


SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE DATE: April 13, 2017

FROM: Lee J. Krueger 

SUBJECT: **REGULAR CREDIT COMMITTEE MEETING
APRIL 18, 2017 – 2:00 P.M.**

NOTICE

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **April 18, 2017**, at **2:00 p.m.** in the Board room of the Port Authority of the City of Saint Paul located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102. The purpose of the meeting is:

1. Approval of Minutes of March 21, 2017
2. Conflict of Interest
3. Policy Change – BDF Loan Program
4. 3800 28th Avenue S, LLC – Approval of a \$60,000 Trillion BTU Loan/PACE Assessment
5. Brooklyn Park Auto Mall, LLC; Burnsville Auto Mall, LLC; Hopkins Auto Mall, LLC; Eagan Auto Mall, LLC – Approval of Four Trillion BTU Loans/PACE Assessments Totaling \$125,000
6. Liberty Crossing Investment Partners, LLC – Approval of a \$185,000 Trillion BTU Loan/PACE Assessment
7. NE Where, LLC and The Coffee Shop NE – Approval of a \$95,000 Trillion BTU Loan/PACE Assessment
8. Spsychala Real Estate, LLC – Approval of a \$127,000 Trillion BTU Loan/PACE Assessment
9. Melvin S. Yunker Revocable Family Trust and Sharon E. Yunker Revocable Family Trust – Approval of a \$190,000 Trillion BTU Loan/PACE Assessment
10. Such Other Business that May Come Before the Committee

cc: Press
City Clerk
Dai Thao

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
MARCH 21, 2017**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:03 p.m. in the Board Room of the Saint Paul Port Authority, 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102.

The following Committee Members were present:

| | | |
|---------------|--------------|----------------|
| Paul Williams | John Bennett | Harry Melander |
| John Regal | | |

Also present were the following:

| | | |
|--|---------------|--------------|
| Lee Krueger | Laurie Hansen | Pete Klein |
| Michael Linder | Andrea Novak | Sarah Savela |
| Kathryn Sarnecki | Dana Krueger | |
| Eric Larson, General Counsel, City of Saint Paul | | |

APPROVAL OF MINUTES

Committee Member Regal made a motion, seconded by Committee Member Bennett, to approve the minutes of the February 21, 2017 Credit Committee meeting. The motion carried unanimously.

CONFLICT OF INTEREST

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

**CONVEYANCE OF LAND TO
CITY OF SAINT PAUL – 600 LAFAYETTE ROAD, SAINT PAUL, MN**

Ms. Hansen reviewed her memorandum with the Committee requesting approval of the conveyance of land to the City of Saint Paul.

Committee Chair Williams asked for a recap of the process of acquiring the building for this project and Ms. Hansen summarized the process. There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, to approve the conveyance of land to the City of Saint Paul. The motion carried unanimously.

At this time, Committee Chair Williams asked that items four and five of the agenda be moved to the end of the agenda.

MARK AND JENNIFER BOON – THE LITTLE BOON FARM
APPROVAL OF AN APPROXIMATE \$47,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$47,000 Trillion BTU loan to Mark and Jennifer Boon for the installation of a 26-kilowatt solar system.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, for approval of an approximate \$47,000 Trillion BTU loan to Mark and Jennifer Boon for the installation of a 26-kilowatt solar system. The motion carried unanimously.

LARRY AND DEBRA DREIER
APPROVAL OF AN APPROXIMATE \$310,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$310,000 Trillion BTU loan to Larry and Debra Dreier for the installation of a 65-kilowatt solar system.

Discussion included, but was not limited to, default remedies on PACE loans and how debt-to-equity is calculated.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$310,000 Trillion BTU loan to Larry and Debra Dreier for the installation of a 65-kilowatt solar system. The motion carried unanimously.

RANDY AND ROBIN FLYNN
APPROVAL OF AN APPROXIMATE \$60,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$60,000 Trillion BTU loan to Randy and Robin Flynn for the installation of energy efficiency improvements.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$60,000 Trillion BTU loan to Randy and Robin Flynn for the installation of energy efficiency improvements. The motion carried unanimously.

JOE AND FRED GROTE
APPROVAL OF AN APPROXIMATE \$95,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$95,000 Trillion BTU loan to Joe and Fred Grote for the installation of a 20-kilowatt solar system.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, for approval of an approximate \$95,000 Trillion BTU loan to Joe and Fred Grote for the installation of a 20-kilowatt solar system. The motion carried unanimously.

