

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE

DATE: January 12, 2017

FROM: Lee J. Krueger



SUBJECT: REGULAR CREDIT COMMITTEE MEETING
JANUARY 17, 2017 – 2:00 P.M.

NOTICE

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **January 17, 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 December 13, 2016
2. Conflict of Interest
3. Grant/Financial Assistance Resolution Approval
4. Tiller Corporation, d/b/a Barton Enterprises, Inc., Lease Renewal/Amendment and Rental Rate Adjustment PID No: 23 28 22 23 009 Red Rock Terminal
5. Midway Shopping Center – Approval to Enter into a Master Lease Agreement with RK Midway Shopping Center, LLC
6. J & J Distributing Co. Forbearance Agreement
7. 990 Payne Avenue, LLC DBA Plaza Del Sol – Approval of an Approximate \$73,000 Trillion BTU Loan
8. Cooperative Energy Futures – Approval of an Approximate \$300,000 Trillion BTU Loan
9. Rodney and Ruth Meier – Approval of an Approximate \$224,000 Trillion BTU Loan
10. Ruether Brothers, LLC – Approval of an Approximate \$100,000 Trillion BTU Loan
11. 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
DECEMBER 13, 2016**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:01 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	Harry Melander
John Regal		

Also present were the following:

Lee Krueger	Laurie Hansen	Pete Klein
Laurie Siever	Andrea Novak	Sarah Savelle
Bruce Kessel	Dana Krueger	
Eric Larson, General Counsel, City of Saint Paul		
Michael Linder, Bremer Bank		

APPROVAL OF MINUTES

Committee Member Bennett made a motion, seconded by Committee Member Melander, to approve the minutes of the November 15, 2016 Credit Committee meeting. The motion carried unanimously.

CONFLICT OF INTEREST

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

**TODD HOEBING
APPROVAL OF AN APPROXIMATE \$72,000 TRILLION BTU LOAN**

Mr. Klein reviewed his memorandum with the Committee requesting approval of an approximate \$72,000 Trillion BTU loan to Todd Hoebing for the installation of a 30-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$72,000 Trillion BTU loan to Todd Hoebing for the installation of a 30-kilowatt solar system. The motion carried unanimously.

LIBERTY CROSSING INVESTMENT PARTNERS, LLC
APPROVAL OF AN APPROXIMATE \$440,000 TRILLION BTU LOAN

Mr. Klein review his memorandum with the Committee requesting approval of an approximate \$440,000 Trillion BTU loan to Liberty Crossing Investment Partners, LLC for the installation of a 180-kilowatt solar system.

There was discussion about the use of PACE for residential projects in the future.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, for approval of an approximate \$440,000 Trillion BTU loan to Liberty Crossing Investment Partners, LLC for the installation of a 180-kilowatt solar system. The motion carried unanimously.

NEA GALTIER, LLC
APPROVAL OF AN APPROXIMATE \$2,010,000 TRILLION BTU LOAN

Mr. Klein reviewed his memorandum with the Committee requesting approval of an approximate \$2,010,000 Trillion BTU loan to NEA Galtier, LLC for the installation of HVAC upgrades.

Discussion included, but was not limited to, the principal owners of the company, prevailing wage and the availability of cash to fund a project of this size.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, for approval of an approximate \$2,010,000 Trillion BTU loan to NEA Galtier, LLC for the installation of HVAC upgrades. The motion carried unanimously.

NWR, LLP
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 NWR, LLC for the installation of a 40-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 NWR, LLC for the installation of a 40-kilowatt solar system. The motion carried unanimously.

**MINNESOTA SOLAR CONNECTION, LLC
APPROVAL OF A ONE YEAR EXTENTION OF THE
\$1,000,000 TRILLION BTU LOAN APPROVED ON JANUARY 20, 2015**

Mr. Klein review his memorandum with the Committee requesting the approval of a one year extension of the \$1,000,000 Trillion BTU loan to Minnesota Solar Connection, LLC.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, to approve the one year extension of the \$1,000,000 Trillion BTU Loan to Minnesota Solar Connection to December 31, 2017. The motion carried unanimously.

**PIER FOUNDRY AND PATTERN SHOP, INC.
\$775,000 (\$535,000 CURRENT BALANCE) BDF LOAN
SUBORDINATION TO PREMIER BANK'S NEW \$800,000 TERM LOAN**

Mr. Klein review his memorandum with the Committee requesting approval for the subordination of the Port's BDF loan to Premier Bank's new term loan.

Discussion included, but was not limited to, the current versus proposed position of the debt, cash flow and financial strength of the company.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, to approve the subordination of the \$775,000 (\$535,000 current balance) BDF loan participation to Premier Bank's new \$800,000 term loan. The motion carried unanimously.

OTHER BUSINESS

Ms. Hansen and Mr. Klein shared with the Committee about discussions between the Port Authority and Renovate America regarding a residential PACE program. There is the potential to enter into an administrative agreement with Renovate America and bring a resolution forward to issue revenue bonds for this program. This program could be a significant source of revenue for the Port Authority.

There being no further business, the meeting was adjourned at 2:42 p.m.

