000	4/13/2020
X Shannon Zachman	Shannon's Daycare	459 West Skaro Street	\$ 3,331	4/10/2020
X Trinh Luong	The Great Wall	108 South Minnesota Ave.	\$ 10,000	4/10/2020
X Cassie Frey - Director	Kids Corner	600 South 5th Street, #106	\$ 10,000	4/10/2020
X Ryan Stroup	Sam & Abes Daycare	622 Sunrise Drive	\$ 10,000	4/10/2020
X Shawn Dolan	Knit & Sew World	119 South Minnesota Ave.	\$ 7,778	4/10/2020
X Lynne Gross	Poshinate, LLC	305 South Minnesota Ave.	\$ 5,552	4/10/2020
X Lisa Eide	Her Happy Place	217 South Minnesota Ave.	\$ 9,560	4/15/2020
X Mikkel Haugen	St. Peter Comm Child Care	500 South 5th Street	\$ 10,000	4/17/2020
X Cheryl Klages	Altelier	424 South Minnesota Ave.	\$ 1,200	4/15/2020
X Anita Hultengren	It's About Time	211 Nassau Street	\$ 5,022	4/15/2020
X Terry Blaschko	Embassy Bar	325 South Minnesota Ave.	\$ 10,000	4/15/2020
X Wallace Boyer	Jake's Pizza - St. Peter	119 Broadway	\$ 10,000	4/15/2020
X Schoper / McGowan	Frey Salon & Spa	429 South Minnesota Ave.	\$ 10,000	4/16/2020
X Jeff Orth	Don's Appliance	969 Old Minnesota Ave.	\$ 10,000	4/17/2020
X Patty Conlin	Stone's Throw Gallery	420 N. Minnesota Avenue	\$ 5,095	4/17/2020
X Natasha O'Hara	3rd Street Tavern	408 South 3rd Street	\$ 10,000	4/17/2020
X Qin Li	Lotus Massage & Spa	211 South Minnesota Ave.	\$ 8,052	4/20/2020
X David Gruenzner	Subway Restaurant	1306 South Minnesota Ave.	\$ 10,000	4/28/2020
X Carol Hayes	Contents	304 South Minnesota Ave.	\$ 10,000	4/24/2020
X Sara Nett - Torgimson	Sweet Alice Floral & Gifts	214 South Minnesota Ave.	\$ 10,000	5/1/2020
X Nicollet Co. Fair Board	Johnson Hall	400 Union Street	\$ 10,000	5/6/2020

X Jill Hass / Craig Tolzman	Olita Gifts	400 South 3rd Street	\$ 5,330	5/1/2020
X Erika & Joe Urban	River Valley Birth Center	526 W. Park Row	\$ 10,000	5/8/2020
X Dr. Lund / Dr. Whittier	Riverside Dental Clinic	217 W. Nassau Street	\$ 10,000	5/12/2020
X Mary A. Snyder	Mary A. Snyder, DDS	202 W. Walnut Street	\$ 8,508	5/11/2020
X Ty Saiki	Ty's Automotive Service	946 North 4th Street	\$ 10,000	5/15/2020
X Andrew Seitzer	Impulse Tattoo Parlor	302 South Minnesota Ave.	\$ 6,229	5/22/2020
X Dr. Steve Moore	Chiropractic Holistic Health	220 West Broadway	\$ 10,000	6/1/2020
X Marcy Lorentz	Lorentz Business Services	314 South 3rd Street	\$ 10,000	6/12/2020
X Eber Noe Juarez	El Agave	814 North Minnesota Ave.	\$ 10,000	7/10/2020
X Diane Reinhart	Diane's Daycare	1202 Church Street	\$ 1,536	7/17/2020
X Carol Hayes	Cooks & Company	316 South Minnesota Ave.	\$ 7,502	7/17/2020
X Darlene Kopischke	Darlene's Daycare	816 North Fifth Street	\$ 4,340	7/17/2020
X Stacy Paul	Little Angels Daycare	1456 Loren Street	\$ 2,773	7/24/2020
X Ali Barre	Ready to go Oil Change	825 North Minnesota Ave.	\$ 10,000	8/14/2020
			\$ 477,702	

