

**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE
From: Lee Krueger *Lee Krueger*
Subject: **REGULAR CREDIT COMMITTEE MEETING
JANUARY 21, 2020 – 2:00 P.M.**

Date: January 16, 2019

Chair Mullin is calling a meeting of the Credit Committee for Tuesday, **January 21, 2019**, at **2:00 p.m.** in the Board room of the Port Authority of the City of Saint Paul located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102. The purpose of the meeting is:

Minutes

Approval of Minutes of the December 17, 2019 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. 2020 Grant Application and Acceptance Authorization
2. Conveyance of Land to BeHome Communities, LLC – Beacon Bluff Business Center
3. Twin Cities Athletic Training – Treasure Island Center – Approval of a \$300,000 BDF Loan
4. 1000 University Avenue Properties, LP – Approval of a \$260,000 Trillion BTU Loan
5. John and Eugene Allen – Approval of an \$84,900 Trillion BTU Loan
6. Joseph and Janine Engen – Approval of a \$58,700 Trillion BTU Loan
7. IBYS, LLC and G & L Furniture, Inc. – Approval of a \$90,000 Trillion BTU Loan
8. 252 Marie, LLC and Westview Park Apartments, LP – Approval of an \$800,000 Trillion BTU Loan
9. Capital Enterprises, LLC and Capital Granite and Marble, Inc. – Approval of a \$400,000 Trillion BTU Loan
10. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
DECEMBER 17, 2019**

Committee Chair Mullin called the Regular Meeting of the Credit Committee to order at 2:44 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:

Don Mullin	John Bennett	Brianne Hamm
Matt Hill	Paul Williams	

Also present were the following:

Lee Krueger	Michael Linder	Pete Klein
Bruce Kessel	Andrea Novak	Dana Krueger
Laurie Siever	David Johnson	
Linda Tran, Hamline University		
Eric Larson, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Bennett made a motion to approve the minutes of the November 19, 2019 Credit Committee meeting. The motion was seconded by Committee Member Hamm, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

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

AGENDA ITEMS

HIGH-POWER FARMS, LLC – APPROVAL OF A \$50,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$50,000 Trillion BTU loan to High-Power Farms, LLC for the installation of a 15-kW solar array. Committee Member Williams made a motion to approve the request. The motion was seconded by Committee Member Hill, submitted to a vote and carried unanimously.

WARREN AND LOIS NOLT – APPROVAL OF A \$55,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$55,000 Trillion BTU loan to Warren and Lois Nolt for the installation of a 20-kW solar array. Committee Member Hamm made a motion to approve the request. The motion was seconded by Committee Member Hill, submitted to a vote and carried unanimously.

UNIVERSE BUILDINGS, LLC – APPROVAL OF A \$220,500 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$220,500 Trillion BTU loan to Universe Buildings, LLC for the installation of a 109-kW solar array. Committee Member Bennett made a motion to approve the request. The motion was seconded by Committee Member Williams, submitted to a vote and carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:14 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: January 21, 2020

From: Eric D. Larson 

Subject: **2020 GRANT APPLICATION AND ACCEPTANCE AUTHORIZATION**
RESOLUTION NO. _____

Action Requested:

Approval for 2020 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 for and receive a grant or other financial or resource 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. 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.

Since 2012, this has been an annual resolution authorizing the application for and acceptance of financial or resource assistance. Any and all previous resolutions are available for review upon request. This new resolution would authorize this assistance for the year 2020.

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.

Attachment: Resolution

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

[2020 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, the Port Authority's Board of Commissioners are appointed by the Mayor of the City of Saint Paul, subject to the approval of the Council of the City of Saint Paul; and, two of the Port Authority Commissioners must be members of the Council of 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 2020, 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 28, 2020

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: January 21, 2020

From: Monte Hilleman



Subject: CONVEYANCE OF LAND TO BEHOME COMMUNITIES, LLC
BEACON BLUFF BUSINESS CENTER
RESOLUTION NO. _____

Action Requested:

Approval of the conveyance of a parcel of land to BeHome Communities, LLC at Beacon Bluff Business Center.