By: _____

Its: _____

/djkk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of January 17, 2017)

DATE: January 11, 2017

FROM: Eric D. Larson 

SUBJECT: GRANT/FINANCIAL ASSISTANCE RESOLUTION APPROVAL
RESOLUTION NO. _____

Action Requested:

Approval for 2017 for the President of the Port Authority of the City of Saint Paul or anyone acting under his direction to apply for and accept any grant or other financial or resource assistance so long as the assistance furthers the Port Authority's mission.

Background:

The Port Authority seeks programs that provide grants or other financial or resource assistance that can help the Port Authority further its mission. Some of the programs require a Board resolution enclosed with the application authorizing the applicant to apply or receive the assistance. At times the application deadline date precedes the Port Authority's next Board meeting and, therefore, the Port Authority has not been able to provide a Board resolution in support of its application. In such instances, the Port Authority has supplemented its application as soon as possible afterwards, and, to the best of the Port Authority's knowledge, the lack of any such resolution has not precluded an award to the Port Authority. Regardless, Port Authority staff recommends that the Board approve a resolution, which contains many of the standard board representations and statutory information required for such program assistance and further authorizes the Port Authority to apply for and accept any grant or other financial or resource assistance so long as the assistance furthers the Port Authority's mission. This resolution may help further the Port Authority's application especially as the competition for such assistance becomes greater.

At the May 22, 2012, April 23, 2013, December 17, 2013, December 16, 2014, and December 15, 2015, Board meetings, Board approval was given to Resolution Nos. 4426, 4457, 4490, 4525, and 4560 respectively, authorizing the application for and acceptance of financial or resource assistance for 2012, 2013, 2014, 2015, and 2016. Resolution No. 4590 would authorize this assistance for 2017.

Recommendation:

It is therefore recommended that the Board approve a resolution authorizing the President of the Port Authority of the City of Saint Paul or anyone acting under his direction to apply for and accept any grant or other financial or resource assistance so long as the assistance furthers the Port Authority's mission.

EDL/lkw
Attachment

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

2017 GRANT APPLICATION AND ACCEPTANCE AUTHORIZATION

WHEREAS, the Port Authority of the City of Saint Paul is a public body corporate and politic and governmental subdivision organized pursuant to Chapter 469 of Minnesota Statutes; and

WHEREAS, the district of the Port Authority is the City of Saint Paul; and

WHEREAS, under Minn. Stat. § 469.055, the Port Authority shall (1) promote the general welfare of the port district, and of the port as a whole; (2) try to increase the volume of the port's commerce; (3) promote the efficient, safe, and economical handling of the commerce; and (4) provide or promote adequate docks, railroad and terminal facilities open to all on reasonable and equal terms for the handling, storage, care, and shipment of freight and passengers to, from, and through the port; and

WHEREAS, under Minn. Stat. §§ 469.048 to 469.061, the Port Authority has the powers and duties conferred upon all port authorities; and

WHEREAS, under Minn. Stat. § 469.084, Subds. 1 to 15, the Port Authority of the City of Saint Paul has additional statutory duties and powers including powers related to recreational facilities and small business capital; and

WHEREAS, under Minn. Stat. § 469.084, Subd. 8, the Port Authority of the City of Saint Paul, furthermore, has the power of and is authorized to do what a redevelopment agency may do or must do under sections 469.152 to 469.165 (Municipal Industrial Development); and

WHEREAS, federal, state, county, city, and other governmental entities and agencies have established grant, or other various assistance programs, which the Port Authority could use in furtherance of its statutory mission; and

WHEREAS, for instance, the Minnesota legislature established environmental assistance grant programs to provide financial assistance in the development of environmentally sustainable practices in Minnesota through voluntary partnerships and goal-oriented, economically driven approaches to pollution prevention and resource conservation; and

WHEREAS, many non-profit organizations have established grant, or other various assistance programs, which the Port Authority could use in furtherance of its statutory mission; and

WHEREAS, the Port Authority represents that it has undertaken reasonable and good faith efforts to procure funding in pursuit of its mission from other sources in addition to grant, or other program resources to which it may seek assistance.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL: That the Port Authority has the legal authority to apply for financial assistance, and has the institutional, managerial, and financial capability to ensure adequate project administration of any financial assistance received; and

BE IT FURTHER RESOLVED, that any sources and amounts of any matching funds, local or otherwise, identified in the Port Authority's application will be committed to the identified project per the application; and

BE IT FURTHER RESOLVED, that the Port Authority has not violated any federal, state or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice; and

BE IT FURTHER RESOLVED, that the Port Authority certifies that it will comply with all applicable laws and regulations as stated in the grant/assistance agreements; and

BE IT FURTHER RESOLVED for the year 2017, that the President or anyone acting under his direction is hereby encouraged and authorized to apply to, and accept from, if awarded, a grant or some other financial or resource assistance in any amount from any federal, state, county, city, and other governmental entities and agencies or non-profit organizations so long as the assistance furthers the Port Authority's mission; and

BE IT FURTHER RESOLVED, that the President or anyone acting under his direction is hereby authorized and directed to execute any and all necessary documents to complete grant/assistance applications and secure their receipt; and

BE IT FURTHER RESOLVED, that notwithstanding the above, all loans and other financial or resource assistance that needs to be repaid by the Port Authority will require Board approval prior to the execution of documents imposing the specific debt obligation and amount by and upon the Port Authority.

