

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE **DATE:** December 7, 2017

FROM: Lee J. Krueger 

SUBJECT: REGULAR CREDIT COMMITTEE MEETING
DECEMBER 12, 2017 – 2:00 P.M.

NOTICE

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **December 12, 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:

MINUTES

1. Approval of Minutes of the November 21, 2017 Regular Credit Committee Meeting

NEW BUSINESS

1. Precision Coatings, Inc. – Approval of a \$250,000 Trillion BTU Loan
2. Such Other Business that May Come Before the Committee

/djg

cc: Press
City Clerk
Dai Thao

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

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:11 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
Don Mullin		

Also present were the following:

Lee Krueger	Laurie Hansen	Andrea Novak
Laurie Siever	Pete Klein	Michael Linder
Ava Langston-Kenney	George Hoene	Bruce Kessel
Deb Forbes	Dana Krueger	Ann Kosel
Linda Williams		
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Mullin made a motion to approve the minutes of the October 24, 2017 Credit Committee meeting. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

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

OLD BUSINESS

CONFORTI HOLDINGS, LLC AND AMERICAN PRECLINICAL SERVICES, LLC – APPROVAL OF A \$635,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$635,000 Trillion BTU loan to Conforti Holdings, LLC and American Preclinical Services, LLC for the installation of new HVAC units.

There being no discussion, Committee Member Bennett made a motion to approve a \$635,000 Trillion BTU loan to Conforti Holdings, LLC and American Preclinical Services,

LLC for the installation of new HVAC units. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

NEW BUSINESS

DECERTIFICATION OF THE HAZARDOUS SUBSTANCE SUBDISTRICT PORTION OF THE WILLIAMS HILL BUSINESS CENTER, ENERGY LANE BUSINESS CENTER AND GREAT NORTHER BUSINESS CENTER PHASE II REDEVELOPMENT TIF DISTRICTS

Mr. Kessel reviewed his memorandum with the Committee requesting approval for the decertification of the hazardous substance subdistrict portion of the Williams Hill Business Center, Energy Lane Business Center and Great Northern Business Center Phase II Redevelopment TIF districts.

Committee Chair Williams asked for clarification of the type of costs recoverable under the TIF plan.

There being no further discussion, Committee Member Marshall made a motion to approve the decertification of the hazardous substance subdistrict portion of the Williams Hill Business Center, Energy Lane Business Center and Great Northern Business Center Phase II Redevelopment TIF districts. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

2018 LEASE AMENDMENT AND RENTAL RATE ADJUSTMENT – FLINT HILLS RESOURCES PINE BEND, LLC

Mr. Hoene reviewed Ms. Sarnecki's memorandum with the Committee requesting approval of the 2018 lease amendment and rental rate adjustment for Flint Hills Resources Pine Bend, LLC.

There being no discussion, Committee Member Bennett made a motion to approve the 2018 lease amendment and rental rate adjustment for Flint Hills Resources Pine Bend, LLC. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

RENEW ARMY CORPS OF ENGINEERS' LICENSE AGREEMENT TO DEPOSIT DREDGE MATERIALS ON SOUTHPORT DREDGE MANAGEMENT FACILITY

Ms. Langston-Kenney reviewed her memorandum with the Committee requesting approval of the renewal of the Army Corps of Engineers' license agreement to deposit dredge materials on the Southport dredge maintenance facility.

Discussion included, but was not limited to, the term of the license agreement and the wetland trade-off with the City of Saint Paul.

There being no further discussion, Committee Member Mullin made a motion, to approve the renewal of the Army Corps of Engineers' license agreement to deposit dredge materials on the Southport dredge maintenance facility. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

CERENITY MARIAN OF ST. PAUL, INC. – APPROVAL OF A \$1,385,000 TRILLION BTU LOAN / BUSINESS DEVELOPMENT FUND

Mr. Klein reviewed his memorandum with the Committee requesting approval of a \$1,385,000 Trillion BTU loan to Cerenity Marian of St. Paul, Inc. for the installation of a new boiler and chiller.

Discussion included, but was not limited to, the number beds in the facility, the non-profit status of the organization, the revenue stream of the facility, and the restricted and unrestricted cash positions of the organization.

There being no further discussion, Committee Member Marshall made a motion to approve a \$1,385,000 Trillion BTU loan to Cerenity Marian St. Paul for the installation of a new boiler and chiller. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

YWCA ST. PAUL – APPROVAL OF A \$175,000 TRILLION BTU LOAN / BUSINESS DEVELOPMENT FUND

Mr. Klein reviewed his memorandum with the Committee requesting approval of a \$175,000 Trillion BTU loan to YWCA St. Paul for the installation of new HVAC units.

