

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE **DATE:** February 16, 2017

FROM: Lee J. Krueger 

SUBJECT: REGULAR CREDIT COMMITTEE MEETING
FEBRUARY 21, 2017 – 2:00 P.M.

NOTICE

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

1. Approval of Minutes of January 17, 2017
2. Conflict of Interest
3. Conveyance of Land to Regions Hospital
4. Approval of Administration Agreement with Minnesota HERO Program
5. Atrium, LLC – Wellington Management, Inc – Authorized Agent – Approval of an Approximate \$120,000 Trillion BTU Loan
6. Ayre Property and Investments, LLC and Gabriel Financial Group, Inc. – Approval of an Approximate \$53,000 Trillion BTU Loan
7. Bigos – Jackson, LLC and Bigos – Sibley, LLC Approval of an Approximate \$2,100,000 Trillion BTU Loan
8. Paul and Melissa Kluesner – Approval of an Approximate \$34,000 Trillion BTU Loan
9. Arlys and Wayne Panning – Approval of an Approximate \$96,000 Trillion BTU Loan
10. Keith D. Remund Trustee and Laurel C. Remund Trustee – Approval of an Approximate \$140,000 Trillion BTU Loan
11. Solar Stone Partners, LLC – Approval of an Approximate \$500,000 Trillion BTU Loan
12. Such Other Business that May Come Before the Committee

cc: Press
City Clerk
Dai Thao

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
JANUARY 17, 2017**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:02 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	Nneka Constantino
Harry Melander	John Regal	

Also present were the following:

Lee Krueger	Pete Klein	Michael Linder
Laurie Siever	Andrea Novak	Monte Hilleman
Bruce Kessel	Sarah Savela	Ava Langston-Kenney
Ann Kosel	Dana Krueger	Linda Williams
Eric Larson, General Counsel, City of Saint Paul		
Matt Johnson, Finance & Commerce		
Fred Melo, Pioneer Press		
Jessie Van Berkel, Star Tribune		

APPROVAL OF MINUTES

Committee Member Constantino made a motion, seconded by Committee Member Regal, to approve the minutes of the December 13, 2016 Credit Committee meeting. The motion carried unanimously.

CONFLICT OF INTEREST

Committee Member Bennett said he has a conflict of interest with item number six on the agenda and will abstain from voting.

Committee Member Constantino recused voting on agenda item numbers six through ten, in addition, had a conflict with one of those items (which item could not be identified for confidentiality reasons).

GRANT/FINANCIAL ASSISTANCE RESOLUTION APPROVAL

Mr. Larson reviewed his memorandum with the Committee requesting approval of the annual Grant/Financial Assistance Resolution.

There being no discussion, Committee Member Constantino made a motion, seconded by Committee Member Regal, to approve the annual Grant/Financial Assistance Resolution. The motion carried unanimously.

**TILLER CORPORATION, DBA BARTON ENTERPRISES, INC.
LEASE RENEWAL/AMENDMENT AND RENTAL RATE ADJUSTMENT**

Mr. Larson reviewed Ms. Kyle's memorandum with the Committee requesting approval of a lease renewal/amendment and rental rate adjustment for Tiller Corporation, DBA Barton Enterprises, Inc.

Discussion included, but was not limited to, the nature and cost of the flood damage sustained at the site, and how the repairs will be paid for.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, to approve the lease renewal/amendment and rental rate adjustment for Tiller Corporation, DBA Barton Enterprises, Inc. The motion carried unanimously.

**MIDWAY SHOPPING CENTER – APPROVAL TO ENTER INTO A
MASTER LEASE AGREEMENT WITH RK MIDWAY SHOPPING CENTER**

President Krueger reviewed his memorandum with the Committee requesting approval to enter into a Master Lease Agreement with RK Midway Shopping Center, LLC.

Discussion included, but was not limited to, the process for choosing a development partner, the timeline for the project, the Port Authority's exit strategy from the project, and the worst-case scenario for the Port Authority if a development partner isn't found.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Constantino, authorizing the Port Authority to enter into a Master Lease Agreement with RK Midway Shopping Center, LLC. The motion carried unanimously.

J & J DISTRIBUTING CO. FORBEARANCE AGREEMENT

Mr. Klein reviewed his memorandum with the Committee requesting approval of a six month forbearance agreement with J & J Distributing, Co.