Adopted: January 24, 2017

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 January 17, 2017)

DATE: January 12, 2017

FROM: B Kyle 

SUBJECT: TILLER CORPORATION, d/b/a BARTON ENTERPRISES, INC.
LEASE RENEWAL/AMENDMENT AND RENTAL RATE ADJUSTMENT
PID NO: 23 28 22 23 0009
RED ROCK TERMINAL

Action Requested:

Approval of a Lease Renewal/Amendment and Rental Rate Adjustment with Tiller Corporation, d/b/a Barton Enterprises, at Red Rock Terminal.

Background:

Tenant has been leasing approximately 15 acres at 1359 Red Rock Road since 1977. The site is used for the warehousing and storage of sand and gravel aggregates and hot mix asphalt for the construction industry.

The original Lease, effective February 1, 1977, was for 30 years with the option to renew for eight (8) additional five-year options. The initial Lease expired on January 31, 2007, with renewal options from February 1, 2007 through January 31, 2047. Tenant has elected to exercise renewal of the third, fourth, fifth, and sixth five-year option periods which will commence February 1, 2017, and will terminate on January 31, 2037.

In the summer of 2015, flooding along the Mississippi River caused significant erosion to the shoreline along the edge of Tenant's leased premises. Based on repair estimates the Port Authority prepared in early 2016, slope repairs are anticipated to cost more than \$700,000. The Tenant and the Port Authority both will contribute to repair/replacement costs. To participate in the cost of repairs, the Port Authority has agreed to the following, which will represent over \$446,000 in savings to the Tenant:

- freeze rental rate increases for the first five-year option period;
- re-establish annual increases at 2% per year in years 6-15; and,
- re-establish market rate rent at year 16, with 2% per year increases from that re-established rate for years 16-20.

Tiller Corporation is a Tenant in good standing.

Lease Terms and Conditions:

Current Lease: 2/1/1977 – 1/31/2007.

Total Option Periods: Eight (8), 2/1/2007 – 1/31/2047.

Options Being Executed in This Rental Rate Adjustment: Four (4), 2/1/2017 – 1/31/2037.

The rental rate adjustments for the Base Rent of 653,400 square feet, for the four (4) option periods are as follows:

- Frozen at \$.4650 psf for the first five-year option period (third option period);
- Annual increases of 2% per year for years 6-15 (fourth and fifth option periods); and
- Market rate rental rates re-established at year 16, with 2% per year increases within that option period (sixth option period), per the table below.

Base Rent	SF Included	Period Total	Monthly	PSF rate
THIRD (5-year option period - Frozen at \$.4650 psf)				
Feb 1, 2017 - Jan 31, 2018	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
Feb 1, 2018 - Jan 31, 2019	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
Feb 1, 2019 - Jan 31, 2020	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
Feb 1, 2020 - Jan 31, 2021	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
Feb 1, 2021 - Jan 31, 2022	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
FOURTH (5-year option period – Increases 2% per year)				
Feb 1, 2022 - Jan 31, 2023	653,400	\$ 309,907.62	\$ 25,825.64	0.4743
Feb 1, 2023 - Jan 31, 2024	653,400	\$ 316,114.92	\$ 26,342.91	0.4838
Feb 1, 2024 - Jan 31, 2025	653,400	\$ 322,452.90	\$ 26,871.08	0.4935
Feb 1, 2025 - Jan 31, 2026	653,400	\$ 328,856.22	\$ 27,404.69	0.5033
Feb 1, 2026 - Jan 31, 2027	653,400	\$ 335,455.56	\$ 27,954.63	0.5134
FIFTH (5-year option period – Increases 2% per year)				
Feb 1, 2027 - Jan 31, 2028	653,400	\$ 342,185.58	\$ 28,515.47	0.5237
Feb 1, 2028 - Jan 31, 2029	653,400	\$ 348,980.94	\$ 29,081.75	0.5341
Feb 1, 2029 - Jan 31, 2030	653,400	\$ 355,972.32	\$ 29,664.36	0.5448
Feb 1, 2030 - Jan 31, 2031	653,400	\$ 363,094.38	\$ 30,257.87	0.5557
Feb 1, 2031 - Jan 31, 2032	653,400	\$ 370,347.12	\$ 30,862.26	0.5668
SIXTH (5-year option period - Market Rate Re-established at year 16, then 2% increase per year)				
Feb 1, 2032 - Jan 31, 2033	653,400	\$ 417,065.22	\$ 34,755.44	0.6383
Feb 1, 2033 - Jan 31, 2034	653,400	\$ 425,428.74	\$ 35,452.40	0.6511
Feb 1, 2034 - Jan 31, 2035	653,400	\$ 433,922.94	\$ 36,160.25	0.6641
Feb 1, 2035 - Jan 31, 2036	653,400	\$ 442,613.16	\$ 36,884.43	0.6774
Feb 1, 2036 - Jan 31, 2037	653,400	\$ 451,499.40	\$ 37,624.95	0.6910

Pursuant to the original Lease, Facility Rent will remain fixed at \$6,635.50 per month and Facility Rent #2 will remain fixed at \$1,864.10 per month, for the entire length of the four five-year option periods from 2/1/2017 through 1/31/2037.

