

**MEMORANDUM  
NOTICE**

**To:** CREDIT COMMITTEE

**Date:** December 6, 2018

**From:** Lee Krueger *Lee Krueger*

**Subject: REGULAR CREDIT COMMITTEE MEETING  
DECEMBER 11, 2018 – 2:00 P.M.**

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **DECEMBER 11, 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 November 20, 2018 Regular Credit Committee Meeting

**Conflict of Interest**

Conflicts with any items on the agenda

**Agenda Items**

1. Bollinger Farms, LLC and Clifford and Susan Bollinger – Approval of a \$111,000 Trillion BTU Loan
2. Hanson Building and Remodeling, LLC and Mookie and Chino, LLC – Approval of a \$54,000 Trillion BTU Loan
3. Commercial Investors Group III, LLC – Approval of a \$203,000 Trillion BTU Loan
4. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY  
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING  
NOVEMBER 20, 2018**

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Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:01 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	John Marshall
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Also present were the following:

Lee Krueger	Laurie Hansen	Pete Klein
Michael Linder	Bruce Kessel	Andrea Novak
George Hoene	Laurie Siever	Dana Krueger
Deb Forbes	Linda Williams	David Johnson
Rhett Hebig		
Eric Larson, General Counsel, City of Saint Paul		

**APPROVAL OF MINUTES**

Committee Member Marshall made a motion to approve the minutes of the October 23, 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**

**SKY FOOD CATERING – APPROVAL OF A \$500,000 BDF LOAN**

Mr. Krueger reviewed his memorandum with the Committee requesting approval of a \$500,000 BDF loan to Sky Food Catering for the purchase of equipment to operate an event center at Treasure Island Center.

Discussion included, but was not limited to, the market needs for this business and the fact that the purpose of the loan includes the facilitation of the lease for which CCP is a joint venture partner. Committee Member Bennett also recommended that that Port Authority obtain an itemized list of the equipment when completing collateral documentation.

There being no further discussion, Committee Member Bennett made a motion to approve a \$500,000 BDF loan to Sky Food Catering for the purchase of equipment to operate an

event center at Treasure Island Center. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**APPROVAL TO DRAW \$1,022,000 OF THE \$3,000,000 KRESGE  
GRANT/LOAN APPROVED BY THE CREDIT COMMITTEE ON AUGUST 22, 2017**

Mr. Klein reviewed his memorandum with the Committee requesting approval to draw \$1,022,000 of the \$3,000,000 Kresge grant/loan approved by the Credit Committee on August 22, 2017.

Discussion included, but was not limited to, the funding cycling of the loans, reimbursement by Kresge, and the breakdown of efficiency projects versus renewable energy projects.

There being no further discussion, Committee Member Marshall made a motion to approve a draw of \$1,022,000 of the \$3,000,000 Kresge grant/loan approved by the Credit Committee on August 22, 2017. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**APPROVAL OF A \$10,000,000 NON-REVOLVING DRAW LOAN BETWEEN THE  
PORT AUTHORITY OF THE CITY OF SAINT PAUL AND HIWAY FEDERAL CREDIT UNION**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$10,000,000 non-revolving draw loan between the Port Authority and Hiway Federal Credit Union.

Mr. Linder explained the tax forfeiture process as it relates to PACE loans and the need for the lender to have a reserve.

There being no further discussion, Committee Member Bennett made a motion to approve a \$10,000,000 non-revolving draw loan between the Port Authority and Hiway Federal Credit Union. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**HUB'S LANDING AND MARINA, LLC – TRILLION BTU LOAN MODIFICATION**

Mr. Linder reviewed his memorandum with the Committee requesting approval for the modification of Hub's Landing and Marina, LLC Trillion BTU loan.

Discussion included, but was not limited to, the source of funds for the loan, if we have run into this issue before, and the risk of this happening again.

There being no further discussion, Committee Member Bennett made a motion to approve the modification of Hub's Landing and Marina, LLC Trillion BTU loan. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**CHERRYWOOD OF ST. CLOUD, LLC – APPROVAL OF A \$109,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$109,000 Trillion BTU loan to Cherrywood of St. Cloud, LLC for the installation of a 44-kW solar array.

