


SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE **DATE:** June 15, 2017

FROM: Lee J. Krueger 

SUBJECT: REGULAR CREDIT COMMITTEE MEETING
JUNE 20, 2017 – 2:00 P.M.

NOTICE

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **June 20, 2017**, at **2:00 p.m.** in the Board room of the Port Authority of the City of Saint Paul located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102. The purpose of the meeting is:

1. Approval of Minutes of May 16, 2017
2. Conflict of Interest
3. Amendments to the Snelling-Midway, Maxson Steel/Dale Street Shops, and Energy Park Industrial Development Districts
4. 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
5. District Energy St. Paul, Inc. – (1) Inducement Resolution No. 68 and (2) Authorization for Tax-Exempt Financing Allocation Application
6. Innovative Power Systems, Inc. – Approval of a Six-Month Extension of the \$1,400,000 Trillion BTU Loan Approved on December 15, 2015
7. DRFC Metro, LLC – Approval of a \$2,000,000 Trillion BTU Loan
8. 321 Lincoln Street, LLC and Intelligent Nutrients, LLC – Approval of a \$100,000 Trillion BTU Loan
9. Kevin and Jessica Androli – Approval of a \$236,000 Trillion BTU Loan
10. Richard and Dawn Androli – Approval of a \$138,000 Trillion BTU Loan

CREDIT COMMITTEE

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11. 9800 Hemingway, LLC and CMC Enterprises, Inc. – Approval of a \$195,000 Trillion BTU Loan
12. Advanced Extrusion, Inc. – Approval of a \$50,000 Trillion BTU Loan
13. Mark and Nicole Yunker – Approval of a \$64,000 Trillion BTU Loan
14. Randal and Caroline Freiborg – Approval of a \$152,000 Trillion BTU Loan
15. Meadow Creek Hospitality, LLC and Country Living Management Company – Approval of a \$139,000 Trillion BTU Loan
16. The Youngest Child, LLC – Approval of a \$74,000 Trillion BTU Loan
17. Such Other Business that May Come Before the Committee

/dj

cc: Press
City Clerk
Dai Thao

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
MAY 16, 2017**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:17 p.m. in the Board Room of the Saint Paul Port Authority, 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102.

The following Committee Members were present:

Paul Williams	John Bennett	Harry Melander
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Also present were the following:

Lee Krueger	Laurie Hansen	Pete Klein
Michael Linder	Bruce Kessel	Kathryn Sarnecki
Andrea Novak	Laurie Siever	Sarah Savelle
Dana Krueger	Ann Kosel	Linda Williams
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Bennett made a motion, seconded by Committee Member Melander, to approve the minutes of the April 18, 2017 Credit Committee meeting. The motion carried unanimously.

CONFLICT OF INTEREST

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

**APPROVAL OF THE FIRST AMENDMENT TO THE WABASHA AND
SIXTH STREET TAX INCREMENT FINANCING PLAN (THE "TIF PLAN")**

Mr. Kessel reviewed his memorandum with the Committee requesting approval of the First Amendment to the Wabasha & Sixth Street Tax Increment Financing Plan.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of the First Amendment of the Wabasha & Sixth Street Tax Increment Financing Plan.

1024 ATLANTIC AVE, LLC
APPROVAL OF A \$27,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$27,000 Trillion BTU loan/PACE assessment to 1024 Atlantic Ave, LLC for the installation of energy efficiency upgrades.

There was discussion regarding what financial information is required for underwriting and what financial information should be required going forward.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of an approximate \$27,000 Trillion BTU loan/PACE assessment to 1024 Atlantic Ave, LLC for the installation of energy efficiency upgrades. The motion carried unanimously.

2746 31ST AVE, LLC
APPROVAL OF A \$254,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$254,000 Trillion BTU loan/PACE assessment to 2746 31st Ave, LLC for the installation of a 134-kilowatt solar system.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of an approximate \$254,000 Trillion BTU loan/PACE assessment to 2746 31st Ave, LLC for the installation of a 134-kilowatt solar system. The motion carried unanimously.

BRIAN AND LESLIE AXDAHL
APPROVAL OF A \$207,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$207,000 Trillion BTU loan/PACE assessment to Brian and Leslie Axdahl for the installation of a 60-kilowatt solar system.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of an approximate \$207,000 Trillion BTU loan/PACE assessment to Brian and Leslie Axdahl for the installation of a 60-kilowatt solar system. The motion carried unanimously.

DOUGHERTY, LLC
APPROVAL OF A \$44,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$44,000 Trillion BTU loan/PACE assessment to Dougherty, LLC for the installation of a 20-kilowatt solar system and foam insulated roof.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of an approximate \$44,000 Trillion BTU loan/PACE assessment to Dougherty, LLC for the installation of a 20-kilowatt solar system and foam insulated roof. The motion carried unanimously.

HANNY PROPERTIES, LLC AND HANISCH BAKERIES, LLC
APPROVAL OF A \$70,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$70,000 Trillion BTU loan/PACE assessment to Hanny Properties, LLC and Hanisch Bakeries, LLC for the installation of a 20-kilowatt solar system.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of an approximate \$70,000 Trillion BTU loan/PACE assessment to Hanny Properties, LLC and Hanisch Bakeries, LLC for the installation of a 20-kilowatt solar system. The motion carried unanimously.

MEN AS PEACEMAKERS
APPROVAL OF A \$127,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$127,000 Trillion BTU loan/PACE assessment to Men as Peacemakers for the installation of energy efficiency upgrades.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of an approximate \$127,000 Trillion BTU loan/PACE assessment to Men as Peacemakers for the installation of energy efficiency upgrades. The motion carried unanimously.

THOMAS AND HEIDI OMERZA
APPROVAL OF A \$27,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$27,000 Trillion BTU loan/PACE assessment to Thomas and Heidi Omerza for the installation of energy efficiency upgrades.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of an approximate \$27,000 Trillion BTU loan/PACE assessment to Thomas and Heidi Omerza for the installation of energy efficiency upgrades. The motion carried unanimously.

CHARLES PALER
APPROVAL OF A \$129,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$129,000 Trillion BTU loan/PACE assessment to Charles Paler for the installation of a 40-kilowatt solar system.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of an approximate \$129,000 Trillion BTU loan/PACE assessment to Charles Paler for the installation of a 40-kilowatt solar system. The motion carried unanimously.

MICHAEL SINGLESTAD
APPROVAL OF A \$51,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$51,000 Trillion BTU loan/PACE assessment to Michael Singlestad for the installation of a 40-kilowatt solar system.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of an approximate \$51,000 Trillion BTU loan/PACE assessment to Michael Singlestad for the installation of a 40-kilowatt solar system. The motion carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:46 p.m.

By: _____

Its: _____


/djK

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Monte M. Hilleman 

SUBJECT: **AMENDMENTS TO THE SNELLING-MIDWAY, MAXSON STEEL/DALE STREET SHOPS, AND ENERGY PARK INDUSTRIAL DEVELOPMENT DISTRICTS**
RESOLUTION NO. _____

Action Requested:

Approval of amendments to the Midway Industrial Development District (hereafter referred to as the "Snelling-Midway"),¹ Maxson Steel/Dale Street Shops Industrial Development District ("Maxson Steel/Dale Street Shops"), and Energy Park Industrial Development District ("Energy Park") to include the boundaries of the land set forth in **Exhibit A** and depicted on the maps in **Exhibit B**.

Public Purpose:

Minnesota Statutes Section 469.058 permits the Port Authority to create, expand, and amend an Industrial Development District and engage in the redevelopment of marginal property in such districts.

Background:

Minnesota statutes require that a Port Authority TIF District reside within an Industrial Development District.

At the September 27, 2016 Board meeting, the Snelling-Midway IDD was created to facilitate the development of the soccer stadium. The Snelling-Midway IDD included the Midway Shopping Center, but did not include the "Bus Barn" site.

The Port Authority, working under the Environmental Project Management Agreement for the MLS site, sought grant funding from MN DEED, Met Council and Ramsey County for the remediation of the MLS Stadium Complex and has been awarded to date a total of \$3,123,321. Prior to those grant applications and awards, the City committed to funding the first \$1,500,000 of remediation on the Met Transit owned Bus Barn site. Grant funding program restrictions have excluded the Bus Barn site from eligible costs for the MN DEED grant and the Met Council grant. Ramsey County cleanup funds eligible for the Bus Barn site currently total \$325,000, resulting in a remaining City commitment of \$1,175,000. On May 1, 2017, an additional application was made for an additional \$350,000, which, if awarded, would leave a funding shortfall of \$825,000.

¹ This IDD was created under Resolution No. 4583 and named Midway Industrial Development District. The Port Authority has a separate IDD named Midway Business Industrial Development District. In order to avoid confusion, Port Authority staff recommend changing the name from Midway Industrial Development District to Snelling-Midway Industrial Development District.

To address this funding shortfall, the Port Authority intends to use tax increment financing (TIF) from the Great Northern Business Center Phase II Redevelopment (“Great Northern”) and Energy Lane Business Center Redevelopment (“Energy Lane”) TIF districts. But, in order to do so under Minnesota law, the Maxson Steel/Dale Street Shops and Energy Park IDD’s must include the Port Authority Snelling-Midway IDD property boundaries. Accordingly, the Port Authority proposes and recommends that the Bus Barn site be added to the existing Snelling-Midway IDD and that the Snelling-Midway IDD property boundaries be added to the Maxson Steel/Dale Street Shops and Energy Park IDDs.

Minnesota statutes permit overlapping IDDs and the expansion of existing IDDs and IDDs with non-contiguous properties. Furthermore, a development district may be created or amended if the authority finds that a development district is proper and desirable to establish and develop a system of harbor and river improvements and industrial developments (including economic development) in its port district. The property within the proposed IDDs, as amended, suffer from one or more of the conditions described in Section 469.048, Subdivision 5, entitled “Marginal Property”, including but not limited to the following subparts:

- (1) faulty planning causing deterioration, disuse, or economic dislocation;
- (3) lots laid out without regard to their physical characteristics and surrounding conditions;
- (4) inadequate streets, open spaces, and utilities; and
- (7) lack of use or improper use of areas, resulting in stagnant or unproductive land that could contribute to the public health, safety and welfare.

