



**AGENDA
BOARD MEETING
AUGUST 22, 2017 - 2:00 P.M.**

LOCATION: 380 St. Peter Street, Suite 850, Saint Paul, MN 55102

ADMINISTRATION

1. Election of Officer

MINUTES

1. Approval of the Minutes from the July 25, 2017 Regular Board Meeting

CONFLICT OF INTEREST

NEW BUSINESS

CREDIT COMMITTEE

- | | |
|-------------------------------|--|
| 1. Acceptance of | June 2017 Year-to-Date Financial Statements |
| 2. Resolution No. 4603 | Preliminary Certification of Tax Levy |
| 3. Resolution No. 4604 | Minnesota Museum of American Art - Special Appropriation Grant |
| 4. Resolution No. 4605 | Approval of the Use of the Economic Development Incentive Fund as a Loss Reserve for PACE Loans Assumed or Directly Funded by Financial Institutions |
| 5. Resolution No. 4606 | Acceptance of a \$3,000,000 Loan/Grant from the Kresge Foundation Along with Port Authority Loss Payee Obligation |

GENERAL MATTERS

1. Such Other Business as May Come Before the Board

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MINUTES OF THE REGULAR BOARD MEETING
JULY 25, 2017**

The regular meeting of the Port Authority Board was held on July 25, 2017 at 2:01 p.m. in the Board Room of the Saint Paul Port Authority located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota.

The following Commissioners were present:

Harry Melander	John Bennett	John Regal
Dan Bostrom	Paul Williams, via phone	Dai Thao, via phone

Also present were the following:

Lee Krueger	Laurie Hansen	Monte Hilleman
Andrea Novak	B Kyle	Kat Sarnecki
Bruce Kessel	Pete Klein	Michael Linder
Sarah Savela	Laurie Siever	Ann Kosel
Dana Krueger	Linda Williams	Tonya Bauer
Keith Mensah		
Eric Larson, General Counsel, City of Saint Paul		
Will Greiner, KSTP-TV		

APPROVAL OF MINUTES

Motion was made by Commissioner Bostrom to approve the minutes of the Board meeting held on June 27, 2017. The motion was seconded by Commissioner Thao, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

There were no conflicts with any of the items on the agenda.

NEW BUSINESS

CREDIT COMMITTEE

RESOLUTION NO. 4602

**RELEASE OF DECLARATION OF GOVERNMENTAL PURPOSE
FOR DEED REDEVELOPMENT GRANT PARCEL 5 EAST BEACON BLUFF**

Motion was made by Commissioner Williams to approve Resolution No. 4602 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was seconded by Commissioner Thao, submitted to a roll call vote and carried 6 to 0.

GENERAL MATTERS

Vice Chair Bennett read a resolution of thanks to Commissioners Regal and Melander honoring them for their years of leadership, vision, and enthusiasm for the Port Authority's mission.

Vice Chair Bennett also read a resolution of thanks to Brenda (B) Kyle for her 11 years of hard work and dedication to the Saint Paul Port Authority and congratulated her on her new position as the President of the Saint Paul Area Chamber of Commerce.

There being no further business, the meeting was adjourned at 2:18 p.m.

By: _____

Its: _____

/amk

ST. PAUL PORT AUTHORITY
Managerial Report
Statement of Administrative and Development Operations
Year to Date as of June 30, 2017