**CITY OF SAINT PETER, MINNESOTA  
ECONOMIC DEVELOPMENT AUTHORITY**

**RESOLUTION NO. 2020 -**

**STATE OF MINNESOTA)  
COUNTY OF NICOLLET)  
CITY OF SAINT PETER)**

**RESOLUTION ESTABLISHING AN AUGUST 31, 2020 DEADLINE FOR SUBMITTING  
APPLICATIONS FOR PARTICIPATION IN THE COVID-19 MICRO LOAN PROGRAM  
ESTABLISHED BY THE CITY COUNCIL**

WHEREAS, the Saint Peter Economic Development Authority administers the City of Saint Peter Revolving Loan Fund; and

WHEREAS, the Economic Development Authority (the "EDA") was granted power to administer the loan program and to make recommendations to the City Council for disbursement of new loans; and

WHEREAS, guidelines have been established which govern and determine the criteria of the revolving loan program; and

WHEREAS, many local Saint Peter businesses have been negatively impacted by the Covid-19 virus outbreak and resulting loss of business revenues; and

WHEREAS, the ordered closing and other loss of customer traffic has created unforeseen and immediate financial difficulties for many of the businesses; and

WHEREAS, the Economic Development Authority has determined that it is both necessary and appropriate to develop a micro loan program to assist existing businesses with their immediate cash flow needs resulting from the loss of traffic and revenues due to the virus outbreak; and

WHEREAS, on March 30, 2020 the Covid-19 Micro Loan program was initiated by the City Council to provide the assistance recommended by the EDA; and

WHEREAS, to date, 56 loans totaling \$477,702 have been processed and distributed to eligible businesses; and

WHEREAS, when created it was anticipated that the loan program would be temporary and that a deadline for the submission of loan applications would be established; and

WHEREAS, given that loan activity has significantly declined, it would be appropriate to cease accepting Covid-19 Micro Loan applications.

**NOW, THEREFORE, BE IT RESOLVED BY THE ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SAINT PETER, NICOLLET COUNTY, MINNESOTA, THAT:**

1. The Covid-19 Micro Loan Program established by the City Council on March 30, 2020 shall be closed and application no longer be accepted after Monday, August 31, 2020.

Adopted by the Economic Development Authority of the City of Saint Peter, Nicollet County, Minnesota, this 19<sup>th</sup> day of August, 2020.

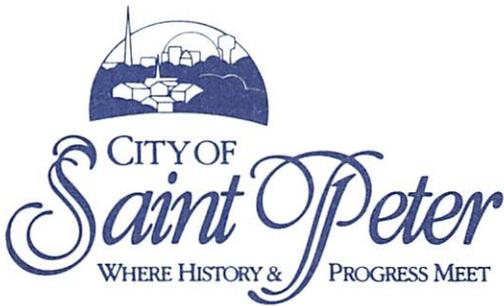
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James Dunn  
President

ATTEST:

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Rosten Wille  
Community Development Director



## Memorandum

To: EDA Members

Date: August 13, 2020

From: Russ Wille, Community Development Director

RE: Revolving Loan Fund – Interest Rate Establishment

### ACTION / RECOMMENDATION

No action requested. For your information and discussion at this time.

### BACKGROUND

As the EDA considered the extension of the Kottke Real Estate Holdings, LLC (Spring Touch) revolving loan balloon date, the EDA had the opportunity to increase the applicable interest rate from 3.0% to 3.25% to reflect the current U.S. Prime rate. The EDA ultimately recommended that the interest rate remain at 3.0%.

At that time, EDA member Favre asked that the establishment of interest rates be added to the agenda of the next EDA meeting.

In 2015, as the revolving loan guidelines were reviewed and amended, the following language was recommended and added to the policies:

**“4.3 The standard rate of interest charged shall be established at the U.S. Prime Lending Rate as published in the Wall Street Journal.**

- a. A higher rate of interest may be established for those projects determined to be of higher risk or those loans that are questionably collateralized.**
- b. A lower rate of interest may be established for those projects demonstrating:**
  - i. The creation of new jobs.**
  - ii. Increased tax capacity resulting from new construction.**
  - iii. Substantial municipal utility consumption.”**

The rationale for the addition was that EDA members thought there should be some uniformity in setting the applicable interest rate. At that time interest rates varied considerably. Loans were made with interest rates between 0% and 6.5% while most were in the 3.0% range.