In support of these findings, see the City of Saint Paul Comprehensive Plan and the Minnesota United MLS Stadium and Surrounding Mixed-Use Urban Village, Alternative Urban Area-Wide Review (AUAR) Mitigation Plan, dated July 18, 2016.

Current Status:

The City will advance funds as a loan to pay for the remediation costs on the Snelling Avenue portion of the redevelopment site. The Port Authority has two TIF districts (Energy Lane and Great Northern) which have anticipated TIF receipts greater than the amount needed to pay for the existing costs incurred in the development of those districts. A separate action item request of this Board and the City Council will permit the use of their respective TIF’s to repay the loan.

TIF funds will only be used for the private development parcels along Snelling Avenue per the approved Master Plan and the infrastructure that will serve those parcels. TIF costs will not be used and are not allowed to be used under state statute for a recreation facility.

Accordingly, we are recommending the amendment to the Snelling-Midway IDD, the Maxson Steel/Dale Street Shops, and Energy Park IDD’s be approved. This will allow for the remediation of the Bus Barn site on a timely basis and the ability to use TIF for the repayment of the loan, provided we are able to amend those TIF districts.

Recommendation:

We recommend approval of the amendment to the Snelling-Midway, Maxson Steel/Dale Street Shops, and Energy Park Industrial Development Districts to include the boundaries of the land set forth in Exhibit A and depicted on the maps in Exhibit B.

Attachments: Exhibit A – legal description/boundaries
 Exhibit B – maps
 Resolution

EXHIBIT A

Description of Land

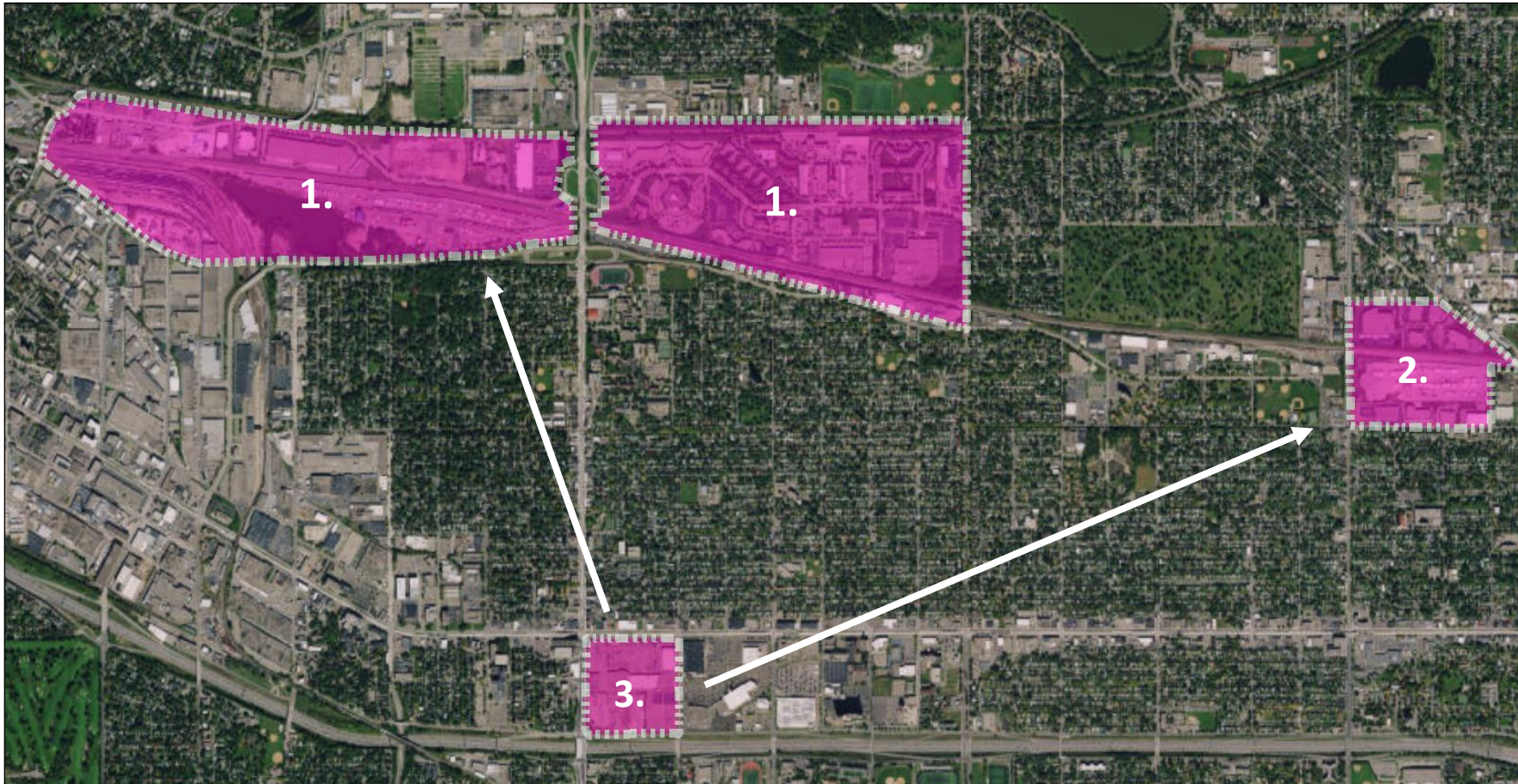
Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

EXHIBIT B

Maps of Premises

{Attached}

**Amended Land Boundaries to:
Snelling-Midway, Maxson Steel/Dale Street Shops
and Energy Park Industrial Development Districts**



- 1. Energy Park IDD**
- 2. Maxson Steel/Dale Street Shops IDD**
- 3. Snelling-Midway IDD**

Snelling - Midway IDD



Snelling-Midway Description: Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

Maxson Steel/Dale Street Shops IDD



Maxson Steel/Dale Street Shops Description: Bounded by Topping Street on the North, by Como and Arundel on the Northeast and East, West Minnehaha on the South and North Dale Street on the West (to the beginning point).



Snelling-Midway Description: Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

Energy Park IDD



Energy Park Description:
See attached pages for full legal description.



Snelling-Midway Description: Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

Energy Park Industrial Development District (Energy Park IDD)

Revised Boundary Description

A tract of land located in Ramsey County, Minnesota, described as follows:

PARCEL 1: Except avenue, that part of the S½ of Section 27, Township 29, Range 23 lying Northeasterly of the Great Northern Railway right-of-way and South of the following line: Beginning at the East Quarter Section corner of Section 27, thence South on the East line of said Section 27; 157.71 feet, thence West at right angle to a point 1,190 feet East of the center line of Hamline Avenue, thence North at right angle 2 feet, thence West at right angle 1,202 feet, thence South at right angle 2 feet, thence West at right angle to Northeasterly corner bounding Great Northern Railway right-of-way line, all in Section 27, Township 29, Range 23, subject to easements of record, Ramsey County, State of Minnesota, according to the land map records within and for said County.

And

PARCEL 2: Lots 13, 14, 15, 16 and 17, Block 3, Hersey Woolsey Addition, subject to streets and easements of record, according to the plat thereof on file and of record in the office of the Register of Deeds within and for Ramsey County.

And

PARCEL 3: Lots 1 and 4, Block 1, College Place East Division, subject to Pierce Butler Route.

A tract of land in the City of Saint Paul, Ramsey County, Minnesota, bounded on the north by Decourcy Drive and Rosen Road, on the west by Snelling Avenue, and the east by Lexington Avenue, on the south by the north property line of the Koppers Company, Inc. and its extension westerly to Snelling Avenue.

The following described property located in the City of Saint Paul, Ramsey County, Minnesota:

Parts of the Northeast quarter and the Southeast quarter, Section 29, Township 29, Range 23, and parts of the Northwest quarter, Southwest quarter, Northeast quarter, and Southeast quarter of Section 28, Township 29, Range 23, City of Saint Paul, Ramsey County, Minnesota, described as follows:

Bounded on the North by the Northerly right-of-way line of the Burlington Northern Railroad, bounded on the East by the West line of Snelling Avenue, bounded on the West by the Easterly right-of-way line of Raymond Avenue, and bounded on the South by the following described line:

Commencing at the West line of Snelling Avenue and the North line of the Pierce Butler Route, thence continuing Westerly along the North line of Pierce Butler Route and the Westerly extension of Pierce Butler Route to its intersection with the Northerly line of Capp Road extended Southeasterly, thence continuing Northwesterly along the Northerly line of Capp Road to the Northerly right-of-way line of Robbins Street extended Southeasterly to its intersection with Capp Road, thence continuing Northwesterly along the Northerly line of Robbins Street extended Southeasterly to the Easterly right-of-way line of Raymond Avenue and there terminating.

A tract of land in the City of Saint Paul, Ramsey County, Minnesota, described as follows:

Bounded on the West by the East line of Snelling Avenue; bounded on the North by the North right of way line of Schroeder Drive, also known as the Southerly right of way line of the Burlington Northern Railroad; on the East by a line of 250 feet East of the East line of Hamline Avenue to its intersection with the South line of the Burlington Northern Railroad on the South by the South right of way line of Rosen Road and Decourcy Drive.

A tract of land in the City of Saint Paul, Ramsey County, Minnesota, described as follows:

That property bounded on the East by Lexington Avenue, on the South by DeCourcy Drive and Rosen Road, on the West by Jones Street and its extension Northerly to Jessamine Avenue, and on the North by Jessamine Avenue.

A tract of land situated in the County of Ramsey, State of Minnesota, legally described as follows:

That property bounded on the West by the East line of Snelling Avenue; bounded on the South by the South line of Schroeder Drive; bounded on the East by the East line of Jones Street and its extension Northerly to Jessamine Avenue; and bounded on the North by Jessamine Avenue and its extension Westerly to Snelling Avenue.

A tract of land located north of Pierce Butler Road, south of the old Great Northern railroad tracks, East of Lexington Avenue and west of Snelling Avenue, abutting the existing district.

Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

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

**[Amendments to the Snelling-Midway, Maxson Steel/Dale Street Shops, and
Energy Park Industrial Development Districts (IDDs)]**

WHEREAS, the Port Authority of the City of Saint Paul (the "Port Authority"), at least ten days after the legal publication of the notice thereof, held a public hearing for the purpose of amending three previously created Industrial and Economic Development Districts (IDDs), within the City of Saint Paul, Ramsey County, Minnesota, to include for each IDD the land set forth in **Exhibit A** attached hereto and by reference is made a part hereof.

WHEREAS, the Midway IDD was created by Resolution No. 4583 to allow the Port Authority to facilitate the development of a soccer stadium on the former bus barn site and will require additional land currently owned and occupied by the Midway Shopping Center. In furtherance of facilitating the development in the area, the Midway IDD will be expanded to include the real estate in the lower southwest portion of the block. Furthermore, the Midway IDD is renamed to be known as the Snelling-Midway Industrial Development District ("Snelling-Midway IDD"). A map depicting the Snelling-Midway IDD and its boundary description of the Snelling-Midway IDD is attached hereto as **Exhibit B**.

WHEREAS, the Maxson Steel/Dale Street Shops IDD was created by Resolution No. 3629. The Great Northern IDD will be expanded to include the real estate encompassed in the Snelling-Midway IDD. A map depicting the amended Maxson Steel/Dale Street Shops IDD and its boundary description as amended is attached hereto as **Exhibit C**.

WHEREAS, the Energy Park IDD was created and amended by Resolution Nos. 1499, 1535, 1609, 1697, 1756, 1827, and 2013. The Energy Park IDD will be expanded to include the real estate encompassed in the Snelling-Midway IDD. A map depicting the amended Energy Park IDD and its boundary description as amended is attached hereto as **Exhibit D**.

WHEREAS, a legal publication of notice of hearing was published and said public hearing was conducted in accordance with the provisions of Minnesota Statutes Section 469.058.

WHEREAS, the Port Authority finds that the lands within each of the above-described IDD's are characterized by economic dislocation, deterioration and disuse resulting from faulty planning.

WHEREAS, the Port Authority finds that certain areas with each IDD has inadequate streets, opens spaces, and utilities.

WHEREAS, the Port Authority finds that certain lands within each IDD has undergone a loss of population and reduction of proper utilization of the area resulting from its further deterioration and at a cost to the taxpayer for the creation of new public facilities and services elsewhere.

WHEREAS, the Port Authority finds that certain lands within each IDD is characterized by a growing lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributions to the public health, safety, and welfare of the citizens of the port district of Saint Paul.

WHEREAS, the Port Authority finds that certain lands within each IDD is necessary for industrial and economic development within the IDD.

WHEREAS, the Port Authority finds that creation of the Snelling-Midway Industrial Development District, the Maxson Steel/Dale Street Shops Industrial Development District, and the Energy Park Development District, as each is described above, is proper and desirable in establishing economic developments for the benefit of the Port Authority's district and the citizens of Saint Paul thereof.

NOW, THEREFORE, BE IT RESOLVED BY THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

1. That the Port Authority hereby finds, determines, and declares that the property within each IDD is marginal land as defined in Minnesota Statutes Section 469.048, Subd. 5;
2. That the Port Authority hereby creates the Snelling-Midway Industrial Development District within the boundaries of the lands to include the properties described in Exhibit B attached hereto;
3. That the Port Authority hereby creates the Great Northern Industrial Development District within the boundaries of the lands to include the properties described in Exhibit C attached hereto; and
4. That the Port Authority hereby creates the Energy Park Industrial Development District within the boundaries of the lands to include the properties described in Exhibit D attached hereto.

Adopted: June 27, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

ATTEST:

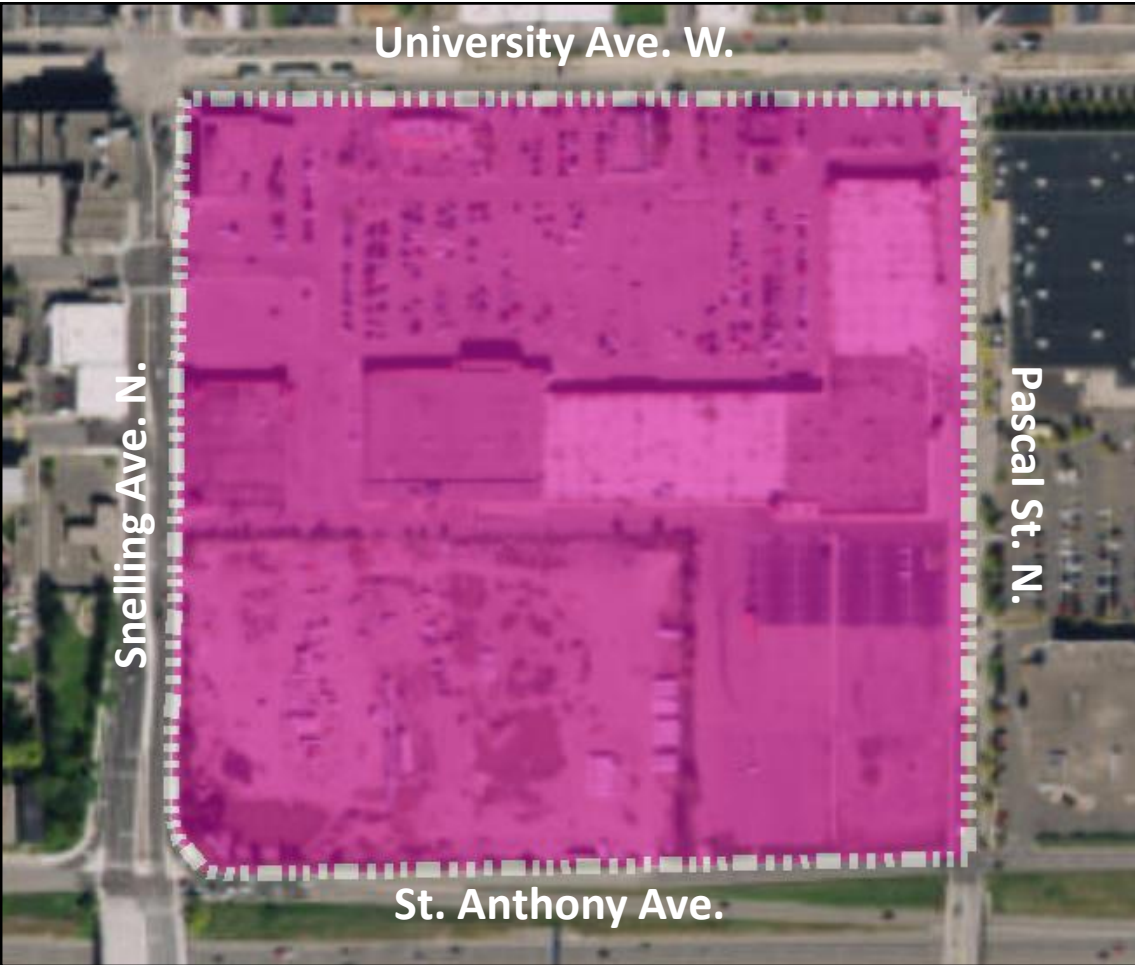
By: _____
Its: _____

EXHIBIT A

Description of Land

Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

Snelling - Midway IDD



Snelling-Midway Description: Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

Maxson Steel/Dale Street Shops IDD

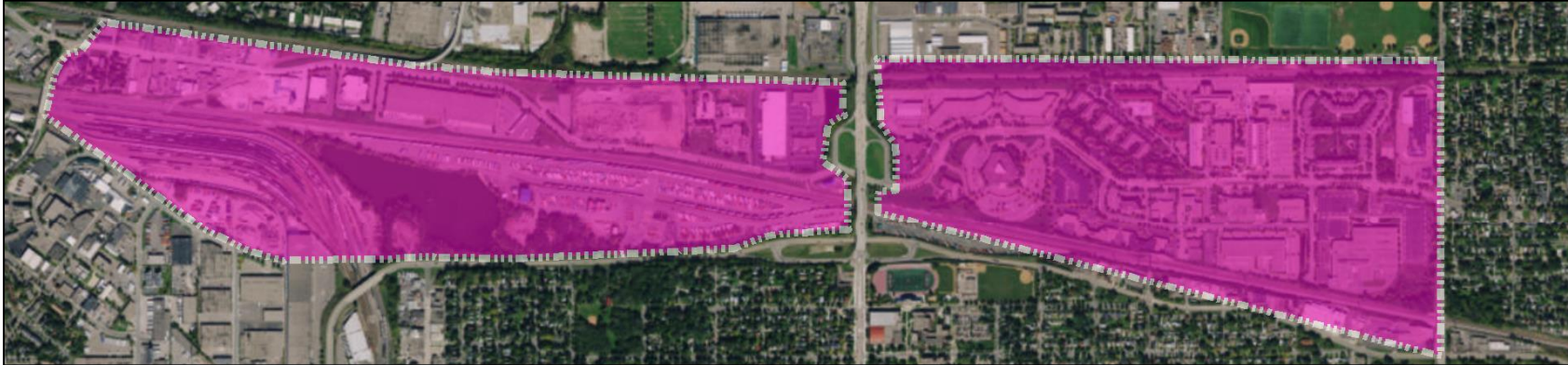


Maxson Steel/Dale Street Shops Description: Bounded by Topping Street on the North, by Como and Arundel on the Northeast and East, West Minnehaha on the South and North Dale Street on the West (to the beginning point).



Snelling-Midway Description: Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

Energy Park IDD



Energy Park Description:
See attached pages for full legal description.



Snelling-Midway Description: Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

EXHIBIT D

Part II of Exhibit to Attach to Map

Energy Park Industrial Development District (Energy Park IDD)

Revised Boundary Description

A tract of land located in Ramsey County, Minnesota, described as follows:

PARCEL 1: Except avenue, that part of the S½ of Section 27, Township 29, Range 23 lying Northeasterly of the Great Northern Railway right-of-way and South of the following line: Beginning at the East Quarter Section corner of Section 27, thence South on the East line of said Section 27; 157.71 feet, thence West at right angle to a point 1,190 feet East of the center line of Hamline Avenue, thence North at right angle 2 feet, thence West at right angle 1,202 feet, thence South at right angle 2 feet, thence West at right angle to Northeasterly corner bounding Great Northern Railway right-of-way line, all in Section 27, Township 29, Range 23, subject to easements of record, Ramsey County, State of Minnesota, according to the land map records within and for said County.