	Actual	Budget	Variance	Notes
REVENUES:				
Tax revenues	\$ 92,168	\$ 50,000	\$ 42,168	
Fiscal and administrative fees	433,770	418,883	14,887	
Interest on loans	131,333	117,556	13,777	
Reimbursed direct labor	50,464	50,500	(36)	
Other operating revenue	134,627	162,069	(27,442)	
Interest on investments	41,562	13,500	28,062	
CCP Grant income	450,000	675,000	(225,000)	
Total Revenues	<u>1,333,923</u>	<u>1,487,508</u>	<u>(153,585)</u>	
EXPENSES:				
Personnel costs	1,163,818	1,272,793	(108,975)	
Professional services:				
Audit fees	56,100	56,100	-	
Attorney costs	53,912	137,500	(83,588)	
Other professional fees	68,459	112,128	(43,669)	
Total professional services	<u>178,471</u>	<u>305,728</u>	<u>(127,257)</u>	
Other general costs:				
Office rent	136,087	139,331	(3,244)	
Insurance	51,081	52,086	(1,005)	
General & administrative expenses	81,618	108,415	(26,797)	
Equipment maintenance	41,437	44,430	(2,993)	
Depreciation	51,426	65,550	(14,124)	
Marketing	34,267	53,250	(18,983)	
Development	152,207	243,744	(91,537)	
Property Maintenance	9,904	14,254	(4,350)	
Total other general costs	<u>558,027</u>	<u>721,060</u>	<u>(163,033)</u>	
Total Expenses	<u>1,900,317</u>	<u>2,299,581</u>	<u>(399,264)</u>	
Net Operating Income (Loss)	<u>(566,394)</u>	<u>(812,073)</u>	<u>245,679</u>	
OTHER REVENUES(EXPENSES):				
Total Other Revenue (Expense)	<u>-</u>	<u>-</u>	<u>-</u>	
Net Income (Loss) from Administrative & Development Operations	<u>(566,394)</u>	<u>(812,073)</u>	<u>245,679</u>	

Notes (Explanations are provided for variances over \$200,000 and 10% of the YTD Budget:

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Regular Meeting of August 22, 2017) **DATE:** August 18, 2017

FROM: Laurie J. Hansen 

SUBJECT: PRELIMINARY CERTIFICATION OF TAX LEVY
RESOLUTION NO. 4603

Action Requested

Approval of the preliminary Truth in Taxation Certification.

Background

Minnesota Truth in Taxation Law provides that special taxing districts (including port authorities), counties, municipalities, and school districts must certify to the County Auditor by the 15th of September of each year the proposed tax levy for taxes levied in the subsequent calendar year.

The recommended 2017 tax levy payable in 2018 is:

1.	General Obligation Bond Debt Service	\$3,222,700
2.	Mandatory Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 4, at a rate not to exceed .01813% of market value	\$1,856,700
3.	Discretionary Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 6. Pledged to industrial redevelopment	\$ 105,000
	TOTAL 2018 TAX LEVY	<u>\$5,184,400</u>

Recommendation

We recommend approval.

LJH:amk

Attachments: Comparison of Tax Levy
Resolution

PORT AUTHORITY OF THE CITY OF SAINT PAUL
COMPARISON OF TAX LEVY

	TAX LEVY PAYABLE		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
G.O. Bonds	3,222,700	3,218,100	3,355,300
Mandatory Levy	1,856,700	1,706,700	1,706,700
Discretionary Levy	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
TOTAL	\$5,184,400	\$5,029,800	\$5,167,000

**RESOLUTION
OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

[PRELIMINARY CERTIFICATION OF TAX LEVY]

WHEREAS, pursuant to Minnesota Statutes section 275.065, all taxing districts are required to certify the preliminary levy they may impose for the current tax year payable in 2018 prior to September 15, 2017.

NOW THEREFORE, BE IT RESOLVED, that the Port Authority adopts the following as its maximum tax levy for taxes payable in 2018 as follows:

1.	General Obligation Bond Debt Service:	\$3,222,700
2.	Mandatory Levy pursuant to Minnesota Statutes section 469.053, Subdivision 4, at a rate not to exceed .01813% of market value:	\$1,856,700
3.	Discretionary Levy pursuant to Minnesota Statutes Section 469.053, Subdivision 6, pledged to industrial Redevelopment:	\$ 105,000

	TOTAL 2018 TAX LEVY	<u>\$5,184,400</u>

Adopted: August 22, 2017

PORT AUTHORITY OF THE CITY OF
SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Regular Meeting of August 22, 2017) **DATE:** August 10, 2017

FROM: Laurie J. Hansen 

SUBJECT: MINNESOTA MUSEUM OF AMERICAN ART
SPECIAL APPROPRIATION GRANT
RESOLUTION NO. 4604

Action Requested:

Approval to authorize the Saint Paul Port Authority to serve as legal sponsor for the Special Appropriation Grant from DEED for the Minnesota Museum of American Art (MMAA).