Background:

Attached is a memorandum outlining the terms of the land conveyance transaction with BeHome Communities, LLC for the property located at Beacon Bluff Business Center. The proposed buyer is a new entity created by developers associated with a market rate senior assisted living housing development, namely the high end *The Waters* brand and affordable housing developer/manager, *Shelter Corporation*. BeHome intends to create a new partnership with MNCare (formerly West Side Community Health Services, developer and operator of East Side Family Clinic at Beacon Bluff) to develop a clinic expansion project in conjunction with development of assisted living housing units with integrated medical care provided by MNCare.

The proposed project is a senior living facility and will contain 150 units of independent living and enhanced/memory care units (three floors, approximately 92,700SF), common dining and recreation areas, health and well-being services, and on-site clinic space (approximately 11,500SF) to serve the local resident population.

Recommendation:

We recommend approval of the conveyance of a parcel of land to BeHome Communities, LLC at Beacon Bluff Business Center.

Attachments

**SAINT PAUL PORT AUTHORITY
LAND CONVEYANCE TRANSACTION**

Action Requested:

To approve the sale of real property, generally located along East 7th Street at Forest Street, bounded by East 7th Street, Minnehaha Avenue and Forest Street, for the construction of senior living facility and clinic expansion.

Development Officer:

Monte M. Hilleman

Grantee:

BeHome Communities, LLC

Grantee Address:

8500 Normandale Lake Boulevard, Suite 350
Minneapolis, MN 55437

Location of Property to be Conveyed:

The site is as per the attached site plan and measures approximately 2.21 acres.

Conveyance Structure:

Conveyance of land via Limited Warranty Deed. The property is being sold for \$8.00 per square foot, or \$770,140.00, plus buyer obligations that include adherence to the Beacon Bluff protective covenants. If the closing takes place after June 30, 2021, the Purchase Price increases five percent to \$808,647.00. Both buyer and seller have conditions that must be met prior to transferring title of the real estate. Buyer's contingencies include site and building approvals, its Board approval, and financing. The Port Authority's contingencies include Board of Commissioner's approval, approval of the buyer's site and architectural design, and buyer's financing.

The contingency period for the transaction is September 30, 2020 with closing to take place no later than February 28, 2022.

The Purchase Agreement acknowledges the interests of the parties and the project may be advanced more effectively as a joint venture between BeHome, MNCare, and Capital City Properties and is assignable to such a joint venture entity if so. The purchase price and land value of \$8.00 per square foot would then be converted to an initial capital contribution to such a joint venture as with previous joint ventures.

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Other terms and conditions of the proposed purchase agreement include:

- A. The buyer has agreed to analyze and implement sustainable design concepts, as appropriate, into the design of their facility.
- B. The buyer has agreed to pay an initial \$25,000 earnest money deposit which is held by seller until the completion of the building and site improvements. A First Additional Earnest Money (\$25,000) deposit and Second Additional Earnest Money deposit (\$25,000) are required at the end of the Contingency Period, September 30, 2020 and the conclusion of additional environmental and geotechnical testing, no later than December 31, 2020. All earnest money, \$75,000 total, becomes nonrefundable after June 30, 2021.
- C. Buyer has agreed to pay prevailing wages, or more, for all skilled and unskilled labor for the proposed construction and enter into a Project Labor Agreement.
- D. The project is not intended to be property tax exempt, however in the event the resulting project is classified property tax exempt, the buyer has agreed to a restrictive covenant to be recorded against the title to the property, requiring a Payment In Lieu of Taxes (PILOT) in the amount of \$140,000.

Nature of Intended Use:

A senior housing and care facility of approximately 150 housing units and additional clinic space.

Business Subsidy Agreement

This is a market rate transaction, there is no business subsidy agreement required for this transaction.

Exception from Port's Development Criteria/Covenants:

The Port Authority's development criteria were developed for, and applicable to, our light industrial business centers and anticipate those land uses, building forms, and workforce characteristics. This project is a residential and commercial mixed-use project and will generally not conform to the Development Criteria. The project will adhere to the Restrictive Covenants on the property, to the extent they are not incompatible with the use type proposed. As described, the project conforms to the sites zoning (B3) and direction from the Beacon Bluff Community Advisory Committee.

