

CREDIT COMMITTEE

July 13, 2017

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9. Positively 2nd St N.E., LLC – Approval of a \$52,000 Trillion BTU Loan
10. Prospect Foundry, LLC – Approval of a \$150,000 Trillion BTU Loan
11. Such Other Business that May Come Before the Committee

/djk

cc: Press
City Clerk
Dai Thao

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
JUNE 20, 2017**

Acting Committee Chair Bennett called the Regular Meeting of the Credit Committee to order at 2:04 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:

John Bennett	Nneka Constantino	Harry Melander
John Regal		

Also present were the following:

Lee Krueger	Laurie Hansen	Pete Klein
Michael Linder	Monte Hilleman	Bruce Kessel
Andrea Novak	Laurie Siever	Sarah Savela
Ava Langston-Kenney	Keith Mensah	Dana Krueger
Linda Williams		
Andrew Kasid, District Energy		
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Regal made a motion, seconded by Committee Member Melander, to approve the minutes of the May 16, 2017 Credit Committee meeting. The motion carried unanimously.

CONFLICT OF INTEREST

Committee Member Constantino recused herself from voting on agenda items six through sixteen.

AMENDMENTS TO THE SNELLING-MIDWAY, MAXSON STEEL/DALE STREET SHOPS, AND ENERGY PARK INDUSTRIAL DEVELOPMENT DISTRICTS

Mr. Hilleman reviewed his memorandum with the Committee requesting approval of amendments to the Snelling-Midway, Maxson Steel/Dale Street Shops and Energy Park Industrial Development Districts.

Discussion included, but was not limited to, the process of identifying industrial development districts, the effect of industrial development districts on neighboring businesses and the costs and funding of clean-up of the site.

There being no further discussion, Committee Member Constantino made a motion, seconded by Committee Member Regal, for approval of amendments to the

Snelling-Midway, Maxson Steel/Dale Street Shops and Energy Park Industrial Development Districts.

**APPROVAL OF MODIFICATIONS TO THE ENERGY LANE
BUSINESS CENTER REDEVELOPMENT AND THE GREAT
NORTHERN BUSINESS CENTER PHASE II REDEVELOPMENT
TAX INCREMENT FINANCING DISTRICTS, EXPANDING THE GEOGRAPHIC PROJECT
AREA, MODIFYING THE BUDGETS AND ISSUING THE RELATED PAY-AS-YOU-GO TIF NOTES**

Mr. Kessel reviewed his memorandum with the Committee requesting approval of modifications to the Energy Lane Business Center Redevelopment and the Great Northern Business Center Phase II Redevelopment Tax Increment Financing Districts, expanding the geographic project area, modifying the budgets and issuing the related pay-as-you-go TIF notes.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of modifications to the Energy Lane Business Center Redevelopment and the Great Northern Business Center Phase II Redevelopment Tax Increment Financing Districts, expanding the geographic project area, modifying the budgets and issuing the related pay-as-you-go TIF notes. The motion carried unanimously.

**DISTRICT ENERGY ST. PAUL, INC.
(1) INDUCEMENT RESOLUTION NO. 68 AND
(2) AUTHORIZATION FOR TAX-EXEMPT FINANCING ALLOCATION APPLICATION**

Mr. Klein reviewed his memorandum with the Committee requesting approval of Inducement Resolution No. 68 and authorization for tax-exempt financing allocation application.

Discussion included, but was not limited to, the purpose and location of the proposed project.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of Inducement Resolution No. 68 and authorization for tax-exempt financing allocation application. The motion carried unanimously.

**INNOVATIVE POWER SYSTEMS, INC
APPROVAL OF A SIX-MONTH EXTENSION OF THE
\$1,400,000 TRILLION BTU LOAN APPROVED ON DECEMBER 15, 2015**

Mr. Klein reviewed his memorandum with the Committee requesting approval of a six-month extension of the \$1,400,000 Trillion BTU loan to Innovative Power Systems, Inc. approved on December 15, 2015.

Discussion included, but was not limited to, the process for monitoring construction of projects, the loan-to-value of the building and collateral for the loan.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a six-month extension of the \$1,400,000 Trillion BTU loan to Innovative Power Systems, Inc. approved on December 15, 2015. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

DRFC METRO, LLC
APPROVAL OF A \$2,000,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$2,000,000 Trillion BTU loan to DRFC Metro, LLC for the installation of HVAC equipment.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a \$2,000,000 Trillion BTU loan to DRFC Metro, LLC for the installation of HVAC units. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

321 LINCOLN STREET, LLC AND INTELLIGENT
NUTRIENTS, LLC - APPROVAL OF A \$100,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$100,000 Trillion BTU loan to 321 Lincoln Street, LLC and Intelligent Nutrients, LLC for the installation of new HVAC units.

