

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

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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

**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
Uses of funds:	
40-kW Solar Array	\$90,000

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
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**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
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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. 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**

<b>Borrower</b>	<b>1000 University Ave Prop, LP</b>	<b>John &amp; Eugene Allen</b>	<b>Joseph &amp; Janine Engen</b>	<b>IBYS / G&amp;L Furniture</b>	<b>252 Marie, LLC / Westview Park Apts</b>	<b>Capital Enterprises, LLC / Capital Granite &amp; Marble</b>
<b>Loan Amount</b>	\$ 260,000	\$ 84,900	\$ 58,700	\$ 90,000	\$ 800,000	\$ 400,000
<b>Interest Rate</b>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
<b>Term (Years)</b>	10	10	10	10	10	10
<b>Collateral</b>						
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
<b>Project Description</b>	53-kW Solar Array / Roof	45-kW Solar Array	24-kW Solar Array	40-kW Solar Array	Efficiency Upgrades	245-kW Solar Array
<b>Sources &amp; Uses</b>						
<b>Sources of Funds:</b>						
Trillion BTU	\$ 260,000	\$ 84,900	\$ 58,700	\$ 90,000	\$ 8,000,000	\$ 400,000
Other Funding Sources		22,100				\$ 100,000
<b>Total Sources</b>	\$ 260,000	\$ 107,000	\$ 58,700	\$ 90,000	\$ 8,000,000	\$ 500,000
<b>Uses of Funds:</b>						
HVAC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LED Lighting						
Solar Array	\$ 130,000	\$ 107,000	\$ 58,700	\$ 90,000		\$ 500,000
Boiler						
Other	\$ 130,000				\$ 800,000	
<b>Total Uses</b>	\$ 260,000	\$ 107,000	\$ 58,700	\$ 90,000	\$ 800,000	\$ 500,000
<b>Financial Ratios</b>						
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
<b>Annual Energy Savings</b>						
MMBTUs	425	185	100	215	1,300	860
Dollars	\$ 14,500	\$ 6,300	\$ 3,400	\$ 7,300	\$ 45,000	\$ 29,300
<b>Workforce Implications</b>						
Construction Jobs	2	1	1	1	9	5