Development Officer's Comments:

The need for quality affordable senior housing is especially significant on the East Side of Saint Paul. Providing a clinic expansion opportunity and creation of urban affordable infill housing at

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Beacon Bluff helps further activate the site and serve the community in ways not previously envisioned. The site was guided for retail uses, with potential housing above, in the community engagement process and by the consensus recommended Development Concept from the 3M/Beacon Bluff Community Advisory Committee. The site has been marketed for commercial/retail uses since 2010 with a handful of interested developers and tenants since then, but none have successfully advanced a project. One party (MNCare) has successfully developed a nonprofit clinic at Beacon Bluff and the other party (BeHome) is comprised of successful assisted living and affordable housing developers. I believe these parties and the Port Authority will succeed together in this project.

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

**[PUBLIC HEARING – CONVEYANCE OF LAND TO
BeHOME COMMUNITIES, LLC –BEACON BLUFF BUSINESS CENTER]**

WHEREAS, The Port Authority of the City of Saint Paul (the "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 property owned by the Port Authority 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 convey real estate located at the Beacon Bluff Business Center, and by reference made a part hereof and any personal property of the Port Authority included therewith (collectively, the "Property").

WHEREAS, the Port Authority did conduct a public hearing pursuant to said notice on January 18, 2020, at which hearing all taxpayers in the port district, both for and against the conveyance, were allowed to state their views.

WHEREAS, BeHome Communities, LLC ("BeHome") has entered into a Purchase Agreement to purchase real estate at the Beacon Bluff Business Center, which Property is owned by the Port Authority.

WHEREAS, the project may be advanced more effectively as a joint venture between BeHome, MnCare and Capital City Properties ("CCP"); and, therefore, the Property may be conveyed to CCP and, when appropriate, to the joint venture entity instead. In addition, the right to purchase the Property may be assigned to a joint venture partner for the project.

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 real estate conveyance.

WHEREAS, the Port Authority has investigated the facts of the proposal with said investigation including the terms and conditions of said agreement, the proposed use of the Property, and the relationship thereof to the port district of Saint Paul and the business facilities of the Port Authority in general.

WHEREAS, the proposal presented meets the terms and conditions set forth by the Port Authority as its guide in determining if such proposals are in the best interests of the port district and of the public.

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 agreements to convey the Property; and

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; and

3. That the President of the Port Authority is hereby authorized and directed to complete and execute said agreement(s) to purchase 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 directed to complete and execute all documents necessary to convey title in form as approved by counsel.

Adopted: January 28, 2020

PORT AUTHORITY OF THE
CITY OF SAINT PAUL


By _____
Its Chair

Attest:

By _____
Its Secretary

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder 

Subject: **TWIN CITIES ATHLETIC TRAINING
TREASURE ISLAND CENTER
APPROVAL OF A \$300,000 BDF LOAN**

Meeting Date: January 21, 2020

Action Requested:

Provide approval for the Port Authority to initiate a Business Development Fund (BDF) Loan for \$300,000 with Twin Cities Athletic Training to finance the purchase of equipment to operate a fitness center at Treasure Island Center (TIC) in Saint Paul, Minnesota.

Public Purpose:

One of the purposes of the BDF Program is to encourage job creation and business growth in Saint Paul and the contiguous East Metro area.

The proposed financing will enable Twin Cities Athletic Training to expand into Saint Paul. The BDF Loan program allows for business equipment financing (not restaurants or bars) and does require a “but for” element for the Port Authority to be involved. Twin Cities Athletic Training was being recruited to expand in Maple Grove, Woodbury and near the National Sports Center in Blaine. Franchisee was working with a St. Cloud area bank that was unwilling to finance the operations in Saint Paul. They were willing to finance a suburban location. Each of those locations are more traditional training locations, and the BDF loan allows for the operator to locate in a non-traditional building, such as Treasure Island Center, for their first Twin Cities location.

Business Subsidy

Not applicable. The rate differential value is less than \$150,000.

Background

Founded in 2001 by former NFL Denver Broncos player Will Bartholomew, D1 Training began as a passion project following an injury. While working on his comeback to the NFL, Bartholomew trained neighborhood kids in his hometown of Nashville. Within three years, his training class elevated from a community field to a 4,500-square foot performance center. From there, Bartholomew partnered with former University of Tennessee teammate, Peyton Manning, to purchase an eight-acre tract in which D1 Training was officially born.