Discussion included, but was not limited to, the possibility of adjusting interest rates based on risk and the length of time the personal guaranty will remain in place. Committee Member Constantino also raised the question of whether or not the information in the Credit Committee memos is public data. Mr. Linder confirmed that Credit Committee memos are public. Committee Member Constantino stated that this results in limited financial information being provided to Committee members in the memos.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a \$100,000 Trillion BTU loan to 321 Lincoln Street, LLC and Intelligent Nutrients, LLC for the installation of new HVAC units. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

KEVIN AND JESSICA ANDROLI
APPROVAL OF A \$236,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$236,000 Trillion BTU loan to Kevin and Jessica Androli for the installation of a 50-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a \$236,000 Trillion BTU loan to Kevin and Jessica Androli for the installation of a 50-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

RICHARD AND DAWN ANDROLI
APPROVAL OF A \$138,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$138,000 Trillion BTU loan to Richard and Dawn Androli for the installation of a 28-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a \$138,000 Trillion BTU loan to Richard and Dawn Androli for the installation of a 28-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

9800 HEMINGWAY, LLC AND CMC
ENTERPRISES, INC. - APPROVAL OF A \$195,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$195,000 Trillion BTU loan to 9800 Hemingway, LLC and CMC Enterprises, Inc. for the installation of a 100-kilowatt solar system.

Discussion included, but was not limited to, the projected loan-to-value with the new loan and the mitigation of risk by a personal guaranty and the PACE assessment.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a \$195,000 Trillion BTU loan to 9800 Hemingway, LLC and CMC Enterprises, Inc. for the installation of a 100-kilowatt solar system. Committee Member Melander, seconded by Committee Regal, made a motion to amend Mr. Linder's request by adding collateral in the form of a personal guaranty from the owner of the company. Motion to approve the amended request carried by a majority vote of three, with Committee Member Constantino abstaining.

ADVANCED EXTRUSION, INC.
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 Advanced Extrusion, Inc. for the installation of lighting upgrades.

Discussion included, but was not limited to, minimum loan amounts, the amount of accounts receivable written off by the company, and the value of the building. There was further discussion regarding public vs. private data and how best to provide necessary information to the Credit Committee in order for them to vote on the item.

There being no further discussion, Committee Member Melander, seconded by Committee Regal, made a motion to table the request for approval of a \$50,000 Trillion BTU loan to Advanced Extrusion, Inc. for the installation of lighting upgrades. Acting Chair Bennett would like Mr. Linder to report back to the Committee regarding the amount of accounts receivable that was charged off, the percentage of the total portfolio and the percentage of receivables to total assets. The motion to table the request carried by a majority vote of three, with Committee Member Constantino abstaining.

MARK AND NICOLE YUNKER
APPROVAL OF A \$64,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$64,000 Trillion BTU loan Mark and Nicole Yunker for the installation of a 40-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a \$64,000 Trillion BTU loan to Mark and Nicole Yunker for the installation of a 40-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

RANDAL AND CAROLINE FREIBORG
APPROVAL OF A \$152,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$152,000 Trillion BTU loan to Randal and Caroline Freiborg for the installation of a 35-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a \$152,000 Trillion BTU loan to Randal and Caroline Freiborg for the installation of a 35-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

MEADOW CREEK HOSPITALITY, LLC AND
COUNTRY LIVING MANAGEMENT COMPANY
APPROVAL OF A \$139,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$139,000 Trillion BTU loan to Meadow Creek Hospitality, LLC and Country Living Management Company for the installation of a 160-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a \$139,000 Trillion BTU loan to Meadow Creek Hospitality, LLC and Country Living Management Company for the installation of a 160-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

THE YOUNGEST CHILD, LLC.
APPROVAL OF A \$74,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$74,000 Trillion BTU loan to Youngest Child, LLC for the installation of a 40-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of a \$74,000 Trillion BTU loan to Youngest Child, LLC for the installation of a 40-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 3:24 p.m.

By: _____


Its: _____

/djg

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of July 18, 2017) **DATE:** July 13, 2017

FROM: Michael J. Linder 

SUBJECT: **ADVANCED EXTRUSION, INC.
APPROVAL OF A \$50,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$50,000 with Advanced Extrusion, Inc. for the installation of LED lighting upgrades on a commercial property located in Rogers, 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:

Advanced Extrusion is a manufacturer of plastic packaging containers and other products through the process of thermoforming and plastic extrusion. The company has been in business since 2000 and in 2014 moved their operations to a larger facility located at 22101 Industrial Blvd., Rogers, MN. The project includes retrofitting 380 lighting fixtures throughout the building with efficient LED bulbs.

Proposed Project:

LED Lighting Upgrades	
Purchase Price and Installation	\$50,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$50,000
Uses of funds:	
LED Lighting Upgrades	\$50,000

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Trillion BTU funds will remain the funder of the loan and a personal guaranty from the owners is being requested for added security.

