

**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE
From: Lee Krueger 
Subject: **REGULAR CREDIT COMMITTEE MEETING
AUGUST 21, 2018 – 2:00 P.M.**

Date: August 16, 2018

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **August 21, 2018**, 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:

Minutes

Approval of Minutes of the June 19, 2018 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Apadana, LLC – Approval of a \$105,000 Trillion BTU Loan
2. Aurora – St. Anthony Limited, LLC – Approval of a \$195,000 Trillion BTU Loan
3. Bellwood, LLC – Approval of a \$630,000 Trillion BTU Loan
4. Byron Pet Clinic – East Frontage Road, LLC – Approval of a \$70,000 Trillion BTU Loan
5. Warren and Lois Nolt and Nolt Family Farms, LLC – Approval of a \$70,000 Trillion BTU Loan
6. First & First, LLC – Loan Extension
7. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
JUNE 19, 2018**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:22 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	Don Mullin
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Also present were the following:

Lee Krueger	Laurie Hansen	Monte Hilleman
Pete Klein	Michael Linder	Laurie Siever
Kathryn Sarnecki	Dana Krueger	Linda Williams
Andrea Novak	Rhett Hebig	Deb Forbes
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Mullin made a motion to approve the minutes of the May 15, 2018 Credit Committee meeting. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

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

AGENDA ITEMS

**AMENDMENT TO RESOLUTION NO. 4631 TO COMPLY WITH DEED'S
REQUIREMENTS OF THE APPLICATION FOR CONTAMINATION CLEANUP GRANT
FUNDS FOR THE MINNESOTA CHEMICAL BUILDING RENOVATION/REDEVELOPMENT PROJECT**

Mr. Larson reviewed Ms. Langston-Kenney's memorandum with the Committee requesting approval of the amendment to Resolution No. 4631 to comply with DEED's grant requirements.

There being no discussion, Committee Member Mullin made a motion to approve the amendment of Resolution No. 4631 to comply with DEED's grant requirements. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**2017 LEASE AMENDMENT AND RENTAL RATE ADJUSTMENT
NORTHERN METAL RECYCLING, LLC AT BARGE TERMINAL NO. 1**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval of a lease amendment and rental rate adjustment for Northern Metal Recycling, LLC at Barge Terminal No. 1.

Discussion included, but was not limited to, the reason for rental rate adjustments and the amount of the tonnage rate increase.

There being no further discussion, Committee Member Mullin made a motion to approve a lease amendment and rental rate adjustment for Northern Metal Recycling, LLC at Barge Terminal No. 1. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**BABCOCK PROPERTIES, LLC AND CHAD S. BABCOCK
INSURANCE AGENCY, INC. – APPROVAL OF A \$26,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$26,000 Trillion BTU loan to Babcock Properties, LLC and Chad S. Babcock for the installation of a 10-kW solar array.

There being no discussion, Committee Member Mullin made a motion to approve a \$26,000 Trillion BTU loan to Babcock Properties, LLC and Chad S. Babcock for the installation of a 10-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**BACON MAKIN ACRES, LLC AND MELVIN AND
SHARON YUNKER – APPROVAL OF A \$95,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$95,000 Trillion BTU loan to Bacon Makin Acres, LLC and Melvin and Sharon Yunker for the installation of a 50-kW solar array.

There being no discussion, Committee Member Mullin made a motion to approve a \$95,000 Trillion BTU loan to Bacon Makin Acres, LLC and Melvin and Sharon Yunker for the installation of a 50-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**DKB PROPERTIES, LLC AND BAILEY & SON
TRUCKING, INC. – APPROVAL OF A \$100,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$100,000 Trillion BTU loan to DKB Properties, LLC and Bailey & Son Trucking, Inc. for the installation of a 40-kW solar array.

There being no discussion, Committee Member Mullin made a motion to approve a \$100,000 Trillion BTU loan to DKB Properties, LLC and Bailey & Son Trucking, Inc. for the installation of a 40-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**MAINLINE PROPERTIES, LLC AND GROEBNER &
ASSOCIATES, INC. – APPROVAL OF A \$104,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$104,000 Trillion BTU loan to Mainline Properties, LLC and Groebner & Associates, Inc. for the installation of a 40-kW solar array.

