


**MEMORANDUM  
NOTICE**

**To:** CREDIT COMMITTEE  
**From:** Todd Hurley   
**Subject:** **REGULAR CREDIT COMMITTEE MEETING  
FEBRUARY 28, 2023, 1:45 P.M.**

**Date:** February 23, 2023

Chair Mullin is calling a meeting of the Credit Committee for **Tuesday, February 28, 2023, at 1:45 p.m.** in the Board Room of the Saint Paul Port Authority, 400 Wabasha Street No., Suite 240, St. Paul, MN.

The purpose of the meeting is:

**Minutes**

Approval of Minutes of the January 24, 2023 Credit Committee Meeting

**Conflict of Interest**

Conflicts with any Items on the Agenda

**Agenda Items**

1. Seward Redesign, Inc. – Approval of a \$280,000 Trillion BTU Loan
2. CV 7 2<sup>nd</sup> ST, LLC – Approval of a \$1,500,000 Trillion BTU Loan
3. TD Pork, LLC – Approval of a \$70,000 Trillion BTU Loan
4. Such Other Business That May Come Before the Committee

/amk

cc: Press  
City Clerk

**SAINT PAUL PORT AUTHORITY  
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING  
JANUARY 24, 2023**

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The regular meeting of the Port Authority Credit Committee was held on January 24, 2023, at 1:30 p.m. in the Board Room of the Saint Paul Port Authority, 400 Wabasha Street, Suite 240, Saint Paul, Minnesota 55102.

The following Committee Members were present:

Matt Slaven	John Marshall	Don Mullin
Nneka Constantino	Angela Riffe	Brianne Hamm

Also, present were the following:

Andrea Novak	Annamarie Kosel	Bruce Kessel
Cathy Mohr	Dana Krueger	Laurie Siever
Linda Tran	Linda Williams	Pete Klein
Phoua Vang	Sarah Illi	Todd Hurley
Eric Larson, City of Saint Paul		
Samantha Juneau, City of Saint Paul		

**APPROVAL OF MINUTES**

Committee Member Riffe made a motion to approve the minutes of the December 13, 2022 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 of the items on the agenda.

**AGENDA ITEMS**

**ST. PAUL PROPERTIES, LLC – APPROVAL OF A \$328,000 TRILLION BTU LOAN**

Mr. Klein reviewed his memorandum with the Committee requesting approval for the Port Authority to initiate a Trillion BTU loan for approximately \$328,000 with St. Paul Properties, LLC, 701 Lexington Pkwy N., Saint Paul for the purchase and installation of a new boiler, HVAC, lighting, EMS, and envelope. Committee Member Slaven made a motion to approve the request. The motion was seconded by Committee Member Hamm, submitted to a roll call vote, and carried unanimously.

Mr. Klein was asked to add to the financial analysis section all future Credit memos outstanding mortgage balances and a more thorough explanation of negative equity.

**ASPIRE BAKERIES HOLDINGS, LLC – APPROVAL OF A \$200,000 TRILLION BTU LOAN**

Mr. Klein reviewed his memorandum with the Committee requesting approval for the Port Authority to initiate a Trillion BTU loan for approximately \$200,000 with Aspire Bakeries Holdings, LLC, 4075 Norex Drive, Chaska for the purchase and installation of new lighting. Committee Member Marshall made a motion to approve the request. The motion was seconded by Committee Member Riffe, submitted to a roll call vote, and carried unanimously.

**MIDWAY CONTEMPORARY ART – APPROVAL OF A \$364,000 TRILLION BTU LOAN**

Mr. Klein reviewed his memorandum with the Committee requesting approval for the Port Authority to initiate a Trillion BTU loan for approximately \$364,000 with Midway Contemporary Art, 1509 Marshall Street NE, Minneapolis for a new boiler, HVAC, lighting, EMS, and envelope. Committee Member Riffe made a motion to approve the request. The motion was seconded by Committee Member Slaven, submitted to a roll call vote, and carried unanimously.

**FARMSTEAD, LLC – APPROVAL OF A \$109,000 TRILLION BTU LOAN**

Mr. Klein reviewed his memorandum with the Committee requesting approval for the Port Authority to initiate a Trillion BTU loan for approximately \$109,000 with Farmstead, LLC, 3948 Lyndale Avenue South, Minneapolis for the purchase and installation of a new boiler, HVAC, lighting, and envelope. Committee Member Slaven made a motion to approve the request. The motion was seconded by Committee Member Marshall, submitted to a roll call vote, and carried unanimously.

**SUCH OTHER BUSINESS**

**QUARTERLY REPORT ON OUTSIDE FUNDED PACE PROJECTS – 4Q/2022**

Committee Chair Mullin thanked Mr. Klein for providing the Credit Committee with the quarterly report on outside funded PACE projects.