Also, pursuant to the original Lease, tonnage fees will remain fixed at \$.05/ton for the first 150,000 tons, and \$.03/ton for all tonnage thereafter, outbound tonnage only.

The Lease Renewal/Amendment rental rates set forth above are based upon the specific performance of Tenant to make all commercially reasonable efforts to complete the slope repairs by Dec. 31, 2017.

This Lease Renewal/Amendment and Rental Rate Adjustment does include current language required by the Minnesota Office of Management and Budget. This language provides the Port Authority increased flexibility to use public funding on future river-based infrastructure improvements.

This 2017 Lease Renewal/Amendment assures the continuance of revenue through January 31, 2037.

Recommendation:

Approval for a Lease Renewal/Amendment and Rental Rate Adjustment for Tiller Corporation, d/b/a Barton Enterprises, at the Red Rock Terminal.

BLK/lkw
Attachment: Resolution

**RESOLUTION
OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL
[TILLER CORPORATION, d/b/a BARTON ENTERPRISES, INC.
APPROVAL OF A LEASE RENEWAL/AMENDMENT AND
RENTAL RATE ADJUSTMENT FOR THE RED ROCK TERMINAL]**

WHEREAS, the Port Authority of the City of Saint Paul is a public body corporate and politic and governmental subdivision organized pursuant to Chapter 469 of Minnesota Statutes.

WHEREAS, the Port Authority wants to enter into a Lease Renewal/Amendment and Rental Rate Adjustment with Tiller Corporation d/b/a Barton Enterprises, Inc. ("Barton/Tiller"), which will extend the term of the Lease through January 31, 2037, for approximately 15 acres of land in the Red Rock Terminal.

WHEREAS, Port Authority staff and Barton/Tiller have agreed that Barton/Tiller will complete the slope repairs by December 31, 2017, and have agreed to the rental rates for the Base Rent as set forth below:

Base Rent	SF Included	Period Total	Monthly	PSF rate
THIRD (5-year option period - Frozen at \$.4650 psf)				
Feb 1, 2017 - Jan 31, 2018	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
Feb 1, 2018 - Jan 31, 2019	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
Feb 1, 2019 - Jan 31, 2020	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
Feb 1, 2020 - Jan 31, 2021	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
Feb 1, 2021 - Jan 31, 2022	653,400	\$ 303,831.00	\$ 25,319.25	0.4650
FOURTH (5-year option period – Increases 2% per year)				
Feb 1, 2022 - Jan 31, 2023	653,400	\$ 309,907.62	\$ 25,825.64	0.4743
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FIFTH (5-year option period – Increases 2% per year)				
Feb 1, 2027 - Jan 31, 2028	653,400	\$ 342,185.58	\$ 28,515.47	0.5237
Feb 1, 2028 - Jan 31, 2029	653,400	\$ 348,980.94	\$ 29,081.75	0.5341
Feb 1, 2029 - Jan 31, 2030	653,400	\$ 355,972.32	\$ 29,664.36	0.5448
Feb 1, 2030 - Jan 31, 2031	653,400	\$ 363,094.38	\$ 30,257.87	0.5557
Feb 1, 2031 - Jan 31, 2032	653,400	\$ 370,347.12	\$ 30,862.26	0.5668
SIXTH (5-year option period - Market Rate Re-established at year 16, then 2% increase per year)				
Feb 1, 2032 - Jan 31, 2033	653,400	\$ 417,065.22	\$ 34,755.44	0.6383
Feb 1, 2033 - Jan 31, 2034	653,400	\$ 425,428.74	\$ 35,452.40	0.6511
Feb 1, 2034 - Jan 31, 2035	653,400	\$ 433,922.94	\$ 36,160.25	0.6641
Feb 1, 2035 - Jan 31, 2036	653,400	\$ 442,613.16	\$ 36,884.43	0.6774
Feb 1, 2036 - Jan 31, 2037	653,400	\$ 451,499.40	\$ 37,624.95	0.6910

WHEREAS, Port Authority staff and Barton/Tiller have further agreed that per the original Lease, the rental rates for the Facility Rent will remain fixed at \$6,635.50 per month and Facility Rent #2 will remain fixed at \$1,864.10 per month.

WHEREAS, per the original Lease, tonnage fees will be set at \$.05/ton for the first 150,000 tons, and \$.03/ton for all tonnage thereafter, outbound tonnage only.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL, that the proposed Lease Renewal/Amendment and Rental Rate Adjustment, as contained in the Memorandum to the Board, is hereby approved; and

BE IT FURTHER RESOLVED, that the President of the Port Authority, or anyone acting under his direction, is hereby authorized and directed to execute on behalf of the Port Authority a Lease Renewal/Amendment in accordance with the above-referenced terms in form as approved by counsel.