Discussion included, but was not limited to, the continued underwriting of this customer, J & J's management team's plan for the company going forward, and the Port's

forbearance policy with respect to Trillion BTU loans. Committee Member Melander requested that Mr. Klein update the Committee if any changes occur with this customer.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, to approve a six month forbearance agreement with J & J Distributing Co. The motion carried by a majority vote of three, with Committee Members Bennett and Constantino abstaining.

Committee Member Melander left the meeting at 2:48 p.m.

990 PAYNE AVENUE, LLC DBA PLAZA DEL SOL
APPROVAL OF AN APPROXIMATE \$73,000 TRILLION BTU LOAN

Mr. Klein reviewed his memorandum with the Committee requesting approval of an approximate \$73,000 Trillion BTU loan to 990 Payne Avenue, LLC for the installation of a new HVAC system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$73,000 Trillion BTU loan to 990 Payne Avenue, LLC for the installation of a new HVAC system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

COOPERATIVE ENERGY FUTURES
APPROVAL OF AN APPROXIMATE \$300,000 TRILLION BTU LOAN

Mr. Klein reviewed his memorandum with the Committee requesting approval of an approximate \$300,000 Trillion BTU loan to Cooperative Energy Futures for the solar deposit fee for three one-megawatt solar installations under Xcel Energy's Solar Rewards Community Program.

Discussion included, but was not limited to, the source of repayment of the debt, and the location and number of employees of the company.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, for approval of an approximate \$300,000 Trillion BTU loan to Cooperative Energy Futures for three one-megawatt solar installations under Xcel Energy's Solar Rewards Community Program. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

RODNEY AND RUTH MEIER
APPROVAL OF AN APPROXIMATE \$224,000 TRILLION BTU LOAN

Mr. Klein reviewed his memorandum with the Committee requesting approval of an approximate \$224,000 Trillion BTU loan to Rodney & Ruth Meier for the installation of a 45-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$224,000 Trillion BTU loan to Rodney and Ruth Meier for the installation of a 45-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

RUETHER BROTHERS, LLC
APPROVAL OF AN APPROXIMATE \$100,000 TRILLION BTU LOAN

Mr. Klein reviewed his memorandum with the Committee requesting approval of an approximate \$100,000 Trillion BTU loan to Ruether Brothers, LLC for the installation of a 28-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$100,000 Trillion BTU loan to Ruether Brothers, LLC for the installation of a 28-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

OTHER BUSINESS

Mr. Krueger introduced the Port Authority's new Loan Officer, Michael Linder, to the Committee.

Mr. Klein presented a past due report of Trillion BTU loans to the Committee. Committee Chair Williams asked what the historic loss rate is of the Trillion BTU loan program. Mr. Klein stated that there have not been any losses to date. Committee Member Constantino noted the good work the Port Authority has done with this loan program.

There being no further business, the meeting was adjourned at 3:07 p.m.

By: _____

Its: _____

/djg

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of February 21, 2017) **DATE:** February 16, 2017

FROM: MONTE M. HILLEMANN 

SUBJECT: CONVEYANCE OF LAND TO REGIONS HOSPITAL
RESOLUTION NO. _____

Action Requested:

Approval of the sale of a 0.18 acre remnant parcel of land to Regions Hospital for site assembly.

Background

Attached is a memo outlining the terms of the land conveyance transaction with Regions Hospital for the property located at 0 Mississippi Street, Saint Paul, MN. The property lies within the Port Authority's Williams Hill Industrial Development District and the Williams Hill Tax Increment Financing District.

Recommendation

We recommend approval of the sale of a 0.18 remnant parcel of land to Regions Hospital for site assembly.

MMH

Attachments

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
LAND SALE TRANSACTION**

Action Requested: Approval of the sale of a remnant parcel of land to Regions Hospital for site assembly.

Development Officer: Monte Hilleman

Purchaser: Regions Hospital

Purchaser Address: Regions Hospital
c/o HealthPartners
8170 33rd Avenue South
PO Box 1309
Minneapolis, MN 55440

Location of Property to be Conveyed: 0 Mississippi Street, Saint Paul MN 55130
(PID 312922140096), see Exhibit A

Conveyance Structure: The Port Authority entered into a contingent purchase agreement on January 27, 2017 with Regions Hospital for the sale of the Port's interest in the property listed above. The purchase price is \$40,000 (\$5.11 per SF), which reflects a fair market value. The property is to be sold AS-IS, with no further obligations of the Port Authority after closing. Closing is expected to occur in July 2017.