There being no further business, the meeting was adjourned at 1:48 p.m.

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

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

## MEMORANDUM

**To:** CREDIT COMMITTEE **Meeting Date:** February 28, 2023  
**From:** Peter M. Klein   
**Subject:** SEWARD REDESIGN, INC. - APPROVAL OF A \$280,000 TRILLION BTU LOAN

**Action Requested:**

Seeking approval for the Port Authority to initiate a Trillion BTU loan, in the approximate amount of \$280,000, with Seward Redesign, Inc. for the installation of new lighting at an 85,000 square-foot building located at 2708 Lake Street East, Minneapolis, MN.

**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:**

Seward Redesign is a non-profit community development corporation that started in 1969. It owns and manages seven other buildings in Minneapolis. Seward recently purchased the Coliseum building on Lake Street and will be deeding said property to its subsidiary company recently created, Coliseum 2708 Building Owner, LLC. This building was damaged during the recent civil unrest and Seward is in the process of bringing it back as a hub of commerce. The plan is to have 30 business and professional tenants, predominantly BIPOC, when the rehabilitation is completed.

Numerous governmental and philanthropic organizations have provided grant funding for the success of this project. These include Hennepin County, Minneapolis, Met Council, and the McKnight Foundation, totaling \$4,000,000. In addition to these grants, the project will receive about \$6,000,000 in New Market Tax Credits and Historic Preservation Credits.

The total cost of the project is expected to be about \$17,000,000, including construction period interest and other soft costs, and the as-built appraised value is \$10,500,000.

PACE Equity will fund \$2,100,000, the PACE statutory limit, for energy efficiency components of the project through our MinnPACE program. An additional \$280,000 of energy efficiency component costs would be funded by this loan if approved.

There will be a mortgage in the amount of \$4,500,000 so the total debt will be about \$7,000,000 on an appraised value of \$10,500,000.

To summarize, the financing of this \$17,000,000 project will come from \$10,000,000 of grants and credits and \$7,000,000 of debt.

**MEMORANDUM**

**Proposed Project:**

New Lighting

Purchase Price and Installation	\$280,000
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**Sources and Uses of Funds:**

Sources of funds:

Trillion BTU	\$280,000
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Uses of funds:

Project Description	\$280,000
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PACE is not an option for this loan since the maximum amount of PACE financing has been taken up by PACE Equity. This will be an unsecured Trillion BTU loan that will likely be carried by the Port Authority until it has matured.

**Financial Analysis:**

Seward Redesign will be the borrowing entity for this loan and the newly created Coliseum 2708 Building Owner, LLC will be a co-borrower. Consolidated financial statements have been reviewed and show assets of \$15,000,000, liabilities of \$9,000,000, and a net asset position (equity) of \$6,000,000. The following ratios are from the 2021 audited consolidated financial statement:

Debt Service Coverage:	1.30	Trillion standard of at least:	1.15
Debt-to-Equity:	1.51	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds: Trillion BTU

Use of Funds: Lighting

Amount of Loan: \$280,000

Rate: 5.00%

Term: 10 years

Collateral: Signed Loan Agreement (No PACE Assessment)

**Energy Savings:**

\$33,063 Annually – 261,149 kWh

**Workforce Implications:**

Davis-Bacon wage requirements need to be followed.

3 FTE for construction jobs.

150 permanent jobs expected.

**Policy Exceptions:**

None.


**Recommendation:**

We are recommending approval for the Port Authority to initiate a Trillion BTU loan, in the approximate amount of \$280,000, with Seward Redesign, Inc. for the installation of new lighting at an 85,000 square-foot building located at 2708 Lake Street East, Minneapolis, MN.

**MEMORANDUM**

**To:** CREDIT COMMITTEE

**Meeting Date:** February 28, 2023

**From:** Peter M. Klein 

**Subject:** CV 7 2ND ST, LLC - APPROVAL OF A \$1,500,000 TRILLION BTU LOAN

**Action Requested:**

Seeking approval for the Port Authority to initiate a Trillion BTU loan, in the approximate amount of \$1,500,000 to CV 7 2<sup>ND</sup> ST, LLC for the installation of new lighting, HVAC, and building envelope for a 23,000 square foot building located at 7 2nd Street SW, Rochester, MN.

**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:**

CV 7 2<sup>ND</sup> ST, LLC is a newly created company as the owner of this redevelopment project. It is controlled by Capital Ventures, LLC. Capital Ventures, LLC has a long history of building ownership in Rochester, and it currently owns seven other buildings there. The building involved in this project is the old Olmsted County Bank Building. The project consists of a complete repurposing of this building into 14 luxury apartments and a restaurant on the street level. The current budget for this project is \$13,500,000 and it will have an appraised value in excess of \$13,000,000. The current assessed value is \$1,289,300. The project timeline is to start construction this spring with completion by this fall.