ROB GROVER – GROVER HOG FARMS
APPROVAL OF AN APPROXIMATE \$192,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$192,000 Trillion BTU loan to Rob Grover for the installation of a 40-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$192,000 Trillion BTU loan to Rob Grover for the installation of a 40-kilowatt solar system. The motion carried unanimously.

MATT AND GARY HELLICKSON
APPROVAL OF AN APPROXIMATE \$190,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$190,000 Trillion BTU loan to Matt and Gary Hellickson for the installation of a 40-kilowatt solar system.

Committee Member Melander requested that staff prepare a map showing in which legislative districts PACE loans are issued.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, for approval of an approximate \$190,000 Trillion BTU loan to Matt and Gary Hellickeon for the installation of a 40-kilowatt solar system. The motion carried unanimously.

ACCEPTANCE OF A \$3,000,000 LOAN/GRANT FROM THE KRESGE FOUNDATION

Mr. Klein reviewed his memorandum with the Committee requesting authorization to accept a \$3,000,000 loan/grant from the Kresge Foundation.

Discussion included, but was not limited to, the financial risk to the Port Authority and underwriting guidelines on loans issued with Kresge loan/grant funds.

There being no further discussion, Committee Member Melander made a motion, seconded by Committee Member Bennett, to accept a \$3,000,000 loan/grant from the Kresge Foundation. The motion carried unanimously.

**INNOVATIVE POWER SYSTEMS, INC.
APPROVAL OF A THREE MONTH EXTENSION OF THE
\$1,400,000 TRILLION BTU LOAN APPROVED DECEMBER 15, 2015**

Mr. Klein reviewed his memorandum with the Committee requesting approval a three month extension of the \$1,400,000 Trillion BTU loan to Innovative Power Systems, Inc.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, to approve a three month extension of the \$1,400,000 Trillion BTU loan to Innovative Power Systems, Inc. The motion carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:33 p.m.

By: _____

Its: _____

/dj

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of April 18, 2017)

DATE: April 13, 2017

FROM: Peter M. Klein 

SUBJECT: **POLICY CHANGE - BDF LOAN PROGRAM**
RESOLUTION NO. _____

Action Requested:

Approval of a BDF loan program policy change to allow for the funding of PACE approved loans.

Background:

The original \$8,500,000 of BDF bonds were issued in 1991. In December 2003, the bonds were refinanced to lower the interest rate. The bonds have been paid off and the BDF fund has a balance of just under \$9,000,000. Earnings from the BDF fund are used for Port Authority operational expenses.

In 2004, several changes were made to the BDF guidelines including the allowance to use funds for New Markets Tax Credit (NMTC) transactions and Port Authority redevelopment projects. Since that change, we have funded two redevelopment projects, one NMTC project and one typical BDF project. A summary of the current outstanding balances of those loans is:

| | |
|----------------------------------|----------------|
| Twin City Glass (NMTC) | \$ 154,000 |
| Beacon Bluff (Redevelopment) | 380,000 |
| Diamond Products (Redevelopment) | 1,986,000 |
| Pier Foundry (Traditional) | <u>501,000</u> |
| Total | \$3,021,000 |

Current Status:

BDF is underutilized and has approximately \$6,000,000 that is currently not deployed. The Trillion BTU loan program is currently fully deployed and provides approximately \$500,000 annually for Port Authority operations. We have been able to sell off some PACE loans to free up Trillion BTU for the next projects. However, the utilization of BDF funds to free up Trillion BTU funds, would allow us to make more loans and could provide approximately \$200,000 annually for Port Authority operations.

Proposal:

BDF funds would be utilized for financing Board approved PACE loans. BDF funds would only be utilized in East Metro areas and be limited to \$2,000,000 for any one project. The intent is to fund PACE projects which are limited to 20% of the assessed value of the

CREDIT COMMITTEE

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property. Should other uses for BDF arise, Trillion BTU funds could be utilized to replenish BDF as it is able. PACE loans can be sold to banks should there be a need to rapidly replenish BDF.

The utilization of BDF will allow us to maximize the PACE pipeline of projects. It will also provide additional operating revenue to the Port Authority.

Recommendation:

We recommend approval of a BDF loan program policy change to allow for the funding of PACE approved projects.

