

ANNUAL REPORT

2020

Photo Location:
Former Hillcrest
Golf Course



Year in Review

Leading Through a Pandemic

By Lee Krueger, President

While it's tempting to say 2020 was a year of treading water for many people and organizations, the Saint Paul Port Authority accomplished a great deal and, for the most part, it was business as usual.

Planning for the Hillcrest redevelopment project progressed. BDF, TrillionBTU, and MinnPACE loans were funded. And new leases were signed at both our river terminals and Treasure Island Center.

What did look different in 2020 was the way our work got done. Like most organizations, Microsoft Teams became the new normal for face-to-face meetings. Employees quickly learned to work effectively from home. And at the end of the day, the work got done.

Our Impact

JOBS. TAX BASE.

\$34 MILLION

According to Ramsey County records, Saint Paul Port Authority redevelopment projects generated \$34 million in annual tax revenues.

530 BUSINESSES

In 2020, there were 530 businesses identified in Saint Paul Port Authority business centers.

BEACON BLUFF RESULTS

Beacon Bluff has exceeded expectations for both jobs and wages. Year-end results show **1,070 jobs at Beacon Bluff**, which is 200 more than the initial goal set in 2010. In addition, the average wage at Beacon Bluff is **\$22.82 per hour**. This number only reflects hourly wage jobs, which in general have lower barriers to entry.

Financial Snapshot

2020 BUDGET



Todd Hurley
CFO/COO



Bruce Kessel, CPA
Controller



Nelly Chick, CPA
Accounting & Business
Strategies Manager

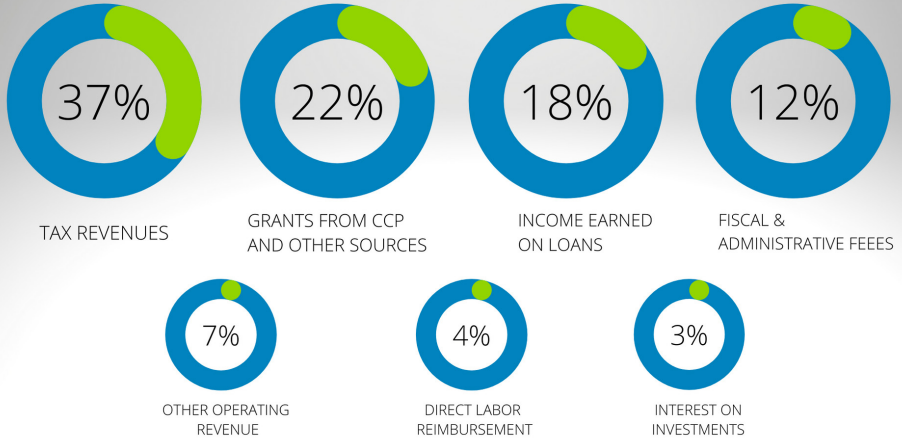


Dana Krueger
Personnel & Financial
Operations Manager

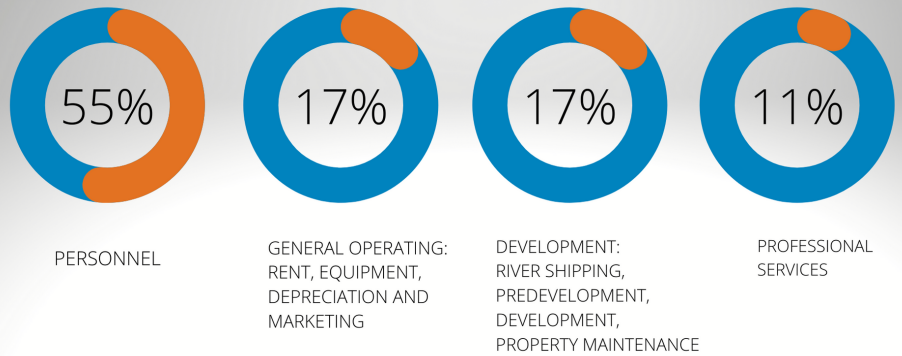


Linda Tran
Accountant

2020 BUDGET ALLOCATION



2020 EXPENSES



The Port Authority's 2020 budget started at \$5.3 million and was reduced to \$5.1 million to ensure operations ran smoothly throughout the COVID-19 pandemic.