Financial Analysis:

Advanced Extrusion provided three years of financial statements for their 3/31/17 fiscal year end and were profitable at the most recent fiscal year end but showed losses in the previous two fiscal years. They were profitable in 2014, the year the company moved into their 190,000-square foot building from their previous 40,000 square foot building. This move required a large capital investment and impacted the operations of the company, increasing their manufacturing expenses and scrap and re-work costs.

Additionally, they had to book a large loss to reconcile their accounts receivable and accounts payable as they were not being accounted for properly. One of their customers was behind on billing and they had to increase their bad debt reserve. They continue to provide products to that customer with prepayment, and they have reduced their outstanding balance by 15% since the end of 2016 and the past due to that customer is 17% of their total A/R. They hired an outside Controller and have cleaned up their financial statements and feel that the company has recovered from their growing pains. Without these one-time expenses and write-downs, as well as non-cash expenses such as depreciation, they would not have had the net losses.

The debt service coverage ratio for the company with the proposed Trillion BTU loan would have been 1.44, meeting the guideline requirement. Due to the fact that there is negative equity, they failed to meet the debt-to-equity ratio requirement. For this reason, we are asking for a personal guaranty from John Thibado, the owner of Advanced Extrusion, Inc. The company has a primary and secondary mortgage on the property which financed the purchase of the building and equipment. The company rents out a portion of their building to four other tenants, which provides an income stream that covers the mortgage on the property. The loan to value with all mortgage debt is 68% based on appraisals completed for the property and manufacturing equipment.

Debt Service Coverage:	1.44	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:	LED Lighting Upgrades
Amount of Loan:	\$50,000
Rate:	4.5%
Term:	3 years
Collateral:	Signed Loan Agreement Personal Guaranty

Energy Savings:

1,200 MMBTUs (\$40,000) annually. The estimated payback on the project including rebates and incentives is less than 2 years based on an energy audit conducted on the property.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

1 FTE for construction jobs.

Policy Exceptions:

Yes – The company was profitable in the last year, but not two of the last three. There is also negative equity in the business due to the losses. This is mitigated by one-time expenses and write-downs, which led to the losses, as well as the company earning a profit in 2016, combined with the Personal Guaranty of the owner.

Recommendation:


We recommend the approval of a \$50,000 Trillion BTU loan to Advanced Extrusion, Inc.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE (Regular Meeting of July 18, 2017) **DATE:** July 13, 2017

FROM: Monte M. Hilleman 

SUBJECT: RELEASE OF DECLARATION OF GOVERNMENTAL PURPOSE FOR DEED REDEVELOPMENT GRANT PARCEL 5 EAST BEACON BLUFF RESOLUTION NO. _____

Action Requested:

Approval of a resolution releasing the declaration of governmental purpose for a DEED Redevelopment Grant at Beacon Bluff Business Center – Parcel 5 East.

Public Purpose:

The public purpose for this project, and the associated DEED grant, was the generation of tax base and job retention and creation at Beacon Bluff. Both of those purposes have been accomplished through the project described below.

Business Subsidy:

N/A

Background:

Beacon Bluff Business Center lies within the Port Authority's Phalen Boulevard Industrial Development District. Parcel 5 East is a 5.5-acre development parcel within Beacon Bluff Business Center. As Parcel 5 East was being redeveloped and replatted, the Port Authority secured a \$519,000 grant from the MN Department of Employment and Economic Development (MN DEED). A declaration was recorded with the property describing conditions for future disposition of the property. As the grant was funded by state general obligation bonds, the use of funds was restricted to those areas under permanent public ownership or control. As to Parcel 5 East, the funds were expended on the installation of a private pipe that drains water from the private development, as depicted in Exhibit A.

The site is under contract for sale to Opus Development Company, LLC for the development of an approximately 90,000 square foot office/warehouse building for lease.

Current Status:

The property is currently under contract for sale pursuant to the contingent purchase agreement approved by the Port Authority Board on August 23, 2016. The requested declaration allows the sale to move forward by meeting the State's requirements for this funding source.