Public Purpose:

General obligation bond proceeds may only be used to construct or improve real property owned or leased by a public entity (legal sponsor). The Port Authority will serve as the legal sponsor for the MMAA through construction and long-term ownership.

Background:

In June 2015, this Board adopted Resolution No. 4546 supporting the request for State general obligation funding for MMAA. In the 2017 legislative session, the bonding bill included a \$6,000,000 grant to the Saint Paul Port Authority to design, construct, furnish and equip new museum galleries and an art study facility for the MMAA.

Current Status:

The MMAA has purchased the space being developed from the building owner. The Port Authority would enter into a lease with MMAA for \$1.00 under terms that meet the requirements for use of State general obligation bond proceeds. The space would be subleased back to MMAA. There would be no financial risk to the Port Authority.

The Port Authority needs to pass the Special Appropriation Resolution prior to applying for the grant award. This resolution:

- authorizes the application,
- represents the Port Authority is capable of project administration,
- affirms sources and local match are committed,
- confirms Port Authority has not violated any Federal, State or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest, or other unlawful or corrupt practice,
- requires the Port Authority comply with all applicable laws and regulations, and
- authorizes the Port Authority's President or CFO officer to execute any agreements necessary to implement the project.

BOARD OF COMMISSIONERS

August 10, 2017

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The museum has started phase one of the project which totals \$8,778,000. The State bonded project is phase two and has a budget of \$6,821,000 with \$821,000 being raised through their capital campaign and the State grant funding the remainder of the project.

Our agreement with MMAA to serve as legal sponsor is in compliance with the parameters included in our support resolution. The project management will be entirely non-recourse to the Port including any out of pocket expenditures. The attached resolution authorizes the President or CFO to execute any necessary documents.

Recommendation:

Approval to authorize the Saint Paul Port Authority to serve as legal sponsor for the Special Appropriation Grant from DEED for the Minnesota Museum of American Art (MMAA).

LJH:amk
Attachment

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

**[MINNESOTA MUSEUM OF AMERICAN
ART SPECIAL APPROPRIATION GRANT]**

WHEREAS, under the Laws of Minnesota, 2017 First Special Session, Chapter 8, Article 1, Section 20, Subdivision 21, entitled Saint Paul – Minnesota Museum of American Art, the Port Authority of the City of Saint Paul (“Port Authority”) was awarded a grant to design, construct, furnish, and equip new museum galleries and an art study facility for the Minnesota Museum of American Art.

WHEREAS, the Port Authority is a public body and corporate and politic organized pursuant to Chapter 469 of Minnesota Statutes.

WHEREAS, the Port Authority is authorized by Minnesota Statutes sections 469.048-068 and 469.084 to undertake these obligations, including but not limited to the redevelopment and to the buying, selling, and conveying of interests in real property in the City of Saint Paul, Minnesota in furtherance of economic development

NOW, THEREFORE, BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

BE IT RESOLVED that the Port Authority agrees to and will act as the legal sponsor for the project as set forth in the Laws of Minnesota, 2017 First Special Session, Chapter 8, Article 1, Section 20, Subdivision 21, entitled Saint Paul – Minnesota Museum of American Art.

BE IT RESOLVED that the Port Authority has the legal authority to receive financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration.

BE IT RESOLVED that the sources and amounts of the local match identified in the development proposal are committed to the project identified.

BE IT RESOLVED, that the Port Authority has not violated any Federal, State or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

BE IT RESOLVED, that upon approval of its development proposal by the State, the Port Authority may enter into an agreement with the State of Minnesota for the above-referenced project and that the Port Authority certifies that it will comply with all applicable laws and regulations as stated in all contract agreements.

NOW THEREFORE, BE IT RESOLVED, that the President or Chief Financial Officer is hereby authorized to execute such agreements as are necessary to implement the project on behalf of the Port Authority.