And

PARCEL 2: Lots 13, 14, 15, 16 and 17, Block 3, Hersey Woolsey Addition, subject to streets and easements of record, according to the plat thereof on file and of record in the office of the Register of Deeds within and for Ramsey County.

And

PARCEL 3: Lots 1 and 4, Block 1, College Place East Division, subject to Pierce Butler Route.

A tract of land in the City of Saint Paul, Ramsey County, Minnesota, bounded on the north by Decourcy Drive and Rosen Road, on the west by Snelling Avenue, and the east by Lexington Avenue, on the south by the north property line of the Koppers Company, Inc. and its extension westerly to Snelling Avenue.

The following described property located in the City of Saint Paul, Ramsey County, Minnesota:

Parts of the Northeast quarter and the Southeast quarter, Section 29, Township 29, Range 23, and parts of the Northwest quarter, Southwest quarter, Northeast quarter, and Southeast quarter of Section 28, Township 29, Range 23, City of Saint Paul, Ramsey County, Minnesota, described as follows:

Bounded on the North by the Northerly right-of-way line of the Burlington Northern Railroad, bounded on the East by the West line of Snelling Avenue, bounded on the West

by the Easterly right-of-way line of Raymond Avenue, and bounded on the South by the following described line:

Commencing at the West line of Snelling Avenue and the North line of the Pierce Butler Route, thence continuing Westerly along the North line of Pierce Butler Route and the Westerly extension of Pierce Butler Route to its intersection with the Northerly line of Capp Road extended Southeasterly, thence continuing Northwesterly along the Northerly line of Capp Road to the Northerly right-of-way line of Robbins Street extended Southeasterly to its intersection with Capp Road, thence continuing Northwesterly along the Northerly line of Robbins Street extended Southeasterly to the Easterly right-of-way line of Raymond Avenue and there terminating.

A tract of land in the City of Saint Paul, Ramsey County, Minnesota, described as follows:

Bounded on the West by the East line of Snelling Avenue; bounded on the North by the North right of way line of Schroeder Drive, also known as the Southerly right of way line of the Burlington Northern Railroad; on the East by a line of 250 feet East of the East line of Hamline Avenue to its intersection with the South line of the Burlington Northern Railroad on the South by the South right of way line of Rosen Road and Decourcy Drive.

A tract of land in the City of Saint Paul, Ramsey County, Minnesota, described as follows:

That property bounded on the East by Lexington Avenue, on the South by DeCourcy Drive and Rosen Road, on the West by Jones Street and its extension Northerly to Jessamine Avenue, and on the North by Jessamine Avenue.

A tract of land situated in the County of Ramsey, State of Minnesota, legally described as follows:

That property bounded on the West by the East line of Snelling Avenue; bounded on the South by the South line of Schroeder Drive; bounded on the East by the East line of Jones Street and its extension Northerly to Jessamine Avenue; and bounded on the North by Jessamine Avenue and its extension Westerly to Snelling Avenue.

A tract of land located north of Pierce Butler Road, south of the old Great Northern railroad tracks, East of Lexington Avenue and west of Snelling Avenue, abutting the existing district.

Starting at the intersection of Snelling Avenue and St. Anthony Avenue heading North on Snelling Avenue to University Avenue, then East on University Avenue to Pascal Street North, then South on Pascal Street North to St. Anthony Avenue, then West on St. Anthony Avenue to Snelling Avenue (the beginning point).

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Bruce A. Kessel 

SUBJECT: 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

Action Requested:

Provide 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 with the City of Saint Paul, Minnesota.

Background:

The Port Authority and City of Saint Paul approved the creation of the Energy Lane Business Center Redevelopment ("Energy Lane") Tax Increment Financing District and the Great Northern Business Center Phase II Redevelopment ("Great Northern") Tax Increment Financing District (the "Districts") in 2002 and 2004, respectively. The Districts were created to assist in the expansion of the tax base and create jobs.

Minnesota Statutes Section 469.175, Subdivision 4b (1) and (2) allow a port authority to modify a district to enlarge the size of the district and/or the project area, as well as to increase the amount of indebtedness of the district. Section 469.1763, Subdivision 2 allow a district to spend up to twenty-five percent (25%) of its increment outside the district but within the project area. A public hearing on the proposed amendments that require City Council approval is scheduled for July 19, 2017 at 5:30 p.m. at the City Council meeting. Notice of this public hearing will be published as required by Minnesota statutes. Both Ramsey County and the School Board will be notified as required by Minnesota statutes.

Minnesota statutes require that a Port Authority TIF District reside within an Industrial Development District (the "Project Area"). The Energy Lane TIF District is in the Energy Park Industrial Development District while the Great Northern TIF District is in the Maxson Steel/Dale Street Shops (also known as the Great Northern Business Center) Industrial Development District. Tax increment property taxes are collected only on the parcels within the TIF District, however, up to twenty-five percent of the tax increment can be spent within the Project Area.

Proposal:

When TIF Plan budgets are established, estimates are made for TIF revenues, grant receipts and anticipated costs. If unforeseen conditions result in revenues and/or costs being different than anticipated, the TIF Plan is reevaluated to determine whether any adjustments to the Plan are warranted. While minor adjustments between line items can be accomplished by Port Authority action, other changes require the City of Saint Paul to hold a public hearing and formally approve any plan modifications.

The City of Saint Paul is interested in remediating a portion of the Snelling-Midway site, described in greater detail below. The City, however, is unable to obtain adequate grants to finance its anticipated costs. It is willing to finance the remediation and other costs necessary to redevelop the site through Pay-As-You-Go TIF Notes, to be repaid with available tax increment financing at three percent (3%) interest. The notes would be from Energy Lane in the amount of \$375,000 through December 2030 and Great Northern in the amount of \$500,000 through December 2032. Pay-As-You-Go TIF Notes place the risk that future increments are insufficient to repay the notes with the City in that at the end of the note term, any remaining balance on the notes is discharged. Existing budgets and future projected activity indicate that tax increment financing from the Districts would be adequate to service the existing obligations, as well as the proposed Pay-As-You-Go TIF Notes.

The Snelling-Midway site is bound by Snelling Avenue, St. Anthony Avenue, University Avenue and Pascal Street North. The southwest corner is owned by the Metropolitan Council and has been tax exempt and underutilized for quite some time; preliminary tests indicate that the site is contaminated. The site needs to be remediated before private development can occur, and it is anticipated a portion of the site, once remediated, will return to the tax rolls.

Based upon the budgeted and actual outlays for the Districts, projections indicate the Districts could be modified to encompass the Snelling-Midway site and related Pay-As-You-Go TIF Notes to the City of Saint Paul. The amount of tax increment financing to be collected will not increase as a result of this modification. When the parcels on Snelling Avenue, which are now tax exempt, are developed and returned to the tax rolls, they will generate additional property taxes to reduce property taxes for other Saint Paul properties. See a map of the parcels attached hereto as **Exhibit A**.

Recommendation:

We recommend approval of the 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 with the City of Saint Paul, Minnesota.