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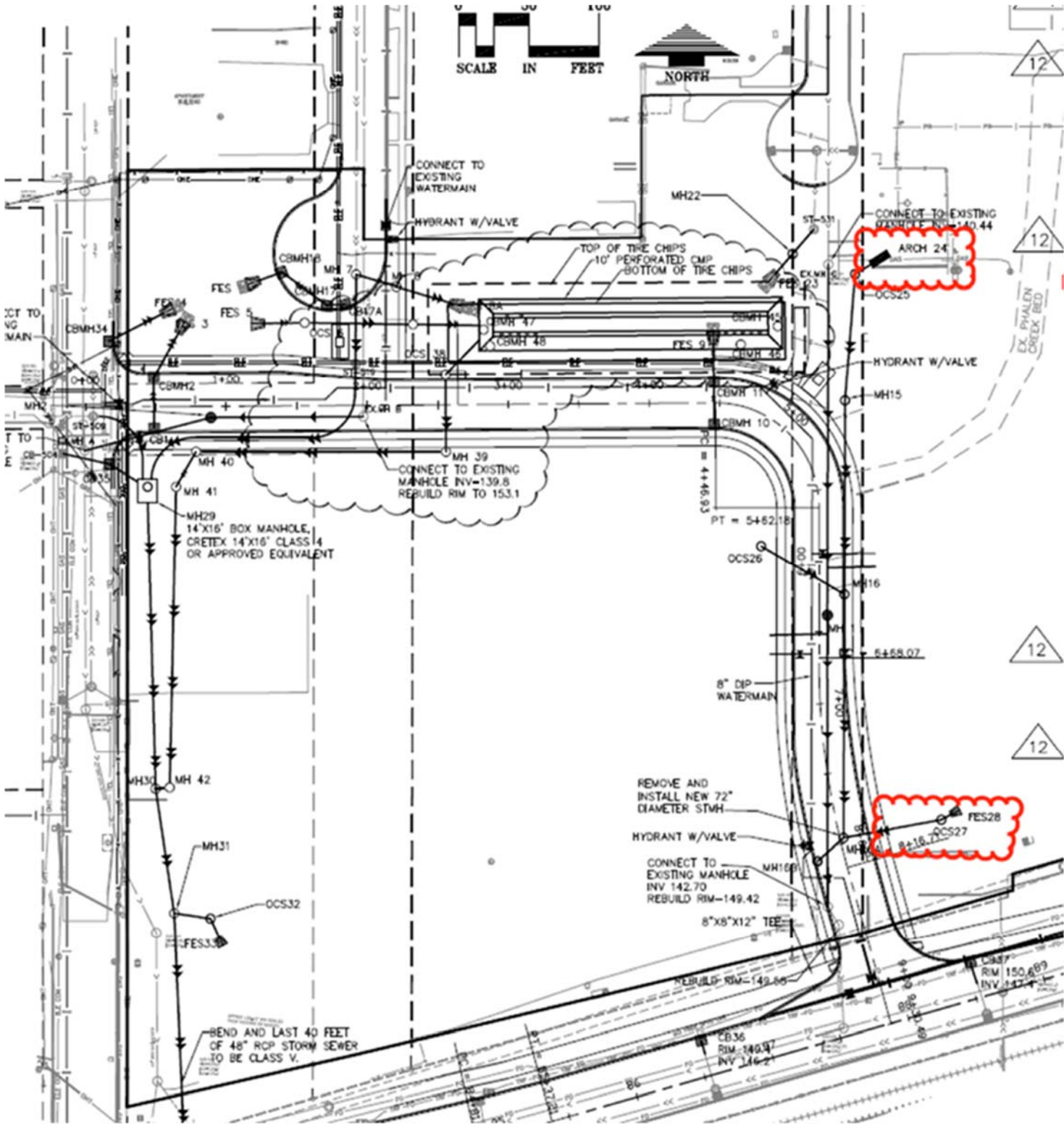
In order for the declaration to be released and the sale to proceed to closing, MN DEED requires that the Port Authority declare its official intent that the Property is no longer usable or needed to carry out the governmental purposes for which it was originally acquired and redeveloped, and should be sold by Seller to Buyer. In addition, to release the declaration with respect to the Property, MN DEED requires the Port Authority to repay \$5,298.10, representing the amount of grant proceeds that were used to better and improve the Property.

Recommendation:

We recommend the approval of a resolution releasing the declaration of governmental purpose for a DEED Redevelopment Grant at Beacon Bluff Business Center – Parcel 5 East.

MMH:djk

SCALE IN FEET



CONNECT TO EXISTING
MANHOLE INV-140.44
ARCH 24

CONNECT TO EXISTING
MANHOLE INV-139.8
REBUILD RIM TO 153.1

MH29
14"x18" BOX MANHOLE,
CRETEX 14"x18" CLASS 4
OR APPROVED EQUIVALENT

REMOVE AND
INSTALL NEW 72"
DIAMETER STMH
HYDRANT W/VALVE

CONNECT TO
EXISTING MANHOLE
INV 142.70
REBUILD RIM-149.42
8"x8"x12" TEE

BEND AND LAST 40 FEET
OF 48" RCP STORM SEWER
TO BE CLASS V.

REBUILD RIM-149.85

REBUILD RIM 150.89
INV 147.4

CB36
RIM-140.97
INV 116.2

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RESOLUTION
OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL
(Sale of Lot 1, Block 2, Beacon Bluff Business Center North)

WHEREAS, The Port Authority of the City of Saint Paul, Minnesota, a body corporate and politic ("Port Authority") is authorized by Minnesota Statutes 469.055, Subdivision 7 and 469.084, Subdivision 8 to redevelop and sell real property in the City of Saint Paul, Minnesota in furtherance of economic development and job creation.

WHEREAS, The Port Authority purchased the former 3M corporate campus in Saint Paul and has re-developed it into a business center known as Beacon Bluff.