D1 is founded on time-tested and sports science-backed training techniques that have helped develop the world’s best athletes. D1’s daily workouts, which are led by a certified D1 Coach, are based on its core Five-Star Training System and designed by a national training panel. The workouts, which incorporate both strength and cardio, are updated every five to eight weeks and are designed around the concept of periodization which builds week upon week to create a more well-rounded

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program targeted to reach specific goals. Every D1 training center offers state-of-the-art equipment, synthetic turf, and a positive and energizing workout environment fueled by specialized playlists based on synchronized beats-per minute that are not found in any other facility. This structured and scheduled model will attract and bring additional customers to downtown Saint Paul. With late-afternoon, evening and weekend-focused training times, D1 can overcome some of the traditional weaker time slots of downtown commerce.

D1 has been in business for over 18 years, currently has 41 locations across the country, and is experiencing record growth with over 100 locations expected within 5 years. It has the backing of numerous professional athletes who have invested in the company or own their own franchises.

D1's quality and effectiveness have been acknowledged through its numerous endorsements, partnerships and accomplishments. A partial list includes:

- Preferred Partner by the National Academy of Sports Medicine (NASM)
- Preferred Facility by the Athletics & Fitness Assoc. of America (AFAA)
- NFL Players Association approved training location
- Official partner to Manning Passing Academy
- Entrepreneur Magazine Top 10 Gyms for 2019
- Entrepreneur Magazine Top New Franchise for 2019
- Men's Health Top 30 Gyms in America
- Placed over 100 athletes into professional sports drafts

The local franchisee is Kris Nelson. Kris graduated from the University of Minnesota's Carlson School of Management with a degree in Finance and worked for 18 years as a market, financial and economic consultant for Conventions, Sports and Leisure International, a firm specializing in providing feasibility studies for public event facilities across the country and throughout the world. During this time, he completed more than 250 projects for collegiate and professional arenas, stadiums, ballparks, fairgrounds, performing arts centers, theaters, civic and exhibition centers, youth and recreational sports facilities and complexes, convention and conference centers, hotels, museums, shopping malls and other such venues.

In conjunction with this BDF loan, Twin Cities Athletic Training will enter into an 11-year lease at Treasure Island Center for a leased space of 7,800 square feet on the skyway level. This BDF loan is crucial for them to proceed.

Leasing at Treasure Island Center (TIC) has been slower than anticipated for a variety of reasons, most of which are out of the Landlord's control. Impacts on the market include public and private subsidies granted to tenant prospects for neighboring buildings (these subsidies have even been available to start-up tenancies). Rents at TIC are at the higher end of the market, and such subsidies from other landlords make it more difficult for TIC to compete in the marketplace. This BDF loan responds to the competition (existing and proposed) in the surrounding developments and will allow for the lease-up of challenging space on the skyway level of TIC and protects the Landlord's

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investment in the development. In addition, the BDF loan will allow for this space to be used on a space available basis for Saint Paul’s fire fighters, police officers and for other community engagement projects in the downtown area. The existing lease requirement of MHFA is also partially met by this tenant.

Proposed Project:

Sources and Use of Funds:

Minimum purchase Price and Installation of equipment \$300,000
(equipment includes athletic training equipment, turf, sound system, accent lighting)
Borrower to pay any costs in excess of \$300,000.

Sources and Uses of Funds:

Sources of funds:

BDF Loan (equipment only)	\$300,000
Equity spent thus far	\$140,000
Additional equity to contribute	<u>\$100,000</u>
Total Project	\$540,000

Debt Service Coverage Ratio:

For Trillion Loans provided by the Port Authority, we use a 1.15 for debt service requirement. The proforma debt coverage ratio is 2.17 for the first full year of operation.

Proposal:

Source of Funds: Business Development Fund (BDF)

Use of Funds: Equipment to furnish a fitness center

Amount of Loan: \$300,000 maximum

Rate: 3.65%

Term: 10 years

Collateral: - Signed Loan Agreement with Twin Cities Athletic Training
 - UCC-1 Lien documents (SPPA will have a first position on the collateral of this equipment)
 - Personal Guarantee from Kris Nelson

Workforce

Implications: Anticipated new hires: 6-11, with additional personal trainers working on a contractual basis.