# ECONOMIC DEVELOPMENT AUTHORITY REVOLVING LOAN PROGRAM GUIDELINES

## 1. PURPOSE:

The purpose of this document is to establish guidelines for application and administration of the City of Saint Peter Economic Development Revolving Loan Program. These guidelines are intended to ensure fairness and to avoid discrimination in the application of loan procedures. However, as these policies are merely guidelines, departure from the guidelines is expected when supported by a rational basis for the departure.

## 2. POLICY STATEMENT:

**Recognition of Needs:** The City of Saint Peter recognizes the need to stimulate private sector investment in facilities and equipment in order to create / retain jobs for local residents and to upgrade facilities to maintain competitiveness and/or boost productivity; to provide affordable loans for expansion and/or rehabilitation of commercial and industrial buildings in order to maintain commercial and industrial viability of Saint Peter and the Central Business District; and to provide working capital funds to Saint Peter businesses.

## 3. PROJECT ELIGIBILITY:

- 3.1 Economic Development Revolving Loans may be used for the following purposes:
- a. Fixed asset financing (i.e. land acquisition, building construction, machinery and equipment, expansion of existing facilities, renovation and modernization of buildings, or public infrastructure needed for economic development expansions.
  - b. Working capital; including inventory, supplies, accounts receivable, wages and advertising.
  - c. Remodel and/or construct upper story, residential facilities within the Central Business District which promotes the viability and vibrancy of the Central Business District.
- 3.2 Revolving loans shall be restricted to those commercial / industrial businesses located within the corporate limits of the City of Saint Peter.
- 3.3 Projects which propose to utilize local contractors (HVAC, plumbing & electrical), suppliers, vendors and professional service providers (accounting, engineering & legal) will be favored when applications are considered by the Economic Development Authority (EDA).

- 3.4 Job Creation: Projects seeking loans from the EDA which demonstrate job creation will be favored. There shall be no job creation requirements for projects undertaken within the Central Business District.
- 3.5 Livable Wage Requirements: Where job creation is determined to be a requirement of the proposed financing, the minimum total wage, exclusive of benefits provided by the borrower to its employees shall be no less than 110% of the Federal Poverty Guidelines for a family of four (4) within Nicollet County as established by the U.S. Department of Housing & Urban Development.

4. LOAN AMOUNT:

- 4.1 The maximum loan available is at the discretion of the EDA. However, the loans shall not exceed 75% of the funds on deposit in the established Revolving Loan Fund(s), net of guaranteed funds.
- 4.2 For those loans secured by a mortgage, the aggregate amount of an EDA loan and other financing shall not exceed:
  - a. 100% of the appraised value of the property as established by a certified appraiser, undertaken within the last six (6) months; or
  - b. 100% of the estimated appraisal of the post-development value as established by a certified appraiser; or
  - c. In lieu of an appraisal, at the discretion of the EDA, a bank evaluation of value may be utilized for projects valued under \$250,000.
- 4.3 The standard rate of interest charged shall be established at the U.S. Prime Lending Rate as published in the Wall Street Journal.
  - a. A higher rate of interest may be established for those projects determined to be of higher risk or those loans that are questionably collateralized.
  - b. A lower rate of interest may be established for those projects demonstrating:
    - i. The creation of new jobs.
    - ii. Increased tax capacity resulting from new construction.
    - iii. Substantial municipal utility consumption.

- 4.4 Depending upon the use of loan funds, the repayment schedule shall have the following maximum limitations. The EDA retains the right to vary from the guidelines for those loans considered to be of higher risk.