WHEREAS, The Port Authority caused to be platted as part of Beacon Bluff a parcel known as Lot 1, Block 2, Beacon Bluff Business Center North, Ramsey County, Minnesota, located at the northeast intersection of Wells Street and Phalen Boulevard in the City of St. Paul, State of Minnesota (the "Property").

WHEREAS, The Port Authority funded a portion of the cost of the redevelopment of certain public sewer easement areas on the Property using a \$519,018 program grant (RDGP-09-0027-o-FY10) received from the Minnesota Department of Employment and Economic Development (the "Grant").

WHEREAS, The Grant was funded by state general obligation bonds.

WHEREAS, The Grant was used solely to fund redevelopment costs on a portion of the Property (the "Restricted Property"), namely to install a pipe that drains water from the private development to public easements in favor of the City of Saint Paul.

WHEREAS, The Port Authority recorded a Declaration dated December 8, 2010, and recorded on December 9, 2010, in the Office of the County Recorder of Ramsey County as Document #4257003, and on December 10, 2010, in the Office of the Registrar of Titles of Ramsey County as Document #2128922 (the "Declaration") against the Restricted Property as required under Minnesota law, evidencing that the Restricted Property was improved with state bond financing.

WHEREAS, The Port Authority granted easements for street, drainage and utility purposes to the City of Saint Paul ("City") over the Restricted Property pursuant to a Dedication of Easement for Street, Drainage and Utility Purposes dated December 14, 2010, and recorded on December 15, 2010, in the Office of the County Recorder of Ramsey County as Document #4258145, and on December 15, 2010, in the Office of the Registrar of Titles of Ramsey County as Document #2129454 (the "Dedication of Easements").

WHEREAS, The Port Authority caused the Restricted Property to be re-platted as part of Beacon Bluff Business Center North in 2012. The official plat of Beacon Bluff Business Center

North (the "Plat") provides for dedicated easements for utilities, drainage and publicly dedicated streets all in favor of the City over the Restricted Property.

WHEREAS, The Port Authority has entered into a certain Contingent Purchase Agreement dated August 10, 2016, as amended, with Opus Development Company, L.L.C., a Delaware limited liability company and its successors and assigns ("Buyer") pursuant to which Seller intends to convey the Property to Buyer with a Limited Warranty Deed (the "Conveyance").

WHEREAS, the Port Authority desires to declare its official intent that the Property is no longer usable or needed to carry out the governmental purposes for which it was originally acquired and redeveloped, and should be sold by Seller to Buyer.

NOW, THEREFORE, BE IT RESOLVED by the Port Authority of the City of Saint Paul as follows:

1. The Port Authority hereby ratifies and confirms the recitals set forth above.
2. The Port Authority has reviewed and approved the Purchase Agreement between Seller and Buyer described above. The negotiated purchase price of \$996,653.00 reflected in the Purchase Agreement was arrived at following a national marketing effort of the Property by commercial real estate broker, CBRE, on behalf of the Port Authority.
3. This resolution constitutes a declaration of official intent of the Port Authority that the Property is no longer usable or needed to carry out the governmental purposes for which it was originally acquired and redeveloped, and should be sold by the Port Authority to Buyer in accordance with the Purchase Agreement.
4. The Grant proceeds used by the Port Authority in redevelopment of the Property were used solely on the Property. Following the sale of the Property to Buyer, the Declaration restricting the Property shall be released as to the fee title interest in the Restricted Property.
5. To release the Declaration, the Port Authority shall pay to Minnesota Management and Budget \$5,298.10, representing the amount of Grant proceeds that were used to better and improve the Property.
6. The President of the Port Authority or anyone acting under his direction is hereby authorized and directed to execute any and all necessary documents in furtherance of the conveyance of the Property to Buyer pursuant to the Purchase Agreement described herein.
7. All prior acts and doings of the officials, agents and employees of the Port Authority which are in conformity with the purpose and intent of this action, and in furtherance of the economic development and job creation purposes of the Port Authority, shall be and the same hereby are in all respects ratified, approved and confirmed.

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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 funder of the loan.

Financial Analysis:

Tax returns were received for 2015 and the previous two years and show the Delzer's were profitable in all three years. The 2016 tax returns were not available as the couple filed an extension. There is no mortgage on the property, so a debt service coverage ratio with the PACE loan would be 5.80 to 1. The debt-to-equity ratio with the PACE assessment would be 0.11 to 1.

Debt Service Coverage:	5.80	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:	40-Kilowatt Ground Mount Solar Array
Amount of Loan:	\$116,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

170 MMBTUs (\$5,800) annually. The estimated payback on the project including rebates and incentives is 7 years based on an energy audit conducted on the property.