PMK:djk

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

[POLICY CHANGE – BDF LOAN PROGRAM]

WHEREAS, the Port Authority of the City of Saint Paul (the "Port Authority") created in 1991 a business development fund ("BDF") to support the Port Authority's economic development mission; and

WHEREAS, the Port Authority now has a business development/energy savings program known as Property Assessed Clean Energy (PACE); and

WHEREAS, the Port Authority desires to include as part of the BDF's loan program policy that the Port Authority's BDF fund may be used to finance Port Authority PACE projects.

NOW, THEREFORE, be it resolved by the Port Authority of the City of Saint Paul that the BDF Loan Program policy is amended to allow for the funding of PACE approved loans.

Adopted: April 25, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

Its Chair

ATTEST:

Its Secretary

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of April 18, 2017) **DATE:** April 13, 2017

FROM: Michael J. Linder 

SUBJECT: **3800 28TH AVENUE S, LLC**
APPROVAL OF A \$60,000 TRILLION BTU LOAN/PACE ASSESSMENT

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$60,000 Trillion BTU loan with a PACE assessment to 3800 28th Avenue S, LLC for the installation of a 10-Kilowatt roof-top solar system, LED lighting upgrade, two electric vehicle charging stations and new energy efficient entry doors on a multi-family commercial property located in Minneapolis, MN in Hennepin County.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

The subject property is a 6-unit apartment complex located in South Minneapolis that was recently purchased by the borrower. The property has a tax assessed value of \$453,000. The scope of the project includes the installation of a 10-kilowatt roof mounted solar array, LED lighting upgrades in the common areas, new entry doors on the front and back of the complex, as well as two electric vehicle charging stations in the parking area.

Proposed Project:

Solar System, Electric Charging Stations, LED Lighting, Entry Doors

| | |
|---------------------------------|----------|
| Purchase Price and Installation | \$60,000 |
|---------------------------------|----------|

Sources and Uses of Funds:

| | |
|-------------------|----------|
| Sources of funds: | |
| Trillion BTU | \$60,000 |

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Uses of funds:

| | |
|---------------------------------------|---------------|
| 10–Kilowatt Photovoltaic Solar System | \$45,000 |
| 2 Electric Vehicle Charging Stations | 3,000 |
| LED Light Fixtures | 2,000 |
| 2 Energy Efficient Entry Doors | <u>10,000</u> |
| Total | \$60,000 |

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. The city of Golden Valley is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Tax returns were received for 2016 and the previous two years and show the ownership entity was profitable in all three years. The subject property was recently purchased; however, the owner has another commercial building also located in Minneapolis. Since the subject property was recently purchased, the debt service coverage ratio below reflects the operating entity, but includes the mortgage on the subject property as well as the new PACE assessment. A debt to equity calculation was not calculated as there was negative equity in the company due to a deferred gain from the sale of other real estate. The outstanding mortgage on the subject property totaled \$476,000.

| | | | |
|------------------------|------|--------------------------------|------|
| Debt Service Coverage: | 1.52 | Trillion standard of at least | 1.15 |
| Debt-to-Equity: | N/A | Trillion standard of less than | 4.00 |

Proposal:

Source of Funds: Trillion BTU and PACE Assessment

Use of Funds: Roof-top Solar Array, LED Lighting, Electric Vehicle Charging Stations, Energy Efficient Entry Doors

Amount of Loan: \$60,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

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Energy Savings:

105 MMBTUs (\$3,000) annually. The estimated payback on the project is 15 years including rebates and tax credits and is based on an energy analysis completed for the property.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

1 FTE for construction jobs.

Policy Exceptions:

Yes – Negative equity

Recommendation:

We recommend the approval of a \$60,000 Trillion BTU loan with a PACE assessment to 3800 28th Avenue S, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of April 18, 2017) **DATE:** April 13, 2017

FROM: Michael J. Linder *Michael J. Linder*

**SUBJECT: BROOKLYN PARK AUTO MALL, LLC; BURNSVILLE AUTO MALL, LLC;
HOPKINS AUTO MALL, LLC; EAGAN AUTO MALL, LLC.
APPROVAL OF FOUR TRILLION BTU LOANS/PACE ASSESSMENTS
TOTALING \$125,000.**

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$125,000 Trillion BTU loan with PACE assessments to four real estate LLC's for the installation of LED parking lot lighting upgrades. The four LLC's are Brooklyn Park Auto Mall, LLC; Burnsville Auto Mall, LLC; Hopkins Auto Mall, LLC and Eagan Auto Mall, LLC.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Four real estate holding companies part of the Lupient Automotive Group are requesting financing to upgrade their parking lot lighting to LED fixtures. The four loans total \$125,000 in aggregate and PACE assessments will be placed on the individual properties accordingly. The combined tax assessed value of the properties is \$8,831,000.