Economic Development

NEW WAYS OF CONNECTING

Business retention and expansion (BRE) visits looked a bit different in 2020. According to Tonya Bauer, director of strategic development, “We shifted gears and changed how we do business.” Much of Bauer’s work shifted from face-to-face check-in meetings to proactive calls to connect struggling businesses to COVID related resources. These included PPP loans, the Saint Paul Bridge Fund, The Port Authority’s Emergency Small Business Loan Program, funds through Ramsey County, as well as other creative resources and solutions.

One business Bauer worked closely with in 2020 was Asian Foods, located in the Port’s Arlington-Jackson Business Center on L’Orient Street. As a supplier to the restaurant industry, Asian Foods found themselves with excess inventory at the beginning of the pandemic. In response, the Port Authority helped them secure parking lot space for a “pop-up” truck sale where food and clearance items were sold to the general public.

In addition, Bauer stepped up and assisted Asian Food customers by connecting them to City resources. “These programs greatly helped our customers weather the storm,” said Dennis Ouyang, district sales manager for Asian Food. He adds, “What a crazy year it’s been with navigating through these challenges. Thank you for all of your support throughout these times.”



DENNIS OUYANG
DISTRICT SALES MANAGER
ASIAN FOODS



TONYA BAUER
DIRECTOR OF STRATEGIC DEVELOPMENT
SAINT PAUL PORT AUTHORITY



SHENG AMERSON
OWNER, LIFESTYLE DAY CENTER
EMERGENCY BDF LOAN RECIPIENT

Emergency BDF Loans

RESPONSIVE INNOVATION

In 2020, the Saint Paul Port Authority became an approved lender for the Minnesota Department of Economic Development (DEED) Small Business Loan Guarantee program. It was developed to deploy capital to businesses negatively impacted by the COVID-19 pandemic. Through the arrangement, the Port Authority processed loans ranging from \$1,500 to \$50,000 with DEED guaranteeing 80 percent of each transaction.

In total, \$1 million from the Port Authority's existing Business Development Fund (BDF) was allocated to the program. Between June and August, the Port Authority funded 36 loans for a variety of businesses throughout Saint Paul. Interest rates were capped at two percent, with a fixed-rate of up to three years with no prepayment penalties. Payments were waived for the first six months.

The Port Authority's BDF loan is an existing product available to small businesses in the East Metro (Ramsey, Washington, and Dakota Counties). Loans are available for up to \$1.25 million, with an interest rate similar to a bank loan, for up to a 10-year term.

Joint Venture Sale

MIDWAY BUSINESS PARK

While joint venture partnerships drive income to the Port Authority's bottom line, some projects are better positioned for sale. This was the case with the Midway Business Center, a joint venture between CCP and United Properties.

From the start, this property was positioned as a green asset, earning a LEED Silver certification. According to Monte Hilleman, senior vice president of real estate development, "We pushed the market in terms of aesthetics and sustainable design, believing the market would respond in this great location."

The construction was a speculative build. At the time, there were hopes of leasing at a premium rate because of the sustainability measures. In reality, the property took two years to fully lease.

United Properties was the first to suggest taking the project to the capital markets. Neither party had hit their cash flow projections, which were needed to cover construction costs and realize a positive return on investment.



This scenario turned out to be more fruitful than expected. Unlike leasing, selling a "green asset" at a premium was an attainable goal.

Why? There is an appetite in the capital markets for Environmental Social Governance (ESG) investments. Investors leverage green assets as part of their portfolio and promote results as part of their performance.

Profits realized by CCP will be redirected to the Saint Paul Port Authority to ultimately reduce the burden of government.



Internal Updates

OFFICE MOVE

On December 31, 2020 the Port Authority officially moved out of its offices on the 8th floor of the Infor Building at 380 Saint Peter Street. The move allowed Midwest Reliability Organization, a technology firm, to expand and take over the entire 8th floor, while giving the Port Authority the opportunity to move its operations to Treasure Island Center.

