

**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE

Date: December 12, 2019

From: Lee Krueger *Lee Krueger*

**Subject: REGULAR CREDIT COMMITTEE MEETING
DECEMBER 17, 2019 – 2:00 P.M.**

Chair Mullin is calling a meeting of the Credit Committee for Tuesday, **December 17, 2019**, 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 19, 2019 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. High-Power Farms, LLC – Approval of a \$50,000 Trillion BTU Loan
2. Warren and Lois Nolt – Approval of a \$55,000 Trillion BTU Loan
3. Universe Buildings, LLC – Approval of a \$220,500 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 19, 2019**

Committee Chair Mullin called the Regular Meeting of the Credit Committee to order at 2:14 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	Brianne Hamm
Matt Hill	John Marshall	Don Mullin

Also present were the following:

Lee Krueger	Todd Hurley	Michael Linder
Andrea Novak	Dana Krueger	Linda Williams
Kathryn Sarnecki	Tonya Bauer	Sarah Savela
Laurie Siever		

APPROVAL OF MINUTES

Committee Member Williams made a motion to approve the minutes of the October 22, 2019 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

LAKE WEST BLDG, LLC – APPROVAL OF A \$769,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$769,000 Trillion BTU loan to Lake West Bldg, LLC for the installation of energy efficiency improvements. Committee Member Bennett made a motion to approve the request. The motion was seconded by Committee Member Williams, submitted to a vote and carried unanimously.

ONE CORPORATE PLAZA, LLP – APPROVAL OF A \$293,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$293,000 Trillion BTU loan to One Corporate Plaza, LLP for the installation of a high efficiency HVAC system. Committee Member Marshall made a motion to approve the request. The motion was seconded by Committee Member Hamm, submitted to a vote and carried unanimously.

**CONVEYANCE OF LAND TO SHIDLER/WEST FINANCE PARTNERS V
ARLINGTON JACKSON BUSINESS CENTER, PORTION OF PID 19.29.22.42.0017**

Ms. Bauer reviewed her memorandum with the Committee requesting approval for the conveyance of land to Shidler/West Finance Partners V LP. Committee Member Hamm made a motion to approve the request. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**2020 LEASE RENEWAL AND RENTAL RATE ADJUSTMENT
DISTRICT ENERGY – SOUTHPORT TERMINAL**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval of the 2020 lease renewal and rental rate adjustment for District Energy. Committee Member Williams made a motion to approve the request. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**2020 LEASE RENEWAL AND RENTAL RATE ADJUSTMENT
AGGREGATE INDUSTRIES-MWR, INC. – BARGE TERMINAL NO. 1**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval of the 2020 lease renewal and rental rate adjustment for Aggregate Industries-MWR, Inc. Committee Member Marshall made a motion to approve the request. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

**2020 LEASE RENEWAL AND RENTAL RATE ADJUSTMENT
AND ADDITION OF ONE FIVE-YEAR RENEWAL OPTION
CONTINENTAL CEMENT COMPANY, LLC – RED ROCK TERMINAL**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval of the 2020 lease renewal and rental rate adjustment and addition of one five-year renewal option for Continental Cement Company, LLC. Committee Member Williams made a motion to approve the request. 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 2:44 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **HIGH-POWER FARMS, LLC**
APPROVAL OF A \$50,000 TRILLION BTU LOAN

Meeting Date: December 17, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$50,000 with High-Power Farms, LLC for the installation of 15-kW solar array on an agricultural property located in Cannon Falls, 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:

High-Power Farms, LLC is a livestock farming operation located at 31924 Willow Trail in Cannon Falls, MN. Three siblings operate the farm which raises cattle and goats, with plans to grow hemp in 2020 for additional revenue. The property has a tax assessed value of \$760,300 and the solar array will offset almost 100% of their current electricity use.

Proposed Project:

15-kW Solar Array
Purchase Price and Installation \$50,000

Sources and Uses of Funds:

Sources of funds:
Trillion BTU \$50,000

Uses of funds:
15-kW Solar Array \$50,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Goodhue 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 funding source.

Financial Analysis:

High-Power Farms was established in December of 2018, so there is no income reported on the tax returns. The two majority owners provided their personal tax returns which show sufficient income from outside sources to support the loan. The debt coverage ratio using their personal income would have been 12.9 to 1 and with the PACE loan, 10.60 to 1. Debt-to-equity using the taxable market value of the property would have been 0.70 to 1 with a loan to taxable market value of 41.4%. The following ratios are as of December 31, 2018:

Debt Service Coverage:	12.9	Trillion standard of at least:	1.15
Debt-to-Equity:	0.70	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	15-kW Solar Array
Amount of Loan:	\$50,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

110 MMBTUs (\$3,800) 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 \$50,000 Trillion BTU loan to High-Power Farms, LLC.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **WARREN AND LOIS NOLT**
APPROVAL OF A \$55,000 TRILLION BTU LOAN

Meeting Date: December 17, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$55,000 with Warren and Lois Nolt. for the installation of 20-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 20-kW solar array on one of their dairy barns to offset electricity used during milk production. In 2018 they installed a 27-kW solar array and have decided to add on to the system. The property is owned by Warren and Lois and has a tax assessed value of \$970,000.