Adopted: January 24, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair


ATTEST:

By _____
Its Assistant Secretary

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of January 17, 2017) DATE: January 10, 2017

FROM: Lee J. Krueger 

SUBJECT: MIDWAY SHOPPING CENTER
APPROVAL TO ENTER INTO A MASTER LEASE AGREEMENT
WITH RK MIDWAY SHOPPING CENTER, LLC
RESOLUTION NO. _____

Action Requested:

We are recommending approval for the Saint Paul Port Authority to enter into the proposed Master Lease Agreement with RK Midway Shopping Center, LLC materially consistent with the terms and conditions set forth as follows.

Background:

Attached is a memo outlining the proposed terms we are seeking to complete this transaction.

Recommendation:

We recommend approval of this action.

LJK: amk

Attachment

SAINT PAUL PORT AUTHORITY / RK MIDWAY SHOPPING CENTER, LLC
MASTER LEASE TRANSACTION

Action Requested: We are recommending approval for the Saint Paul Port Authority to enter into the proposed Master Lease Agreement with RK Midway Shopping Center, LLC materially consistent with the terms and conditions set forth as follows.

SPPA Contact: Lee J. Krueger

Master Tenant: Port Authority of the City of Saint Paul

Master Landlord: RK Midway Shopping Center, LLC

Location of Property to be Leased:

The project will consist of the existing Midway Shopping Center, approximately 15.6 acres currently owned by RK Midway. The project will facilitate the Major League Soccer project and will likely be a mixed-use development in a commercial district. The buildings will most likely have tenants leasing space consisting of housing, retailers, restaurants, medical office, entertainment, and athletic facilities, as consistent with the City's Master Plan for the area.

Background:

Under a proposed Master Lease Agreement, the Port Authority will have a period of 120 days to perform due diligence to determine the financial viability of the Master Lease Agreement arrangement and the potential cost of any environmental remediation required in connection with the redevelopment. It is the Port Authority's intent to use this period of time to complete a joint venture with a development partner that will complete the redevelopment of the shopping center site.

Assuming the Master Lease Agreement is not terminated, the Master Lease Agreement will then be assigned to Capital City Properties, which would then assign the Master Lease Agreement to a joint venture. Hereafter, the Port Authority and Capital City Properties are collectively referred to as "CCP".

The joint venture will take the form of a limited liability company (LLC) formed under Minnesota law. The members of the LLC will be (i) Capital City Properties, and (ii) a partner to be determined. CCP's ownership percentage is still to be determined. Any joint venture proposal will be presented to the CCP Board for approval.

Lease Structure:

A summary of a proposed Master Lease Agreement, anticipated to be dated February 1, 2017, is as follows:

- A. **Property:** The parcel is noted on the attached site plan and measures approximately 15.6 acres, and is adjacent to the bus barn site along University Avenue and I-94.
- B. **Term:** 52 years

- C. Annual Rent: A negotiated rent, based on the existing revenues collected from the shopping center's current tenants, for years one through five, with a three percent (3%) increase for years six through ten, and five percent (5%) for each five-year period thereafter. The rent obligation will not be backed by a full faith and credit pledge nor the taxing authority of the Port Authority.
- D. Deposit: None
- E. Closing Date: Immediately upon execution of negotiated Master Lease Agreement.
- F. Port Authority Contingencies:
- a. Joint Venture Agreement. The Port Authority as Master Tenant intends to enter into a joint venture (or similar) agreement with a commercial development partner as part of the redevelopment of the shopping center property. Master Tenant does not intend to trigger commencement of the Master Lease Agreement after the due diligence period unless (i) Master Tenant has entered into such a joint venture (or similar) agreement with a development partner(s) and (ii) the Master Lessor and either the Master Tenant or the development partner have entered into an agreement for the joint development of Parcels 1 and 5, as reflected on the site plan (collectively, the "Snelling Parcels"). The development partners will undertake all the Master Lease Agreement financial responsibilities and exposures.
 - b. Soccer Stadium Project Approvals/No Defaults. On or before the "Due Diligence Deadline", all necessary permits, consents and approvals for the construction and development of the soccer stadium project shall have been received and/or issued, and there shall be no default by the proposed tenant of the soccer stadium under any agreement entered into with the City of Saint Paul or any other governmental entity in connection therewith. If Master Tenant fails to so terminate the Master Lease Agreement by such date, the Master Lease Agreement will remain in full force and effect notwithstanding the failure of this contingency.
 - c. Mortgagee Consent. If the existing lender has not consented to the Master Lease Agreement before the effective date, and such consent has not been obtained on or before the due diligence deadline, then either party shall have the right to terminate the Master Lease Agreement by written notice to the other party given prior to the date on which consent is given.
 - d. Environmental Project Management Agreement. The parties acknowledge that Master Tenant has agreed to act as project manager in connection with the environmental remediation of the Met Council property on which (most of) the proposed soccer stadium will be located pursuant to the terms of a certain Environmental Project Management Agreement, (the "Met Council Property Environmental Project Management Agreement"). The obligations of both Master Tenant and Master Lessor under the Master Lease Agreement are contingent on agreement being reached on a similar Environmental Project Management Agreement for the shopping center property which provides, in relevant part (i) for an environmental assessment (Phase I and any Phase II testing recommended by Master Tenant's environmental consultant) and (ii) that Master Tenant shall accept the shopping center property in its then current "As Is" environmental condition.

