

City of South St. Paul

Economic Development Authority Agenda

Monday, August 2, 2021

IMMEDIATELY FOLLOWING THE CONCLUSION OF THE 7:00 P.M. MEETING OF THE
CITY COUNCIL



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 Special Meeting Minutes of July 12, 2021

5. GENERAL BUSINESS:

- A. Economic Development Revolving Loan Fund – Resolution 2021 – 18
- B. Approval of Conflict Waiver – LeVander, Gillen and Miller re: Linn Companies (*no attachment*)

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:

Respectfully Submitted,

Ryan Garcia, EDA Executive Director

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

Special Meeting
July 12, 2021
Training Room – South St. Paul City Hall

1. CALL TO ORDER

The Special Meeting of the South St. Paul Economic Development Authority was held on July 12, 2021 in the South St. Paul City Council Chambers. President Francis called the meeting to order at 6:46 p.m.

2. ROLL CALL

Members Present: President Francis, Commissioners Bakken, Dewey, Hansen, Seaberg, Podgorski, and Kaliszewski.

Staff Present: EDA Executive Director Ryan Garcia, City Administrator Joel Hanson, and City Engineer Sue Polka.

3. AGENDA

Motion/Second: Commissioner Kaliszewski moved and Commissioner Hanson seconded approval of the agenda.

Motion carried 7 ayes / 0 nays

4. CONSENT

A. EDA Meeting Minutes of June 7, 2021

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

Motion carried 7 ayes / 0 nays

5. GENERAL BUSINESS

A. First Amendment to a Purchase Agreement with Beck Properties of Minnesota (285 Hardman Avenue South)

Mr. Garcia advised that the proposed amendment was being requested to afford the buyer additional time to gain approval of their development plan through the Planning Commission and Council. Mr. Garcia suggested that if progress is not made within this amendment period, additional extensions should not be granted unless extraordinary circumstances arise.

Motion/ Second: Commissioner Podgorski moved and Commissioner Kaliszewski seconded a motion to approve the proposed First Amendment to the Purchase Agreement with Beck Properties of Minnesota.

Motion carried 7 ayes / 0 nays

6. FUTURE FOLLOW-UP

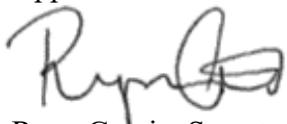
None.

7. ADJOURNMENT

Motion/ Second: Commissioner Seaberg moved and Commissioner Podgorski seconded the motion to adjourn the meeting at 6:53 p.m.

Motion carried 7 ayes / 0 nays

Approved:

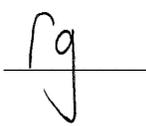


Ryan Garcia, Secretary



EDA Agenda Item Report

Date: August 2, 2021

EDA Executive Director: 

5-A

Agenda Item: Economic Development Revolving Loan Fund – Resolution 2021 - 18

Action to be considered:

Motion to approve Resolution 2021 - 18.

Discussion:

Background

The EDA has historically administered a business and development loan program that was effectively “inherited” from the HRA. Throughout June and July of 2021, the EDA and Staff have reviewed the existing program and researched successful economic development loan programs in Minnesota communities and determined that our program should be refocused.

The City’s Business Revolving Loan Program has been in existence since the early 2000s and has assisted at least 35 businesses since that time. Originally established and administered by the HRA, the program is targeted at job creation and enhancement of the property tax base. The program is intended to be a “supplement” – not replacement – for owner/investor equity and bank financing in a project. As of August 2021, the loan fund has over \$720,000 in cash and another \$80,000 in receivables (although about \$10,000 is a severely delinquent loan with a defunct business entity). Currently, there is only one current loan (with Quick Serv License Center). As interest rates in the marketplace have remained historically low for several years, this program has become a less-obvious financing option to businesses and developers. With this in mind, the EDA discussed and June and July a recalibrated Revolving Loan Fund (RLF) Program that would offer more flexibility and incentive to a wider range of potential applicants seeking to invest in their South St. Paul business.

Summary of Proposed Program

Staff has drafted and attached an updated RLF Policy. The following are key elements of the Policy, which will guide funding decisions going forward:

- **Loan Amount (Section III, Page 1):** the program will offer a minimum loan of \$5,000 and a maximum loan of \$150,000. The intentions are for the program to meet the needs of most small businesses as they look to invest meaningfully in their facilities or operations.
- **Eligible and Ineligible Activities (Section IV & Section V, page 1 - 2):** a range of economic development activities are identified. These activities are intentionally broad to assure that most small businesses can utilize the program as a resource as they seek to grow in ways that broaden the local property tax base and increase employment opportunities and profitability.
- **Priority Areas (Section VI, Page 2):** The program is intended to spur investment into the community’s traditional/historic commercial areas.
- **Priority Considerations (Section VII, Page 2):** Priority will be given to projects that propose an expansion to facilities or workforce, and/or renovate aging buildings, and/or involve the acquisition of new equipment. These priorities align directly to the City’s 2021 – 2024 Economic Development Strategy and 2040 Comprehensive Plan.