<u>Loan Purpose</u>	<u>Amortization</u>	<u>Balloon</u>	<u>Extension</u>
Real Estate / Construction	20 years	5 years	5 years
Machinery / Equipment	10 years	5 years	2 years
Working Capital	10 years	2 years	2 years

- 4.5 The purpose of the Balloon Payment is to:

- a. Provide the private lenders the opportunity to refinance the debt.
- b. Provide the EDA the opportunity to review the financial performance of the borrower.
- c. Provide the EDA an opportunity to consider possible interest rate modification or adjustments.

Borrowers seeking the extension of a scheduled balloon payment shall provide correspondence from the participating private project lender indicating that they are unable to extend additional credit or otherwise refinance the debt to honor the balloon. The correspondence shall indicate the rationale of the decision in enough detail to be acceptable to the Community Development Director.

The Borrower seeking the extension shall also provide the EDA with a thorough review of the business financial reports which at a minimum, shall include the following:

- a. Balance sheet.
- b. Income statements.
- c. Profit / Loss statement.
- d. Personal financial report.

**\* The EDA reserves the right to require the provision of additional data at the discretion of the Community Development Director.**

Borrowers may seek multiple balloon payment extensions. However, each extension must be considered as per the conditions of this policy and upon provision of the required financial disclosures from the borrower.

The requested balloon payment extension must be considered by the EDA which will make a non-binding recommendation to the City Council. The City Council must approve any loan alteration, including balloon payment extensions by resolution.

- 4.6 The repayment shall be negotiated between the EDA, participating private lender and the recipient. However, repayment shall normally commence the first day of the month following execution of the loan documents and the first day of subsequent months until the loan is repaid in full or until the scheduled balloon payment.

The loan will be considered to be in default after thirty (30) days have elapsed past the due date of a scheduled payment. Therefore, unless otherwise directed by the EDA or City Council, the Community Development Director shall take the following action.

- a. After thirty (30) days past due, the EDA will make contact requesting payment by written notice.
  - b. After sixty (60) days past due, the EDA will meet with the borrower to discuss the delinquency and repayment options.
  - c. After ninety (90) days past due, the EDA will initiate collection efforts.
- 4.7 In rare occasions where a commitment is made for a future loan, no more than 75% of the funds on deposit shall be committed and loan commitments shall expire after six (6) months.
- 4.8 **Maximum Loans:** The maximum loan per business is \$500,000, subject to the limitation of Section 4.1 of this document.
- 4.9 **EDA Guarantee of Bank Financing:** If a subject borrower has no outstanding loans with the EDA, the Authority may consider a guarantee of bank financing which shall not exceed the limits of Sections 4.2, 4.4 and 4.7 of this document.

## 5. REGULATIONS FOR IMPROVEMENTS:

All construction, renovations and repairs shall be completed in conformance to the codes, standards and practices required by municipal ordinance, state statute or federal rule or law.

## 6. LOAN SECURITY:

- 6.1 Loans provided to purchase, construct, renovate, expand or improve real property shall be secured by a first or second mortgage recorded against the property.
- 6.2 Where applicable, loans shall be personally guaranteed by all of those that own 25% or more of the recipient business.

- 6.3 Loans provided to finance the purchase of machinery, fixtures, furnishings or equipment shall be secured by a UCC Financing Statement filed with the Minnesota Secretary of State's office.
- 6.4 Loans provided to purchase, construct, renovate or improve real estate shall be insured for its full replacement cost and the EDA shall be designated as a loss payee of the insurance policy.
- 6.5 The EDA may require that the borrower provide an insurance policy on the life of those individuals determined to be key employees or vital to the ongoing success of the recipient business. The benefit of the policy shall be payable to the EDA in an amount equal to the outstanding balance of the revolving loan.

## 7. TIMING OF PROJECT EXPENSES:

- 7.1 In the absence of lien waivers provided by each contractor, subcontractor and or vendor, building construction may not commence until all the required project financing is secured, loan documents are executed and the loan is collateralized as per the City Council's resolution of loan approval.
- 7.2 Projects costs incurred before the final loan approval may be considered to be eligible loan expenditures at the discretion of the EDA.