If such an agreement has not been consummated on or before the due diligence deadline, then either Master Lessor or Master Tenant shall have the right to terminate the Master Lease Agreement by written notice given to the other party prior to the satisfaction of this condition.

- e. Financial Due Diligence. If for any reason Master Tenant is dissatisfied with its Due Diligence Investigation or the shopping center property or determines that the transaction contemplated hereby is not economically feasible, Master Tenant shall have the right to terminate this Master Lease Agreement by written notice to Master Lessor given prior to the expiration of the Due Diligence Period.
- G. Purchase Option. The Master Lease Agreement will contain an option to purchase the shopping center site from the Master Lessor (the Purchase Option). The Purchase Option price will increase periodically, as set forth in the Master Lease Agreement. The Purchase Option will be assigned by CCP to the joint venture. Any member of the partnership can exercise the purchase option by written notice to the other members. Each member will then have a "tag along" right to participate in the purchase of the site, which right will be exercised by written notice to the other members given within 30 days after the initial exercise notice. Each member electing to participate in the purchase will be required to contribute a pro rata portion of the capital necessary to consummate the purchase. The members electing to participate in the purchase shall buy out the non-electing members' interest in the joint venture at the time of purchase of the site for the then current "book value" of such non-electing member's interest. The purchase option will include any prepayment penalty.
- H. Transaction Expenses: Both the Master Landlord and the Master Tenant will be responsible for their own transaction costs.

Public Purpose:

The site lies within the Port Authority's Midway Industrial Development District (formed in September 2016 with Port Authority Resolution No. 4583). A redevelopment of the subject parcel will advance the Port Authority's commercial redevelopment efforts in the area and can help serve as an additional catalyst for development within Saint Paul's Midway Business District, and fits within the Port Authority's mission to remediate marginal property, increase the City's tax base, and create good quality jobs.

Recommendation:

We are recommending approval for the Saint Paul Port Authority to enter into the proposed Master Lease Agreement with RK Midway Shopping Center, LLC materially consistent with the terms and conditions set forth above.

LJK:amk

Attachments

UNIVERSITY AVE.