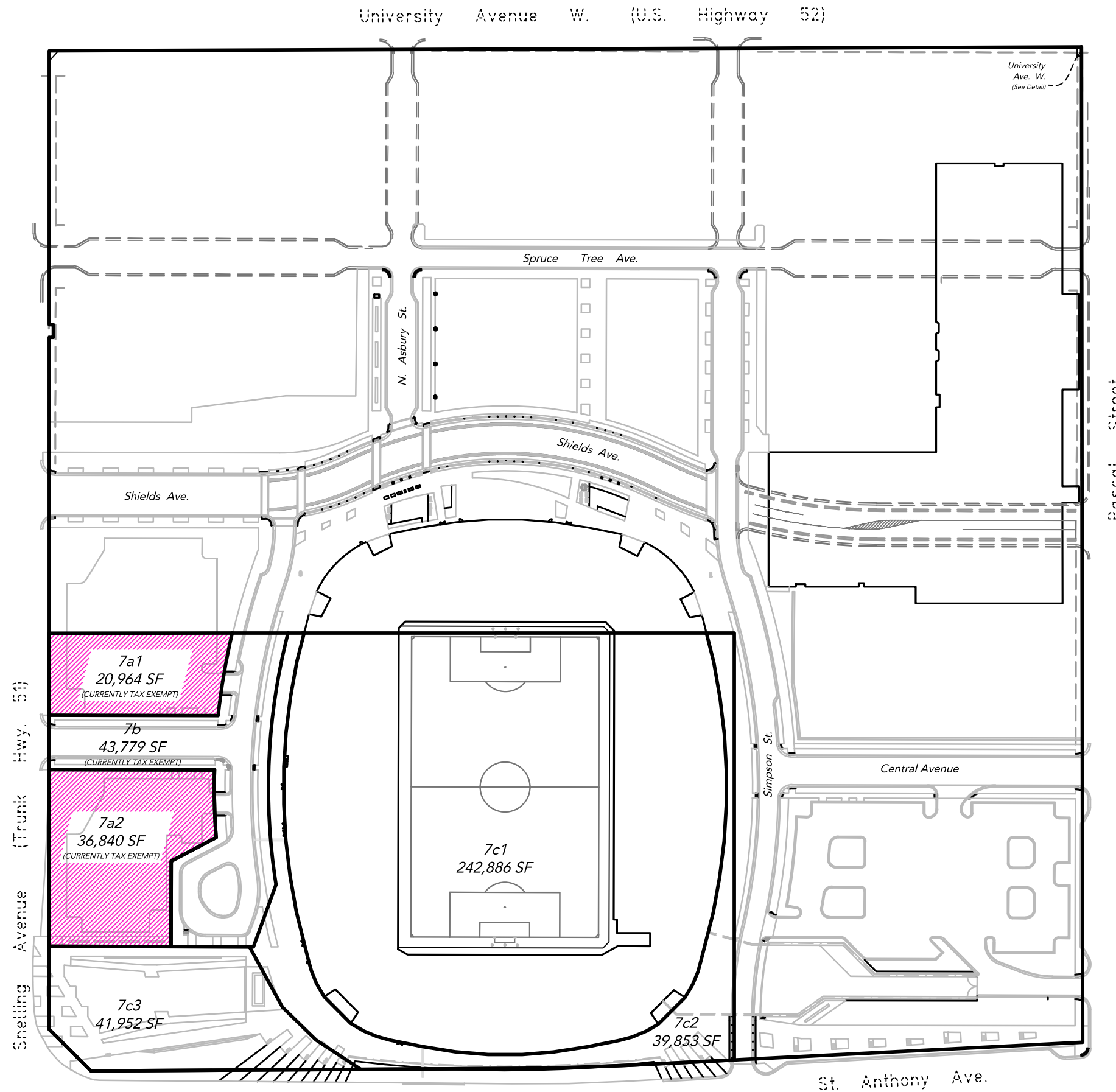
BAK/lkw

Attachment: Exhibit A – Map of Parcels on Snelling Avenue
Resolution

EXHIBIT A

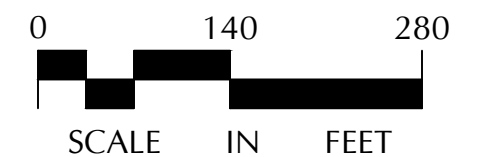
Map of Snelling Avenue Parcels

{Attached}



PARCEL 7 BREAKDOWN

June 13, 2017



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

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

WHEREAS, the Port Authority of the City of Saint Paul (the "Port Authority") has previously established the Industrial Development Districts (IDD) and the Tax Increment Districts ("TIF Districts") (collectively, the "Districts").

WHEREAS, it is proposed that the Board of Commissioners of the Port Authority consider expanding the geographic boundaries of the IDDs to include the area bound by Snelling Avenue, St. Anthony Avenue, University Avenue and Pascal Street North, as shown on the map attached as Exhibit A, to assist the City of Saint Paul in its remediation and redevelopment of the site and returning a portion of it to the property tax rolls.

WHEREAS, it is anticipated that Pay-As-Go Notes will be executed with the City of Saint Paul at three percent (3%) interest.

WHEREAS, Port Authority management has prepared a revised budget for each of the TIF Districts, all of which are set forth in the proposed amendments.

WHEREAS, the Port Authority has performed all actions required by law to be performed prior to the amendment of the Districts, including but not limited to, notification of Ramsey County and School District 625 (which have taxing jurisdictions over the property included in such Districts) with respect to the amendments to those Districts that require such notice under the statute.

WHEREAS, a notice of the hearing on the proposed amendments to the Districts for which a public hearing is required will be published as required by Minnesota Statutes Section 469.175, Subdivision 3, and pursuant to such notice a public hearing will be held by the City Council on July 19, 2017 on the amendments of the TIF Districts as described herein.

WHEREAS, the Port Authority will comply with all applicable laws including Minnesota Statutes Section 469.1763, Subdivision 2, which sets forth limitations on the Use of Tax Increment including but not necessarily limited to pooling limitations.

NOW, THEREFORE, BE IT RESOLVED BY THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

1. The proposed amendments to the tax increment financing plans for the Districts are hereby approved and adopted, and shall be placed on file in the office of the Port Authority.

2. The Port Authority will work with City of Saint Paul staff in conducting a public hearing and adoption of these proposed changes.
3. The Port Authority management, along with the Port Authority's legal counsel is hereby authorized to proceed with the implementation of the amended Plans.

The Port Authority management is hereby authorized to forward a copy of the amended plans to the Ramsey County Auditor and the Minnesota Department of Revenue pursuant to Minnesota Statutes, Section 469.175, Subdivision 2.

Adopted: June 27, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

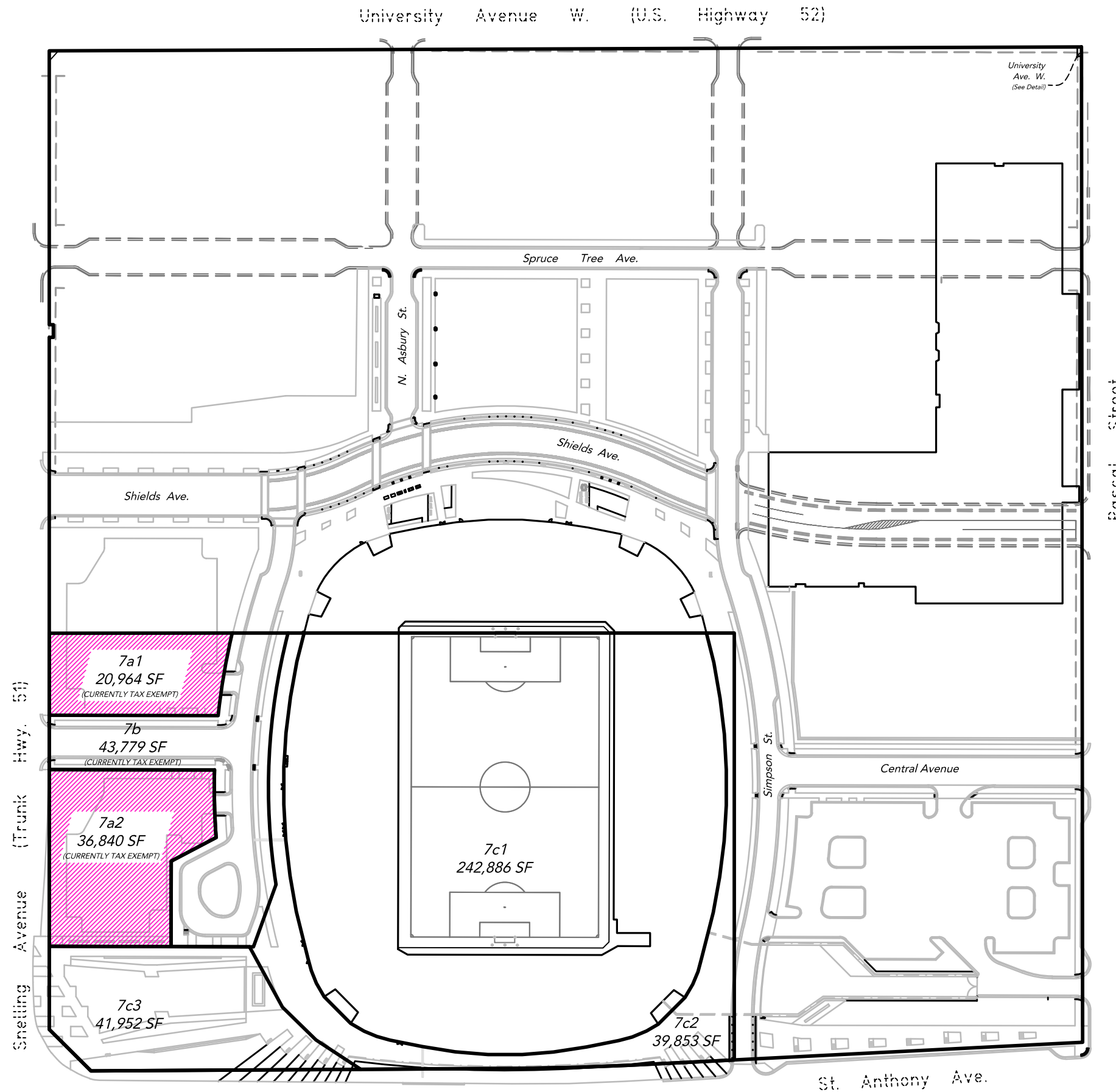
ATTEST:

By: _____
Its: _____

EXHIBIT A

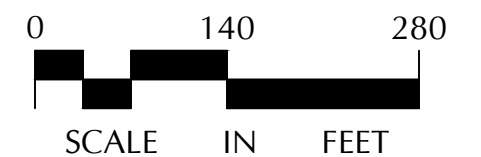
Map of Snelling Avenue Parcels

{Attached}



PARCEL 7 BREAKDOWN

June 13, 2017



SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Peter M. Klein 

SUBJECT: DISTRICT ENERGY ST. PAUL, INC.
1. Inducement Resolution No. 68
2. Authorization for Tax-Exempt Financing Allocation Application

Action Requested:

1. Provide preliminary approval for the Port Authority to issue taxable and tax-exempt bonds in the approximate amount of \$40,000,000 to finance the construction of a distribution pipeline in Saint Paul and to finance improvements to the existing central plant.
2. Authorization for application for up to a \$10,000,000 allocation of bonding authority from the Minnesota Management and Budget, Treasury Division.

Public Purpose:

The \$40,000,000 financing and up to \$10,000,000 allocation will enable District Energy St. Paul, Inc. to finance the construction of a distribution pipeline in Saint Paul and to finance improvements to the existing central plant.

Business Subsidy

This proposal does not involve a business subsidy.

Background:

District Energy is a 501(c)(3) non-profit company that provides energy services to 200 buildings with nearly 32 million building square feet in downtown Saint Paul. It has operated since 1983 and continues to steadily grow.

Proposal:

District Energy has requested that the Port Authority apply for an allocation of tax-exempt bonding authority from the Public Facilities pool, which is administered by the Minnesota Management and Budget, Treasury Division. This pool has been established to finance public utility projects throughout the State and is similar to the Small Issue pool that the Port Authority utilizes to finance small manufacturing projects.

Approval of this resolution and authorization to make an application for allocation of bonding authority now will ensure that the upcoming expenses that the company may be incurring will be considered eligible expenses under the tax-exempt financing law. The

CREDIT COMMITTEE

June 15, 2017

Page 2

authorization to make an application will allow the Port Authority to apply for an allocation of bonding authority from the State of Minnesota. The inducement resolution expresses a preliminary intention of the Port Authority to issue obligations for this project, identifies the proposed project, and discloses the proposed amount of the bonds. Once the company determines the specifics of its construction project, it will be required to provide additional information to the Port Authority's Credit Committee for consideration prior to the final approval of the bond issue. In order for this portion of the project to proceed on a tax-exempt revenue bond basis, District Energy, through the Port Authority, must obtain an allocation of bonding authority from the Minnesota Management and Budget, Treasury Division.

