

**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE **Date:** February 15, 2018
From: Lee Krueger *Lee Krueger*
Subject: **REGULAR CREDIT COMMITTEE MEETING
FEBRUARY 20, 2018 – 2:00 P.M.**

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **February 20, 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 January 16, 2018 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

New Business

1. Dennis & Glenda Jewison and Emerald Acres, Inc. – Approval of a \$33,000 Trillin BTU Loan
2. Littfin Lumber Company – Approval of a \$152,000 Trillion BTU Loan
3. Garden View Apartments, LLC and Polynesian Village 1994 Limited Partnership – Approval of a \$480,000 Trillion BTU Loan
4. Lavonne M. Mullin Revocable Trust – Approval of a \$104,000 Trillion BTU Loan
5. Such Other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
JANUARY 16, 2018**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:05 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	Monte Hilleman
Michael Linder	Ava Langston-Kenney	Tonya Bauer
Ann Kosel	Dana Krueger	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 December 12, 2017 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.

NEW BUSINESS

FUND ALLOCATION

Ms. Hansen reviewed her memorandum with the Committee requesting approval of a resolution to restrict Port Authority funds to specific uses.

There being no discussion, Committee Member Bennett made a motion to approve a resolution to restrict Port Authority funds to specific uses. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**CONVEYANCE OF LAND TO CAMADA LIMITED
PARTNERSHIP/VOMELA COMPANIES – BEACON BLUFF – PARCEL 2**

Mr. Hilleman reviewed his memorandum with the Committee requesting approval for the sale of approximately 11.5 acres of land to Camada Limited Partnership for the construction of

an approximate 250,000-300,000 square foot office/warehouse/manufacturing facility for the Vomela Companies.

Discussion included, but was not limited to, the exception from the Port's development criteria and upcoming discussions regarding the Port's Workforce Agreement policy.

There being no further discussion, Committee Member Marshall made a motion to approve the sale of approximately 11.5 acres of land to Camada Limited Partnership for the construction of an approximate 250,000-300,000 square foot office/warehouse/manufacturing facility for the Vomela Companies. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

CONVEYANCE OF LAND TO YEADON REAL ESTATE, LLC/YEADON DOMES – BEACON BLUFF – PARCEL 4 WEST

Mr. Hilleman reviewed his memorandum with the Committee requesting approval for the sale of approximately 3.21 acres of land to Yeadon Real Estate, LLC for the construction of an approximate 49,000 square foot office/fabric domed manufacturing facility for Yeadon Domes.

Discussion included, but was not limited to, the orientation of the facility on the land and the market rate for land in Beacon Bluff.

There being no further discussion, Committee Member Bennett made a motion to approve the sale of approximately 3.21 acres of land to Yeadon Real Estate, LLC for the construction of an approximate 49,000 square foot office/fabric domed manufacturing facility for Yeadon Domes. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

GRANT APPLICATION TO MINNESOTA DEPARTMENT OF TRANSPORTATION'S CORRIDORS OF COMMERCE GRANT PROGRAM FOR CONSTRUCTION OF A GRADE SEPARATED ENTRANCE TO SOUTHPORT TERMINAL

Ms. Langston-Kenney reviewed Ms. Sarnecki's memorandum requesting approval for the Port Authority to request and accept funding from the Minnesota Department of Transportation's (MnDOT) Corridors of Commerce program for a grade separated entrance to the Southport Shipping Terminal from Concord Avenue (TH156).

Discussion included, but was not limited to, other sources of funding the Port has applied for, possible reasons for not being awarded funding and Union Pacific's involvement in the project.

There being no further discussion, Committee Member Bennett made a motion to request and accept funding from the Minnesota Department of Transportation's (MnDOT) Corridors of Commerce program for a grade separated entrance to the Southport Shipping Terminal from Concord Avenue (TH156). The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

OTHER BUSINESS

Ms. Hansen presented the Committee with a past due report of Trillion BTU loans.

There being no further business, the meeting was adjourned at 2:46 p.m.