Discussion included, but was not limited to, whether other energy savings measures are needed prior to installing the solar array and if there is a mortgage on the property.

There being no further discussion, Committee Member Bennett made a motion to approve a \$109,000 Trillion BTU loan to Cherrywood of St. Cloud, LLC for the installation of a 44-kW solar array. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**DOUGLAS AND NORA FELTON AND  
FELTON FAMILY FARMS, LLP – APPROVAL OF A \$205,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$205,000 Trillion BTU loan to Douglas and Nora Felton and Felton Family Farms, LLP for the installation of a 42-kW solar array.

There being no discussion, Committee Member Marshall made a motion to approve a \$205,000 Trillion BTU loan to Douglas and Nora Felton and Felton Family Farms, LLP for the installation of a 42-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**TOM AND KRISTIN MUELLER – APPROVAL OF A \$74,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$74,000 Trillion BTU loan to Tom and Kristin Mueller for the installation of a 47-kW solar array.

There being no discussion, Committee Member Bennett made a motion to approve a \$74,000 Trillion BTU loan to Tom and Kristin Mueller for the installation of a 47-kW solar array. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**NORTHGATE DEVELOPMENT, LLC – APPROVAL OF A \$173,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$173,000 Trillion BTU loan to Northgate Development, LLC for the installation of a 155-kW solar array.

Discussion included, but was not limited to, the limited amount of financial information available for the borrower and the strategic, mission-driven aspects of the project.

There being no further discussion, Committee Member Marshall made a motion to approve a \$173,000 Trillion BTU loan to Northgate Development, LLC for the installation of a 155-

kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**SHADY OAK OFFICE CENTER, LLC – APPROVAL OF A \$185,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$185,000 Trillion BTU loan to Shady Oak Office Center, LLC for the installation of a new boiler and heat pumps.

There being no discussion, Committee Member Bennett made a motion to approve a \$185,000 Trillion BTU loan to Shady Oak Office Center, LLC for the installation of a new boiler and heat pumps. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**OTHER BUSINESS**

There being no further business, the meeting was adjourned at 2:41 p.m.

By: \_\_\_\_\_

Its: \_\_\_\_\_

## MEMORANDUM

**To:** CREDIT COMMITTEE **Meeting Date:** December 11, 2018  
**From:** Michael J. Linder *MJL*  
**Subject:** **BOLLINGER FARMS, LLC AND CLIFFORD AND SUSAN BOLLINGER  
APPROVAL OF A \$111,000 TRILLION BTU LOAN**

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$111,000 with Bollinger Farms, LLC and Clifford and Susan Bollinger for the installation of 50-kW solar array on an agricultural property located in Utica, 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:**

Bollinger Farms, LLC is located at 24463 Utica Line Road, in Utica Minnesota. Bollinger Farms, LLC is owned and operated by Clifford and Matt Bollinger, a father/son team. The property is owned jointly between Clifford and Susan and consists of 160 acres and has a tax assessed value of \$1,592,900.

**Proposed Project:**

50-kW Roof Mounted Solar Array  
Purchase Price and Installation \$111,000

**Sources and Uses of Funds:**

Sources of funds:  
Trillion BTU \$111,000

Uses of funds:  
50-kW Roof Mounted Solar Array \$111,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Winona 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 farming operation was profitable in all three years. There is no long-term debt on the property, however, the debt service coverage ratio with the PACE loan and outstanding equipment loans was 2.97 to 1. The debt-to-equity was just above guideline at 4.63 to 1. Equity has been increasing over the last three years as the farm has been profitable, so the debt-to-equity ratio has been coming down. The following ratios are as of December 31, 2017:

Debt Service Coverage:	2.97	Trillion standard of at least:	1.15
Debt-to-Equity:	4.63	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	50-kW Roof Mounted Solar Array
Amount of Loan:	\$111,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

190 MMBTUs (\$6,700) 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 is above guideline. This is mitigated by the adequate cash flow, stable profitability over the past three years and the value of the land that is owned free and clear and not included in the equity calculation.