Workforce Implications:

No direct implications other than the constructions jobs.

Policy Exceptions:

None.

Recommendation:

We recommend approval of Resolution No. 68 authorizing application for up to a \$10,000,000 allocation of bonding authority from the Minnesota Management and Budget, Treasury Division.

PMK:djk

**INDUCEMENT RESOLUTION OF
THE CREDIT COMMITTEE OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA**

**[District Energy St. Paul, Inc.
Approval for Tax-Exempt Financing Allocation Application]**

WHEREAS, the Port Authority of the City of Saint Paul, Minnesota (the "Port Authority") has received a request from District Energy St. Paul, Inc. (hereinafter referred to as "Company") that the Port Authority consider the issuance of its revenue bonds (which may be in the form of one or more notes) to finance the proposed extension of the Company's distribution system in downtown Saint Paul to connect new customers and thermal improvements and capacity additions to the system (the "Projects").

WHEREAS, the Port Authority desires to facilitate the selective development of the City of Saint Paul and the metro east community, to retain and improve its tax base and to help it provide the range of services and employment opportunities required by its population, and said Projects will assist in achieving that objective by increasing the assessed valuation of the metro east community; helping to maintain a positive relationship between assessed valuation and debt; and enhancing the image and reputation of the metro east community.

WHEREAS, the Projects to be financed by revenue bonds will result in additional employment opportunities in the City of Saint Paul and the metro east community.

WHEREAS, the Port Authority has been advised by representatives of the Company that the Company has been acting to date in anticipation that the Port Authority would favorably consider this financing proposal.

WHEREAS, the Port Authority's Credit Committee has adopted its Resolution giving preliminary approval to the proposed issuance of bonds.

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

1. On the basis of information available to the Port Authority it appears, and the Port Authority hereby finds, that: said Projects constitutes properties, used or useful in connection with one or more revenue producing enterprises engaged in any business within the meaning of Minnesota Statutes, Sections 469.152 to 469.1655 (the "Act"); the Projects furthers the purposes stated in the Act; and it is in the best interests of the port district and the people of the City of Saint Paul and metro east community and in furtherance of the general plan of development to assist the Company in financing the Projects.

2. The Authority hereby indicates its intention to issue its tax-exempt and/or taxable revenue bonds, in a principal amount to be determined, to provide funds to the Company to finance the Projects, provided that the Port Authority, the Company and the

purchaser of the revenue bonds are able to reach agreement as to the details of the revenue agreement and other documents necessary to evidence and effect the financing of the Projects and the issuance of the revenue bonds, and further provided that the Projects and its financing receive approval by the Department of Employment and Economic Development of the State of Minnesota and an allocation of any bonding authority necessary for the tax-exempt bonds from the Minnesota Management and Budget, Treasury Division.

3. The staff of the Port Authority is authorized and directed to prepare and submit the application for allocation of bonding authority, as needed, for approximately \$10,000,000, and to continue negotiations with the Company so as to resolve the issues necessary to the preparation of the revenue agreement and other documents necessary to the approval by the Port Authority of the proposed revenue bond financing.

4. If issued, the revenue bonds (including any interim note or notes) and interest thereon shall not constitute an indebtedness of the Port Authority or the City of Saint Paul within the meaning of any constitutional or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Authority or the City of Saint Paul or a charge against their general credit or taxing powers and neither the full faith and credit nor the taxing powers of the Port Authority or the City of Saint Paul is pledged for the payment of the bonds (and interim note or notes) or interest thereon.

5. Approval of this resolution is not a commitment from the Port Authority, and final approval of the Projects, and the issuance of revenue bonds to finance the Projects, is subject to further review by the Port Authority following submission of a full application by the Company and satisfaction of the conditions and approvals described in paragraph 2, above.

6. The Company intends to make expenditures for the capital projects financed by the obligations and reimburse such expenditures from the proceeds of the obligations. This resolution is intended to constitute a declaration of the Port Authority's official intent, for purposes of Section 1.150-2 of the Treasury Regulations, with respect to certain original expenditures made from any sources other than the proceeds of the obligations, in conjunction with the capital projects financed thereby for the Projects.

Adopted: June 20, 2017

THE CREDIT COMMITTEE OF THE
PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____


ATTEST

By _____
Its _____

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017) **DATE:** June 15, 2017

FROM: Peter M. Klein 

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

Action Requested:

Provide approval for the Port Authority to extend the previously approved \$1,400,000 loan with Innovative Power Systems, Inc. (IPS) for the construction of four solar photovoltaic installations totaling one megawatt under Xcel Energy's Renewable Development Fund (RDF) for six months.

Public Purpose:

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

Business Subsidy:

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

Background:

On December 15, 2015, the Credit Committee approved a \$1,400,000 loan to IPS. The original Credit Committee memo is attached, as well as the first three-month extension, approved in March of 2017. The loan was funded in March of 2016 and construction of the solar panel installations is complete on all four buildings, with three installations commissioned and in operation.

The fourth building, located at 1919 University Avenue, required its existing service switchgear be re-certified to ensure it could handle the solar installation. After two electrical engineering companies refused to re-certify due to the age of the equipment and unknown service history, the electrical inspector decided that new equipment would be necessary prior to interconnection. In the predesign engineering work, this issue was not identified and the scope of the work not included in the cost of the project. IPS has determined that replacement is the only option and has ordered the necessary equipment to install new electrical service to the building. With the delay in ordering, shipping, installing, re-certifying and completing the interconnection, as well as time for the Business Development funds to be remitted to the Port Authority, the six-month extension is necessary.

CREDIT COMMITTEE

June 15, 2017

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Financial Analysis:

All interest payments have been timely. The December 31, 2016 financial statements have been reviewed and IPS continues to meet the standard Trillion BTU underwriting guidelines. The Center for Energy and the Environment has also approved the extension of its \$400,000 participation for an additional six months. The Business Development Funds are being held until the project is complete, at which time the funds will be remitted to the Port Authority and CEE, with any remaining funds going to IPS.

Recommendation:

We recommend the approval of the extension of the \$1,400,000 Trillion BTU loan to Innovative Power Systems, Inc. to January 1, 2018.

PMK:djk

Attachment

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of December 15, 2015)

DATE: December 2, 2015

FROM: Peter M. Klein

SUBJECT: **INNOVATIVE POWER SYSTEMS, INC.
APPROVAL OF AN APPROXIMATE \$1,400,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$1,400,000 loan with Innovative Power Systems, Inc. for the construction of 4 solar photovoltaic installations totaling approximately 1 megawatt.

Public Purpose:

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

Business Subsidy:

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

Background:

Innovative Power Systems (IPS) is a St. Paul-based solar development and construction company in business since 1991. They have completed over 900 systems in that time and have been recognized as a top US contractor by Solar Power World magazine each of the last 3 years.

In 2013 IPS submitted a grant application to Xcel Energy for a project that would bring 1 megawatt of solar to 4 commercial roofs along the light rail corridor connecting Minneapolis and St. Paul. The long-term vision is that solar can help alleviate new stress on our electrical grid, with the future goal of virtually powering the train's entire load (once commissioned, existing solar will provide roughly 17% of the train's needs).

That application was subsequently approved by the Renewable Development Fund (RDF) review committee, Xcel and Minnesota's Public Utilities Commission. The RDF grant process was established by the legislature to promote renewable energy and to allow Xcel to store additional nuclear waste at Prairie Island. The total grant amount is \$1,850,000. The total project cost is approximately \$3,000,000.

In May 2015, the Port Authority approved a \$300,000 loan to IPS to fund deposits for three solar garden projects that are not connected to this financing. IPS has been current on all payments relating to this loan.

Proposed Project:

One-megawatt solar installations at 4 separate sites.	<u>\$3,000,000</u>
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$1,000,000
Center for Energy and the Environment (CEE)	\$ 400,000
Washington Gas Energy Systems (WGL)	\$1,200,000
IPS Equity	<u>\$ 400,000</u>

Uses of funds:

Solar Installations	<u>\$3,000,000</u>
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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. We do not expect to have any participation in this project other than from CEE.

Financial Analysis:

Innovative Power Systems, Inc. is a Minnesota-based company in the business of building, managing and selling solar projects. The company began operating in 1991 and has been profitable in two of the last three years.

Innovative Power Systems, Inc. is seeking \$1,400,000 from the Trillion BTU program to help finance this project. The company will provide \$400,000 of additional equity beyond this Trillion BTU debt and the WGL investment. WGL is traded on the New York Stock Exchange and will be the owner of the system.

The following ratios are projected as of December 31, 2014:

Current Ratio	1.55	
Debt Service Coverage:	29.95	Trillion standard of at least 1.15
Debt-to-Equity	2.94	Trillion standard of less than 4.00

Xcel Energy has approved a \$1,850,000 grant that will be paid out within 90 days of the completion of this project. The grant will be used to repay the TBTU loan.

Proposal:

Source of Funds:	Trillion BTU / CEE / IPS / WGL / Xcel
Use of Funds:	A 1 Megawatt Solar Installation
Amount of Loan:	\$1,400,000
Rate:	5%
Term:	One year (interest only payments)
Collateral:	Signed Loan Agreement An agreement with Xcel Energy that the grant funds will be sent to a custody account controlled by the Port Authority

Energy Production:

3,500 MMBTUs (\$120,000) annually.

Workforce Implications:

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

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$1,400,000 Trillion BTU loan to Innovative Power Systems, Inc.

PMK:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$2,000,000 with DRFC Metro, LLC for the installation of HVAC equipment on two commercial office properties located in Bloomington, 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:

DRFC Metro, LLC is a real estate management company which purchased the Metro Office Park from the Metropolitan Airports Commission in 2006. Metro Office Park, located at 3001 Metro Drive in Bloomington, consists of seven office buildings and is managed by Frauenshuh Companies. The buildings have a total of 381,399 square feet of class B office space. The complex was constructed between 1968 and 1972 and the air conditioning units that are being replaced are original equipment. It is located directly south of the Minneapolis/St. Paul Airport, on the southern side of Interstate 494.