Nature of Intended Use: Short term to be used as parking per Exhibit B (attached), long term to be used for construction of a health care facility to-be-determined.

Business Subsidy Agreement:
None.

Exception from Port's Development Goals/Covenants:
None.

Development Officer's Comments:
Approval is recommended, as this allows for the assembly of this and several other parcels into a developable lot.

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

[CONVEYANCE OF LAND TO REGIONS HOSPITAL]

WHEREAS, the Port Authority of the City of Saint Paul ("Port Authority"), pursuant to Minnesota Statutes, Section 469.065, did place a notice, a copy of which with proof of publication is on file in the office of the Port Authority, of a public hearing on the proposed conveyance of land in a legal newspaper, said hearing to be held to determine whether it is in the best interests of the port district of Saint Paul and the people thereof and in furtherance of the general plan of port improvement and industrial development to grant the conveyance of land at 0 Mississippi Street in Saint Paul, Minnesota, to Regions Hospital (the "Property").

WHEREAS, the Port Authority did conduct a public hearing pursuant to said notice on Tuesday, February 28, 2017, at which hearing all taxpayers in the port district, both for and against the conveyance, were allowed to state their views.

WHEREAS, it is in the best interests of the port district and the people thereof, and in furtherance of the general plan of port improvement and industrial development, to approve the conveyance.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

1. That the Board of Commissioners of the Port Authority hereby finds, determines and declares that it is for the best interests of the port district and the people thereof, and in furtherance of the general plan of industrial development, to enter into said agreement to convey the land.
2. That the actions of the President of the Port Authority in causing public notice of the proposed conveyance, and in describing the terms and conditions of such conveyance, which have been available for inspection by the public at the office of the Port Authority from and after the publication of notice of hearing, are in all respects ratified and confirmed.
3. That the President of the Port Authority is hereby authorized and directed to complete and execute said agreement to convey, in substantially the form as is on file in the office of the Port Authority, and the proper Port Authority officers are hereby authorized and

Resolution No. _____

February 28, 2017

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directed to complete and execute all documents necessary to convey title in form as approved by counsel.

Adopted: _____

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of February 21, 2017) **DATE:** February 7, 2017

FROM: Peter Klein 

SUBJECT: APPROVAL OF ADMINISTRATION AGREEMENT WITH
MINNESOTA HERO PROGRAM
RESOLUTION NO. _____

Action Requested:

Approval of the Administration Agreement with Renovate America to establish the Minnesota Home Energy Renovation Opportunity (HERO) Program.

Public Purpose:

Approval of this agreement would provide Minnesota residents the opportunity to utilize PACE as a means of financing energy saving and renewable energy improvements for their residence.

Business Subsidy:

N/A

Background:

The Port Authority established the Minnesota PACE Program to provide PACE financing to commercial, industrial, and agricultural buildings. To date, no one has offered residential PACE financing to Minnesota residents. PACE financing allows a homeowner to make energy saving and renewable energy improvements in their home and repay the costs via an assessment on their property taxes over the useful life of the improvements.

Renovate America, the country's largest residential PACE provider, has developed a cost effective, efficient process to finance residential PACE improvements. Renovate calls this product their HERO ("Home Energy Renovation Opportunity") Program. Renovate has approached the Port Authority to be the local government entity to partner with them in establishing the Minnesota HERO Program.

Renovate America began the HERO Program in California and has funded over \$2 billion in HERO projects. They have recently expanded to Missouri and will expand to Florida this year. If approved, Minnesota would be their next planned expansion.

Current Status:

Port Authority staff members have been in discussions with Renovate staff members to discuss and understand our respective roles. Those roles and responsibilities are more fully documented in the Administration Agreement.

A) Renovate America responsibilities:

1) Program Design

- a) Policies relating to residential properties including execution and operation of consumer protection policies.
- b) Processes and procedures for contractors, property owner applications, approval of funding requests, and financing and recording liens on approved transactions.
- c) Design and build Minnesota HERO Program website.
- d) Integration of Renovate America's origination system with the Minnesota HERO Program website.