## 8. LOAN APPLICATION AND APPROVAL:

- 8.1 Revolving loan applicants shall meet with the Community Development Director to obtain information regarding the revolving loan application and to discuss the eligibility and preliminary project details.
- 8.2 A completed application and supplementary materials and exhibits shall be submitted to the Community Development Director for initial review and consideration. Applications received by the 5<sup>th</sup> of the month will be considered and reviewed by the EDA at their next regular meeting.

## 9. PROJECT REVIEW:

- 9.1 The Community Development Director shall review each application in terms of its proposed activities in relation to its impact on the Saint Peter economic community. The Director shall prepare a loan report and make a recommendation of approval or denial to the EDA.
- 9.2 After receipt of the project cost summary or estimates, applicant's historical financial data, future financial projections and cash flow analysis, the EDA will evaluate and review the application in terms of the following:
  - a. Project Design: Evaluation of project design will include review of proposed activities, timelines and capacity to implement.
  - b. Financial Feasibility: Availability of funds, private involvement, financial packaging and effectiveness.

- i. Project financing provided by a conventional lender and applicant equity shall equal at least 60% of the identified project costs. In the absence of conventional lender participation, the applicant must provide correspondence from a lender indicating that they are unable to participate or otherwise provide project funding as per their policies or regulations.
    - ii. EDA financing shall not exceed 40% of the identified project costs.
    - iii. The applicant shall demonstrate the ability to contribute at least 10% of the identified project costs in the form of cash or equity.
  - c. At the discretion of the EDA, the applicant may be obligated to seek technical assistance from the Small Business Development Center as a condition of loan approval.
  - d. Commitment letters from all participating lenders must be included in the submitted application. The commitment letter shall identify the terms and conditions of the approved bank financing.
- 9.3 Any application failing to meet the minimum threshold standards may be reviewed on a case-by-case basis. The EDA reserves the right to waive certain requirements of this program and may request additional information and documentation as deemed necessary and appropriate.
- 9.4 Following their review and consideration, the EDA shall make a non-binding recommendation to the City Council as to whether the loan shall be approved or denied. The final decision of loan approval or denial is to be made by the City Council.

## 10 ORIGINATION:

- 10.1 The loan closing will be administered by the Community Development Director or their designee.
- 10.2 The loan recipient shall be charged a loan origination fee equal to 1% of the loan amount. The fee shall be paid at closing.

## 11. RELEASE:

- 11.1 Upon receipt of full and final repayment of the Promissory Note, the Community Development Director shall prepare, execute and deliver the appropriate loan satisfaction documents and shall provide for the release of all EDA guarantees, security and collateral.
- 11.2 In the event that a co-borrower wishes to be released from the obligations of the executed Promissory Note, security agreement or personal guarantee, the applicant shall complete the following requirements.

- a. The party wishing to be released shall meet with the Community Development Director to obtain information regarding the partial release from the promissory note, security agreement or guarantee.
- b. A completed application form, together with a processing fee of \$200 must be submitted to the EDA prior to review and consideration.
- c. The partial release application will be reviewed by the Community Development Director to determine if it conforms to all EDA policies (ordinances) and to consider the following:
  - i. Whether the loan will retain its priority after release of the requester.
  - ii. Whether the security (collateralization) of the loan will be unreasonably adversely impacted by the release.
  - iii. The remaining parties must qualify under the EDA loan guidelines.
- e. Any release of a borrower from the obligation of the loan shall be considered by the EDA which will make a non-binding recommendation to the City Council for their consideration and official action.

## DUE DILLIGENCE

### FINANCIAL RATIOS GUIDE FOR BUSINESS APPLICATIONS:

1. CURRENT RATIO: (total current assets / total current liabilities).
  - a. A rough indication of the firm's ability to service its current obligations.
  - b. The higher the ratio the better.
  - c. Liquidity ratio (ability to meet current obligations).
  
2. EARNINGS BEFORE INTEREST AND TAXES: (EBIT / annual interest expense).
  - a. Measures a firm's ability to meet interest payments.
  - b. The higher the ratio the better.
  - c. Coverage ratio: (ability to service debt).
  
3. DEBT TO WORTH: (total liabilities / tangible net worth).
  - a. Shows how much protection the owners are providing the creditors.
  - b. A lower number provides more safety to creditors.
  - c. Leverage ratio (protection given to creditors by borrowers).