In May of 2011, the Credit Committee approved an \$870,000 Trillion BTU loan to replace 12 rooftop units on other buildings in this complex. All payments were timely and the loan was paid off in September of 2016. In February 2014, the Credit Committee approved a \$355,000 Trillion BTU loan for four new rooftop units on another building. All payments have been timely, the current outstanding balance is \$157,000 and will be paid off in 2019. In June of 2016, the Credit Committee approved a \$500,000 Trillion BTU loan which was related to this current request. We anticipated having a PACE funder finance a majority of the project directly. With this request, the cost of the project has fallen from \$2,500,000 to \$2,000,000, however, we would like to be able to fund the full amount up front, and have a PACE funder take out at least \$1,000,000. Prior to funding, we will work with a lender to ensure they have approval as Trillion funds are limited to \$1,000,000 for long-term financing. The two parcels of land have a tax assessed value of \$10,064,000.

CREDIT COMMITTEE

June 15, 2017

Page 2

Proposed Project:

New Rooftop HVAC Units and Controls

Purchase Price and Installation \$2,000,000

Sources and Uses of Funds:

Sources of funds:

Trillion BTU \$2,000,000

Uses of funds:

New Rooftop HVAC Units and Controls \$2,000,000

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Hennepin County is assisting with placing the PACE special assessment on the property taxes and another funder will finance that portion of the project once the special assessment is in place. 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 the previous three years and show the company was profitable in all three years. The debt service coverage ratio was 1.15 prior to the PACE assessment, however, it would be 1.02 with the proposed assessment. This is mitigated by the fact that the PACE assessment will be passed on to the tenants through their triple net leases, so their actual debt service coverage ratio should not change. The company did not meet the debt-to-equity requirement due to significant accumulated depreciation and amortization on the balance sheet. When excluding these from the calculation, the company had a debt to equity ratio of 2.90 as of 12/31/16. A rent roll was requested and shows the seven properties had a combined occupancy of 70%.

Debt Service Coverage:	1.02	Trillion standard of at least	1.15
Debt-to-Equity:	2.90	Trillion standard of less than	4.00

Proposal:

Source of Funds: Trillion BTU

Use of Funds: New Rooftop HVAC Units and Controls

Amount of Loan: \$2,000,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

6,000 MMBTUs (\$250,000) annually. The estimated payback on the project including rebates and incentives is 8 years based on an energy audit conducted on the property.

Workforce Implications:

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

Policy Exceptions:

Yes - The company did not meet the debt to equity guideline due to significant accumulated depreciation and amortization. This is mitigated by the proforma debt to equity ratio of 2.90 when excluding depreciation and amortization on the balance sheet. The company also failed to meet the debt service requirement with the PACE assessment. This is mitigated by the fact that the tenants will repay the PACE assessment as well as receive the benefit of reduced energy use through triple net leases, meaning the property owners pass property taxes and utility costs on to their tenants.

Recommendation:

We recommend the approval of a \$2,000,000 Trillion BTU loan to DRFC Metro, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$100,000 with 321 Lincoln Street, LLC and Intelligent Nutrients, LLC for the installation of new HVAC units 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:

Intelligent Nutrients is an environmentally focused organic and natural hair care company created by Horst Rechelbacher, founder of Aveda. The company is led by his widow Kiran Stordalen and daughter Nicole Thomas. The facility is located at 321 Lincoln Street in NE Minneapolis. The facility is both a manufacturing facility as well as a salon which uses and sells Intelligent Nutrients products. The Intelligent Nutrients product lines are sold at their flagship Mall of America and New York City stores, as well as at salons across the country and online. The proposed project will upgrade eight HVAC units on their factory/warehouse/salon, which are 20 years or older, with new high-efficiency units. The property has an assessed value of \$925,000.

Proposed Project:

Upgrade Eight High Efficiency Commercial HVAC Units	
Purchase Price and Installation	\$100,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$100,000

Uses of funds:	
Eight High Efficiency HVAC Units	\$100,000

CREDIT COMMITTEE

June 15, 2017

Page 2

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

321 Lincoln Street, LLC is the real estate holding company that owns the manufacturing facility and salon. The operating entity is Intelligent Nutrients, LLC. Financial statements were received for the past three years and show the real estate company and the operating entity are showing a loss in all three years. The building is unencumbered, so there are no principal or interest payments, however, with negative cash available for debt service is caused by depreciation, which was the sole expense. Since there is no mortgage on the property, the debt to equity ratio with the proposed PACE assessment is 0.10. And although the operating entity also has no outside debt, due to the continued losses the company has negative equity.

Due to the financial weakness of the operating entity, we requested that Kiran and Nicole sign personal guarantees on the note, which will also be fully covered by the PACE assessment. Additionally, we spoke with their Investment advisor who provided verification of sufficient assets to continue to make the PACE assessment should that be necessary.

Debt Service Coverage:	Neg.	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:	Eight High Efficiency Commercial HVAC Units
Amount of Loan:	\$100,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment Personal Guaranty

Energy Savings:

380 MMBTUs (\$13,000) 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:

Yes – Both the real estate entity and the operating entity show losses for the past three years, have negative cash available for debt service and Intelligent Nutrients, LLC has negative equity. These factors are mitigated by the fact that both entities are operating debt free, there will be a PACE assessment for the full amount of the note and the owners are personally guaranteeing the loan with verified liquid assets to cover the full amount of the loan.

Recommendation:

We recommend the approval of a \$100,000 Trillion BTU loan to 321 Lincoln Street, LLC and Intelligent Nutrients, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$236,000 with Kevin and Jessica Androli for the installation of a 50–Kilowatt ground-mounted tracking solar system on a commercial property located in Janesville, 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:

Kevin and Jessica Androli have a farming operation located at 7291 425th Ave in Janesville, MN. They raise hogs and rent out their farm land for additional income. The property has a current tax assessed value of \$900,000, which limits the PACE assessment to \$180,000. The borrowers have requested the remaining portion be financed with an unsecured Trillion BTU loan. Due to their financial strength, the fact that they meet all of the underwriting criteria and with the Personal Guaranty, \$56,000 will be financed over 5 years with an unsecured Trillion BTU loan.

Proposed Project:

50–Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$236,000

Sources and Uses of Funds:

Sources of funds:

Trillion BTU/ PACE Assessment	\$180,000
Trillion BTU Unsecured Portion	<u>\$ 56,000</u>
Total	\$236,000

CREDIT COMMITTEE

June 15, 2017

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Uses of funds:

50–Kilowatt Photovoltaic Solar System	\$236,000
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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. Waseca 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 the previous three years and show the borrowers have been profitable in all three years. The borrowers have a mortgage on the property, and with the proposed PACE and Trillion BTU payments, the borrowers would have a debt service coverage ratio of 5.01. Also, their debt to equity ratio would be 1.16, which includes the PACE assessment, Trillion BTU loan and their first mortgage debt.

Debt Service Coverage:	5.01	Trillion standard of at least	1.15
Debt-to-Equity:	1.16	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	50-Kilowatt Ground Mounted Solar Array
Amount of Loan:	\$180,000 – PACE \$56,000 – TBTU
Rate:	4.5%
Term:	10 years – PACE 5 Years – TBTU
Collateral:	Signed Loan Agreement PACE Special Assessment (\$180,000) Personal Guaranty

Energy Savings:

285 MMBTUs (\$10,000) 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.
2 FTE for construction jobs.

CREDIT COMMITTEE

June 15, 2017

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Policy Exceptions:

No Exceptions

Recommendation:

We recommend the approval of a \$236,000 Trillion BTU loan to Kevin and Jessica Androli.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$138,000 with Richard and Dawn Androli for the installation of a 28–Kilowatt ground mounted tracking solar system on a commercial property located in Janesville, 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:

Richard and Dawn have a farming operation located at 42792 Reeds Lake Road in Janesville, MN. They raise hogs and rent out their farm land for additional income. The property has a current tax assessed value of \$525,000, which limits the PACE assessment to \$105,000. The borrowers have requested the remaining portion be financed with an unsecured Trillion BTU loan. Due to their financial strength, the fact that they meet all of the underwriting criteria and with the Personal Guaranty, \$33,000 will be financed over 5 years with an unsecured Trillion BTU loan.

Proposed Project:

28–Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$138,000

Sources and Uses of Funds:

Sources of funds:

Trillion BTU/ PACE Assessment	\$105,000
Trillion BTU Unsecured Portion	<u>\$ 33,000</u>
Total	\$138,000

CREDIT COMMITTEE

June 15, 2017

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Uses of funds:

28–Kilowatt Photovoltaic Solar System	\$138,000
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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. Waseca 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 the past three years and the borrowers were profitable on their farming operation for all three years. With their mortgage debt and PACE assessment, they have a debt service coverage ratio of 1.64. They have approximately \$95,000 in mortgage debt that will be paid off in less than one year. Their debt to equity ratio is within guideline at 0.81, which includes the proposed PACE assessment and Trillion BTU loan.

Debt Service Coverage:	1.64	Trillion standard of at least	1.15
Debt-to-Equity:	0.81	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	28-Kilowatt Ground Mounted Solar Array
Amount of Loan:	\$105,000 - PACE \$33,000 - TBTU
Rate:	4.5%
Term:	10 years - PACE 5 Years - TBTU
Collateral:	Signed Loan Agreement PACE Special Assessment (\$105,000) Personal Guaranty

Energy Savings:

164 MMBTUs (\$5,800) annually. The estimated payback on the project including rebates and incentives is 16 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.

CREDIT COMMITTEE

June 15, 2017

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Policy Exceptions:

No Exceptions

Recommendation:

We recommend the approval of a \$138,000 Trillion BTU loan to Richard and Dawn Androli.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder *mjl*

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$195,000 with 9800 Hemingway, LLC and CMC Enterprises, Inc. for the installation of a 100-Kilowatt roof-top solar system on a commercial property located in Cottage Grove, 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:

CMC Enterprises, Inc., doing business as Modern Automotive Performance, is an e-commerce performance parts supplier for import and domestic vehicles and was established in 2006. 9800 Hemingway, LLC is the real estate holding company that owns the property located at 9800 Hemmingway Ave S in Cottage Grove. Through their website, they offer custom parts and accessories from various aftermarket manufacturers and also have their own line of products which they manufacture at their facility. The assessed value of the property is \$1,149,600, so the loan will be fully secured by a PACE assessment.