2) Origination

- a) Process all applications.
- b) Process all funding requests.
- c) Process and finalize all contractual assessment documentation.
- d) Provide telephone and e-mail customer service support.
- e) Track and report key statistics.
- f) Periodically assess and/or adjust policies and procedures to resolve recurring issues.

3) Marketing

4) Documentation

Renovate America will assist the Port Authority with the production of documents necessary to record the contractual assessments and issuance of bonds.

5) Tax Roll Management

Renovate America will ensure the proper contractual assessment is placed on the appropriate property owners' property tax bills and that the assessment payments are collected promptly.

Renovate America will be compensated for performing these services solely from the proceeds of the bonds and not by payment from the Port Authority.

B) Port Authority responsibilities:

1) Bond Issuance

Issuance of conduit revenue bonds which will provide the funding for the residential property improvements. This will occur through the issuance of multiple bond issues all under one master indenture. Port Authority Board approval for the issuance of these bonds will be the subject of a later action by the Port Authority Board.

2) Consumer Protection

The Port Authority and Renovate America agree that consumer protections that serve and create safeguards for homeowners must be a core value of all PACE programs. The Port Authority shall be responsible for promulgating standards for the administration and enforcement of the PACE Consumer Protection Policies through the performance of the Program Administrative Services by Renovate America and their HERO Program consultants.

The PACE Consumer Protections shall, at minimum, comply with the latest national standards as reflected in the most current version of the PACENation Consumer Protection Policies (Residential PACE Program).

Recommendation:

We recommend approval of the Administration Agreement with the Minnesota HERO Program.

LJH/PMK:amk

Attachment

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

**[APPROVAL OF ADMINISTRATION
AGREEMENT WITH MINNESOTA HERO PROGRAM]**

WHEREAS, the Port Authority of the City of Saint Paul (the "Port Authority") established the Minnesota PACE Program to provide PACE financing to commercial, industrial, and agricultural buildings.

WHEREAS, in furtherance of the general plan of port improvement, the Port Authority would like to offer residential PACE financing to Minnesota residents to allow them to make energy saving and renewable energy improvements in their home through a collaboration with Renovate America to create and establish the Minnesota Home Energy Renovation Opportunity (HERO) Program.

WHEREAS, the Port Authority has investigated the facts of the proposed Administration Agreement with Renovate America and is assured that the policies established by the Department of Energy and PACENation will not only be met, but exceeded.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

1. That the Board of Commissioners of the Port Authority hereby finds, determines and declares that it is in the best interests of the port district and the people thereof to enter into an Administration Agreement with the Minnesota Home Energy Renovation Opportunity (HERO) Program.

2. That the President of the Port Authority is hereby authorized and directed to complete and execute said Administration Agreement in substantially the form as set forth in the Board Memorandum, and the proper Port Authority officers are hereby authorized and directed to complete and execute all documents necessary to proceed with the Minnesota Home Energy Renovation Opportunity (HERO) Program.

Adopted: _____

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of February 21, 2017) **DATE:** February 16, 2017

FROM: Michael J. Linder 

SUBJECT: ATRIUM, LLC
WELLINGTON MANAGEMENT, INC. – AUTHORIZED AGENT
APPROVAL OF AN APPROXIMATE \$120,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$120,000 Trillion BTU loan with Atrium, LLC for the installation of a new energy management system.

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. The Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually. The retention and expansion of jobs is another public purpose.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

This 91,600 square foot office building is located just north of Bandana Square in Energy Park. The largest tenant is Pope Architects, whose lease expires in 2022. Wellington Management, Inc. purchased the building in 2002 and continues to provide all leasing and property management services. The 2017 assessed value according to Ramsey County is \$5,555,300.

The Port financed a partial retrofit of this property through the Trillion BTU program, which occurred in 2014 in the amount of \$120,000. The balance on that loan is now less than \$60,000.