The move itself was anti-climactic, as most employees were already working from home due to the pandemic. And, because there was no rush to move into a new space, the development team had time to work on an office plan that incorporates state-of-the-art sustainability features at a cost-effective price.

From a sustainability standpoint, the office space will achieve a LEED Gold certification and FitWell three-star certification for COGfx levels of ventilation. Staff will move into the space in Summer 2021.

VENDOR DIVERSIFICATION

In 2020, the Port Authority made vendor diversity a top priority. To start, a system was put in place to track in-depth, diversity-related information about all vendors hired by the Port for both project and operational needs. Once a benchmark was established, a policy was put in place to guide the vendor selection process. As a result, the Port Authority doubled the number of contracts awarded to minority, veteran, and women-owned businesses.

This initiative was part of the Port Authority's ongoing commitment to improve outcomes related to equity and inclusion. Other focus areas in 2020 included workforce agreements and internal culture.



Linda Williams
Contracts & Administration
Coordinator



George Hoene
Senior Project Manager



Ann Kosel
Office Manager



David Johnson
Development Services
Associate



Andrea Novak
SVP, Marketing



Laurie Siever
VP, Community Engagement

Treasure Island Center



Kristoffar Nelson
Owner/Operator
D1 Training



Lunch Patrons
Red's Savoy



Patrons
Pillbox Tavern



Ben Utecht
Owner
Conquer Ninja Gym
Finish Line Health & Wellness



NEW TENANTS

Despite lockdowns and work-from-home orders, Treasure Island Center ended the year 98 percent leased.

And, amidst a challenging year, Treasure Island Center secured four new lease agreements with two grand openings between March and December. The first business to open was Pillbox Tavern, located on Level Two (street level off of Wabasha Street). Owners Bill Ashton, Shelley Ashton, and Matt Bakke named their restaurant after the original Pillbox Stadium, home of the Saint Paul Saints in 1902. Today, patrons enjoy a variety of menu items prepared by Chef Graham Messenger including burgers, sandwiches, and vegan options.

In December, Red's Savoy made a return to downtown Saint Paul with a storefront next to Pillbox Tavern. They were soon followed by D1 Training, owned and operated by Kristoffar Nelson. D1 will share their space on Level Three with Conquer Ninja Gym and Finish Line Health and Wellness, owned by Ben Utecht and Dr. James Midboe.



Angie Helms
Building Manager



New Ownership

MINNESOTA WILD PARTNERSHIP

As Treasure Island Center transitioned from the construction phase into a fully operational, mixed-use property, changes to the ownership structure were made to support future success.

To start, the property was refinanced, and Capital City Properties increased its ownership stake to 72.5 percent. As part of this process, new partners were brought into the Go Wild, LLC joint venture, including a group tied to the Minnesota Wild.

“Treasure Island Center, and more importantly TRIA Rink, have quickly become an integral part of our organization. We are proud to take our commitment to both the facility and the City of Saint Paul to the

“
“Treasure Island Center,
and more importantly TRIA
Rink, have quickly become
an integral part of our
organization.”
-Minnesota Wild
”

next level by transitioning into a minority ownership position,” said a team representative.

The Wild now has a 10 percent ownership stake, despite the financial challenges associated with 2020. In the end, these changes helped keep Treasure Island Center solvent throughout the pandemic.



Harbor Management

COVID IMPACT

Infrastructure investments are crucial on the Mississippi River to ensure barge traffic runs smoothly between Saint Paul and New Orleans. Most of these projects are large in scope and span over multiple years from conception, funding, and completion. In 2020, the Saint Paul Port Authority was involved with a number of projects that are set for completion at a later date.