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 \$116,000 Trillion BTU loan to the Marlys E. Delzer Revocable Trust.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of July 18, 2017) **DATE:** July 13, 2017

FROM: Michael J. Linder *MJL*

SUBJECT: DONLEY FARMS, INC. AND GLENELDA, LLC
APPROVAL OF A \$405,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$405,000 with Donley Farms, Inc. and Glenelda, LLC for the installation of an 85–Kilowatt ground-mounted solar system on a commercial property located in Byron, 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:

Donley Farms, Inc. and Glenelda, LLC share common ownership and have a farming operation located at 4542 110th Avenue SW in Byron, Minnesota. They have a grain drying and storage facility as well as a livestock operation. The property owned by Glenelda, LLC, will have a 12-tracker solar installation and the tax assessed value of the property is \$1,945,000. Donley Farms, Inc. owns the property where a six-tracker solar installation will be placed, which has an assessed value of \$3,142,000.

Proposed Project:

85–Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$405,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$405,000

Uses of funds:	
85–Kilowatt Photovoltaic Solar System	\$405,000

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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. Olmstead 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 funder of the loan.

Financial Analysis:

Tax returns were received for Donley Farms, Inc. and Glenelda, LLC for 2016 and the previous two years. Both entities were profitable in all three years. Glenelda, LLC has no mortgage debt, but with the full PACE assessment, the debt coverage ratio would be 1.3 to 1. Donley Farms, Inc. has a first mortgage on the main barn and livestock facility. The debt service coverage ratio on that property is 2.96 to 1. Debt-to-equity for Glenelda, LLC is 0.50 to 1, with the PACE assessment, and 0.78 to 1 for Donley Farms, Inc. For the two entities combined, the debt service coverage, with all debt and PACE assessment, is 2.28 to 1 and the combined debt-to-equity ratio is 0.67 to 1.

Debt Service Coverage:	2.28	Trillion standard of at least	1.15
Debt-to-Equity:	0.67	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	85-Kilowatt Roof-top Solar Array
Amount of Loan:	\$405,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

480 MMBTUs (\$16,000) annually. The estimated payback on the project including rebates and incentives is 13 years based on an energy audit conducted on the property.

Workforce Implications:

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

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Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$405,000 Trillion BTU loan to Donley Farms, Inc and Glenelda, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of July 18, 2017) **DATE:** July 13, 2017

FROM: Michael J. Linder *mjl*

SUBJECT: DAWN LANNING
APPROVAL OF A \$80,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$80,000 with Dawn Lanning for the installation of a 15–Kilowatt roof-top solar system on a commercial property located in Cannon Falls, 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:

Dawn Lanning and her husband Steve Bishop own HHH Ranch, located at 32443 64th Avenue Way, Cannon Falls, MN. They raise huskies and board horses and offer a variety of programs including private and group riding lessons, full day camps and host public trail rides. The property has a tax assessed value of \$453,400, which will allow for the PACE assessment of \$80,000. The project includes replacing a portion of the roof where the solar installation will be mounted.

Proposed Project:

15–Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$80,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$80,000
Uses of funds:	
15–Kilowatt Photovoltaic Solar System	\$80,000

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

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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 funder of the loan.

Financial Analysis:

Tax returns were received for 2015 and the previous two years and show they were profitable in all three years, supplementing their farm operation with additional W-2 income. They filed for an extension on their 2016 taxes, but they had a debt service coverage ratio of 2.1 to 1 including the PACE assessment for 2015. They recently purchased the property and have a first mortgage. Their debt-to-equity was 3.5 to 1 using the market value of the property, which was recently purchased by the borrower. The loan to value with the first mortgage is 77%.

Debt Service Coverage:	2.1	Trillion standard of at least	1.15
Debt-to-Equity:	3.5	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	15-Kilowatt Roof-top Solar Array
Amount of Loan:	\$80,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

50 MMBTUs (\$1,600) annually. The estimated payback on the project including rebates and incentives is 12 years based on an energy audit conducted on the property.

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 \$80,000 Trillion BTU loan to Dawn Lanning.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of July 18, 2017) **DATE:** July 13, 2017

FROM: Michael J. Linder *MJL*

SUBJECT: RONALD AND JEAN TVRDIK
APPROVAL OF A \$151,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$151,000 with Ron and Jean Tvrdik for the installation of a 41-Kilowatt ground mounted tracking solar system on a commercial property located in Glenwood, 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:

Ron and Jean Tvrdik have a 90-acre farm located at 10269 210th Avenue in Glenwood, Minnesota. They raise cows for dairy and beef as well as growing grain to support the livestock. In addition to their farm operation, they have a haybale wrapping business which provides additional income. Their property has a tax assessed value of \$757,600, so the loan will be fully secured by a PACE assessment.

Proposed Project:

41-Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$151,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$151,000
Uses of funds:	
41-Kilowatt Photovoltaic Solar System	\$151,000

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

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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 funder of the loan.

Financial Analysis:

Tax returns were received for 2016 and the previous two years. The Tvrdik's had a profitable farm operation in 2016 and 2015, but showed losses in 2014, mainly caused by increased depreciation expenses. The borrowers have no other debt on the property, so the debt service coverage ratio with the PACE assessment is 11.08 to 1. The debt-to-equity ratio with the PACE assessment is 0.33 to 1.