Proposed Project:

HVAC Upgrades

Purchase Price and Installation	\$ 120,000
Xcel Rebate (Estimate)	20,000
Net Loan	<u>\$ 100,000</u>

CREDIT COMMITTEE

February 16, 2017

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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$ 100,000
Xcel Rebate	<u>20,000</u>
Total	<u>\$ 120,000</u>

Uses of funds:

Energy Efficiencies Project Costs	<u>\$ 120,000</u>
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The Xcel rebate will be used to pay down the Trillion BTU loan upon completion of the project. In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. The City of Saint Paul provided a \$500,000 grant to the Port Authority in 2010, as participation in the program. Ramsey County will assist with placing the PACE special assessment on the property. TBTU is acting as a bridge loan until the PACE assessment is in place. In the unlikely event that the special assessment is not placed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Three years of financial statements have been reviewed. The company was profitable in two of the last three years, posting a net loss in 2015. The operating entity meets the Debt Service Coverage requirement but not the Debt to Equity requirement for the standard Trillion BTU underwriting guidelines. The company had negative equity as of December 31, 2016 but the accumulated depreciation was greater, offsetting the negative equity. The following ratios are as of December 31, 2016:

Debt Service Coverage:	2.26	Trillion standard of at least	1.15
Debt-to-Equity:	No – Negative Equity	Trillion standard of less than	4.00

Proposal:

Source of Funds: Trillion BTU / Xcel Rebate

Use of Funds: Install digital control system to convert remaining pneumatic controls for the buildings HVAC system.

Amount of Loan: \$120,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

800 MMBTUs (\$15,000) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

1 FTEs for construction jobs.

Policy Exceptions:

The borrower did not meet the Debt to Equity requirement for the Trillion BTU loan program as they had negative equity. This was offset by the fact that accumulated depreciation was greater and the PACE assessment combined with sufficient debt service coverage reduces that risk associated with the net losses in 2015.

Recommendation:

We recommend the approval of a \$120,000 Trillion BTU loan with Atrium, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of February 21, 2017) **DATE:** February 16, 2017

FROM: Michael J. Linder 

SUBJECT: AYRE PROPERTY AND INVESTMENTS, LLC
AND GABRIEL FINANCIAL GROUP, INC.
APPROVAL OF AN APPROXIMATE \$53,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$53,000 loan with Ayre Property and Investments, LLC for the installation of a 20-kilowatt solar system.

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. The Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually. The retention and expansion of jobs is another public purpose.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Ayre Property and Investments, LLC is a commercial real estate holding company owned by Ross and Melissa Gabriel. The property is the headquarters for Gabriel Financial Group, Inc., also owned by Ross and Melissa.

The property consists of a 55,000 square foot commercial office building on 1.3 acres located in Mendota Heights. Dakota County has a 2016 assessed tax value of \$1,048,000. Gabriel Financial is a residential mortgage services provider established in 1999. The company is looking to install a 20-kilowatt roof-top solar array to provide an estimated annual electricity savings of \$3,000.

Proposed Project:

20-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$53,000
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Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$53,000
Uses of funds:	
Energy Project Costs	\$53,000

CREDIT COMMITTEE

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In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Dakota County is assisting with placing the PACE special assessment on the property taxes and another funder will finance that portion of the project once the special assessment is in place. TBTU is acting as a bridge loan until the assessment is placed. In the unlikely event that the special assessment is not placed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Tax returns for 2014 and 2015 and a P&L for 2016 have been reviewed for Gabriel Financial Group, Inc. The company has been profitable for the past three years. All of the Trillion BTU underwriting guidelines have been met. The following ratios are as of December 31, 2016:

Debt Service Coverage:	2.38	Trillion standard of at least	1.15
Debt-to-Equity:	1.08	Trillion standard of less than	4.00

Proposal:

Source of Funds: Trillion BTU

Use of Funds: 20-Kilowatt Photovoltaic Solar System

Amount of Loan: \$53,000

Rate: 4.5%

Term: Ten years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

85 MMBTUs (\$3,000) annually. Approximately 90% of the system's cost will be recouped through a 30% investment tax credit, depreciation deduction and Xcel Energy incentives paid out over ten years.

Workforce Implications:

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

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$53,000 Trillion BTU loan to Ayre Property and Investments, LLC and Gabriel Financial Group, Inc.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of February 21, 2017)

DATE: February 16, 2017

FROM: Michael J. Linder 

SUBJECT: BIGOS – JACKSON, LLC AND BIGOS – SIBLEY, LLC
APPROVAL OF AN APPROXIMATE \$2,100,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$2,100,000 Trillion BTU loan with Bigos – Jackson, LLC and Bigos – Sibley, LLC.