There being no discussion, Committee Member Bennett made a motion to approve a \$104,000 Trillion BTU loan to Mainline Properties, LLC and Groebner & Associates, Inc. for the installation of a 40-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**JOHN D. NELSON REVOCABLE TRUST AND TIMOTHY J. NELSON
REVOCABLE TRUST – APPROVAL OF A \$181,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$181,000 Trillion BTU loan to John D. Nelson Revocable Trust and Timothy J. Nelson Revocable Trust for the installation of a 35-kW solar array.

There being no discussion, Committee Member Mullin made a motion to approve a \$181,000 Trillion BTU loan to John D. Nelson Revocable Trust and Timothy J. Nelson Revocable Trust for the installation of a 35-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**ROSEVILLE OFFICE PLAZA, LLC
APPROVAL OF A \$221,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$221,000 Trillion BTU loan to Roseville Office Plaza, LLC for the installation of high efficiency boilers.

There being no discussion, Committee Member Bennett made a motion to approve a \$221,000 Trillion BTU loan to Roseville Office Plaza, LLC for the installation of high efficiency boilers. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**APPROVAL OF EDIF LOANS OF UP TO
\$300,000 TO STACKED DECK BREWERY AND GO WILD**

Ms. Hansen reviewed her memorandum with the Committee requesting approval (ratification) of two Economic Development Incentive Fund (EDIF) loans of up to \$300,000 to Stacked Deck Brewery and Go Wild.

There being no discussion, Committee Member Mullin made a motion to approve two Economic Development Incentive Fund (EDIF) loans of up to \$300,000 to Stacked Deck Brewery and Go Wild. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:44 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: APADANA, LLC
APPROVAL OF A \$105,000 TRILLION BTU LOAN

Meeting Date: August 21, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$105,000 with Apadana, LLC for the installation of 40-kW solar array on a commercial property located in Minneapolis, Minnesota.

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:

Apadana specializes in commercial, industrial and retail lighting applications; from LED products, fixture design, to consultations or upgrading existing fixtures. They provide energy efficient, high quality, sustainable and affordable lighting with a mission to reduce energy and maintenance costs and decrease a business's carbon footprint. They have also expanded into solar array installations. The company is located at 2360 Nevada Ave, N in Minneapolis. The property has a tax assessed value of \$525,000.

Proposed Project:

40-kW Solar Array

Purchase Price and Installation	\$105,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$105,000
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Uses of funds:

40-kW Solar Array	\$105,000
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In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Hennepin 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 the last three years and show the company was in compliance with all three underwriting criteria. The company was profitable in all three years. They had a debt service coverage ratio of 3.30 prior to factoring in the debt from the PACE assessment and 2.79 to 1 when including the PACE loan. Lastly, they had a debt-to-equity ratio within guideline at 1.51 to 1.

Debt Service Coverage:	2.79	Trillion standard of at least:	1.15
Debt-to-Equity:	1.51	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	40-kW Solar Array
Amount of Loan:	\$105,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

170 MMBTUs (\$7,000) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system's cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
1 FTE for construction jobs.

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$105,000 Trillion BTU loan to Apadana, LLC.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **AURORA - ST. ANTHONY LIMITED, LLC**
APPROVAL OF A \$195,000 TRILLION BTU LOAN

Meeting Date: August 21, 2018

Action Requested:

Provide approval for the Port Authority to restructure a Trillion BTU loan for approximately \$195,000 with Aurora – St. Anthony Limited, LLC for the installation of solar array on a commercial property located in Saint Paul, Minnesota.

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:

Aurora St. Anthony Neighborhood Development Corporation was established in 1980 as a community watch and crime prevention group. Today the organization hosts a variety of social, economic, housing, and commercial development programs for Aurora St. Anthony, Frogtown and Summit-University residents of all ages. The project scope includes the installation of a roof mounted solar array on the former Old Home Milk Dairy in Saint Paul, to be integrated with an affordable housing development and demonstrate facility design and ownership structure.

The original request was approved in May as a \$195,000 18-month note to act as bridge financing until they received a Renewable Development Fund (RDF) grant from Xcel Energy in the amount of \$240,000. The total project cost is \$445,000. The company submitted the grant application in June and Xcel has approved the request.

US Bank is being used as a tax credit investor and due to a delay in the project, US Bank repriced the tax credits to their next fiscal year, which caused the \$75,000 funding gap. The borrowers requested \$75,000 of the original short-term note to be converted to a 7-year term note.