**Recommendation:**

We recommend the approval of a \$111,000 Trillion BTU loan to Bollinger Farms, LLC and Clifford and Susan Bollinger.

## MEMORANDUM

**To:** CREDIT COMMITTEE **Meeting Date:** December 11, 2018  
**From:** Michael J. Linder *MJL*  
**Subject:** **HANSON BUILDING AND REMODELING, LLC AND MOOKIE AND CHINO, LLC  
APPROVAL OF A \$54,000 TRILLION BTU LOAN**

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$54,000 with Hanson Building and Remodeling, LLC and Mookie and Chino, LLC for the installation of 20-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:**

Hanson Remodeling was formed by Dan Hanson in 2008. The company provides full service interior and exterior residential remodeling services. Mookie and Chino, LLC is the real estate holding company, wholly owned by Dan Hanson, for the property where Hanson Building and Remodeling is located. The facility is located at 4210 E 34<sup>th</sup> Street in Minneapolis. The property has a tax assessed value of \$270,000

**Proposed Project:**

20-kW Solar Array	
Purchase Price and Installation	\$54,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$54,000
Uses of funds:	
20-kW Solar Array	\$54,000

In order to leverage the grant funds, we are requesting that all local EDAs 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 last three years for Hanson Building and Remodeling and show the company was profitable in all three years. The company has a triple net lease with Mookie and Chino and pays all building maintenance and utility expenses. The company has sufficient cash flow for debt service, with a ratio of 9.05 to 1 prior to the PACE assessment and 6.81 to 1 when factoring the PACE debt in. The debt-to-equity was within guideline at 0.25 to 1. The debt service coverage ratio is as of December 31, 2017. Debt-to-equity ratio is as of November 27, 2018.

Debt Service Coverage:	9.05	Trillion standard of at least:	1.15
Debt-to-Equity:	0.25	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	20-kW Solar Array
Amount of Loan:	\$54,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

80 MMBTUs (\$2,800) 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 \$54,000 Trillion BTU loan to Hansen Building and Remodeling, LLC and Mookie and Chino, LLC.

**MEMORANDUM**

**To:** CREDIT COMMITTEE **Meeting Date:** December 11, 2018  
**From:** Michael J. Linder *MJL*  
**Subject:** **COMMERCIAL INVESTORS GROUP III, LLC**  
**APPROVAL OF A \$203,000 TRILLION BTU LOAN**

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$203,000 with Commercial Investors Group III, LLC for the installation of LED lighting and an 18-kW solar array on a commercial property located in St. 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:**

Commercial Investors Group III, LLC is a real estate holding company that was created to purchase and renovate a property located at 201 4<sup>th</sup> Street E, across from the Union Depot light rail station. The investors plan to convert the building into a multi-use property including 23 apartment units as well as street level retail space. They are leveraging private financing as well as historic tax credits. The property was purchased for \$1,200,000 and the developers plan to invest \$3,000,000 into the renovation. The property has a tax assessed value \$1,016,300.

**Proposed Project:**

18-kW Roof Mounted Solar Array	\$ 55,000
LED Lighting	<u>\$148,000</u>
Purchase Price and Installation	<u>\$203,000</u>

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$203,000
Uses of funds:	
18-kW Solar Array and LED Lighting	\$203,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Ramsey 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:**

Commercial Investors Group III, LLC is a new entity set up for the purchase and renovation of the subject property. As a result, no financial statements currently exist. Personal tax returns were received for the Principal, Mike Sowers, and show more than sufficient income to service his personal debt and the PACE loan as well as income from his other property investments. A personal guaranty was requested due to the lack of historical financial statements.

Debt Service Coverage:	N/A	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:	18-kW Solar Array and LED Lighting
Amount of Loan:	\$203,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment Personal Guaranty

**Energy Savings:**

530 MMBTUs (\$18,500) 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 – Three-year history of financial statements was not available. This is mitigated by the Principal’s personal income, the security of the PACE assessment and a personal guaranty.

**Recommendation:**

We recommend the approval of a \$203,000 Trillion BTU loan to Commercial Investors Group III, LLC.