Discussion included, but was not limited to, the organization's forgivable debt in relation to its overall liabilities, and whether there is follow-up to track energy savings.

There being no further discussion, Committee Member Mullin made a motion to approve a \$175,000 Trillion BTU loan to YWCA St. Paul. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

BRADLEY CARDWELL - APPROVAL OF A \$130,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$130,000 Trillion BTU loan to Bradley Cardwell for the installation a 30-kilowatt solar array.

There being no discussion, Committee Member Bennett made a motion to approve a \$130,000 Trillion BTU loan to Bradley Cardwell for the installation of a 30-kilowatt solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

LONG LAKE FAMILY DENTISTRY
APPROVAL OF A \$55,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$55,000 Trillion BTU loan to Long Lake Family Dentistry for the installation of a 20-kilowatt solar array.

There being no discussion, Committee Member Bennett made a motion to approve a \$55,000 Trillion BTU loan to Long Lake Family Dentistry for the installation of a 20-kilowatt solar array. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

PARV, INC. – RED CARPET INN
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 PARV, Inc. – Red Carpet Inn for the installation of new HVAC units.

There being no discussion, Committee Member Bennett made a motion to approve a \$100,000 Trillion BTU loan to PARV, Inc. – Red Carpet Inn for the installation of new HVAC units. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

ROSEWOOD OFFICE PLAZA, LLC
APPROVAL OF A \$130,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$130,000 Trillion BTU loan to Rosewood Office Plaza, LLC for the installation of new boilers.

There being no discussion, Committee Member Mullin made a motion to approve a \$130,000 Trillion BTU loan to Rosewood Office Plaza, LLC for the installation of new boilers. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

SKIATHOS, LLC – APPROVAL OF A \$110,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$110,000 Trillion BTU loan to Skiathos, LLC for the installation of energy efficiency upgrades.

Discussion included, but was not limited to, the outstanding mortgage on the property, accumulated depreciation and the timeline for construction.

There being no further discussion, Committee Member Mullin made a motion to approve a \$110,000 Trillion BTU loan to Skiathos, LLC for the installation of energy efficiency upgrades. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**GREGORY AND TAMARA STADTHERR
APPROVAL OF A \$35,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$35,000 Trillion BTU loan to Gregory and Tamara Stadtherr for the installation of a 7-kilowatt solar array.

There being no discussion, Committee Member Marshall made a motion to approve a \$35,000 Trillion BTU loan to Gregory and Tamara Stadtherr for the installation of a 7-kilowatt solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

OTHER BUSINESS

There was additional discussion regarding new business, payoffs, liquidity, and outside funders of the Trillion BTU/PACE loan programs.

There being no further business, the meeting was adjourned at 3:10 p.m.

By: _____

Its: _____

/djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of December 12, 2017) **DATE:** December 7, 2017

FROM: Michael J. Linder 

**SUBJECT: PRECISION COATINGS, INC.
APPROVAL OF A \$250,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$250,000 with Precision Coatings, Inc. for the installation of variable speed air compressors 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:

Precision Coatings, Inc. is a thermal spray coating and non-stick industrial coating applicator providing wear and corrosion resistance, enhance coefficient of friction, providing gripping surfaces, electrical properties, non-stick properties and can act as thermal barriers. The company is located at 2309 Wycliff Street in St. Paul and has a tax assessed value of \$1,343,500. They are replacing their fixed speed air compressor system with a high-efficiency variable speed system.

Proposed Project:

Variable Speed Air Compressors	
Purchase Price and Installation	\$250,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$250,000

Uses of funds:	
Variable Speed Air Compressors	\$250,000

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. 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:

Financial statements were received for the last three years and year to date through 10/31/17. The company was profitable in the last two years with a loss in 2014. Since 2014 their revenue and net income has grown substantially, with a 160% increase in net income from 2015 to 2016. They have adequate debt service coverage with a ratio of 4.91 to 1, including the PACE loan. Their debt to equity is within guidelines at 2.96 to 1, including the proposed loan.

Debt Service Coverage:	4.91	Trillion standard of at least	1.15
Debt-to-Equity:	2.96	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	Variable Speed Air Compressors
Amount of Loan:	\$250,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

1030 MMBTUs (\$35,000) annually.

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 \$250,000 Trillion BTU loan to Precision Coatings, Inc.