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. The Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually. The retention and expansion of jobs is another public purpose.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

This credit was previously approved in January in the amount of \$2,010,000 to NEA Galtier, LLC for the installation of HVAC upgrades. NEA Galtier owns eight floors of commercial space including the common areas, while the Bigos entities own the residential rental portions of Jackson and Sibley Tower. Only \$2,100,000 will be funded and the breakdown of the parcels to be assessed will be determined by Bigos and NEA.

Galtier Towers, with approximately 1.4 million square feet, provides space for working, living, eating and recreating on one square city block which opened in 1986. Residential features include 365 apartments, 121 luxury condominiums and 16 townhomes. The apartments are owned by Bigos Management and the condominiums are individually owned. Bigos – Sibley, LLC has a tax assessed value of \$17,057,400 and Bigos – Jackson, LLC has a tax assessed value of \$17,796,800. The commercial space is owned by NEA Galtier, LLC and Ramsey County has an assessed value of \$10,071,500 on that portion of the building.

This energy efficiency financing will improve the entire facility and the PACE assessment will be placed on the commercial and/ or residential portions of the building as determined by Bigos and NEA.

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Proposed Project:

HVAC Upgrades	
Purchase Price and Installation	\$2,100,000
Xcel Rebate (Estimate)	<u>200,000</u>
Net Loan	<u>\$1,900,000</u>

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$1,900,000
Xcel Rebate	<u>200,000</u>
Total	<u>\$2,100,000</u>
Uses of funds:	
Energy Efficiencies Project Costs	<u>\$2,100,000</u>

The Xcel rebate will be used to pay down the Trillion BTU loan upon completion of the project. In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. The City of Saint Paul provided a \$500,000 grant to the Port Authority in 2010, as participation in the program. Ramsey County will assist with placing the PACE special assessment on the property. TBTU is acting as a bridge loan until the assessment is place. In the unlikely event that the special assessment is not placed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Three years of financial statements have been reviewed. Jackson tower has shown net losses in the last three years while Sibley tower was profitable in 2013 and 2015. Both of the operating entities met the Debt Service Coverage requirement; however, both properties have negative equity and therefore fail to meet the Debt to Equity requirement for the standard Trillion BTU underwriting guidelines. Accumulated depreciation for both properties is well in excess of the negative equity. The PACE assessment reduces the associated risk. The following ratios are as of December 31, 2016:

Bigos – Jackson, LLC			
Debt Service Coverage:	2.30	Trillion standard of at least	1.15
Debt-to-Equity:	Neg.	Trillion standard of less than	4.00
Bigos – Sibley, LLC			
Debt Service Coverage:	2.43	Trillion standard of at least	1.15
Debt-to-Equity:	Neg.	Trillion standard of less than	4.00

CREDIT COMMITTEE

February 16, 2017

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Proposal:

Source of Funds: Trillion BTU / Xcel Rebate

Use of Funds: HVAC Upgrades

Amount of Loan: \$2,100,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

5,000 MMBTUs (\$200,000) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

20 FTEs for construction jobs.

Policy Exceptions:

Bigos – Jackson met one of the three underwriting guidelines as there were net losses in all three years and the balance sheet shows negative equity. This is offset by the property meeting its debt service requirement and the accumulated depreciation well in excess of the negative equity. Bigos – Sibley met two of three guideline requirements as they show net profits in two of the last three years and met their debt service requirement. The negative equity is offset by the accumulated depreciation in excess of equity and the profitably and sufficient debt coverage.

Recommendation:

We recommend the approval of a \$2,100,000 Trillion BTU loan to Bigos – Jackson, LLC and Bigos – Sibley, LLC

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of February 21, 2017) **DATE:** February 16, 2017

FROM: Michael J. Linder 

SUBJECT: PAUL AND MELISSA KLUESNER
APPROVAL OF AN APPROXIMATE \$34,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$34,000 loan with Paul and Melissa Kluesner for the installation of a 10-kilowatt solar system.