Proposed Project:

152-kW Solar Array

Purchase Price and Installation	\$445,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU – 18-month Interest Only Bridge Loan	\$120,000
Trillion BTU – 7-year Term Note	\$ 75,000
RDF Grant From Xcel Energy (Net of Bridge Loan)	\$120,000
Investor Contributions	\$130,000

Uses of funds:

Installation of 152-kW Solar Array	\$445,000
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In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area.

Financial Analysis:

Financial statements were received for the last three years and show the organization had an increase in net assets in all of the last three fiscal years. The organization had \$2.7 million in net assets, compared to \$1 million in liabilities, resulting in a debt-to-equity ratio of 0.40 to 1. Debt service coverage was within guideline at 1.20 to 1, which included the interest only payments on the proposed loan. The \$120,000 short-term loan will be repaid directly from Xcel when the grant is processed.

Debt Service Coverage:	1.20	Trillion standard of at least:	1.15
Debt-to-Equity:	0.40	Trillion standard of less than:	4.00

Proposal:

Source of Funds: Trillion BTU

Use of Funds: 152-kW Solar Array

Amount of Loan:	Bridge Note: \$120,000
	Term Note: \$75,000

Rate: 5.00%

Term:	\$120,000 – 18-Month Term with Monthly Interest Only Payments
	\$75,000 – 7-Year Amortization

Collateral: Signed Loan Agreement

Energy Savings:

515 MMBTUs (\$18,000) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

4 FTE for construction jobs.

Policy Exceptions:

None.

Recommendation:

We recommend the restructuring of a \$195,000 Trillion BTU loan to Aurora – St. Anthony Limited, LLC into a \$120,000 18-month interest only bridge loan and a \$75,000 7-year term loan.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **BELLWOOD, LLC**
APPROVAL OF A \$630,000 TRILLION BTU LOAN

Meeting Date: August 21, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$630,000 with Bellwood, LLC for the installation of new rooftop air conditioning units on a commercial property located in Woodbury, Minnesota.

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:

Bellwood, LLC is a commercial retail development located at 1775 Radio Drive in Woodbury. The complex consists of five multi-tenant buildings. The tenants include Panera Bread, Erik's Bike Shop, Acapulco Mexican Restaurant and more. The buildings have a combined tax value of \$21,427,900.

Proposed Project:

66 Rooftop Cooling Units

Purchase Price and Installation	\$630,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$630,000
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Uses of funds:

66 Rooftop Cooling Units	\$630,000
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In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Washington 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 and financial statements were received for the past three years and show the company was profitable in two of the last three years; 2017 and 2016 being profitable while 2015 was not; however, 2015 was profitable when excluding non-cash expenses. The debt service coverage ratio was 1.05 to 1, which was less than our guideline of 1.15 to 1. The low coverage ratio is due to a one-time property tax prepayment expense. Without this expense, the DSCR would have been 1.35 to 1. There was negative equity due to accumulated depreciation and amortization as well as the buildings listed at book value on the balance sheet.

Debt Service Coverage:	1.05	Trillion standard of at least:	1.15
Debt-to-Equity:	Negative	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	66 Rooftop Cooling Units
Amount of Loan:	\$630,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

1,000 MMBTUs (\$35,000) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system's cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
1 FTE for construction jobs.

Policy Exceptions:

Yes – The company had a debt service coverage ratio of 1.05 to 1, which was below guideline, due to a tax prepayment expense. There was also negative equity due to accumulated depreciation. This is mitigated by the profitability of the company over the past two years.

Recommendation:

We recommend the approval of a \$630,000 Trillion BTU loan to Bellwood, LLC.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: August 21, 2018

From: Michael J. Linder



Subject: **BYRON PET CLINIC AND EAST FRONTAGE ROAD, LLC**
APPROVAL OF A \$70,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$70,000 with Byron Pet Clinic and East Frontage Road, LLC for the installation of 28-kW solar array on a commercial property located in Byron, Minnesota.

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:

Byron Pet Clinic is a full-service animal hospital located at 25 Frontage Road NE in Byron, Minnesota. The clinic is owned and operated by Veterinarian Dr. Kristi Frost and provides wellness and preventive care as well as surgical and dental services. The property has a tax assessed value of \$352,200 and is owned by East Frontage Road, LLC.

