

**CITY OF SAINT PETER, MINNESOTA
Economic Development Authority
REGULAR MEETING MINUTES AUGUST 26, 2021**

Call to Order

The meeting of the Saint Peter Economic Development Authority (EDA) was called to order by President James Dunn at approximately 12:01 pm. Roll call was taken with Dunn, Mike Favre, Julie Frederickson, Brad DeVos, Corey Abels and Ed Johnson in attendance. Absent was member Bob Southworth. City staff present were Community Development Director Russ Wille, Finance Director Sally Vogel and Administrative Secretary Cindy Moulton.

Visitors present were John Mayer (MNO Real Estate), Karimo Abdullahi (Malin Halal Meat & Grocery Store, LLC), and Christine "Montana" Rasmussen (River Rock Kitchen & Bakery).

Approval of Agenda

A motion was made by Johnson, seconded by Abels to approve the agenda as presented. With all voting in favor the motion was carried and the agenda approved.

Approval of Meeting Minutes

A motion was made by DeVos, seconded by Johnson to approve the minutes of the July 22, 2021 meeting of the EDA as presented. All voting in favor, the minutes were approved as presented.

River Rock Kitchen & Bakery (Mortgage Subordination Request)

In 2016, Chelsea Rasmussen, River Rock Kitchen & Bakery, received a revolving loan in the amount of \$40,000 to partially finance the purchase of the name, catering contract and other assets of the operations from Tamika Bertram. The loan was amortized on a twenty (20) year schedule with an interest rate of 3%, and the loan was due and payable after five (5) years (February 1, 2021).

The first mortgage filed by First National Bank totaled \$77,000. The City's \$40,000 second mortgage was recorded shortly thereafter on February 18, 2016.

Ms. Rasmussen is looking to obtain a \$37,000 home equity line of credit from First National Bank. The bank has agreed to provide the home equity line of credit should the City agree to subordinate its mortgage to the new HELOC.

Wille stated that should the subordination be accepted, a total of \$135,205 would be secured against the residential property.

A motion was made by Abels, seconded by Johnson to introduce Resolution 2021-04 entitled, "Resolution Recommending The Subordination Of The City Held Mortgage Securing The Revolving Loan Made To The River Rock Kitchen And Bakery To A New \$37,000 Mortgage Proposed By First National Bank". Members DeVos, Frederickson, Abels, Dunn and Johnson voting aye, Member Favre abstaining, the Resolution was passed and adopted.

Malin Halal Meat & Grocery Store, LLC (Karimo Abdullahi) Revolving Loan Request

Karimo Abdullahi, owner of the Malin Halal Meat & Grocery Store, LLC, has submitted a revolving loan request in the amount of \$3,834.98.

Ms. Abdullahi would like to purchase a refrigerated deli case, commercial coffee maker, stainless steel kitchen table and a table and chairs.

Wille stated that in order to structure the proposed loan to accommodate the acceptable Muslim sharia lending practices, the loan is proposed to be structured to eliminate interest payments which are forbidden. In lieu of interest, a "profit" of 3.25% would be included in the loan payments.

Wille said that the finances of the store and Ms. Abdullahi's personal finances were reviewed by a subcommittee of the EDA. The financial reports indicated that the store generates a modest profit. It is hoped that the acquisition of the deli case and coffee maker will help increase the profitability of the modest operations.

Favre asked if this request would be an exception to the revolving loan policy. Wille noted that it is proposed that the loan would be made by the EDA. Given the relatively small loan request and in the absence of a local lender offering Sharia compliant loan products, it is proposed that the EDA finance 90% of the project costs.

Dunn asked if the revolving loan guidelines allow for the lending of 90% of a project. Again, Wille noted the exception and suggested that the loan would be formatted similar to a previous loan made to the former Oodles Café. In that case, the EDA provided a small loan in the absence of a primary lender and accepted a security position on three catering vans to collateralize the loan.

A motion was made by Abels, seconded by Frederickson to introduce Resolution No. 2021-05 entitled, "A Resolution Recommending Approval Of A \$3,834.98 Revolving Loan To Malin Halal Meat & Grocery Store, LLC To Partially Finance The Acquisition Of Commercial Fixtures And Furnishings". All members voting aye, the Resolution was passed and adopted.

Hotel 221 (John Mayer) Revolving Loan Request

John Mayer and Tim Bartelt, MNO Real Estate, LLC, have purchased 221 Park Row and would like to repurpose the property as a boutique hotel. They have requested a revolving loan in the amount of \$74,500 to partially finance the renovation.

Wille stated that the estimated cost of the renovation is \$262,000. Hometown Bank has agreed to serve as the primary lender and would finance \$144,200 or 55.1% of the projects costs. MNO is able to contribute \$43,300 or 16.5% of the costs. Should the EDA approve the loan request, they would be funding \$74,500 or 28.4% of the project costs.

Mayer addressed the EDA and said he believed this is a good project. He indicated there would be no direct employees and reservations would be made at Patrick's on 3rd or via an online app. The housekeeping duties would be done by Mayer and Bartelt.

Wille stated that the note would be guaranteed by a second mortgage. John and Tamara Mayer and Tim Bartelt would be asked to execute personal guarantees of the note.

Wille indicated that a subcommittee reviewed the financials. Should the loan be approved, the annual interest rate on the loan shall be fixed at 3.25% for the duration of the loan, the loan would be amortized on a twenty year schedule though due and payable in full after five years via balloon payment. Monthly payments of \$422.56 would be established to successfully pay the note.

Favre asked if the funds would be disbursed as they are used during construction or if they would be paid up front. He also inquired if the loan repayment would begin 30 days after the loan closes.

Wille said that funds could be disbursed once the City receives receipts for work completed.

Mayer indicated that he would begin renting the rooms as soon as a Certificate of Occupancy is used. He asked if he could have an extension on the loan repayment start date.

It was suggested that interest only payments begin one month after closing on the loan. Regular principle and interest payments would begin the month following receipt of a Certificate of Occupancy following the final building inspection.

A motion was made by Johnson, seconded by Favre to introduce Resolution No. 2021-06 entitled, "Resolution Recommending That The City Council Approve A \$74,500 Revolving Loan To MNO Real Estate, LLC To Partially Finance The Renovation And Repurposing Of The Building Located At 221 Park Row".

Reports

Traverse des Sioux Enterprises – Creation Technologies is looking to add a 38,880 square foot addition to their facility in the North Industrial Park. It is anticipated that the building owner, Traverse des Sioux Enterprises, LLC, will be seeking partial project funding from the revolving loan fund account.

Spring Touch – Spring Touch will be making corrections to their parking lot in order to comply with storm water and impervious surface regulations. It is anticipated that they will be submitting an application for a revolving loan to help fund the project.

Parking Lot #5 – Preliminary renderings of the new development will be reviewed by the Heritage Preservation Commission at their Tuesday, August 31, 2021 meeting.

Adjournment

With no further business a motion was made by Abels, seconded by Frederickson to adjourn. All members voting aye, the meeting adjourned at 12:21 pm.