Proposed Project:

100-Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$195,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$195,000

Uses of funds:	
100-Kilowatt Photovoltaic Solar System	\$195,000

CREDIT COMMITTEE

June 15, 2017

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In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Washington 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 the last three years and show the company was profitable in 2016, though they had net losses in the previous two years. They did meet their debt service coverage ratio, which was 4.41 and includes the proposed PACE assessment. Due to the losses in the previous two years, equity in the company is low, causing a debt to equity ratio of 8.6 which is above the guideline. The owner has used personal investments to infuse cash into the company and expects that they will remain profitable in the future. The owner explained that the company was focused on growing revenue and establishing the e-commerce business, breaking even in most years or operating with manageable losses to achieve this goal. In 2017 the company is on track to earn significantly more profits than 2016 and should continue building equity.

Debt Service Coverage:	4.41	Trillion standard of at least	1.15
Debt-to-Equity:	8.60	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	100-Kilowatt Roof-top Solar Array
Amount of Loan:	\$195,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

430 MMBTUs (\$14,000) annually. The estimated payback on the project including rebates and incentives is 11 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:

Yes – The company was profitable in the last year but not two of the last three. Due to the losses in those years, they also had low equity in the company, causing the debt to equity of 8.6, which is above the guideline. This is mitigated by the increasing profitability of the company, the PACE assessment covering the full loan amount and the fact that both the real estate entity and operating company are borrowers on the note. Additionally, 2017 performance has significantly improved and projections for the remainder of the year indicate profitability increasing significantly.

Recommendation:

We recommend the approval of a \$195,000 Trillion BTU loan to 9800 Hemingway, LLC and CMC Enterprises, Inc.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder *mjl*

**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 a 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
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$50,000
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Uses of funds:

LED Lighting Upgrades	\$50,000
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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. Trillion BTU funds will remain the funder of the loan and Personal Guaranty's from the owners is being requested for added security.

CREDIT COMMITTEE

June 15, 2017

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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 weren't being accounted for properly. 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 have not 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.

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.

CREDIT COMMITTEE

June 15, 2017

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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 June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder *mjl*

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$64,000 with Mark and Nicole Yunker for the installation of a 40-Kilowatt ground mounted solar system on a commercial property located in Rose Creek, 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:

Mark and Nicole Yunker have a 500-acre crop farming operation located at 20493 630th Avenue, in Rose Creek, Minnesota. The couple also has a hog farming operation and perform other custom farming from their 12-acre parcel of land which has a tax assessed value of \$322,000, which limits the PACE assessment to \$64,000.

Proposed Project:

40-Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$100,000

Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$ 64,000
Borrower's Investment	<u>\$ 36,000</u>
Total	\$100,000

Uses of funds:

40-Kilowatt Photovoltaic Solar System	\$100,000
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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. Mower County is assisting with placing the PACE

CREDIT COMMITTEE

June 15, 2017

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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:

Mark and Nicole Yunker provided tax returns for the past three years and show that they have been profitable with their hog and grain operation for the past three years. In 2016 they had a debt service coverage ratio of 2.51. With the PACE assessment included, the ratio is 2.03. They have a mortgage on the property and with the new PACE debt have a debt to equity ratio of 1.20.

Debt Service Coverage:	2.03	Trillion standard of at least	1.15
Debt-to-Equity:	1.20	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	40-Kilowatt Ground Mounted Solar Array
Amount of Loan:	\$64,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

220 MMBTUs (\$7,000) annually. The estimated payback on the project including rebates and incentives is 10 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:

No Exceptions

Recommendation:

We recommend the approval of a \$64,000 Trillion BTU loan to Mark and Nicole Yunker.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder *mjl*

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$152,000 with Randal and Caroline Freiborg for the installation of a 35–Kilowatt ground mounted tracking solar system on a commercial property located in Renville, 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:

Randy and Caroline Freiborg have a farm operation located at 86104 210th Street in Renville, Minnesota. They have 80 acres of farm land and grow crops, including sugar beets. The property has an assessed value of \$759,500, so the PACE assessment is limited to \$151,900

Proposed Project:

35–Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$152,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$152,000
Uses of funds:	
35–Kilowatt Photovoltaic Solar System	\$152,000

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

CREDIT COMMITTEE

June 15, 2017

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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 the past three years and show the farm operations have been profitable in all three years. There is also supplemental W-2 income. There is a small contract for deed on the property and with the PACE assessment, the debt service coverage ratio is 11.08. With the contract for deed and the PACE assessment, the debt to equity ratio is 0.33, below guideline.

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:	35-Kilowatt Ground Mounted Solar Array
Amount of Loan:	\$152,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

190 MMBTUs (\$6,800) annually. The estimated payback on the project including rebates and incentives is 15 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:

No Exceptions

Recommendation:

We recommend the approval of a \$152,000 Trillion BTU loan to Randal and Caroline Freiborg.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder *mjl*

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$139,000 with Meadow Creek Hospitality, LLC and Country Living Management Company for the installation of a 160-Kilowatt ground mounted tracking solar system on a commercial property located in Montevideo, 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:

Meadow Creek Hospitality is a senior independent living facility located at 4000 County Road 15 in Montevideo and overlooking the Minnesota River Valley. The property consists of 13 individual units with a maximum capacity of 16 residents. Country Living Management is the operating company that provides 24/7 care services and manages the facility. Both entities are equally owned by Shane and Luanne Gibson, and Shane's parents, Dennis and Mary Gibson. The 10-acre property has a tax assessed value of \$698,800, limiting our PACE assessment to \$139,000.

Proposed Project:

160-Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$250,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$139,000
Borrower's Investment	<u>\$111,000</u>
Total	\$250,000

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June 15, 2017

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Uses of funds:

160–Kilowatt Photovoltaic Solar System	\$250,000
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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. Chippewa 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 for both Meadow Creek Hospitality and Country Living Management Company were received for the last three years. Meadow Creek, the real estate entity was showing losses for all three years, while Country Living was showing profits in the last two of three years analyzed. This project was completed in 2014 and has been nearly filled, with a single occupant room available. Now that the rent and care service expenses have stabilized, the owners intend to increase the rent paid to Meadow Creek to ensure they meet their bank's loan covenants.

In 2016, Meadow Creek had a debt service coverage ratio of 1.73 with the proposed PACE assessment. Country Living Management had a debt service coverage ratio of 2.22 and together the two entities had a consolidated debt coverage ratio of 3.95. Debt to equity for Meadow Creek was 3.54 and for Country Living Management was 1.52, for a combined debt to equity ratio of 2.90.

Debt Service Coverage:	3.95	Trillion standard of at least	1.15
Debt-to-Equity:	2.90	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	160-Kilowatt Roof-top Solar Array
Amount of Loan:	\$139,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

905 MMBTUs (\$29,000) annually. The estimated payback on the project including rebates and incentives is 10 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 -Meadow Creek Hospitality has not been profitable in the last three years. This is mitigated by the fact that Meadow Creek met its debt service and debt to equity ratios as well as the combined financial strength of the two companies. The losses can be attributed to the build-out phase of the project; now that the property is nearly full, both entities should show profits going forward.

Recommendation:

We recommend the approval of a \$139,000 Trillion BTU loan to Meadow Creek Hospitality, LLC and Country Living Management Company.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of June 20, 2017)

DATE: June 15, 2017

FROM: Michael J. Linder *mjl*

**SUBJECT: THE YOUNGEST CHILD, LLC
APPROVAL OF A \$74,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$74,000 with The Youngest Child, LLC for the installation of a 40-Kilowatt roof-top solar system 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:

Executive Chef Doug Flicker and his wife Amy Greeley own The Youngest Child, LLC, with plans to open The Bull's Horn restaurant in South Minneapolis, located at 4553 34th Avenue South. Doug and Amy have started numerous successful restaurants in the Twin Cities, including Piccolo and Sandcastle at Lake Nokomis, while Doug has also been the Executive Chef at several restaurants in the past and is currently at the new Esker Grove located in the Walker Art Center. Their new venture has already had articles in Minneapolis/St. Paul Magazine, the Star Tribune and City Pages and is scheduled to open this summer. An appraisal was received and shows the property will have an "as-completed" value of \$900,000. The property has a current tax assessed value of \$370,000.

Proposed Project:

40-Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$132,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$ 74,000
Borrower Investment	<u>\$ 58,000</u>
Total	\$132,000

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Uses of funds:

40–Kilowatt Photovoltaic Solar System	\$132,000
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In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. The City of Minneapolis 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:

Amy and Doug have prepared a detailed business plan that lays out their strategy and vision for the restaurant and bar. With the low-key atmosphere and location in a south Minneapolis neighborhood that lacks eating establishments, their analysis shows they understand the dining industry and have a well thought out plan. They have provided projections for a variety of scenarios, ranging from conservative to optimistic. Their first-year profit projections show a conservative operating budget which would result in a debt service coverage ratio with the PACE assessment of 3.20 to 1. They have utilized SBA financing and have personal investments in the project. The debt to equity ratio is above guidelines at 10.00, though much of their personal investment is in restaurant equipment, food and alcohol, which is not included in the scope of the appraisal. Additionally, the building has leasable space that can be used to generate income or expand the restaurant if it is successful. A personal financial statement was requested and the borrowers do have additional investments as well as income from a rental property and other projects.

Debt Service Coverage:	3.20	Trillion standard of at least	1.15
Debt-to-Equity:	10.00	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	40-Kilowatt Roof-top Solar Array
Amount of Loan:	\$74,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment Personal Guaranty

Energy Savings:

170 MMBTUs (\$6,000) annually. The estimated payback on the project including rebates and incentives is 15 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 borrowers did not meet the debt-to-equity requirement with a ratio of 10 to 1. This is mitigated by the PACE assessment and the personal guarantees from the borrowers.

Recommendation:

We recommend the approval of a \$74,000 Trillion BTU loan to The Youngest Child, LLC.

MJL:djk