Kathryn Sarnecki
SVP, Development
& Project/Property Management

Ava Langston-Kenney
Project Manager

SOUTH PORT TERMINAL

The Port Authority conducted a public bid process for dock wall rehabilitation at the South Port Terminal. Coming in at approximately \$300,000 this project will be funded through the Port Authority's River Maintenance Account. These funds come from river tenant lease payments. In addition, a \$1.8 million Port Development Assistance Grant was awarded for a Port Transload Facility, to be built on property leased by Alter Logistics.

BARGE TERMINAL TWO

The Minnesota Department of Transportation awarded the Saint Paul Port Authority a \$6.3 million grant. These funds will be used to upgrade and replace 1,460 feet of dock wall at Barge Two Terminal.



Planning Ahead

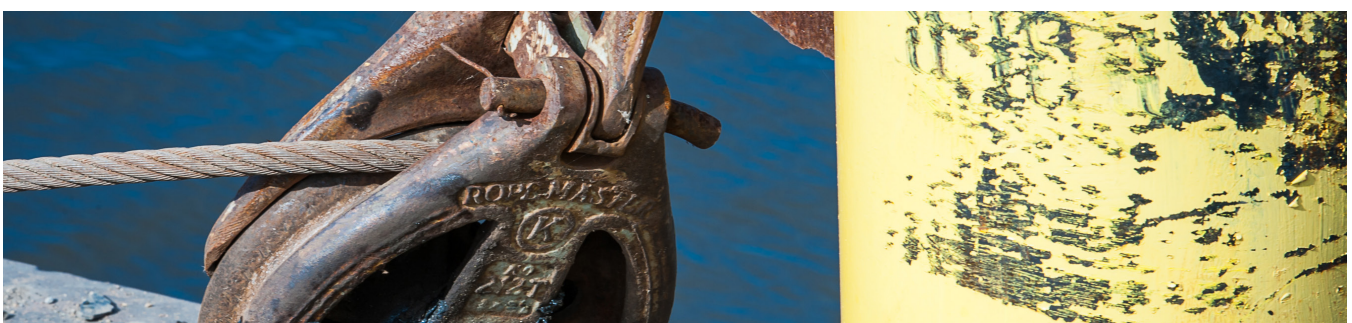
FUNDING FUTURE PROJECTS



Dredging

Dredging is an important exercise that ensures barge traffic runs smoothly. Dredging schedules vary from one terminal to the next, with the highest need in the South Port and Red Rock Terminals. In these locations, dredging is required every other year, annually in the case of flood. Barge Terminals One and Two are on the main navigation channel, where water moves more quickly, and less sediment is being dropped. These locations can go up to 20 years without dredging.

Regardless of frequency, this work has traditionally been outsourced, with contracts being renewed as needed. In 2020, the Port Authority completed an in-depth analysis to better understand the relationship between services received and costs incurred. As a result, the public bidding process became much more transparent. Following this analysis, the Port Authority entered into a five-year agreement with LS Marine, who is now responsible for accepting material dredged by the Army Corps of Engineers at both the South Port and Red Rock Terminals.



MinnPACE Financing

RESULTS

The Port Authority's MinnPACE program continues to grow, with businesses taking advantage of the unique property tax assessment structure to pay for energy saving investments. While the number of transactions decreased in 2020, with smaller businesses putting projects on hold during the pandemic, the total amount funded increased significantly, as larger new construction projects continued as planned.

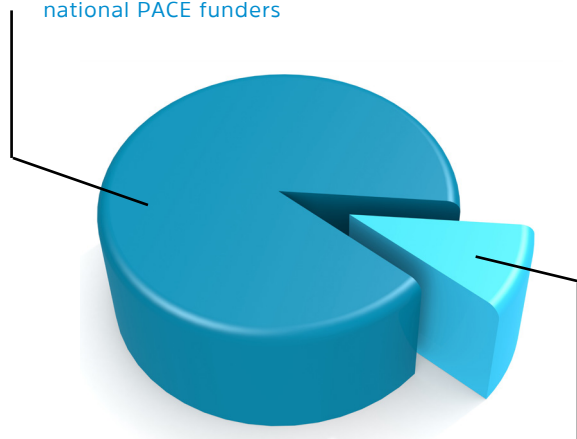
	2019	2020	Change	LTD
MinnPACE Transactions (Value)	\$21.6M	\$40.4M	↑ 187%	\$100.6M
MinnPACE Transactions (Number)	68	45	↓ 34%	263

FUNDING

While the Saint Paul Port Authority administered all 68 MinnPACE transactions, working directly with Minnesota cities and counties, loans were funded by a variety of sources including local credit unions and national PACE funders. Having multiple funding sources ensures more Minnesota commercial property owners can take advantage of the flexibility C-PACE finding offers.