Proposed Project:

| | |
|------------------------------|----------|
| Brooklyn Park Auto Mall, LLC | \$39,000 |
| Burnsville Auto Mall, LLC | \$33,000 |
| Hopkins Auto Mall, LLC | \$14,000 |
| Eagan Auto Mall, LLC | \$39,000 |

Sources and Uses of Funds:

| | |
|-----------------------|-----------|
| Sources of funds: | |
| Trillion BTU | \$125,000 |
| Uses of funds: | |
| LED Lighting Upgrades | \$125,000 |

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In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. The cities of Hopkins and Brooklyn Park, as well as Dakota County will assist with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Financial statements were received for all four entities for 2014, 2015 and 2016 and they were all profitable for the past three years. Debt service coverage calculations ranged from 2.13 to 4.21 for the four holding companies. The debt to equity ratios could not be calculated as all four companies had negative equity due to discretionary distributions.

| | | | |
|------------------------|------|--------------------------------|------|
| Debt Service Coverage: | 2.13 | Trillion standard of at least | 1.15 |
| Debt-to-Equity: | N/A | Trillion standard of less than | 4.00 |

Proposal:

Source of Funds: Trillion BTU and PACE Assessment

Use of Funds: LED Parking Lot Lighting Upgrades

Amount of Loan: \$125,000

Rate: 4.5%

Term: 5 - 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

580 MMBTU's (\$17,400) annually. The estimated payback on the project is seven years based on an energy audit conducted for the four properties.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

1 FTE for construction jobs.

Policy Exceptions:

Yes – Negative Equity

Recommendation:

We recommend the approval of a \$125,000 Trillion BTU loan with PACE assessments to Brooklyn Park Auto Mall, LLC; Burnsville Auto Mall, LLC; Hopkins Auto Mall, LLC and Eagan Auto Mall, LLC.


MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of April 18, 2017)

DATE: April 13, 2017

FROM: Michael J. Linder 

SUBJECT: **LIBERTY CROSSING INVESTMENT PARTNERS, LLC
APPROVAL OF A \$185,000 TRILLION BTU LOAN/PACE ASSESSMENT**

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$185,000 Trillion BTU loan with a PACE assessment to Liberty Crossing Investment Partners, LLC for the installation of a 56-kilowatt solar system. A \$440,000 Trillion loan was previously approved in December of 2016.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

The Liberty is a multi-family housing project consisting of 184 apartment units and 63 townhome units. The project is currently under construction; the townhomes are expected to be completed in July and the apartment complex in the fall of 2017. Apartments will range from studio to three bedroom apartments, and single level and split level townhomes will be two or three bedrooms. The Liberty will also provide a clubhouse and pool area that will bring the community together.

The development is located at the southeast corner of Medicine Lake Road and Winnetka Avenue in Golden Valley. Hennepin County has a current assessed value of just over \$4 million on eleven acres.

The ownership group consists of Steven Schachtman, Todd Schachtman and Geoffrey Ewald. Steven Schachtman has been involved in multi-family housing development for 43 years.

Proposed Project:

56-Kilowatt Photovoltaic Solar System

| | |
|---------------------------------|------------|
| Purchase price and installation | \$ 185,000 |
|---------------------------------|------------|

Sources and Uses of Funds:

Sources of funds:

| | |
|--------------|------------|
| Trillion BTU | \$ 185,000 |
|--------------|------------|

Uses of funds:

| | |
|--------------------------------|------------|
| Renewable Energy Project Costs | \$ 185,000 |
|--------------------------------|------------|

To leverage the grant funds, we are requesting that all local EDA's match the Trillion BTU funds for projects in their area. The city of Golden Valley is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. If the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain as the funder of the loan.

Financial Analysis:

The development is currently under construction. The owners have over \$3.5 million of equity invested but operations showed a \$250,000 loss for the year. The following ratios are as of 12/31/2015:

| | | |
|------------------------|------|-------------------------------------|
| Debt Service Coverage: | N/A | Trillion standard of at least 1.15 |
| Debt-to-Equity: | 1.03 | Trillion standard of less than 4.00 |

The successful history of the ownership team, as well as the secure position of the PACE assessment, makes us comfortable with this loan.

