

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.