Debt Service Coverage:	11.08	Trillion standard of at least	1.15
Debt-to-Equity:	0.33	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	41-Kilowatt Roof-top Solar Array
Amount of Loan:	\$151,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

255 MMBTUs (\$8,700) annually. The estimated payback on the project including rebates and incentives is 12 years based on an energy audit conducted on the property.

Workforce Implications:

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

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$151,000 Trillion BTU loan to Ron and Jean Tvrdik.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of July 18, 2017) **DATE:** July 13, 2017

FROM: Michael J. Linder *mjl*

SUBJECT: ENDICOTT, LLC AND CLOTH AND CLAY, INC.
APPROVAL OF A \$390,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$390,000 with Endicott, LLC and Cloth and Clay, Inc. for the installation of a 152-Kilowatt roof-top solar system on a commercial property located in Saint 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:

Cloth and Clay, Inc., doing business as Deneen Pottery, is a second-generation family run business established in 1972 by Peter and Mary Deneen. The company occupies a 17,000-square foot facility located at 2325 Endicott Street in St. Paul and employs over 50 craftsmen to create hand-thrown stoneware for private and corporate clients. Endicott, LLC is the real estate holding company that owns the property, which was remodeled in 2015 and leases space to Urban Growler Brewery. The property has a tax assessed value of \$1,995,000.

Proposed Project:

152-Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$390,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$390,000

Uses of funds:	
152-Kilowatt Photovoltaic Solar System	\$390,000

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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. 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 funder of the loan.

Financial Analysis:

Financial statements were received for both Cloth and Clay, Inc. the operating entity, and Endicott, LLC, the real estate holding company. Three years of statements for Cloth and Clay show the company has been profitable in all three years, had a debt service coverage ratio of 5.15 to 1 and a debt-to-equity ratio of 1.02 to 1, with the PACE assessment included in the calculations. Endicott, LLC was profitable in 2016, but showed losses in the first year of operations, which was 2015, when the property was being renovated. The property had a debt service coverage ratio of 1.58 to 1 and a debt-to-equity of 4.73 to 1, which includes the PACE assessment. The companies have a combined debt service coverage ratio of 6.73 to 1 and a debt to equity ratio of 1.62 to 1.

Debt Service Coverage:	6.73	Trillion standard of at least	1.15
Debt-to-Equity:	1.62	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	152-Kilowatt Roof-top Solar Array
Amount of Loan:	\$390,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

600 MMBTUs (\$20,000) annually. The estimated payback on the project including rebates and incentives is 9 years based on an energy audit conducted on the property.

Workforce Implications:

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

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Policy Exceptions:

Yes - Endicott, LLC, the real estate holding company, showed a loss in their first year of operations, and have a debt-to-equity ratio above guideline at 4.73 to 1. This is mitigated by the fact that the property was being remodeled and leased up in 2015, and is now fully leased and profitable.

Recommendation:

We recommend the approval of a \$390,000 Trillion BTU loan to Endicott, LLC and Cloth and Clay, Inc.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of July 18, 2017) **DATE:** July 13, 2017

FROM: Michael J. Linder *MJL*

SUBJECT: LYNWOOD PARTNERS, LLC;
ST. ANTHONY APARTMENTS, LLC; APARTMENT RENOVATIONS, LLC
APPROVAL OF A \$632,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate three Trillion BTU loans totaling approximately \$632,000 with Lynwood Partners, LLC; St. Anthony Apartments, LLC and Apartment Renovations, LLC for the installation of roof-top solar systems on six apartment buildings located in Richfield and 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:

The three real estate entities are owned by Mike Cashill and Alan Spaulding, and operate under the At Home Apartments brand. At Home Apartments has over 37 apartment communities in the Twin Cities area and also have apartment complexes in St. Cloud, MN and Kansas City, KS. There are six properties throughout Minneapolis and Richfield that they have plans to install roof-mounted solar systems to offset the energy use on the properties. The locations and tax assessed values of the properties are listed below:

Borrower	Property Address	Tax Assessed Value	Project
Lynwood Partners, LLC	7505 Lyndale Ave S, Richfield	\$1,848,000	40-kW Solar
Lynwood Partners, LLC	7515 Lyndale Ave S, Richfield	\$2,012,000	40-kW Solar
St. Anthony Apartments, LLC	309 6 th Street SE, Minneapolis	\$3,180,000	40-kW Solar
St. Anthony Apartments, LLC	320 7 th Street SE, Minneapolis	\$3,552,500	30-kW Solar
St. Anthony Apartments, LLC	519 3 rd Avenue SE, Minneapolis	\$3,618,500	37-kW Solar
Apartment Renovations, LLC	901 2 nd Street SE, Minneapolis	\$2,637,500	40-kW Solar

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Proposed Project:

Purchase Price and Installation:

Lynwood Partners, LLC	
7505 Lyndale Avenue	\$116,000
7515 Lyndale Avenue	\$107,000
St. Anthony Apartments, LLC	
309 6 th Street SE	\$110,000
320 7 th Street SE	\$ 88,000
519 3 rd Avenue	\$104,000
Apartment Renovations, LLC	
901 2 nd Street SE	<u>\$107,000</u>
Total	<u>\$632,000</u>

Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$632,000
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Uses of funds:

227-Kilowatt Photovoltaic Solar Systems	\$632,000
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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. 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 funder of the loan.