Proposed Project:

20-kW Solar Array
Purchase Price and Installation \$55,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$55,000
Uses of funds:	
20-kW Solar Array	\$55,000

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 funding source.

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 both PACE assessments is 4.61 to 1. There is no outstanding debt on the property, however a debt-to-equity ratio with the PACE assessment would be 2.76 to 1. The following ratios are as of December 31, 2018:

Debt Service Coverage:	4.61	Trillion standard of at least:	1.15
Debt-to-Equity:	2.76	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	20-kW Solar Array
Amount of Loan:	\$55,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

85 MMBTUs (\$3,000) 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 \$55,000 Trillion BTU loan to Warren and Lois.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **UNIVERSE BUILDINGS, LLC**
APPROVAL OF A \$220,500 TRILLION BTU LOAN

Meeting Date: December 17, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$220,500 with Universe Buildings, LLC. for the installation of 109-kW 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:

Universe Buildings, LLC is a real estate holding company that owns commercial office buildings located at 2147 and 2161 University Avenue in Saint Paul, located on the north east corner of Vandalia and University along the Green line. The building owner is planning to install a roof mounted solar array on the building located at 2161 University. The buildings were purchased at the end of 2017 and improvements have been made to the tenant spaces. The subject property has a taxable market value of \$1,745,800.

Proposed Project:

109-kW Solar Array	
Purchase Price and Installation	\$220,500

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$220,500
Uses of funds:	
109-kW Solar Array	\$220,500

In order to leverage the grant funds, we are requesting that the all local EDAs match the Trillion funds for projects in their area. The City of Saint Paul provided a \$500,000 grant to the Port

Authority as participation in the program. Ramsey County is assisting with placing the PACE special assessment on the property taxes.

Financial Analysis:

Tax returns were received for the last three year through 2018 and show the property has had increasing revenue over that period due to strong leasing activities, with a 53% increase in revenue over the past year. There were net losses in the past two years due to non-cash depreciation expenses, and the properties have positive operating profits over that same period. The company had a debt service coverage ratio at the end of 2018 of 1.05 to 1, which when including the PACE assessment this would have been 0.85 to 1. A rent roll shows the building is fully occupied as of October of this year and the current loan to value is 75%. There was negative equity on the balance due to accumulated depreciation. The following ratios are as of December 31, 2018:

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

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	109-kW Solar Array
Amount of Loan:	\$220,500
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

500 MMBTUs (\$17,400) 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.
2 FTE for construction jobs.

Policy Exceptions:

Yes – The building had net losses in the last two years, mitigated by operating profit when excluding non-cash expenses. Debt service coverage was below guideline as the building has be in leasing

phase after purchase in 2017 and renovation in 2018. Negative equity also caused by accumulated depreciation. Building is currently stabilized and should be profitable in 2019.

Recommendation:

We recommend the approval of a \$220,500 Trillion BTU loan to Universe Buildings, LLC.

Trillion BTU / PACE Loan Summary
For the month of December 2019

Borrower	High-Power Farms, LLC	Warren & Lois Nolt	Universe Buildings, LLC
Loan Amount	\$ 50,000	\$ 55,000	\$ 220,500
Interest Rate	5.00%	5.00%	5.00%
Term (Years)	10	10	10
Collateral			
Signed Loan Agreement	Y	Y	Y
Personal Guaranty	N	N	N
PACE Special Assessment	Y	Y	Y
Project Description	15-kW Solar Array	20-kW Solar Array	109-kW Solar Array
Sources & Uses			
Sources of Funds:			
Trillion BTU	\$ 50,000	\$ 55,000	\$ 220,500
Other Funding Sources			
Total Sources	\$ 50,000	\$ 55,000	\$ 220,500
Uses of Funds:			
HVAC	\$ -	\$ -	\$ -
Solar Array	\$ 50,000	\$ 55,000	\$ 220,500
Other			
Total Uses	\$ 50,000	\$ 55,000	\$ 220,500
Financial Ratios			
Debt Service Coverage (Std > 1.15)	12.90	4.61	1.05
Debt-to-Equity (Std < 4.00)	0.70	2.76	Neg.
Profitable in 2 of last 3 years (Y/N)	Y	Y	N
Policy Exception (Y/N)	N	N	Y
Annual Energy Savings			
MMBTUs	110	85	500
Dollars	\$ 3,800	\$ 3,000	\$ 17,400
Workforce Implications			
Construction Jobs	1	1	2