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. The Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually. The retention and expansion of jobs is another public purpose.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Paul Kluesner owns and operates Paul's Handyman Services, LLC and operates out of a newly constructed facility located on their property in Red Wing, MN. The current assessed value of the property is \$157,000; however, the 2017 assessed value with the new facility will be sufficient to finance the entire project with a PACE assessment.

Proposed Project:

10-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$34,000
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Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$34,000
Uses of funds:	
Energy Project Costs	\$34,000

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Goodhue County is assisting with placing the PACE special assessment on the property and another funder will finance that portion of the project once the special assessment is in place. TBTU is acting as a bridge loan until that

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time. In the unlikely event that the special assessment is not assessed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Three years of tax returns have been reviewed. The borrowers have no debt on their property so no calculations were applicable. All of the Trillion BTU underwriting guidelines have been met as their business was profitable in the past three years and they have no debt. The following ratios are as of December 31, 2015:

Debt Service Coverage:	No debt	Trillion standard of at least	1.15
Debt-to-Equity:	No debt	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	10-Kilowatt Photovoltaic Solar System
Amount of Loan:	\$34,000
Rate:	4.5%
Term:	Ten years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

45 MMBTUs (\$1,725) annually. Approximately 90% of the system's cost will be recouped through a 30% investment tax credit, depreciation deduction and Xcel Energy incentives paid out over ten years.

Workforce Implications:

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

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$34,000 Trillion BTU loan to Paul and Melissa Kluesner.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of February 21, 2017) **DATE:** February 16, 2017

FROM: Michael J. Linder 

SUBJECT: ARLYS AND WAYNE PANNING
APPROVAL OF AN APPROXIMATE \$96,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$96,000 loan with Arlys and Wayne Panning for the installation of a 20-kilowatt solar tracking system.

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. The Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually. The retention and expansion of jobs is another public purpose.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Arlys and Wayne Panning own a 30 acre, 300-head sheep farming operation in Hancock, MN located in Carver County. Carver County has an assessed value on the property of \$325,800.

Proposed Project:

20-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$96,000
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Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$96,000
Uses of funds:	
Energy Project Costs	\$96,000

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Carver County is assisting with placing the PACE special assessment on the property taxes and another funder will finance that portion of the project once the special assessment is in place. TBTU is acting as a bridge loan until

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that time. In the unlikely event that the special assessment is not assessed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Three years of tax returns have been reviewed. The borrowers break even on their farming operations and have supplemental income from pensions and social security income sufficient to cover loan payments. All of the Trillion BTU underwriting guidelines have been met. The following ratios are as of December 31, 2015:

Debt Service Coverage:	No debt	Trillion standard of at least	1.15
Debt-to-Equity:	No debt	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU and PACE Assessment
Use of Funds:	20-Kilowatt Photovoltaic Solar System
Amount of Loan:	\$96,000
Rate:	4.5% - PACE 4.0% - TBTU
Term:	Ten years – PACE Five years – TBTU
Collateral:	Signed Loan Agreement PACE Special Assessment (\$65,000)

Energy Savings:

120 MMBTUs (\$4,000) annually. Approximately 90% of the system's cost will be recouped through a 30% investment tax credit, depreciation deduction and Xcel Energy incentives paid out over ten years.

Workforce Implications:

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

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$96,000 Trillion BTU loan to Arlys and Wayne Panning.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of February 21, 2017)

DATE: February 16, 2017

FROM: Michael J. Linder 

SUBJECT: KEITH D REMUND TRUSTEE AND LAUREL C REMUND TRUSTEE
APPROVAL OF AN APPROXIMATE \$140,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$140,000 loan with Keith and Laurel Remund for the installation of two solar tracking systems which will provide a total output of 29-kilowatts.

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. The Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually. The retention and expansion of jobs is another public purpose.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Keith and Laurel Remund have a livestock, corn and soybean farming operation located in Waseca, MN with over 800 acres of land, 500 of which is rented out. The borrowers have no debt on their land. The property's 2016 tax assessed value was \$1,652,000.