\$35.9 million funded
through local credit unions and
national PACE funders



\$4.4 million funded
through the Port Authority's
TrillionBTU loan program



MINNPACE FINANCING



INVESTMENT TRENDS



Shawn Callahan
Owner
Green Gate Guest Houses

Commercial property owners across the state continue to leverage MinnPACE for solar installations. In 2020, 35 percent of all MinnPACE transactions were solar related.

Solar investments are popping up in both urban and rural communities. In 2020, 30 percent of all MinnPACE transactions were tied to agriculture-based businesses.

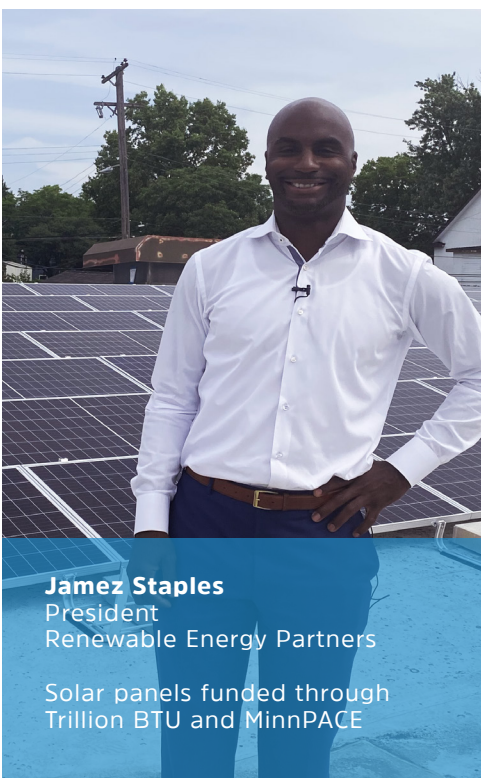
MinnPACE financing has quickly become an integral part of the capital stack for new construction projects. In 2020, there were 15 new construction transactions, accounting for 33 percent of all MinnPACE loans. Because these transactions are larger in scope, they accounted for 77 percent of dollars funded.

Early adopters for new construction include hotels and senior living facilities.



2020 TrillionBTU Loan Approvals

The Port Authority's Board of Commissioners approved a wide range of TrillionBTU transactions that qualified for a MinnPACE voluntary property tax assessment. Listed below is a sampling of these transactions.



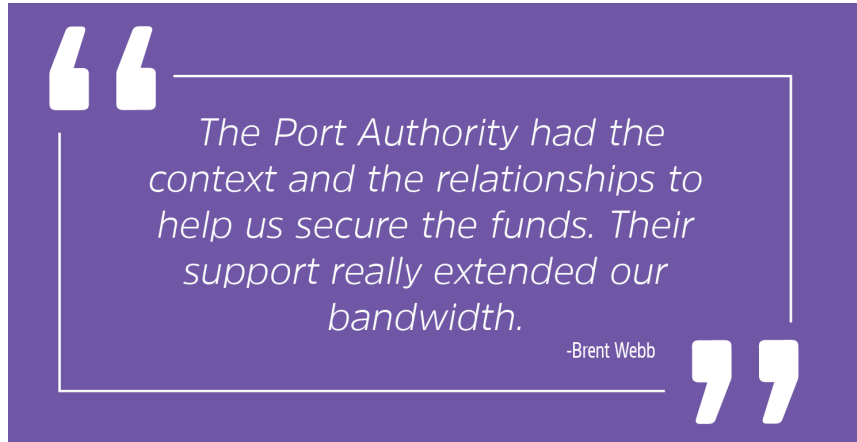
James Staples
President
Renewable Energy Partners