Proposal:

Source of Funds: Trillion BTU

Use of Funds: 56-Kilowatt Photovoltaic Solar System

Amount of Loan: \$185,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

CREDIT COMMITTEE

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Energy Savings:

190 MMBTUs (\$6,500) annually

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

2 FTE for construction jobs.

Policy Exceptions:

The development is under construction so we do not have three years of financial statements. However, this loan will have the superior collateral position in a \$50,000,000 development.

Recommendation:

We recommend the approval of a \$185,000 Trillion BTU loan with PACE assessment to Liberty Crossing Investment Partners, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of April 18, 2017) **DATE:** April 13, 2017

FROM: Michael J. Linder *Michael J. Linder*

**SUBJECT: NE WHERE, LLC AND THE COFFEE SHOP NE
APPROVAL OF A \$95,000 TRILLION BTU LOAN/PACE ASSESSMENT**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$95,000 with NE Where, LLC and The Coffee Shop NE for the installation of a 20-Kilowatt roof-top solar system and efficient foam insulated roof on a commercial property located in North East Minneapolis.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

NE Where, LLC is the commercial real estate holding company whose sole tenant is The Coffee Shop North East, a café that serves coffee and espresso, as well as breakfast and lunch items. The coffee shop has been in business since 2010 and the property has a tax assessed value of \$540,500. The property owner is installing a new, energy efficient foam insulated roof as well as a 20-kW solar array to offset the buildings energy use.

Proposed Project:

| | |
|--|----------|
| 20-Kilowatt Photovoltaic Solar System and Insulated Roof | |
| Purchase Price and Installation | \$95,000 |

Sources and Uses of Funds:

| | |
|---------------------------------------|---------------|
| Sources of funds: | |
| Trillion BTU | \$95,000 |
| Uses of funds: | |
| 20-Kilowatt Photovoltaic Solar System | \$55,000 |
| R-19 Insulated Foam Roof | <u>40,000</u> |
| Total | \$95,000 |

CREDIT COMMITTEE

April 13, 2017

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In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. The city of Minneapolis is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Tax returns were received for the real estate holding company and the property did meet a debt service coverage ratio of 1.15 to 1, however, with the PACE assessment in place, the ratio would fall to 0.94 to 1. Due to the common ownership between the holding company and the coffee shop, the potential exists for an increase in rents to cover the shortfall. Additionally, commercial real estate properties are typically required to achieve a debt service coverage ratio of 1.0 to 1. Debt to equity was above the guideline as well, however, the loan to value according to the tax assessed value of the property was 72%. The city of Minneapolis has agreed to participate with matching funds and The Coffee Shop NE will also sign the loan documents to mitigate risk.

| | | | |
|------------------------|------|--------------------------------|------|
| Debt Service Coverage: | 0.94 | Trillion standard of at least | 1.15 |
| Debt-to-Equity: | 4.23 | Trillion standard of less than | 4.00 |

Proposal:

Source of Funds: Trillion BTU and PACE Assessment

Use of Funds: 20-Kilowatt Roof-top Solar Array / Foam Insulated Roof.

Amount of Loan: \$95,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement/ PACE Special Assessment

Energy Savings:

85 MMBTUs (\$2,800) annually. The estimated payback on the project is 15 years based on an energy audit conducted on the property.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

1 FTE for construction jobs.

CREDIT COMMITTEE

April 13, 2017

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Policy Exceptions:

Yes – Did not meet the Debt to Equity or Debt Service Coverage guidelines. Due to the lack of compliance both the real estate entity and tenant will be borrowers on the loan.

Recommendation:

We recommend the approval of a \$95,000 Trillion BTU loan with PACE assessment to NE Where, LLC and The Coffee Show NE.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of April 18, 2017) **DATE:** April 13, 2017

FROM: Michael J. Linder *Michael J. Linder*

**SUBJECT: SPYCHALA REAL ESTATE, LLC
APPROVAL OF A \$127,000 TRILLION BTU LOAN/PACE ASSESSMENT**

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$127,000 Trillion BTU loan with PACE assessment to Spychala Real Estate LLC, for the installation of a 43-Kilowatt roof-top solar system on a dental office located in Albany, MN in Stearns County.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Spychala Real Estate, LLC is a holding company that owns the commercial real estate occupied by Albany Family Dental, located in Albany MN. Dr. Jason Spychala is the owner of the property as well as the dental practice. The property has a tax assessed value of \$827,900. The borrower is installing a 43-kilowatt roof-top solar system to offset the buildings electricity use.