By: _____

Its: _____

/dj

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** February 20, 2018
From: Michael J. Linder *MJL*
Subject: **DENNIS & GLENDA JEWISON AND EMERALD ACRES, INC.**
APPROVAL OF A \$33,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$33,000 with Dennis and Glenda Jewison and Emerald Acres, Inc. for the installation of 63-kW solar array on an agricultural property located in Janesville, 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:

Dennis and Glenda Jewison own a farm located at 42250 60th Street in Janesville, Minnesota. The farm operates as Emerald Acres, Inc. and the borrowers were approved through Spire Credit Union for a \$275,000 PACE loan. The customer is participating in a program with Xcel Energy and need to install a solar array that meets specific output requirements, requiring an additional \$33,000 to complete the project, which is the nature of this request. The properties have a combined tax assessed value of \$1,373,400, which limits the PACE financing to \$274,680.

Proposed Project:

63-kW Solar Array	
Purchase Price and Installation	\$308,000

Sources and Uses of Funds:

Sources of funds:	
Spire Credit Union	\$275,000
Trillion BTU	33,000

Uses of funds:	
63-kW Solar Array	\$308,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Waseca County is assisting with placing the PACE special assessment on the property taxes and Spire Credit Union will finance that portion of the project once the special assessment is in place. The Trillion BTU program will fund the remaining portion of the request with an unsecured loan. In the event that the special assessment is not assessed, Spire Credit Union and the TBTU program will not fund the PACE portion of the loan.

Financial Analysis:

Personal tax returns were received for Dennis and Glenda Jewison and corporate returns were received for Emerald Acres, Inc. and show the borrowers were profitable in the past three years. Personal income is derived primarily from wages and profits from Emerald Acres, along with some residual Schedule C income. Personal and corporate debt is limited to a small contract for deed from a relative and the debt service coverage ratio with all PACE and TBTU debt will be 13.24 to 1. With the debt from the new PACE and TBTU loans included, the borrowers will have a debt-to-equity ratio of 0.90 to 1.

Debt Service Coverage:	13.24	Trillion standard of at least:	1.15
Debt-to-Equity:	0.90	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	63-kW Solar Array
Amount of Loan:	\$33,000
Rate:	4.5%
Term:	5 years
Collateral:	Signed Loan Agreement

Energy Savings:

PACE Portion: 335 MMBTUs (\$12,055) annually.
TBTU Portion: 40 MMBTUs (\$1,445) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
3 FTE for construction jobs (Entire Job).

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$33,000 Trillion BTU loan to Dennis and Glenda Jewison and Emerald Acres, Inc.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **LITTFIN LUMBER COMPANY**
APPROVAL OF A \$152,000 TRILLION BTU LOAN

Meeting Date: February 20, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$152,000 with Littfin Lumber Company for the installation of 117-kW solar array on a commercial property located in Winsted, 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:

Littfin Lumber is located at 555 Baker Avenue in Winsted, Minnesota. They are the largest maker of roof and floor trusses in Minnesota, with over 60% market share. Their facilities consist of nearly 140,000 square feet of manufacturing space and can produce over 3,000 trusses per day with over 200 employees. The company purchases more than one million kilowatt hours of energy annually from Xcel Energy, and through the addition of the proposed solar array and a standby service agreement, the company will be able to offset more than 40% of its demand charges, saving significantly on its energy expenses. The company was approved for a \$469,000 PACE loan through Spire Credit Union, which was the maximum assessment that could be placed. The customer is participating in a program with Xcel Energy and need to install a solar array that meets specific output requirements, requiring an additional \$152,000 to complete the project.

Proposed Project:

117-kW Solar Array	
Purchase Price and Installation	\$621,000

Sources and Uses of Funds:

Sources of funds:	
Spire Credit Union	\$469,000
Trillion BTU	152,000

Uses of funds:

117-kW Solar Array

\$621,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. McLeod County is assisting with placing the PACE special assessment on the property taxes and Spire Credit Union will finance that portion of the project once the special assessment is in place. Trillion BTU funds will fund the remaining portion of the request with an unsecured loan. In the event that the special assessment is not assessed, Spire Credit Union and the TBTU program will not fund the PACE portion of the loan.

Financial Analysis:

Financial Statements and tax returns were received through 12/31/16 and show the company has been profitable in the past three years. Interim statements were also received through 11/30/17 and the company was on track to meet or surpass sales and profits from 2016. With limited debt, the company had a debt service coverage ratio of 4.19 to 1, which includes the PACE and TBTU loan. The debt-to-equity ratio with the loans included was 0.63 to 1. Additionally, financial statements indicate that there is no significant concentration in either revenue generated or A/R balances outstanding greater than 10% for an individual customer.