Solar panels funded through Trillion BTU and MinnPACE

<p>Hmong Village Saint Paul</p> <p>\$315K LED, HVAC, and Refrigeration</p>	<p>River Bluff Farms Cottage Grove</p> <p>\$40K LED Lighting Upgrades</p>	<p>Green Gate Guest Houses Biwabik</p> <p>\$62K Solar Installation</p>
<p>Eureka Kids Rochester</p> <p>\$100K Solar Installation</p>		<p>Lettuce Abound New London</p> <p>\$235K LED, Lighting Retrofit</p>

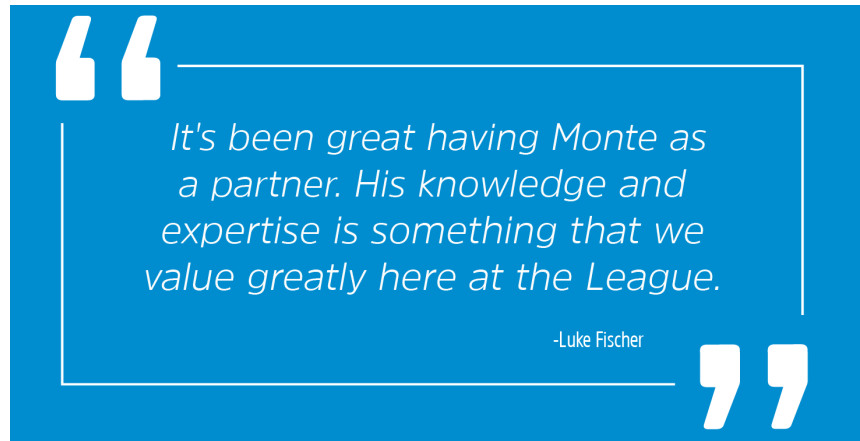
Port Consulting

PROJECT HIGHLIGHTS



BLOCK B

The Port Consulting team helped Mortenson Construction secure nearly \$1 million in grant funds for the Block B redevelopment project, located near Allianz Field, in an area known as the Soccer Village. Due to the COVID-19 pandemic, and the civil unrest related to the murder of George Floyd, the project has been delayed.



LEAGUE OF MINNESOTA CITIES

Over time, the League acquired land west of their parking lot, to support future growth. When they decided the land wasn't needed, they contracted with Port Consulting to determine what to do with the property. While the space was only passively listed in 2020, the Saint Paul School District showed interest for a future charter school. Port Consulting assisted with the assembly of information needed for the transaction, and helped the League navigate through the development process.

Port Authority Staff

- Lee Krueger, President
- Todd Hurley, CFO/COO
- Monte Hilleman, SVP Development
- Kathryn Sarnecki, SVP Development
- Andrea Novak, SVP Marketing
- Tonya Bauer, Director Strategic Development
- Nelly Chick, CPA, Accounting & Business Strategies Manager
- Angie Helms, Treasure Island Building Manager
- George Hoene, Senior Project Manager
- Ava Langston-Kenney, Project Manager
- David Johnson, Development Services Associate
- Bruce Kessel, CPA, Controller
- Peter Klein, CPA, VP Finance
- Ann Kosel, Office Manager
- Dana Krueger, Personnel & Financial Operations Manager
- Michael Linder, Loan Officer
- Laurie Siever, VP Community Engagement & Philanthropy
- Linda Tran, Accountant
- Linda Williams, Contracts & Administration Coordinator

Board of Commissioners

- John Bennett, 21st Century Bank
- Nneka Constantino, Merrill Lynch Wealth Management
- John Marshall, Xcel Energy
- Don Mullin, Saint Paul Building and Construction Trades
- Rebecca Noecker, Saint Paul City Council Member
- Matt Slaven, MV Ventures
- Dai Thao, Saint Paul City Council Member

Credit Committee Members (not on the board)

- Brianne Hamm, Securian Financial
- Matt Hill, Ramsey County