**Proposed Project:**

New Lighting, HVAC & Building Envelope	
Purchase Price and Installation	\$1,500,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$1,500,000
Uses of funds:	
Project Description	\$1,500,000

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In order to leverage the grant funds, we are working with public and private partners to ultimately fund this project. Olmsted County is assisting with placing the PACE special assessment on the property taxes and another funder will likely 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 unlikely event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, Trillion BTU will remain the funder of the loan.

### **Financial Analysis:**

CV 7 2<sup>ND</sup> ST, LLC is the entity that owns this facility. Capital Ventures, LLC owns CV 7 2ND ST, LLC. Tax returns and personal financial statements have been reviewed for the two individuals that control both of these entities. This review has shown significant net worth and positive cash flow from other investments to service this debt. The financial projections for this project also indicate positive cash flow to service this debt.

As of 12/31/2022, there was no revenue so there is no debt service coverage ratio. The debt-to-equity ratio on 12/31/2022 was .79 with an outstanding mortgage of \$1,900,000 and \$2,400,000 of equity. The following are ratio projections for 12/31/2023 with outstanding debt of \$9,600,000, including our \$1,500,000 PACE loan and an \$8,100,000 mortgage, with \$3,900,000 of equity.

Debt Service Coverage:	1.65	Trillion standard of at least:	1.15
Debt-to-Equity:	2.46	Trillion standard of less than:	4.00

### **Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	Lighting, HVAC & Building Envelope
Amount of Loan:	\$1,500,000
Rate:	5.00%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

### **Energy Savings:**

TBD



**Workforce Implications:**

Davis-Bacon wage requirements need to be followed for the portion of the project that we are funding.

17 FTE for construction jobs.

15 permanent jobs expected.

**Policy Exceptions:**

The property was recently purchased and is about to start the construction phase of this redevelopment project. We generally look for three years of operating history which this new LLC does not have. However, the ownership group has more than two decades of successfully operating other rental properties in Rochester and they do understand that real estate market. There is significant net worth that can be brought into this project if the projections are not met as expected. Additionally, the mortgage holder is allowing our PACE secured position to be in first position in the capital stack. Cumulatively, all of these points make us comfortable with this loan.

**Recommendation:**

We recommend approval for the Port Authority to initiate a Trillion BTU loan, in the approximate amount of \$1,500,000 to CV 7 2<sup>ND</sup> ST, LLC for the installation of new lighting, HVAC, and building envelope for a 23,000 square foot building located at 7 2nd Street SW, Rochester, MN.

**MEMORANDUM**

**To:** CREDIT COMMITTEE

**Meeting Date:** February 28, 2023

**From:** Peter M. Klein 

**Subject:** TD PORK, LLC - APPROVAL OF A \$70,000 TRILLION BTU LOAN

**Action Requested:**

Seeking approval for the Port Authority to initiate a Trillion BTU loan for approximately \$70,000 with TD Pork, LLC for the installation of a new 51 kW Solar System at its facility located at 57325 276<sup>th</sup> Street in Winthrop, MN.

**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:**

TD Pork, LLC owns and operates a hog facility in Winthrop, MN. The solar panels will be used for a recently constructed barn which has a current assessed value of \$511,4000. The owner of TD Pork, LLC also owns several other agricultural businesses.

**Proposed Project:**

51 kW Solar System	
Purchase Price and Installation	\$99,200

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$70,000
Equity	<u>\$29,200</u>
Total	\$99,200
Uses of funds:	
Project Description	\$99,200

In order to leverage the grant funds, we are working with public and private partners to ultimately fund this project. Sibley County is assisting with placing the PACE special assessment on the property taxes and another funder will likely 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

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unlikely event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, Trillion BTU will remain the funder of the loan.

### **Financial Analysis:**

TD Pork, LLC built this facility in 2021 and the owner has managed other farming operations for decades. The financial statements for TD Pork, LLC were received and reviewed. They indicate sufficient cash flow to service its debt. The current mortgage balance is \$850,000. The following ratios were as of 12/31/2022:

Debt Service Coverage:	1.18	Trillion standard of at least:	1.15
Debt-to-Equity:	2.11	Trillion standard of less than:	4.00

### **Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	51 kW Solar System
Amount of Loan:	\$70,000
Rate:	5.00%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

### **Energy Savings:**

252 MMBTUs (\$7,000) annually.

### **Workforce Implications:**

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

### **Policy Exceptions:**

None.

### **Recommendation:**

We recommend approval for the Port Authority to initiate a Trillion BTU loan for approximately \$70,000 with TD Pork, LLC for the installation of a new 51 kW Solar System at its facility located at 57325 276<sup>th</sup> Street in Winthrop, MN.