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Policy Exceptions: Yes

1. BDF guidelines have targeted up to 50% of Fair Market Value and this deal is at approximately 75%.
2. While D1 corporate has been in business 20 years, and the franchisee has extensive experience, this is a start-up operation. The risk is mitigated by the support of a franchisor.

Recommendation:

We recommend the approval of a \$300,000 BDF loan to Twin Cities Athletic Training.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **1000 UNIVERSITY AVENUE PROPERTIES, LP
APPROVAL OF A \$260,000 TRILLION BTU LOAN**

Meeting Date: January 21, 2020

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$260,000 with 1000 University Avenue Properties, LP for the installation of a new roof and 53-kW solar array on a commercial property located in St. Paul, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

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

Background:

1000 University Avenue Properties, LP is a real estate holding company that owns a commercial office building located at 1000 University Avenue in Saint Paul, just east of Lexington Avenue. The building is a multi-tenant office building with 46,000 square feet and is 100% leased. The owner is installing a new white membrane roof, insulation and solar array. The property has a tax assessed value of \$4,250,000.

Proposed Project:

53-kW Solar Array and Roof Replacement	
Purchase Price and Installation	\$260,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$260,000
Uses of funds:	
53-kW Solar Array	\$130,000
Roof Repair and Replacement	\$130,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Ramsey County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that

the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Tax returns for the last three years show the building was profitable in 2018 but had losses in 2017 and 2016. The property did have positive operating profits in 2017 when excluding non-cash items. The property had an adequate debt service coverage ratio of 1.41 to 1 at the end of 2018, and proforma coverage ratio of 1.27 to 1 if the PACE loan was included. The debt-to-equity was above guideline at 8.32 to 1 according to the most recent balance sheet. The following ratios are as of December 31, 2018:

Debt Service Coverage:	1.41	Trillion standard of at least:	1.15
Debt-to-Equity:	8.32	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	53-kW Solar Array and Roof Replacement
Amount of Loan:	\$260,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

425 MMBTUs (\$14,500) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system’s cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

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

Policy Exceptions:

Yes – Losses in two of the past three years, mitigated by the increasing revenue and the operating profits in the last two years. Debt-to-equity is above guideline due primarily to accumulated depreciation.

Recommendation:

We recommend the approval of a \$260,000 Trillion BTU loan to 1000 University Avenue Properties, LP.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **JOHN AND EUGENE ALLEN**
APPROVAL OF AN \$84,900 TRILLION BTU LOAN

Meeting Date: January 21, 2020

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$84,900 with John and Eugene Allen for the installation of a 45-kW solar array on an agricultural property located in Eyota, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

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

Background:

John Allen operates a farm located at 8701 County Road 9 in Eyota. He intends to install a 45-kW solar array to offset the energy use on his property for livestock and grain operations. The property has a tax assessed value of \$424,700 and is held in a contract for deed with his father Eugene.

Proposed Project:

45-kW Solar Array
Purchase Price and Installation \$107,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$ 84,900
Personal Investment	\$ 22,100
Uses of funds:	
45-kW Solar Array	\$107,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Olmsted County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that

the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Tax returns were received for the last three years for John and show that his farming operation was profitable in all three years. There is no outstanding debt on the property, so the debt coverage ratio was not applicable. With the PACE loan the debt coverage ratio in 2018 would have been over 18 to 1. Since there is no debt on the property with the exception of the contract for deed, a debt-to-equity ratio was also not applicable. The following ratios are as of December 31, 2018:

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

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	45-kW Solar Array
Amount of Loan:	\$84,900
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

185 MMBTUs (\$6,300) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system’s cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

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

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$84,900 Trillion BTU loan to John and Eugene Allen.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **JOSEPH AND JANINE ENGEN**
APPROVAL OF A \$58,700 TRILLION BTU LOAN

Meeting Date: January 21, 2020

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$58,700 with Joseph and Janine Engen for the installation of 24-kW solar array on an agricultural property located in Caledonia, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

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

Background:

Joe and Janine Engen have a farm located at 19986 Old 76 Road in Caledonia. They farm over 290 acres of crops and have a poultry barn and grain drying facility where they would like to install a 24-kW solar array to offset their electricity use. The subject property has a tax assessed value of \$296,200.