Adopted: August 22, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair


Attest:

By _____
Its Secretary

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Regular Meeting of August 22, 2017) **DATE:** August 16, 2017

FROM: Peter M. Klein 

SUBJECT: APPROVAL OF THE USE OF THE ECONOMIC
DEVELOPMENT INCENTIVE FUND AS A LOSS RESERVE FOR PACE
LOANS ASSUMED OR DIRECTLY FUNDED BY FINANCIAL INSTITUTIONS
RESOLUTION NO. 4605

Action Requested:

Approve the use of the Economic Development Incentive Fund (EDIF) as a loss reserve for financial institutions assuming or directly funding PACE loans.

Background:

Trillion BTU has served as a major funding source for Property Assessed Clean Energy (PACE), and has a current balance of approximately \$17,000,000. Nearly all of these funds are currently deployed. Trillion BTU is typically replenished by monthly loan payments of approximately \$200,000 and semi-annual PACE payments. We currently have several million dollars of approved PACE loans, for projects throughout the state of Minnesota that we are not able to fund.

Via Resolution 4242, in 2007 the Saint Paul Port Authority Board established EDIF by combining several under-utilized funds into one. The stated purpose of EDIF is business retention and attraction. One specific area of support is to assist organizations "to move in the direction of 'green' business practices". EDIF can currently be used as a loan, forgivable loan, or as a grant. EDIF has been utilized occasionally since its inception. There is currently one outstanding loan and EDIF currently has an approximate cash balance of \$460,000. We propose expanding the permitted uses of EDIF to include use as a loss reserve for the Port Authority's PACE program.

We have discussed the assumption, or origination, of our PACE loans with several financial institutions. They are interested but each financial institution has requested a loss reserve that would make payments on a loan when the borrower has failed to pay their real estate taxes. This would allow the financial institution to not classify a loan as non-performing for a missed real estate tax payment. It would provide time for the County's collection process to force the property owner to pay their real estate taxes. This process could take approximately three years when a public sale would occur. However, the majority of late payments are corrected much earlier, either directly by the borrower or indirectly by the mortgage holder. The loss reserve would be replenished when the real estate tax assessment is eventually collected.

Proposal:

EDIF funds would be used as a loss reserve for financial institutions assuming or directly funding PACE loans. EDIF funds would be deposited at the financial institutions and would be available to fund late loan payments. The financial institution would hold the funds in an account that they could access, when needed, to make semi-annual payments. When the real estate taxes become current, the account would be replenished. The terms and conditions and the amount of the reserve account would be negotiated by Port Authority staff at the direction and subject to the approval of the President. The amount of the reserve will be proportional to the amount of PACE loans assumed or directly funded by the financial institution.

We believe that expanding the permitted uses of EDIF to serve as a loss reserve in support of the PACE program is consistent with the purpose of EDIF.

Recommendation:

We recommend the approval of the use of the Economic Development Incentive Fund as a loss reserve for financial institutions assuming or directly funding PACE loans.

PMK:djk
Attachment

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

**[USE OF THE ECONOMIC DEVELOPMENT INCENTIVE FUND AS A LOSS RESERVE
FOR PACE LOANS ASSUMED OR DIRECTLY FUNDED BY FINANCIAL INSTITUTIONS]**

WHEREAS, in 2007 via Resolution 4242, the Saint Paul Port Authority Board established the Economic Development Incentive Fund (EDIF) to promote business retention, encourage business attraction, enhance job creation and assist businesses “moving to ‘green’ practices”.

WHEREAS, expanding the permitted uses of EDIF to serve as a loss reserve in support of the Port Authority’s Property Assessed Clean Energy (PACE) program is consistent with the purpose of EDIF.

WHEREAS, using EDIF as a loss reserve for financial institutions assuming Port Authority Trillion Btu loans or for PACE loans directly issued by the financial institutions may provide the financial support and structure for financial institutions to participate in the Port Authority PACE program.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Port Authority of the City of Saint Paul that:

1. The Economic Development Incentive Fund may be used as a loss reserve for PACE loans assumed or directly funded by financial institutions.
2. The President of the Port Authority, or anyone acting under the President’s direction, is hereby authorized to execute all documents necessary to achieve the use of EDIF funds in accordance and consistent with this resolution.