Financial Analysis:

Lynwood Partners, LLC – Financial statements were received for 2016, 2015 and 2014 and show the property was profitable in all three years. The debt service coverage ratio with the PACE assessments is 1.93 to 1. The property had negative equity due to accumulated depreciation. Excluding the depreciation, the debt to equity ratio would have been 3.60 to 1.

Debt Service Coverage:	1.93	Trillion standard of at least	1.15
Debt-to-Equity:	Neg.	Trillion standard of less than	4.00

St. Anthony Apartments, LLC – Financial statements were received for the past three years and show that the apartment complex was profitable in all three years. The debt service coverage ratio was 1.30 to 1, including the PACE assessment. This property also had negative equity due to accumulated depreciation as well as owner withdrawals.

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

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Apartment Renovations, LLC – Financial Statements were received for the past three years and show that the property was profitable in all three years. The debt service coverage ratio was 1.89 to 1 with the PACE assessment included. There was negative equity on the balance sheet due to accumulated depreciation. Debt to equity ratio without the accumulated depreciation would have been 9.4 to 1.

Debt Service Coverage:	1.89	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: 227-Kilowatt Roof-top Solar Array

Amount of Loan: \$632,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessments

Energy Savings:

765 MMBTUs (\$26,000) annually. The estimated payback on the project including rebates and incentives is 14 years based on an energy audit conducted on the property.

Workforce Implications:

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

Policy Exceptions:

Yes – All the properties had negative equity due to accumulated depreciation and owner withdrawals. This is mitigated by the fact that all of the properties were cash flow positive over the past three years and meet the debt service requirement with the PACE assessments factored in.

Recommendation:

We recommend the approval of a three Trillion BTU loans totaling \$632,000 to Lynwood Partners, LLC; St. Anthony Apartments, LLC and Apartment Renovations, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of July 18, 2017) **DATE:** July 13, 2017

FROM: Michael J. Linder *MJL*

SUBJECT: MANKATO MAHC, LLC
APPROVAL OF A \$850,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$850,000 with Mankato MAHC, LLC for the installation of energy efficiency upgrades and a 140-kilowatt roof-top solar system on a commercial property located in Mankato, 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:

Mankato MAHC, LLC, owned by MBG Property Management, operates the River Bluff Apartments, located at 405 North 5th Street in Mankato, MN. The company operates more than 1,600 units throughout Minnesota. The subject property was built in the 1970's and consists of a six-story complex with 150 apartment units. The owners of the property had Xcel Energy complete a comprehensive energy study to determine areas where energy could be saved. The property has one main boiler plant which provides common and residential area radiant heating. The boiler will be converted from a steam system to a hot water boiler. A new cooling tower will also be installed as well as a 140-kilowatt solar array on the roof. The property has a tax assessed value of \$6,156,700 so the loan will be fully secured by a PACE assessment.

Proposed Project:

Energy Efficiency Upgrades	
Purchase Price and Installation	\$850,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$850,000

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Uses of funds:

140–Kilowatt Photovoltaic Solar System	\$300,000
High Efficiency Boiler System	\$250,000
High Efficiency Chiller System	<u>\$300,000</u>
Total	<u>\$850,000</u>

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

Financial Analysis:

Financial statements were received for 2016 and the previous two years and show the property was profitable in all three years. The debt service coverage ratio, including the proposed PACE assessment is 1.22 to 1. There is negative equity in the property due to accumulated depreciation and amortization expenses. The negative equity is also the result of a recent refinance of the property, with capital being used to finance repairs and improvements to many of the living units and common areas. Projections for a fifteen-year period were also provided and show the property increasing its net operating income as a result of lower utility and repair expenses as a result of the efficiency upgrades, as well as increased rental income from the enhancements to the property and living units.

Debt Service Coverage:	1.22	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: 140-Kilowatt Roof-top Solar Array
High Efficiency Boiler and Chiller System

Amount of Loan: \$850,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

1,500 MMBTUs (\$51,000) annually. The estimated payback on the project including rebates and incentives is 12 years based on an energy audit conducted on the property.

Workforce Implications:

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

Policy Exceptions:

Yes – There was negative equity in the company due to accumulated depreciation and amortization expenses as well as a recent refinance to raise capital to make improvements to the property. This is mitigated by the positive cash flow of the property as well as the security of the PACE assessment.

Recommendation:

We recommend the approval of a \$850,000 Trillion BTU loan to Mankato MAHC, LLC.

MJL:djk