Proposed Project:

24-kW Solar Array	
Purchase Price and Installation	\$58,700

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$58,700
Uses of funds:	
24-kW Solar Array	\$58,700

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Houston County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that

the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Tax returns were received for last three years, which show the Engen’s had a profitable farming operation in all three years. They have limited debt on the property and a debt service coverage ratio with their outstanding debt is 31 to 1 and 11.6 to 1 when including the PACE loan. The debt-to-equity using the tax assessed value of the subject property alone is 0.16 to 1. The following ratios are as of December 31, 2018:

Debt Service Coverage:	31 to 1	Trillion standard of at least:	1.15
Debt-to-Equity:	0.16 to 1	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	24-kW Solar Array
Amount of Loan:	\$58,700
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

100 MMBTUs (\$3,400) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system’s cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

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

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$58,700 Trillion BTU loan to Joseph and Janine Engen.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **IBYS, LLC AND G & L FURNITURE, INC.**
APPROVAL OF A \$90,000 TRILLION BTU LOAN

Meeting Date: January 21, 2020

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$90,000 with IBYS, LLC and G & L Furniture, Inc. for the installation of 40-kW solar array on a commercial property located in Minneapolis, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

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

Background:

IBYS, LLC is a real estate holding company owned by Ibrahim (Abe) Demmaj, who operates G & L Furniture Sales at 318 W. Lake Street in Minneapolis. The existing building has been demolished and construction has begun on a three-story multi-tenant office/retail building located at Grand Avenue and Lake Street, three blocks east of Lyndale. G & L Furniture has temporarily relocated and will occupy the space when it is completed. The property currently has a tax assessed value of \$690,000.

Proposed Project:

40-kW Solar Array

Purchase Price and Installation	\$90,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$90,000
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Uses of funds:

40-kW Solar Array	\$90,000
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In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Hennepin County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that

the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Tax returns were received for the last three years for G & L furniture and show that the company was increasingly profitable in all three years. The financial statements through 2018 show the operating entity had a debt service coverage ratio of 1.61 to 1 and 1.55 to 1 if the PACE loan is included. A balance sheet was provided that shows the debt-to-equity of the company was 0.11 to 1. An appraisal was received that shows the newly constructed building will have an as completed value of \$4,750,000 with a mortgage totaling \$3,866,300 resulting in a loan-to-value of 81%. The following ratios are as of December 31, 2018:

Debt Service Coverage:	1.61	Trillion standard of at least:	1.15
Debt-to-Equity:	0.11	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	Project Description
Amount of Loan:	\$90,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

215 MMBTUs (\$7,300) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system’s cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

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

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$90,000 Trillion BTU loan to IBYS, LLC and G & L Furniture, Inc.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: January 21, 2020

From: Michael J. Linder *MJL*

Subject: 252 MARIE, LLC AND WESTVIEW PARK APARTMENTS, LP
APPROVAL OF AN \$800,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$800,000 with 252 Marie, LLC and Westview Park Apartments, LP for the installation of energy efficiency improvements on a commercial property located in West St. Paul, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

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

Background:

252 Marie, LLC is a new construction apartment/multi-use building with 56 apartments and 6 business offices. There have been many energy efficiency improvements incorporated into the project including spray foam exterior wall insulation, LED lighting throughout the building with occupancy sensors, high efficiency HVAC and water heating equipment and a 40-kW solar array. The property has an appraised value of \$11,500,000.

Proposed Project:

Efficiency Improvements

Purchase Price and Installation	\$800,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$800,000
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Uses of funds:

Efficiency Improvements	\$800,000
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In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Dakota County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that

the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Financial statements for Westview Park Apartments, LP were received for the last three years and show the entity was profitable in all three years. 252 Marie, LLC is a single-member LLC wholly owned by Westview Park Apartments, LP and therefore does not have separate financial statements. The parent company had an overall debt service coverage ratio of 1.64 to 1 prior to the PACE loan and a proforma ratio of 1.41 to 1 with that debt included. Debt-to-equity was above guideline due to negative equity in the partnership mainly caused by accumulated depreciation. The property is currently 67% occupied and just began leasing in August of 2019. The following ratios are as of December 31, 2018:

Debt Service Coverage:	1.64	Trillion standard of at least:	1.15
Debt-to-Equity:	Neg.	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	Project Description
Amount of Loan:	\$800,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

1,300 MMBTUs (\$45,000) annually.