Proposed Project:

29-Kilowatt Photovoltaic Solar System

Purchase Price and Installation	\$140,000
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Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$140,000
Uses of funds:	
Energy Project Costs	\$140,000

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Waseca County is assisting with placing the PACE special assessment on the property taxes and another funder will finance that portion of the project once the special assessment is in place. TBTU is acting as a bridge loan until

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that time. In the unlikely event that the special assessment is not assessed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Three years of tax returns have been reviewed and the borrowers have been profitable in all three years. All of the Trillion BTU underwriting guidelines have been met. The following ratios are as of December 31, 2015:

Debt Service Coverage:	No debt	Trillion standard of at least	1.15
Debt-to-Equity:	No debt	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	29-Kilowatt Photovoltaic Solar System
Amount of Loan:	\$140,000
Rate:	4.5%
Term:	Ten years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

138 MMBTUs (\$5,100) annually. Approximately 90% of the system's cost will be recouped through a 30% investment tax credit, depreciation deduction and Xcel Energy incentives paid out over ten years.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
2 FTEs for construction jobs.

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$140,000 Trillion BTU loan to Keith and Laurel Remund.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of February 21, 2017) **DATE:** February 16, 2017

FROM: Michael J. Linder 

SUBJECT: SOLAR STONE PARTNERS, LLC
APPROVAL OF AN APPROXIMATE \$500,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$500,000 loan with Solar Stone Partners, LLC for the deposit fee for five one-megawatt solar photovoltaic installations under Xcel Energy's Solar Rewards Community Program.

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. The Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually. The retention and expansion of jobs is another public purpose.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

This loan is similar to Trillion BTU loans approved with Minnesota Solar Connection, LLC, and Cooperative Energy Futures. The total outstanding amount of solar deposits is currently \$1,210,000.

The 2014 Minnesota Legislature passed legislation that requires Xcel Energy to purchase solar power from "Community Solar Gardens" and to credit the bills of the subscribers for the value of this energy. The intent was to increase the amount of renewable energy provided in Minnesota and to create a way for individuals and other entities to participate even though a solar installation may not be advantageous on their home or building.

Under the Solar*Rewards Community program rules, this project will provide solar generation to Xcel under a 25-year contract, in return for bill credits delivered to the project's Community Solar subscribers. The total investment in each garden will be approximately \$2 million. Total subscriber bill savings (i.e., energy savings) over the 25-year contract term are expected to be in the range of approximately \$4 million (nominal 2015 dollars) per garden. Total project cost will depend on the cost of interconnecting to Xcel's distribution grid but is expected to be substantially less than the total bill credits (subscriber energy savings) generated. The deposit fee for each megawatt project is \$100,000, which will be

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returned by Xcel upon project commissioning or removal of the project application from Xcel's Solar*Rewards Community program.

Proposed Project:

Deposit fee for five one-megawatt solar installations	
Deposit Fee	\$500,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$500,000

Uses of funds:	
Deposit Fees	\$500,000

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. The ultimate site for the installation will be in multiple counties, but we do not expect to have any participation in this project.

Financial Analysis:

Solar Stone Partners, LLC is a Minnesota-based solar development cooperative in the business of building, managing and selling solar projects. Kaya Tarhan is the Chief Development Officer and has worked in the solar industry for over 20 years.

Solar Stone Partners, LLC is seeking \$500,000 from the Trillion BTU program to fund its Community Solar Garden deposits. The company is seeking additional equity beyond this Trillion BTU debt.

As a start-up entity, there are not any financial ratios.

Debt Service Coverage:	N/A	Trillion standard of at least 1.15
Debt-to-Equity	N/A	Trillion standard of less than 4.00

Xcel Energy is required to refund all deposit fees whether or not the project is built. The Port Authority will be paid back in less than two years when the deposits are refunded. Solar Stone Partners, LLC and the Port Authority will execute a Custody Agreement that remits the refunds to the Port Authority. Additionally, any other debt taken on by the company will have these deposits excluded from their collateral.

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	Deposit fees
Amount of Loan:	\$500,000
Rate:	5%

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Term: Two years (interest only payments)
Collateral: Signed Loan Agreement
Assignment of Deposit Refund with Xcel Energy

Energy Production:

19,193 MMBTUs (\$675,000) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

161 FTEs for construction jobs.

Policy Exceptions:

None of the Trillion BTU underwriting guidelines have been met. However, the Chief Development Officer has been successful in the solar industry and the custody account assures that the deposits will be returned to the Port Authority.

Recommendation:

We recommend the approval of a \$500,000 Trillion BTU loan to Solar Stone Partners, LLC.

MJL:djk