PROPOSED
RIGHTS-OF-WAY
AND AREAS

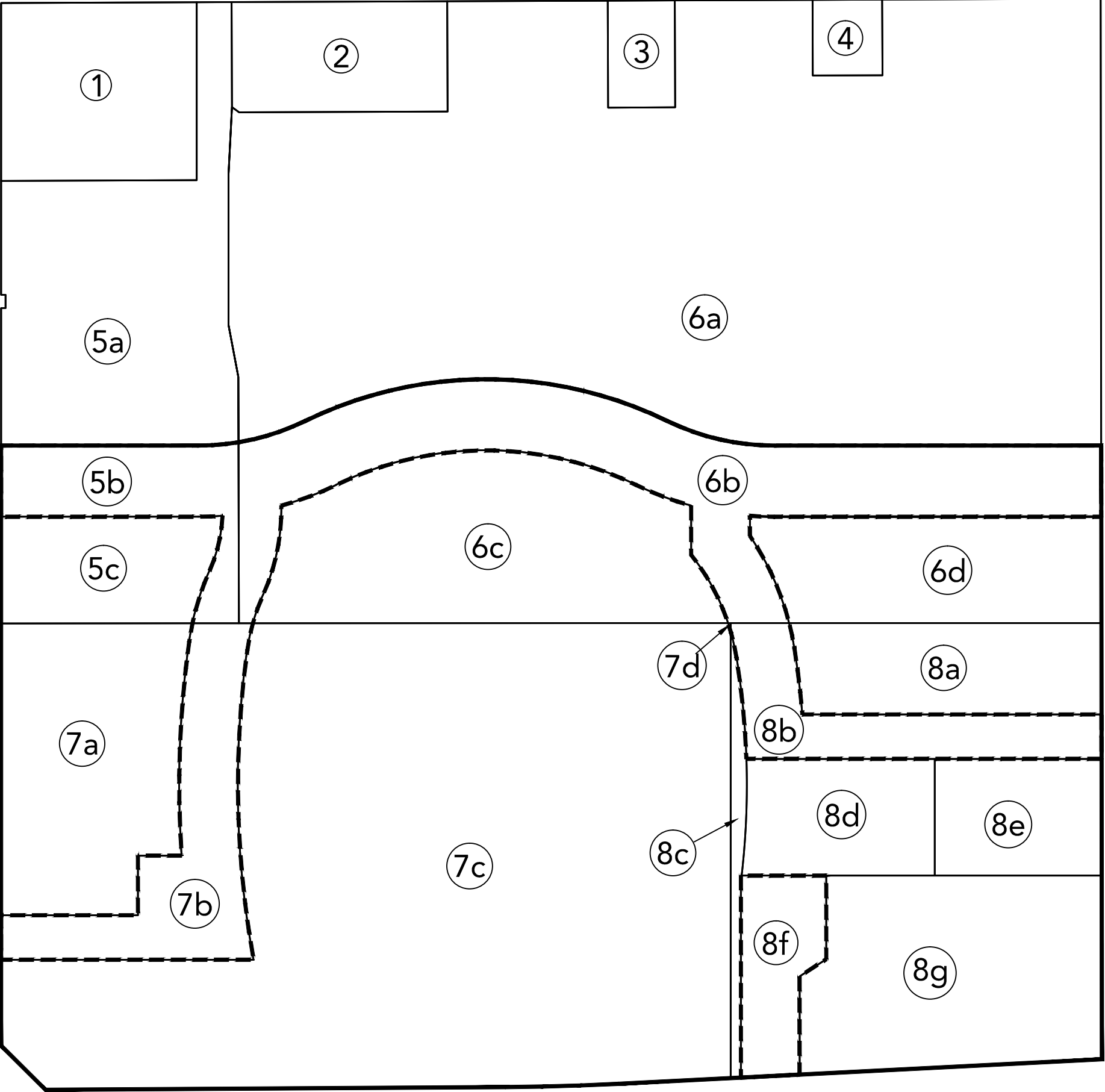
April 19, 2016

LEGEND

- RAP BOUNDARY
----- PROPOSED STREET R.O.W.

SNELLING AVE.

PASCAL ST. N



ST. ANTHONY AVE.

1	44,000 +/- sf	7a	63,560 +/- sf
2	30,021 +/- sf	7b	39,233 +/- sf
3	9,049 +/- sf	7c	323,528 +/- sf
4	6,647 +/-sf	7d	14 +/- sf
5a	85,007 +/- sf	8a	35,134 +/- sf
5b	25,428 +/- sf	8b	26,870 +/- sf
5c	28,020 +/- sf	8c	6,361 +/- sf
6a	416,999 +/- sf	8d	27,931 +/- sf
6b	92,913 +/- sf	8e	24,612 +/- sf
6c	82,170 +/- sf	8f	17,981 +/- sf
6d	44,728 +/- sf	8g	69,959 +/- sf

Midway Shopping Center



RK Midway Shopping Center



Midway Shopping Center

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

WHEREAS, the Port Authority staff has entered into negotiations to acquire as a tenant via a master lease use, occupancy, and rights to redevelopment approximately 15.6 acres of real estate and its facilities located at the southeast corner of Snelling Avenue and University Avenue, commonly referred to as the Midway Shopping Center; and

WHEREAS, the Shopping Center is located within the Port Authority's Midway Industrial Development District; and 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 transaction substantially in the form as set forth in the Board Memorandum.

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 the Master Lease materially consistent with the terms and conditions set forth in the Board Memorandum; and

2. That the President of the Port Authority is hereby authorized and directed to complete and execute said agreement, and relatedly the proper Port Authority officers are hereby authorized and directed to complete and execute all necessary documents in the form as approved by counsel.

Adopted: January 24, 2017.

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 January 17, 2017)

DATE: January 11, 2017

FROM: Peter M. Klein 

SUBJECT: J & J DISTRIBUTING, CO. – FORBEARANCE AGREEMENT

Action Requested:

Approval of a Forbearance Agreement with J & J Distributing, Co. for six months until August 1, 2017.

Background:

In April 2010, the Credit Committee approved a \$1,300,000 Trillion BTU and BDF loan to J & J Distributing. This loan was paid off earlier this month and all payments were made timely. In February 2015, the Credit Committee approved a \$950,000 Trillion BTU loan to J & J for its greenhouse project. The PACE portion of this loan was \$620,000. All tax payments have been timely and the outstanding balance of \$580,000 is being purchased by Western Bank. That leaves \$289,000 of the original \$330,000 Trillion BTU loan outstanding and that is what the forbearance would relate to. All payments on this loan have also been timely.

Current Status:

The learning curve for the greenhouse operations has been longer than anticipated. For this reason, Jim Hannigan has requested a six month forbearance on the outstanding amount of the Trillion BTU loan. This will provide some cash flow relief while a new CEO takes over and charts a new course of action for the greenhouse.

Proposal:

The forbearance will extend the term of the loan from February 1, 2021 to August 1, 2021. The payment would resume on August 1, 2017. This proposal would provide J & J Distributing with \$6,077.45 of monthly cash flow relief for six months.

Recommendation:

We recommend approval of the Forbearance Agreement with J & J Distributing through the August 1, 2017 loan payment.

PMK:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of January 17, 2017)

DATE: January 11, 2017

FROM: Peter M. Klein 

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

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$75,000 loan with 990 Payne Avenue, LLC, DBA Plaza Del Sol for the installation of a new HVAC system and lighting upgrades.

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:

Sonja Ortega purchased the 29,000 square foot building at 990 Payne Avenue in 2013. Most of the first floor is now filled with restaurants and a barber school. This loan will allow the second floor event space to open. There is a \$440,000 mortgage on the property and the assessed value is \$367,500. The appraised value is \$700,000.