Proposed Project:

28-kW Solar Array

Purchase Price and Installation	\$70,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$70,000
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Uses of funds:

28-kW Solar Array	\$70,000
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In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Olmsted 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 the last three years for Byron Pet Clinic and show they were profitable in all three years. The owner has no mortgage on the property and no debt listed on their balance sheet, so a debt-to-equity ratio is not applicable. The debt service coverage ratio with the PACE assessment as the only liability was 5.61 to 1.

Debt Service Coverage:	5.61	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
Use of Funds:	28-kW Solar Array
Amount of Loan:	\$70,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

150 MMBTUs (\$5,200) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system's cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
1 FTE for construction jobs.

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$70,000 Trillion BTU loan to Byron Pet Clinic and East Frontage Road, LLC.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** August 21, 2018

From: Michael J. Linder *MJL*

Subject: **WARREN AND LOIS NOLT AND NOLT FAMILY FARMS, LLC**
APPROVAL OF A \$70,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$70,000 with Nolt Family Farms, LLC for the installation of a 27-kW solar array on an agricultural property located in Dodge Center, Minnesota.

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:

Warren and Lois own Nolt Family Farm, LLC which is a dairy farm located at 60463 185th Avenue in Dodge Center, Minnesota. They are installing a 27-kW solar array on one of their dairy barns to offset electricity used during milk production. The property is owned by Warren and Lois and has a tax assessed value of \$962,400.

Proposed Project:

27-kW Solar Array	
Purchase Price and Installation	\$70,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$70,000
27-kW Solar Array	\$70,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Dodge 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 the past three years and the farm was profitable in all three years. There are no mortgages on the property and the debt service coverage ratio with the PACE assessment is 7 to 1. Debt-to-equity is above guideline at 10 to 1; however, this is due to an operating line of credit that is paid off on a yearly basis. This ratio is distorted as there are limited assets on the company's balance sheet. There are no mortgages or other long-term debt for the farm.

Debt Service Coverage:	7 to 1	Trillion standard of at least:	1.15
Debt-to-Equity:	10 to 1	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	27-kW Solar Array
Amount of Loan:	\$70,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

120 MMBTUs (\$4,500) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system's cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
1 FTE for construction jobs.

Policy Exceptions:

Yes - Debt-to-equity was above guideline at 10 to 1. This was caused by an operating line of credit being utilized, which is paid off from operating profits at least once per year.

Recommendation:

We recommend the approval of a \$70,000 Trillion BTU loan to Warren and Lois Nolt and Nolt Family Farms, LLC.

MEMORANDUM

To: CREDIT COMMITTEE

From: Peter M. Klein 

Subject: FIRST & FIRST, LLC – LOAN EXTENSION

Meeting Date: August 21, 2018

Action Requested:

Approval of a loan extension for First & First at 550-558 Vandalia Street until year-end, or upon the sale of the building, whichever occurs first.

Background:

First and First purchased the building at 550-558 Vandalia Street in 2012 and has transformed an empty industrial building into an artist-themed building that is also home to Lake Monster Brewing.

The Credit Committee approved a \$1,100,000 Trillion BTU Loan to First & First in March of 2013 to assist with this transformation. All payments have been timely, including the interest only payments during the 2015 forbearance agreement. The loan had a balloon payment that was due in June 2018; however, only regular monthly payments of \$10,121.48 have been made since June.

Current Status:

First & First has a signed purchase agreement to sell its Vandalia property. The purchase agreement is with an entity that has purchased other First and First properties. The purchase agreement is contingent on environmental testing that requires both cooling and heating period results. The heating period testing will likely occur in October and November. The closing will occur shortly after the building passes the heating period testing.

The property is currently 69% leased and is positively cash flowing. The purchase price is more than twice the amount of the total outstanding debt, which includes the remaining Trillion BTU loan balance in the amount of \$660,000.

Proposal:

Rather than going through a refinancing for a relatively brief period, it is more efficient to have the Port Authority extend its loan. As part of the extension, First and First has agreed to the following terms:

- Make a one-time \$100,000 principal payment before September 1, 2018.
- The interest rate will increase to 5.00%.
- The monthly payments will remain at \$10,121.48.
- The Trillion BTU loan will be paid off prior to year-end even if the sale has not occurred.

Recommendation:

We recommend approval of the loan extension with First & First at 550-558 Vandalia Street through December 31, 2018, or upon the sale of the building, whichever occurs first.