- **Loan Financing Policies and Conditions (Section VIII, Page 2- 4):** In summary, Section VIII lays out the “structure” of loans that will be made available through the program.
 - The Policy sets a baseline interest rate of 5.5%, with an opportunity to drive this rate lower if certain criteria are met. The lowest rate possible through this program would be 2.50%, which is currently 0.75% below the WSJ Prime rate. Staff suggests that the EDA review this element of the policy at least biannually and make adjustments as necessary in light of Prime and the lending environment generally.
 - As drafted, we’re preserving the opportunity to structure loans in more flexible ways (deferred, forgiven, interest-only) “for projects that demonstrate extraordinary public benefit”. The policy provides the EDA with a certain amount of latitude to provide a more significant incentive to businesses investing in the community.
- **Loan Application and Review (Section IX, Page 5 – 6):** Please note that the Policy suggests the creation of a “Loan Review Committee” designated by the EDA that would be responsible for the review and recommendation of approval or denial of any loan application. As the EDA is aware, the South St. Paul Future Board appears to be a natural fit for this critical role. Staff is working with Progress Plus staff to explore this option.

Funding Sources and other fiscal considerations:

The Existing Loan Program is almost “reset”, having only two outstanding loans (at about \$80,000 total) and over \$720,000 in cash balance. Additional discretionary funds within the EDA that have no program tied to them amount to approximately \$195,000. In short, there is almost \$1,000,000 in existing “seed” money for a business assistance program. The EDA could choose to sustain/grow this account by dedicating levy dollars in the annual budget process in future budget years.

SOUTH ST. PAUL ECONOMIC DEVELOPMENT AUTHORITY
DAKOTA COUNTY, MINNESOTA

RESOLUTION NO. 2021-18

**RESOLUTION APPROVING THE MODIFICATION AND ADMINISTRATION OF A
REVOLVING LOAN FUND PROGRAM**

WHEREAS, the Housing and Redevelopment Authority of the City of South St. Paul (“HRA”), historically administered a Revolving Loan Fund Program (“RLF”), providing financing and low interest loans for qualified commercial and industrial businesses based in the City of South St. Paul (“City”); and

WHEREAS, the RLF has been instrumental in promoting job creation, the expansion of the local property tax base, and providing other economic benefits to the City; and

WHEREAS, applications to the RLF have decreased in number since 2013 due to a number of factors outside the control of the City; and

WHEREAS, as of July 2021, the RLF had only one currently outstanding loan and a fund balance of approximately \$725,000; and

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

WHEREAS, the EDA has identified that the RLF’s program guidelines and lending terms and conditions have not been modified for more than ten years, and that through modification the RLF can once again be a vital source of financing for economic development projects in the City.

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

1. The EDA hereby authorizes the modification of the Revolving Loan Fund Program to provide funding to small businesses in the City and meet the Goals and Objectives of the City’s Economic Development Strategy and Comprehensive Plan.
2. The EDA hereby authorizes its Executive Director to administer the program according to the Economic Development Revolving Loan Fund Program Policy, attached as Exhibit A, which may be modified from time to time by action of the EDA.

Adopted this 2nd day of August, 2021.

James P. Francis, President

Ryan D. Garcia, Executive Director



CITY OF
SOUTH ST. PAUL

Economic Development Revolving Loan Fund Program Policy

Established August 2021

Each application submitted for assistance will be evaluated by the City on a case-by-case basis to analyze the viability of a proposed project. Depending on the nature and complexity of a program, the timeframe from application to approval is approximately 8 to 12 weeks.

I. General

The South St. Paul HRA first established a Revolving Loan Fund (RLF) Program in the early 2000s. The program aimed to increase job creation and enhancement of the property tax base. The program was intended to be a “supplement”- not a replacement- for owner/investor equity and bank financing in a project. Today, the RLF is administrated by the South St. Paul Economic Development Authority (EDA). The Economic and Community Development Department will provide general program oversight on behalf of the City and EDA.

II. Program Purpose

The goals of the revolving loan fund are to stabilize and increase the City’s tax base, create and retain permanent private sectors jobs and improve economic opportunities by promoting local business development and expansion, add additional skilled workers with wages above the median income, support business enhancements, and provide support for local business retention.

III. Funding Available

The minimum loan amount of a loan through this program is \$5,000. The maximum amount of a loan from this program is \$150,000.

IV. Eligible Activities

In order to apply, a business must be a for-profit enterprise. Eligible projects must meet one or more of the following activities:

1. Creation or retention of jobs; or the improvement of jobs as measured by wages.
2. Acquisition of land and buildings.
3. New Construction
4. Façade and building renovations, including renovations to address code deficiencies.
5. Purchase and installation of machinery and equipment.
6. Clearance, demolition, or removal of structures.
7. Infrastructure improvements necessary to support new or expanding businesses.