Debt Service Coverage:	4.19	Trillion standard of at least:	1.15
Debt-to-Equity:	0.63	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	117-kW Solar Array
Amount of Loan:	\$152,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement Personal Guaranty

Energy Savings:

PACE Portion: 605 MMBTUs (\$21,895) annually.
TBTU Portion: 195 MMBTUs (\$7,105) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
7 FTE for construction jobs (Entire Project).

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$152,000 Trillion BTU loan to Littfin Lumber Company.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: February 20, 2018

From: Michael J. Linder *MJL*

**Subject: GARDEN VIEW APARTMENTS, LLC AND
POLYNESIAN VILLAGE 1994 LIMITED PARTNERSHIP
APPROVAL OF A \$480,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$480,000 with Garden View Apartments, LLC and Polynesian Village 1994 Limited Partnership for the installation of 157-kW solar array on a commercial property located in New Brighton, 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:

Garden View Apartments are located at 1417 10th Street NW in New Brighton just south of 694 and west of 35W. The facility was built in 1974 and includes indoor and outdoor pools, a billiards room, basketball court, 2 playgrounds, fitness center and party room with 24-hour maintenance, on-site property management and courtesy patrol. Multiple solar arrays will be positioned on the rooftops of four of the buildings in the complex. The real estate holding company is Polynesian Village 1994 Limited Partnership and the property has a tax assessed value of \$23,263,400.

Proposed Project:

157-kW Solar Array

Purchase Price and Installation	\$480,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$480,000
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Uses of funds:

157-kW Solar Array	\$480,000
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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. 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:

Tax returns were received for Garden View Apartments, LLC and show the property was profitable in two of the last three years, with losses in 2014. The property did have positive net operating income when factoring in non-cash expenses. The debt coverage ratio in 2016 was 1.25 to 1, however, with the proposed PACE loan the debt coverage ratio will be 1.19 to 1. The company had a debt-to-equity ratio of 4 to 1 prior to the PACE loan and a ratio of 5 to 1 after factoring in the loan. Including the PACE loan, the property will have a loan to value of 50% using the property's tax assessed value. Preliminary financial statements were also received for the 2017 fiscal year and the company shows stable operating income when compared to the previous two years.

Debt Service Coverage:	1.19	Trillion standard of at least:	1.15
Debt-to-Equity:	5.00	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	157-kW Solar Array
Amount of Loan:	\$480,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

535 MMBTUs (\$18,000) annually.

Workforce Implications:

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

Policy Exceptions:

Yes – The property didn't meet the debt-to-equity ratio when factoring in the PACE loan. This is mitigated by the positive cash flow of the property and the security of the PACE assessment, as well as the significant accumulated depreciation reducing the equity in the property.

Recommendation:

We recommend the approval of a \$480,000 Trillion BTU loan to Garden View Apartments, LLC and Polynesian Village 1994 Limited Partnership.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **LAVONNE M. MULLIN REVOCABLE TRUST**
APPROVAL OF A \$104,000 TRILLION BTU LOAN

Meeting Date: February 20, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$104,000 with the Lavonne M. Mullin Revocable Trust for the installation of 44-kW solar array on an agricultural property located in Elgin, 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:

Lavonne Mullin owns a property located at 12124 75th Street NE in Elgin, Minnesota, where her family operates Prairie Hollow Farm. They farm organic produce and have a crop sharing program to sell their produce. They also raise grass fed beef and produce organic milk and cheeses. The combined properties have a tax assessed value of \$1,183,500.

Proposed Project:

44-kW Solar Array
Purchase Price and Installation \$104,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$104,000
Uses of funds:	
44-kW Solar Array	\$104,000

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 and show that the borrower was profitable in all three years with supplemental income from investments and social security. The debt service coverage ratio with the PACE loan was 2.05 to 1. A balance sheet was not available, however, there is no mortgage debt on the properties which have a collective tax assessed value of \$1,183,500.

Debt Service Coverage:	2.05	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:	44-kW Solar Array
Amount of Loan:	\$104,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

180 MMBTUs (\$6,200) annually.

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 \$104,000 Trillion BTU loan to the Lavonne M. Mullin Revocable Trust.