Proposed Project:

Lighting and HVAC upgrades

Purchase Price and Installation	\$73,000
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Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$73,000

Uses of funds:	
Energy Project Costs	\$73,000

CREDIT COMMITTEE

January 11, 2017

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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. Ramsey County is assisting with placing the PACE special assessment on the property taxes and another funder will finance the project once the special assessment is in place.

TBTU is acting 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 TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Three years of tax returns have been reviewed. There were operating losses in each of the first three years that were covered by equity contributions. The opening of the second floor event space is expected to bring the building to profitability. The following ratios are as of December 31, 2015:

Debt Service Coverage:	Negative	Trillion standard of at least	1.15
Debt-to-Equity:	1.2	Trillion standard of less than	4.00

Ms. Ortega has adequate income from her cleaning business and car dealership to service this assessment.

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	Lighting and HVAC upgrades
Amount of Loan:	\$73,000
Rate:	4.5%
Term:	Ten years
Collateral:	Signed Loan Agreement PACE Special Assessment Personal Guarantee – Sonja Ortega

Energy Savings:

285 MMBTUs (\$11,500) annually.

Workforce Implications:

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

Policy Exceptions:

The business has not been profitable in the first three years, however Ms. Ortega has provided capital as needed and has the ability to continue to do so. There will also be a PACE assessment, with the superior position, on the real estate.

Recommendation:

We recommend the approval of a \$73,000 Trillion BTU loan to 990 Payne Avenue, LLC.

PMK:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of January 17, 2017)

DATE: January 11, 2017

FROM: Peter M. Klein 

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

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$300,000 loan with Cooperative Energy Futures for the deposit fee for three 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 Innovative Power Systems, Inc. The total outstanding amount of solar deposits is currently \$1,300,000.

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

CREDIT COMMITTEE

January 11, 2016

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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 three one-megawatt solar installations

Deposit Fee	\$300,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$300,000
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Uses of funds:

Deposit Fees	\$300,000
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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. 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:

Cooperative Energy Futures is a start-up, Minnesota-based cooperative in the business of building, managing and selling solar projects. Timothy DenHerder-Thomas is the general manager and has worked in the solar industry since 2013.

Cooperative Energy Futures is seeking \$300,000 from the Trillion BTU program to fund its Community Solar Garden deposits. The company will need 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. Cooperative Energy Futures 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
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Use of Funds:	Deposit fees
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Amount of Loan:	\$300,000
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Rate:	5%
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CREDIT COMMITTEE

January 11, 2016

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

Energy Production:

10,500 MMBTUs (\$360,000) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

40 FTEs for construction jobs.

Policy Exceptions:

None of the Trillion BTU underwriting guidelines have been met. However, the general manager 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 \$300,000 Trillion BTU loan to Cooperative Energy Futures.

PMK:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of January 17, 2017)

DATE: January 10, 2017

FROM: Peter M. Klein 

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

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$224,000 loan with Rodney and Ruth Meier for the installation of a 45-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:

The Meiers have a 160 acre agricultural business located at 42067 County Road 184, Sauk Centre in Stearns County. This farm has been in the Meier family for decades.

Proposed Project:

45-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$224,000
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Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$224,000

Uses of funds:	
Renewable Energy Project Costs	\$224,000

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Stearns County is assisting with placing the PACE special assessment on the property taxes.

CREDIT COMMITTEE

January 10, 2017

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TBTU is acting 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 TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

The ultimate collateral will be farmland valued at over \$1,250,000 by Stearns County with about a \$630,000 mortgage on it. The 2015 individual tax return, including Schedule F, has been reviewed. The Meiers have sufficient farm and non-farm income to service this loan.

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	45-Killowatt Photovoltaic Solar System
Amount of Loan:	\$224,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

400 MMBTUs (\$10,000) annually.

Workforce Implications:

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

Policy Exceptions:

PACE provides a very secure collateral position that makes us comfortable with this loan. The Meiers also have sufficient non-farm income.

Recommendation:

We recommend the approval of a \$224,000 Trillion BTU loan to Rodney and Ruth Meier.

PMK/djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of January 17, 2017)

DATE: January 10, 2017

FROM: Peter M. Klein 

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

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$100,000 loan with Ruether Brothers, LLC for the installation of a 28-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:

Ruether Brothers, LLC began in 1973 and operates a medium to heavy duty commercial vehicle repair service. It is located at 165 Division Street in Montevideo. Chippewa County has an assessed valuation of \$158,200.

Proposed Project:

28-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$100,000
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Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$100,000

Uses of funds:	
Energy Project Costs	\$100,000

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

CREDIT COMMITTEE

January 10, 2017

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TBTU is acting 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 TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Three years of tax returns have been reviewed. The company was profitable for the three years and 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:	28-Kilowatt Photovoltaic Solar System
Amount of Loan:	\$100,000
Rate:	4.5% - PACE 4.0% - TBTU
Term:	Ten years – PACE Five years – TBTU
Collateral:	Signed Loan Agreement PACE Special Assessment (\$30,000)

Energy Savings:

150 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 \$100,000 Trillion BTU loan to Ruether Brothers, LLC.

PMK:djk