V. Ineligible Activities

Certain projects, activities, and costs are ineligible for revolving loan funds. These include:

1. Refinancing or consolidating existing debt.
2. Reimbursement for expenditures prior to loan approval.
3. Routine maintenance.
4. Specialized equipment that is not essential to business operation.
5. Working capital.

6. Management fees.
7. Projects in stand-alone residential buildings.

VI. Priority Areas

1. Concord Street between Annapolis Street and Wentworth Avenue
2. Southview Boulevard and Marie Avenue
3. Concord Exchange
4. Concord Street between Dale Place and Linden Avenue

VII. Priority Considerations

1. Assisting Business Expansion- Commercial or industrial-related expansions (ie, adding square footage or employees), and related costs.
2. Renovation to and/or reinvestment in a building constructed more than 35 years prior to the date of application
3. Business equipment acquisition- The purchase of additional depreciable assets for the purpose of expanding industrial/commercial *activities*.

VIII. Loan Financing Policies and Conditions

1. Loan terms for fixed assets are anticipated to range between 10 to 20 years for land and buildings, and 5 to 10 years for machinery and equipment.
2. Interest rates are fixed at 5.50%, subject to the following interest rate discounts, which may be combined:
 - a. Applicants committing 15% or more in cash equity to a project will receive a 0.50% discount on their interest rate.
 - b. Projects that have been approved for financing from a private commercial lender for at least 60% of the total project cost will receive a 0.25% discount on their interest rate.
 - c. Applicants that are able to demonstrate that they have consulted with the “Open to Business” program, free to all South St. Paul residents and businesses, will receive a 0.25% discount on their interest rate.

- d. Applicants that are able to demonstrate that their project will result in a property value increase of 15% or more will receive a 0.50% discount on their interest rate. (*Dakota County Property Taxation & Records can assist with this analysis.*)
 - e. Applicants that are able to demonstrate that their project will result in the creation of three (3) or more new jobs at or above the “2 Working Adults, 2 Children” [Living Wage Calculation for Dakota County](#) will receive a 1.00% discount on their interest rate.
 - f. A 0.50% discount on interest will be provided for any project that involves any one or more of the following:
 - i. Installation of an elevator in a multi-story building.
 - ii. Installation of fire suppression systems.
 - iii. Installation of environmental infrastructure, such as vapor mitigation systems.
 - iv. Abatement of hazardous building materials, such as asbestos.
 - v. Installation of solar, geothermal, or wind energy systems or technologies.
 - vi. Installation of commercial food preparation facilities and required ventilation systems.
 - vii. Vertical commercial/residential mixed-use development (i.e., commercial unit(s) at the street level with residential unit(s) on upper level(s)).
3. For projects that demonstrate extraordinary public benefit, the EDA may choose to structure loans in such a way as to provide applicants/borrowers with deferred repayment, interest-only repayment periods, or partial loan forgiveness.
 4. Interest earnings or other profits earned from the sale of the loan will be returned to the RLF fund for re-lending or for administrative costs.
 5. The EDA may deny any project which it deems inappropriate according to the guidelines established in this document.

IX. Loan Application and Review

A. Pre-application or Preliminary Meeting- A pre-application is required to screen potential projects for eligibility.

1. A brief pre-application in narrative form will be required for all potential applicants in order to determine the proposed structure and eligibility of the project.
2. Pre-applications may be submitting on an open basis throughout the year.

B. Applications

1. A full application requires the following documents:
 - Company description including product or service, history, legal structure, ownership and subsidiaries.
 - A detailed business plan describing the scope of the project including site plans, building plans, renderings or blueprints.
 - Project budget and amount of loan request.
 - Proof of private financing commitment.
 - Other documentation as requested.

C. Incomplete Application. The Economic Development Director will determine if the application is completed.

D. Loan Review Committee. A loan review committee as designated by the EDA will be responsible for the review and recommendation of approval or denial of any loan application.

X. Distribution of Funds to Approved Applicants

A. Loan Agreement

Prior to the city's distribution of RLF funds, all appropriate documentation, including loan agreement, promissory notes, repayment schedule, security agreement, personal guaranty, and all other documents deemed necessary, shall be prepared and executed.

B. Evidence of Expenditures

The business must provide documentation related to the RLF fund expenditures prior to the release of RLF funds. Documentation may include invoices, receipts, final bills of sale, cancelled checks, a lien waiver or other documentation as deemed appropriate by the review board.

XI. Repayment and Default

A. Repayments

All payments are due within 30 days of the billing date. The first billing will be X days after the funds have been released.

B. Prepayments of Loans

There is no prepayment penalty.

C. Late Payments

Any payments not paid within ten (10) days of the due date will pay a late fee equal to 5% of the amount of the installment due. Loan recipients will be contacted by staff requesting the account is brought current. After 21 days, staff will send a letter requesting full remittance of late payments.