The Community Development Director should consult with the participating private lender to receive Robert Morris & Association (RMA) ratios for new or existing businesses. The bank can print the appropriate pages from the RMA guides and allow for the Director to undertake the determination and present the findings to the EDA as part of the loan review. The presentation to the EDA should consist of a narrative with ratios showing the strengths and weaknesses of the credit.

Additionally, the following shall accompany any application for EDA financing:

1. Business Plan
  - a. Description of business.
  - b. Ownership
  - c. Date established.
  - d. Products / Services.
  - e. Management
  - f. Future Plans
2. Personal Financial Statement(s) from the borrower(s).
3. Two years business financial history
  - a. Balance Sheets
  - b. Income Statements
  - c. Profit / Loss Statements
4. Financial projections (3 years).
5. Letters of commitment from private lenders.
6. Bids / Quotes
7. Appraisal (when applicable).
8. Resumes of ownership / management.
9. Credit agency reports on applicants.
10. Federal Tax Filings (past two years).

REVOLVING LOAN REPORT	8/1/2020					
	ORIGINAL	ORIGINATION	CURRENT	12/31/2019	MONTH-YEAR	
BORROWER	BORROWER	DATE	BALANCE	BALANCE	BALLOON DUE	
Azure Skye/Bertram	\$ 16,003.00	1/1/2019	\$ 13,335.80	\$ 14,402.68	Dec-28	
David Bushaw	\$ 20,000.00	12/1/2016	\$ 13,166.53	\$ 13,833.21	Nov-26	
Building Good Communities LLC	\$ 39,834.00	10/1/2017	\$ 36,262.81	\$ 36,731.61	Aug-22	
Flame Bar/Mike Hobday	\$ 25,000.00	11/1/2019	\$ 22,916.70	\$ 24,583.34	Oct-27	
Kaduce Properties	\$ 16,831.00	9/1/2017	\$ 11,781.64	\$ 14,586.84	Aug-27	230 Fund
Mayer - Chabeans	\$ 25,000.00	7/1/2016	\$ 15,208.49	\$ 19,375.09	Jun-26	
River Rock Bakery & Kitchen	\$ 40,000.00	4/1/2016	\$ 25,175.44	\$ 30,254.89	Feb-21	
Doyscher, Jay/The Visual Identity Vault	\$ 10,000.00	4/1/2020	\$ 9,900.00		Nov-28	
JAEL Properties	\$ 65,008.00	8/1/2014	\$ 49,171.82	\$ 51,051.44	Jul-24	
K&C/ Stelter	\$ 25,000.00	1/1/2020	\$ 23,333.36	\$ -	Dec-29	
Kottke/Spring Touch Real Estate Holdings	\$ 500,000.00	9/1/2015	\$ 401,627.72	\$ 415,538.84	Aug-20	
Rachel More/The Pulse	\$ 20,356.75	2/1/2013	\$ 2,357.52	\$ 3,282.66	Feb-20	240 Fund
St. Peter Food Coop	\$ 350,000.00	4/1/2011	\$ 212,402.84	\$ 223,557.66	Dec-20	
Tanis Brothers	\$ 59,012.00	9/1/2014	\$ 44,851.47	\$ 46,553.46	Aug-24	
Traverse des Sioux Enterprises/Check due Feb & Aug 1st	\$ 416,673.18	8/1/2009	\$ 97,223.65	\$ 152,780.09	Jan-24	230 Fund
PJ's Pizza	\$ 5,629.47	2/1/2010	\$ 5,629.47	\$ 5,629.47	JUDGEMENT	
	\$ 1,634,347.40		\$ 984,345.26	\$ 1,052,161.28		
		Loan 230	Loan 240	Loan 250		
<b>LOAN FUND BALANCES</b> <small>(report from Brenda)</small>	\$ 1,587,071.75	\$ 611,898.88	\$ 823,660.33	\$ 151,512.54		
<b>LOANS OUTSTANDING</b>	\$ 984,345.26					
	\$2,571,417.01					

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