Workforce Implications:

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

Policy Exceptions:

Yes – Debt to equity was above guideline, mitigated by the ongoing profitability of the organization and adequate debt service coverage.

Recommendation:

We recommend the approval of a \$800,000 Trillion BTU loan to 252 Marie, LLC.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** January 21, 2020
From: Michael J. Linder *MJL*
Subject: **CAPITAL ENTERPRISES, LLC AND CAPITAL GRANITE AND MARBLE, INC.
APPROVAL OF A \$400,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$400,000 with Capital Enterprises, LLC and Capital Granite and Marble, Inc. for the installation of a 245-kW solar array on a commercial property located in Rockville, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

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

Background:

Capital Granite and Marble was established in 1990 and provides natural stone products for residential and commercial applications. Their facility is located at 25325 Highway 23 in Rockville. They are planning to install solar arrays on the three buildings on their property. The property has a combined tax assessed value of \$2,710,700.

Proposed Project:

245-kW Solar Array
Purchase Price and Installation \$500,000

Sources and Uses of Funds:

Sources of funds:
Trillion BTU \$400,000
Personal Investment \$100,000

Uses of funds:
245-kW Solar Array \$500,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Stearns County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that

the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Audited financial statements were received for the last three years and the operating entity, Capital Granite and Marble, was profitable in all three years. The company had a debt service coverage ratio within guideline at 2.24 to 1. Proforma debt coverage ratio with the PACE debt would have been 1.91 to 1. The debt-to-equity was also within guideline at 2.38 to 1. The following ratios are as of December 31, 2018:

Debt Service Coverage:	2.24	Trillion standard of at least:	1.15
Debt-to-Equity:	2.38	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	245-kW Solar Array
Amount of Loan:	\$400,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

860 MMBTUs (\$29,300) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system's cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

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

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$400,000 Trillion BTU loan to Capital Enterprises, LLC and Capital Granite and Marble, Inc.

**Trillion BTU / PACE Loan Summary
For the month of January 2020**

Borrower	1000 University Ave Prop, LP	John & Eugene Allen	Joseph & Janine Engen	IBYS / G&L Furniture	252 Marie, LLC / Westview Park Apts	Capital Enterprises, LLC / Capital Granite & Marble
Loan Amount	\$ 260,000	\$ 84,900	\$ 58,700	\$ 90,000	\$ 800,000	\$ 400,000
Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Term (Years)	10	10	10	10	10	10
Collateral						
Signed Loan Agreement	Y	Y	Y	Y	Y	Y
Personal Guaranty	N	N	N	N	N	N
PACE Special Assessment	Y	Y	Y	Y	Y	Y
Project Description	53-kW Solar Array / Roof	45-kW Solar Array	24-kW Solar Array	40-kW Solar Array	Efficiency Upgrades	245-kW Solar Array
Sources & Uses						
Sources of Funds:						
Trillion BTU	\$ 260,000	\$ 84,900	\$ 58,700	\$ 90,000	\$ 8,000,000	\$ 400,000
Other Funding Sources		22,100				\$ 100,000
Total Sources	\$ 260,000	\$ 107,000	\$ 58,700	\$ 90,000	\$ 8,000,000	\$ 500,000
Uses of Funds:						
HVAC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LED Lighting						
Solar Array	\$ 130,000	\$ 107,000	\$ 58,700	\$ 90,000		\$ 500,000
Boiler						
Other	\$ 130,000				\$ 800,000	
Total Uses	\$ 260,000	\$ 107,000	\$ 58,700	\$ 90,000	\$ 800,000	\$ 500,000
Financial Ratios						
Debt Service Coverage (Std > 1.15)	1.41	N/A	31.00	1.61	1.64	2.24
Debt-to-Equity (Std < 4.00)	8.32	N/A	0.16	0.11	Neg.	2.38
Profitable in 2 of last 3 years (Y/N)	N	Y	Y	Y	Y	Y
Policy Exception (Y/N)	Y	N	N	N	Y	N
Annual Energy Savings						
MMBTUs	425	185	100	215	1,300	860
Dollars	\$ 14,500	\$ 6,300	\$ 3,400	\$ 7,300	\$ 45,000	\$ 29,300
Workforce Implications						
Construction Jobs	2	1	1	1	9	5