Proposed Project:

43-Kilowatt Photovoltaic Solar System

| | |
|---------------------------------|-----------|
| Purchase Price and Installation | \$127,000 |
|---------------------------------|-----------|

Sources and Uses of Funds:

Sources of funds:

| | |
|--------------|-----------|
| Trillion BTU | \$127,000 |
|--------------|-----------|

Uses of funds:

| | |
|---------------------------------------|-----------|
| 43-Kilowatt Photovoltaic Solar System | \$127,000 |
|---------------------------------------|-----------|

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In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Stearns County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Tax returns were received for 2016 and the previous two years and show the holding company was profitable in all three years. The debt service coverage calculation below includes the PACE assessment. The company had negative equity due to discretionary distributions so a debt to equity ratio could not be calculated.

| | | | |
|------------------------|------|--------------------------------|------|
| Debt Service Coverage: | 2.48 | Trillion standard of at least | 1.15 |
| Debt-to-Equity: | N/A | Trillion standard of less than | 4.00 |

Proposal:

Source of Funds: Trillion BTU and PACE Assessment

Use of Funds: 43 Kilowatt Roof-top Solar Array

Amount of Loan: \$127,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

170 MMBTUs (\$5,500) annually. The estimated payback on the project is 15 years with rebates and tax incentives, based on an energy audit conducted on the property.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

1 FTE for construction jobs.

Policy Exceptions:

Yes – Negative Equity

Recommendation:

We recommend the approval of a \$127,000 Trillion BTU loan with PACE assessment to Spychala Real Estate, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of April 18, 2017) **DATE:** April 13, 2017

FROM: Michael J. Linder *Michael J. Linder*

**SUBJECT: MELVIN S. YUNKER REVOCABLE FAMILY TRUST
AND SHARON E. YUNKER REVOCABLE FAMILY TRUST
APPROVAL OF A \$190,000 TRILLION BTU LOAN/PACE ASSESSMENT**

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$190,000 Trillion BTU loan with a PACE assessment to The Melvin S. Yunker and Sharon E. Yunker Revocable Family Trusts, for the installation of a 40–Kilowatt tracking solar system for their farm in Marshall Township in Mower County, MN.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Melvin and Sharon Yunker have a 180-acre farm located in Marshall Township. The farm consists of two parcels of land that have a combined tax assessed value of \$1,467,000. In addition to the hog operation they run, the remaining land is rented out for crop farming.

Proposed Project:

40–Kilowatt Photovoltaic Solar System

| | |
|---------------------------------|-----------|
| Purchase Price and Installation | \$190,000 |
|---------------------------------|-----------|

Sources and Uses of Funds:

Sources of funds:

| | |
|--------------|-----------|
| Trillion BTU | \$190,000 |
|--------------|-----------|

Uses of funds:

| | |
|---------------------------------------|-----------|
| 40–Kilowatt Photovoltaic Solar System | \$190,000 |
|---------------------------------------|-----------|

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Mower County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of

CREDIT COMMITTEE

April 18, 2017

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the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

The hog farming operation shows net losses in the past three years but the borrowers have rental income from their farm land as well as sufficient pension and social security income. There are no outstanding mortgages on the land so a debt equity ratio was not applicable. The debt service coverage ratio includes the obligation for the PACE loan.

| | | | |
|------------------------|------|--------------------------------|------|
| Debt Service Coverage: | 9.31 | Trillion standard of at least | 1.15 |
| Debt-to-Equity: | N/A | Trillion standard of less than | 4.00 |

Proposal:

Source of Funds: Trillion BTU and PACE Assessment

Use of Funds: 40 Kilowatt Tracking Solar Array

Amount of Loan: \$190,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

247 MMBTUs (\$9,100) annually. The estimated payback on the project is approximately 15 years including rebates and tax credits and is based on an energy audit conducted on the property.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

2 FTE for construction jobs.

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$190,000 Trillion BTU with a PACE assessment loan to Melvin S. Yunker and Sharon E. Yunker Revocable Family Trusts.

MJL:djk