Adopted: August 22, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair


ATTEST:

By _____
Its Secretary

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Regular Meeting of August 22, 2017) **DATE:** August 16, 2017

FROM: Peter M. Klein 

SUBJECT: ACCEPTANCE OF A \$3,000,000 LOAN/GRANT
FROM THE KRESGE FOUNDATION ALONG WITH
PORT AUTHORITY LOSS PAYEE OBLIGATION
RESOLUTION NO. 4606

Action Requested:

Approval and acceptance of a \$3,000,000 loan/grant from the Kresge Foundation to provide loans to organizations in low income communities so that they can invest in energy efficiency and renewable energy projects.

Public Purpose:

Organizations located within low income communities have had difficulty investing in energy savings projects. The loan/grant from the Kresge Foundation will allow the Port Authority of the City of Saint Paul to focus on these organizations to help them understand the positive cash flow that these investments can provide. These organizations will become more competitive and reduce their reliance on fossil fuels.

Background:

In March 2017, the Board approved the acceptance of a \$3,000,000 loan/grant from Kresge. That memo is attached. At that time, we thought that Trillion BTU funds could act like a loss reserve for the Kresge funds. Subsequently, the U.S. Department of Energy has decided that Trillion BTU funds cannot be used as a loss reserve. The March memo stated that we would bring this recommendation back to the Board if that happened.

Financial Analysis:

Under the terms of the Kresge loan/grant agreement, the Port Authority is agreeing to return the full principal amount plus interest to Kresge at the end of the program. Accordingly, should a loss occur, the Port Authority would be obligated to repay Kresge. Kresge funds will only be used with approved Trillion BTU loans that have a PACE assessment in place. Due to the lower risk nature of these loans, and the societal benefits derived from them, we feel comfortable with the additional risk assumed by the Port Authority and recommend accepting Kresge funds pursuant to its Kresge loan/grant agreement.

Recommendation:

We recommend the approval and acceptance of the Kresge Foundation loan/grant in the amount of \$3,000,000 in conformance with the terms set forth above.

/pmk
Attachment

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

**[ACCEPTANCE OF A \$3,000,000 LOAN/
GRANT FROM THE KRESGE FOUNDATION ALONG
WITH PORT AUTHORITY LOSS PAYEE OBLIGATION]**

WHEREAS, the Port Authority of the City of Saint Paul is a public body corporate and politic and governmental subdivision organized pursuant to Chapter 469 of Minnesota Statutes.

WHEREAS, under Minn. Stat. § 469.055, the Port Authority shall promote the general welfare of the port district, and of the port as a whole; promote the efficient, safe, and economical handling of the commerce; and, under Minn. Stat. §§ 469.048 to 469.061, the Port Authority has the powers and duties conferred upon all port authorities; and, under Minn. Stat. § 469.084, Subds. 1 to 15, the Port Authority has additional statutory duties and powers including powers related to recreational facilities and small business capital.

WHEREAS, the Kresge Foundation recently created a new grant program focused on economic development stimulus in low-income communities; and, in April of 2016, the Port Authority submitted a proposal to the Kresge Foundation for loan/grant funds in New Markets Tax Credit (NMTC) eligible areas in Minnesota (NMTC eligible areas are designated as areas of need), and as part of the submission, the Port Authority committed to lend to minority-led and women-led organizations.

WHEREAS, the Kresge Foundation has awarded the Port Authority up to \$3,000,000 as a loan under a ten-year program and up to \$150,000 as a grant, and under the terms of the Kresge Foundation loan/grant agreement, the Port Authority is obligated to return to Kresge its principal plus the agreed upon interest return at the completion of the program.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

Approval and acceptance of the Kresge loan/grant program and authorizing the President of the Port Authority or anyone acting under his direction to execute any and all necessary documents and undertake reasonable actions and steps to obtain and administer the Kresge Foundation loan/grant program with the Port Authority.

Adopted: August 22, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary