


## MEMORANDUM NOTICE

**To:** CREDIT COMMITTEE  
**From:** Lee Krueger   
**Subject:** **REGULAR CREDIT COMMITTEE MEETING  
JUNE 23, 2020 – 2:00 P.M.**

**Date:** June 18, 2020

Chair Mullin is calling a meeting of the Credit Committee for **Tuesday, June 23, 2020, at 2:00 p.m.** Chair Mullin has determined, due to the emergency declared by the Governor of Minnesota and the Mayor of Saint Paul regarding the COVID-19 health pandemic, that it is not practical nor prudent for the Saint Paul Port Authority Credit Committee and members of the staff to meet in-person or pursuant to Minnesota Statutes, Section 13D.02. In light of the COVID-19 health pandemic, it is not feasible for any member of the Saint Paul Port Authority Credit Committee and staff to be present at the regular location, and all staff and Committee members of the Saint Paul Port Authority will attend this meeting by telephone or other electronic means.

It is also not feasible for members of the public to attend the meeting at its regular location due to the health pandemic and emergency. Accordingly, no meeting will be held at the Saint Paul Port Authority offices which are located at 380 St. Peter Street, Suite 850, St. Paul, MN. Members of the public may monitor this meeting remotely at 651-395-7858, Conference ID: 380 755 725#. The purpose of the meeting is:

### Minutes

Approval of Minutes of the May 26, 2020 Regular Credit Committee Meeting

### Conflict of Interest

Conflicts with any items on the agenda

### Agenda Items

1. Authorization of EPA Revolving Loan Fund Use for Hillcrest Redevelopment Project
2. Port Authority Occupancy
3. IBYS, LLC and G & L Furniture, Inc. – Approval of a \$90,000 Trillion BTU Loan
4. MATS, LLC – Approval of a \$100,000 Trillion BTU Loan
5. The Home Company, LLC – Approval of a \$50,000 Emergency Business Development Fund Loan
6. Century Plaza, LLC – Approval of a \$50,000 Emergency Business Development Fund Loan

7. DEED Loan Guarantee Program Summary – June 2020
8. Such other business that may come before the Committee

**SAINT PAUL PORT AUTHORITY  
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING  
MAY 26, 2020**

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The regular meeting of the Port Authority Credit Committee was held on May 26, 2020 at 2:04 p.m. via Microsoft Teams.

The following Committee Members were present:

Don Mullin	John Bennett	Brianne Hamm
Matt Hill	John Marshall	Paul Williams

Also present were the following:

Lee Krueger	Todd Hurley	Monte Hilleman
Michael Linder	Pete Klein	Bruce Kessel
Dana Krueger	Ann Kosel	Tonya Bauer
David Johnson	Nelly Chick	Sarah Savela
Andrea Novak	Ava Langston-Kenney	Linda Williams
Laurie Siever		
Eric Larson, City of Saint Paul		
Nneka Constantino, Merrill Lynch		
Councilmember Dai Thao, City of Saint Paul		

**APPROVAL OF MINUTES**

Committee Member Bennett made a motion to approve the minutes of the April 21, 2020 Credit Committee meeting. The motion was seconded by Committee Member Marshall, submitted to a roll call vote and carried unanimously.

**CONFLICT OF INTEREST**

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

**AGENDA ITEMS**

**REVISED, AMENDED AND RESTATED RESOLUTION NO. 4673 TO  
COMPLY WITH DEED'S REQUIREMENTS TO APPLY FOR CONTAMINATION  
CLEANUP GRANT FUNDS FOR UNITED VILLAGE AT MIDWAY PROJECT (BLOCK B)**

Ms. Langston-Kenney reviewed her memorandum with the Committee requesting approval of the revised, amended and restated Resolution No. 4673 to comply with Minnesota Department of Employment and Economic Development's (DEED) grant requirements. Committee Member Bennett made a motion to approve the request. The motion was seconded by Committee Member Marshall, submitted to a roll call vote and carried unanimously.

**APPROVAL OF THE ISSUANCE OF ONE OR MORE SERIES OF UP TO \$11,075,000 OF TAXABLE TAX INCREMENT REVENUE REFUNDING BONDS (TREASURE ISLAND CENTER) SERIES 2020**

Mr. Hurley reviewed his memorandum with the Committee requesting approval of a resolution authorizing the issuance of one or more series of Taxable Tax Increment Revenue Refunding Bonds (Treasure Island Center), Series 2020 and authorizing the execution of an Indenture of Trust with U.S. Bank National Association, as trustee, and related financing documents. Committee Member Hamm made a motion to approve the request. The motion was seconded by Committee Member Bennett, submitted to a roll call vote and carried unanimously.

**PROSPECT FOUNDRY, LLC – FORBEARANCE AGREEMENT**

Mr. Klein reviewed his memorandum with the Committee requesting approval to provide a one-year forbearance agreement with Prospect Foundry, LLC until May 1, 2021. Committee Member Bennett made a motion to approve the request. The motion was seconded by Committee Member Williams, submitted to a roll call vote and carried unanimously.

**SPECTRUM INVESTMENT GROUP, LLC – FORBEARANCE AGREEMENT**

Mr. Klein reviewed his memorandum with the Committee requesting approval to provide a one-year forbearance agreement with Spectrum Investment Group, LLC until May 1, 2021. Committee Member Bennett made a motion to approve the request. The motion was seconded by Committee Member Hamm, submitted to a roll call vote and carried unanimously.

**SHAWN CALLAHAN – APPROVAL OF A \$62,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval to initiate a \$62,000 Trillion BTU loan with Shawn Callahan for the installation of 16-kW solar array on a commercial property located in Biwabik, Minnesota. Committee Member Marshall made a motion to approve the request. The motion was seconded by Committee Member Bennett, submitted to a roll call vote and carried unanimously.

**MINNESOTA SENIOR FEDERATION–SEVEN COUNTY REGION – APPROVAL OF A \$30,720 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval to initiate a \$30,720 Trillion BTU loan with Minnesota Senior Federation-Seven County Region for the installation of energy efficiency improvements on a commercial property located in Mora, Minnesota. Committee Member Hill made a motion to approve the request. The motion was seconded by Committee Member Williams, submitted to a roll call vote and carried unanimously.

**NORTHGATE DEVELOPMENT, LLC – APPROVAL OF A \$173,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval to initiate a \$173,000 Trillion BTU loan with Northgate Development, LLC for the installation of a 155-kW roof-mounted solar array and heat pumps on a commercial property located in Minneapolis,

Minnesota. Committee Member Williams made a motion to approve the request. The motion was seconded by Committee Member Bennett, submitted to a roll call vote and carried 5 to 1, with Committee Member Marshall abstaining.

**OTHER BUSINESS**

There being no further business, the meeting was adjourned at 2:49 p.m.

By: \_\_\_\_\_

Its: \_\_\_\_\_

## MEMORANDUM

**To:** CREDIT COMMITTEE Meeting Date: June 23, 2020  
**From:** Ava Langston-Kenney ALK  
**Subject:** **AUTHORIZATION OF EPA REVOLVING LOAN FUND USE FOR HILLCREST  
REDEVELOPMENT PROJECT  
RESOLUTION NO. \_\_\_\_\_**

**Action Requested:**

The Port Authority of the City of Saint Paul (the “Port Authority”) seeks authorization to use the Port Authority’s EPA Revolving Brownfield Loan Fund Grant as an intra-governmental loan between the Port Authority’s Finance and Development Departments to pay a portion (up to \$1,200,000) of the costs associated with demolition, remediation and soil correction of the Hillcrest Redevelopment site (the “Hillcrest Site”), an approximately 112-acre site located at 2200 Larpenteur Avenue East, Saint Paul, Minnesota. See the attached map which shows the location of the property.

**Background**

The Port Authority acquired the former Hillcrest Golf Course site in July 2019 to facilitate the mixed-use redevelopment of one of the last large tracts of land within the Saint Paul city limits. Redeveloping the Hillcrest Site presents an incredible opportunity for the City of Saint Paul (the “City”) and will be an enormous asset for the east side of the City. The potential of this brownfield for housing, jobs and green space on the Hillcrest Site are important for the City now and in the future. The Port Authority is collaborating with the City as it develops a comprehensive master plan. As the owner, the Port Authority has the obligation to pay for the demolition, remediation and soil corrections at the Hillcrest Site to make it buildable, as well as the infrastructure, including roads and utilities. The RLF Loan Fund Grant is one source that is available for funding for environmental clean-up of the Hillcrest Site.

In 2003, the Port Authority was awarded grant funds from the EPA to create and operate a revolving loan fund for our brownfield projects. The RLF Loan Fund Grant dollars are available for use as an internal loan to the project to pay eligible costs. These funds do not have to be repaid to the EPA. We have used this loan fund numerous times in the past with the last loan processed approximately five years ago for the Midway Stadium redevelopment, and the Port Authority drew down that loan in June of 2017. To satisfy the EPA requirement for retention of the funds balance, the Port Authority needs to demonstrate “significant progress” within three years of the last activity for the loan. These funds can be used as intra-governmental loans between the Finance Department and Development Department within the Port Authority, as authorized by the EPA. Currently there is a balance of \$600,000 from the Petroleum budget and \$1,260,000 from the Hazardous Substance budget, for a total balance of \$1,860,000 in the Revolving Loan Fund. Upon Board approval, steps will be taken to execute a loan agreement for a loan of up to

## MEMORANDUM

\$1,200,000 for ten years that bears an interest rate tied to the five-year treasury plus 50 basis points. This action will meet the “significant progress” EPA requirement for retention of the loan funds.

**Recommendation:**

We recommend that the Board authorize staff to use the Port Authority’s EPA Revolving Brownfield Loan Fund Grant as an intra-governmental loan between the Port Authority’s Finance and Development Departments to pay a portion (\$1,200,000) of the costs associated with demolition, remediation and soil correction of the Hillcrest Redevelopment Site.

Attachments:    Map  
                         Resolution

# 112 Acres: Former Hillcrest Golf Course

## 2200 Larpenteur Ave E, Saint Paul MN



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

Data contained on this map has not been field verified and should be used as reference only. It is the user's responsibility for field verifying elevations, locations, dimensions, etc. to conduct detail design.

The Saint Paul Port Authority specially disclaims all warranties, expressed or implied, including but not limited to implied warranties of fitness for a particular purpose, with respect to the information contained on this map. The Saint Paul Port Authority shall have no liability with respect to any loss or damage directly or indirectly arising out of the use of this data.

0 285 570 1,140 Feet

**Hillcrest Project Area**

 Hillcrest Project Area



 **Saint Paul**  
PORT AUTHORITY

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

**[AUTHORIZATION OF EPA REVOLVING LOAN FUND  
USE FOR HILLCREST REDEVELOPMENT PROJECT]**

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

WHEREAS, the Port Authority's Board of Commissioners are appointed by the Mayor of the City of Saint Paul subject to the approval of the Council of the City of Saint Paul.

WHEREAS, two of the Port Authority Commissioners must be members of the Council of the City of Saint Paul.

WHEREAS, said members of the Council of the City of Saint Paul serve on the Port Authority Board so long as they continue to be members of the Council of the City of Saint Paul.

WHEREAS, the district of the Port Authority is the City of Saint Paul.

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

WHEREAS, the Port Authority was awarded a grant by the Environmental Protection Agency (EPA) to establish a Revolving Loan Fund for use in our brownfield projects.

WHEREAS, the Port Authority seeks to use the EPA Revolving Loan Fund grant as an internal loan to pay a portion (up to \$1,200,000) of the eligible project costs associated with brownfield redevelopment (demolition, remediation and soil correction) of the Hillcrest Redevelopment site.

WHEREAS, the internal loan will be from the Port Authority's Finance Department to the Port Authority's Development Department.

WHEREAS, it is in the best interests of the port district and the people thereof, and in furtherance of the general plan of port improvement and industrial development, to approve the loan.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL: that an internal loan between the Finance Department

of the Port Authority and the Development Department of the Port Authority in an amount up to \$1,200,000 from the EPA Revolving Loan Fund grant for use in brownfield redevelopment of the Hillcrest Redevelopment site is hereby authorized; and

BE IT FURTHER RESOLVED, that the President or anyone acting under his direction is hereby authorized and directed to execute any and all necessary documents to complete this internal loan transaction.

Adopted: June 23, 2020


PORT AUTHORITY OF THE CITY OF SAINT PAUL

By \_\_\_\_\_  
Its Chair

ATTEST:

By \_\_\_\_\_  
Its Secretary

## MEMORANDUM

**To:** CREDIT COMMITTEE  
**From:** Monte Hilleman   
**Subject:** **PORT AUTHORITY OCCUPANCY  
RESOLUTION NO. \_\_\_\_\_**

**Meeting Date:** June 23, 2020

**Action Requested:**

Approval authorizing the President or his designees to negotiate the final terms of, and enter into, a contingent lease agreement for office space for the Port Authority of the City of Saint Paul for a twelve-year term, with two five-year renewal options. Approval to self-finance tenant improvements in lieu of base rent, with total annual occupancy costs to remain at or below current occupancy costs at INFOR Commons, with the total self-financing portion not to exceed \$1,250,000.

Approval authorizing the President or his designees to:

- Enter into a contingent lease agreement with Go Wild, LLC for space at Treasure Island Center:
  - a. Lease to be executed immediately
  - b. Construction to start in July
  - c. Occupancy by end of 2020
- Contingencies are:
  - a. Port Authority Board approval
  - b. Approval from Midwest Reliability Organization (MRO) for their expansion into the Port's INFOR Commons location

**Background:**

In January of 2013, the Saint Paul Port Authority entered into a ten-year lease agreement with Lawson Commons, now known as INFOR Commons.

In September of 2019, the Port Authority President and CFO were asked to meet with Frauenshuh, INFOR Common's owner, to discuss the Port Authority's occupancy on the eighth floor of the building. Frauenshuh explained that MRO, a technology/innovation firm and the Port Authority's neighboring tenant, would like to expand and take over the entire eighth floor in order to add 20-25 employees to this location.

## MEMORANDUM

### Current Status:

To facilitate this business retention and expansion of a technology-focused office user in downtown Saint Paul, senior management agreed to investigate the possibility of moving the Port Authority's offices. All possible office vacancies available within INFOR Commons were evaluated and proposals were received and reviewed from building management. Neighboring buildings located in downtown Saint Paul were also evaluated. After reviewing lease proposals and buildout costs, it is our recommendation to relocate the Port Authority's offices to Treasure Island Center. It is the best overall proposal, meets financial goals and advancing the Port Authority's mission. This opportunity realizes a significant cost savings in rent over the next twelve years and represents best practices in the commercial real estate market to occupy space in a building that occupant has an ownership stake.

There are Pros and Cons of this proposal:

Pros include:

- Moving allows a local business (MRO) to achieve its expansion goals within Saint Paul.
- With the current COVID-19 issues facing all office tenants, physical space can be created that provides state of the art systems that can address health concerns and improve wellness of staff.
- This will be a modified gross rental structure protecting the Port Authority from uncontrollable rental increases, while providing Go Wild (landlord) with annual adjustments.
- The Port Authority becomes more accessible and more visible to the community.
- Ability to design a space that manifests the Port Authority's mission and helps retain and recruit talent, including wellness improvements, best practices for indoor environmental quality, energy efficiency and numerous sustainable design features.
- Technology upgrades to allow for more flexible working conditions and rely more on cloud-based systems and design for flexibility and remote work integration.

Cons include:

- This is not a traditional office environment.
- In lieu of paying a base rental rate, the Port Authority will self-finance its tenant improvements and will not receive a Tenant Improvement Allowance.
- The Port Authority will incur moving expenses and costs of furniture, fixtures, and equipment (FFE) upgrades.

## MEMORANDUM

**Recommendation:**

Approval authorizing the President or his designees to negotiate the final terms of, and enter into, a contingent lease agreement for office space for the Port Authority of the City of Saint Paul for a twelve-year term, with two five-year renewal options. Approval to self-finance tenant improvements in lieu of base rent, with total annual occupancy costs to remain at or below current occupancy costs at INFOR Commons, with the total self-financing portion not to exceed \$1,250,000.

Attachment: Resolution

**RESOLUTION OF THE  
PORT AUTHORITY OF THE CITY OF SAINT PAUL  
[PORT AUTHORITY OCCUPANCY]**

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

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

WHEREAS, the Port Authority has been a tenant in the Lawson Commons building, now known as INFOR Commons, since January of 2013, under a ten-year Lease.

WHEREAS, a neighboring tenant has a need to take over the space currently occupied by the Port Authority in order to expand and add 20-25 employees.

WHEREAS, the Port Authority has investigated and evaluated proposals for office spaces available from INFOR Commons and multiple neighboring buildings located in downtown Saint Paul and after review of the proposals and buildout costs, it recommends relocating the Port Authority's offices to the Treasure Island Center.

WHEREAS, staff recommends relocating to space in the Treasure Island Center as it presents a cost savings in rent as the Port Authority would occupy space in a building that it has an ownership stake in, allows a local business to achieve its expansion goals within Saint Paul, makes the Port more accessible and visible to the community, will allow for more flexible working conditions and will grant the Port Authority the ability to design a space that manifests the Port's mission and helps retain and recruit talent, including wellness improvements and energy efficiency.

WHEREAS, the Port Authority recommends approval of the staff to negotiate the final terms of, and enter into, a twelve-year lease term, with two five-year renewal options.

WHEREAS, the Port Authority recommends approval to self-finance tenant improvements in lieu of base rent, with total annual occupancy costs to remain at or below current occupancy costs, with the total self-financing portion not to exceed \$1,250,000.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL, that the Port Authority is authorized to negotiate the final terms of, and enter into, a twelve-year lease term, with two five-year renewal options for space in the Treasure Island Center with Go Wild, LLC; and

BE IT FURTHER RESOLVED, that the Port Authority is approved and authorized to self-finance tenant improvements in lieu of base rent, with total annual occupancy costs to remain at or below current occupancy costs at INFOR Commons, with the total self-financing portion not to exceed \$1,250,000; and

BE IT FURTHER RESOLVED, that the President or anyone acting under his direction is hereby authorized and directed to execute any and all necessary documents to complete the transaction.

Adopted: June 23, 2020

PORT AUTHORITY OF THE  
CITY OF SAINT PAUL

By \_\_\_\_\_  
Its Chair

ATTEST:

By \_\_\_\_\_  
Its Secretary

## MEMORANDUM

**To:** CREDIT COMMITTEE

**From:** Michael J. Linder *MJL*

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

**Meeting Date:** June 23, 2020

**Action Requested:**

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

**Public Purpose:**

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

**Business Subsidy:**

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

**Background:**

This loan was originally approved in January of 2020. The borrower requested to take advantage of the lower interest rate offer for TBTU loans. Since it is outside the .25% threshold allowed for the Port Authority's discretion, we are requesting re-approval by the Credit Committee. IBYS, LLC is a real estate holding company owned by Ibrahim (Abe) Demmaj, who operates G & L furniture sales at 318 W. Lake Street in Minneapolis. The existing building has been demolished and the construction has begun on a three-story multi-tenant office/retail building located at Grand Avenue and Lake Street, three blocks east of Lyndale. G & L Furniture has temporarily relocated and will occupy the new space when it is completed. The property currently has a tax assessed value of \$690,000.

**Proposed Project:**

Project Description

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

Sources of funds:

Trillion BTU	\$90,000
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Uses of funds:

Project Description	\$90,000
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Hennepin county is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place.

Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

**Financial Analysis:**

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

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

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	Project Description
Amount of Loan:	\$90,000
Rate:	4.25%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

215 MMBTUs (\$7,300) annually.

**Renewable Energy Rebates and Incentives:**

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

**Workforce Implications:**

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

**Policy Exceptions:**

None.

**Recommendation:**

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

## MEMORANDUM

**To:** CREDIT COMMITTEE

**From:** Michael J. Linder *MJL*

**Subject:** **MATS, LLC**  
**APPROVAL OF A \$100,000 TRILLION BTU LOAN**

**Meeting Date:** June 23, 2020

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$100,000 with MATS, LLC for the installation of a 40-kW solar array on a commercial property located in Rochester, 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:**

MATS, LLC is a real estate holding company that owns a commercial building located at 3675 9<sup>th</sup> Street NW in Rochester. The property has a tax assessed value of \$1,402,400. Eureka Kids is the sole tenant that is owned by Mangesh Mane and is a related entity to MATS, LLC. Eureka Kids is a childcare and learning center for children ages 6 weeks to five years.

**Proposed Project:**

40-kW Solar Array

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

Sources of funds:

Trillion BTU	\$100,000
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Uses of funds:

40-kW Solar Array	\$100,000
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Olmsted County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

**Financial Analysis:**

Tax returns for the last three years, including 2019 show the company was profitable in all three years. Tax returns for Eureka Kids were also received as that is the sole tenant of the building. Eureka kids began in early 2018, so there are losses for the last two years as the company has been in a start-up mode. Revenues have increased significantly over that period. Debt service coverage for the property was 1.67 to 1 prior to the PACE assessment and 1.53 to 1 if included. The debt-to-equity was over guideline at 5.58 to 1. The following ratios are as of December 31, 2019:

Debt Service Coverage:	1.67	Trillion standard of at least:	1.15
Debt-to-Equity:	5.58	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	40-kW Solar Array
Amount of Loan:	\$100,000
Rate:	4.25%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

170 MMBTUs (\$5,700) annually.

**Renewable Energy Rebates and Incentives:**

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

**Workforce Implications:**

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

**Policy Exceptions:**

Yes – Debt to equity was over guideline, due to business venture being relatively new.

**Recommendation:**

We recommend the approval of a \$100,000 Trillion BTU loan to MATS, LLC.

## MEMORANDUM

**To:** CREDIT COMMITTEE **Meeting Date:** June 23, 2020  
**From:** Michael J. Linder *MJL*  
**Subject:** **THE HOME COMPANY, LLC**  
**APPROVAL OF A \$50,000 EMERGENCY BUSINESS DEVELOPMENT FUND LOAN**

**Action Requested:**

Provide approval for the Port Authority to fund an Emergency Business Development Fund loan for \$50,000 with The Home Company, LLC, located in the city of St. Paul, to pay utilities, loan payments and adapt office space.

**Public Purpose:**

The Business Development Fund (BDF) exists to provide businesses in the East Metro region with loans up to \$1,250,000 or 25% of the financing requirement at fixed interest rates for up to 10 years. The BDF loan program has been deployed to businesses for various needs including capital expenditures and working capital.

DEED created the Small Business Loan Guarantee program to incentivize lenders to deploy capital to Minnesota businesses impacted by the COVID-19 pandemic. DEED is providing \$10 million in funds to act as a guaranty for loans to small businesses up to \$250,000. DEED will provide an 80% guaranty up to \$200,000 for a .25% fee.

**Background:**

This loan was denied for the DEED Small Business Loan Guarantee Program since the nature of the business is a lessor of real estate, which is not a qualifying business. Therefore, this loan will not have the 80% guarantee from DEED and the Saint Paul Port Authority will assume all risk of default. The Home Company is a multi-tenant co-working office space located on 4<sup>th</sup> Street in Lowertown Saint Paul. The business has been impacted by COVID-19 since many employees are working from home and they lost one of their largest tenants. They have been operating the business for over 24 year. They have applied for the EIDL loan program but have not received funding through that source.

**Financial Analysis:**

Financial statements show the business was profitable at the end of 2019. The debt service coverage ratio including the proposed EBDF loan would be 2.09 to 1. The 2019 FYE balance sheet shows limited liabilities with a current ratio of 8.12 to 1. Debt-to-equity ratio at the end of the year was 0.21 to 1. The following ratios are as of December 31, 2019:

Debt Service Coverage:	2.09	DEED Recommended:	1.25
Current Asset Ratio:	8.12	DEED Recommended:	1.20

**Proposal:**

Source of Funds: Emergency Business Development Fund

Use of Funds:	Utilities, Loan Payments and Adapt Workspace for Social Distancing
Amount of Loan:	\$50,000
Rate:	2.00%
Term:	3-year term/3-month interest free period/6-month payment deferral
Collateral:	Signed Loan Agreement UCC Financing Statement if Applicable

**Policy Exceptions:**

None.

**Recommendation:**

We recommend the approval of a \$50,000 Emergency Business Development loan to The Home Company, LLC.

## MEMORANDUM

**To:** CREDIT COMMITTEE **Meeting Date:** June 23, 2020  
**From:** Michael J. Linder *MJL*  
**Subject:** **CENTURY PLAZA, LLC**  
**APPROVAL OF A \$50,000 EMERGENCY BUSINESS DEVELOPMENT FUND LOAN**

**Action Requested:**

Provide approval for the Port Authority to initiate an Emergency Business Development Fund loan for \$50,000 with Century Plaza, LLC, located in the city of Saint Paul, to be used for mortgage payments, property taxes, and utilities.

**Public Purpose:**

The Business Development Fund (BDF) exists to provide businesses in the East Metro region with loans up to \$1,250,000 or 25% of the financing requirement at fixed interest rates for up to 10 years. The BDF loan program has been deployed to businesses for various needs including capital expenditures and working capital.

DEED created the Small Business Loan Guarantee program to incentivize lenders to deploy capital to Minnesota businesses impacted by the COVID-19 pandemic. DEED is providing \$10 million in funds to act as a guaranty for loans to small businesses up to \$250,000. DEED will provide an 80% guaranty up to \$200,000 for a .25% fee.

**Background:**

This loan was denied for the DEED Small Business Loan Guarantee Program since the nature of the business is a lessor of real estate, which is not a qualifying business. Therefore, this loan will not have the 80% guarantee from DEED and the Saint Paul Port Authority will assume all risk of default. Century Plaza, LLC is a multi-tenant commercial office building located on University Avenue in Saint Paul. The building has multiple tenants including the Center for Hmong Arts & Talent. Due to COVID-19 the tenants of the building are unable to pay their rent. The borrower has not received DEED loan guarantee or other program funds in the past. The owner has not applied for or been approved for any other COVID related loans.

**Financial Analysis:**

Tax returns were received for 2018 and show the business had net losses, even with non-cash expenses excluded. They have no current liabilities but a debt-to-equity ratio at the end of 2018 was 0.84 to 1 which is exclusively the outstanding mortgage on the property compared with the depreciated value of the building. The owners bought the building in a sheriff's sale and have invested \$3,000,000 into the renovation, which is ongoing. The building is currently 35% occupied, which accounts for the lack of profits and cash flow. The following ratios are as of December 31, 2018:

Debt Service Coverage:	Neg.	DEED Recommended:	1.25
Current Asset Ratio:	N/A	DEED Recommended:	1.20

**Proposal:**

Source of Funds: Emergency Business Development Fund

Use of Funds: Mortgage payments, property taxes, and utilities

Amount of Loan: \$50,000

Rate: 2.00%

Term: 3-year term/3-month interest free period/6-month payment deferral

Collateral: Signed Loan Agreement  
UCC Financing Statement if Applicable

**Policy Exceptions:**

Yes – Debt service coverage ratio was negative due to losses in 2018.

**Recommendation:**

We recommend the approval of a \$50,000 Emergency Business Development loan to Century Plaza, LLC.

Emergency BDF Loan / DEED Guarantee Program  
For the month of June 2020

	Total Loan Volume: \$603,000.00													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Borrower	Looney Bin Brewing, LLC	Lifestyle Adult Day Center, LLC	Minute Man Auto Sales, Inc.	ARAJ, Inc.	Vang Chirpractic, P.A.	Foot & Ankle Med. Clinic, P.A.	Amazed Group, LLC	Midway Entertainment Group, LLC	University One, Inc.	Celestial Sweeties, Inc.	Cossetta, Inc.	St. Paul Events & Catering, LLC	Gypsy Moon	Chiro Health Clinic, P.A.
Doing Business As	Stacked Deck Brewing	N/A	N/A	Adam's Market	N/A	N/A	Cups & Cheers Bar and Restaurant	Midway Saloon	Speedway Gas Station	Cholcolat Celeste	Cosetta's Restaurant	St. Paul Event Center	N/A	N/A
Business Description	Brewery	Health Care	Car Dealership	Convenience Store	Health Care	Health Care	Bar/ Restaurant	Bar/ Restaurant	Gas Station	Candy Store	Bar/ Restaurant/ Deli	Event Center	Retail	Health Care
Owner	Andrew Erickson	Sheng Amerson	Khalid Gomaan	Ayman Salama	Kou Vang	Paokou Yang	Hli Tsaab	David Tolchiner	Rabie Yousfi	Mary Leonard	Dave Cossetta	Palwasha (Asad) Gharwal	Marsha Holdhusen	Jer Lee
Address	421 Cedar St., St. Paul, MN 55101	995 Universtiy Ave, Ste 109, St. Paul, MN, 55104	637 Rice St, St. Paul, MN, 55103	142 5th St E, St. Paul, MN, 55101	1030 Payne Ave, St. Paul, MN, 55130	1504 Whitebear Ave N, St. Paul, MN, 55106	1626 White Bear Ave N, St. Paul, MN, 55106	1567 University Ave, St. Paul, MN, 55104	525 Lafayette Rd N, St. Paul, MN, 55101	652 Transfer Rd., St. Paul, MN 55114	211 W. 7th St., St. Paul, MN 55102	400 Wabasha St. N, Ste. 340, St. Paul, MN 55102	141 4th St E, #220, St. Paul, MN 55105	1132 Arcade Street, St. Paul, MN 55106
Loan Amount	\$45,000.00	\$50,000.00	\$30,000.00	\$40,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$20,000.00	\$50,000.00	\$50,000.00	\$18,000.00	\$50,000.00
Interest Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Term (Years)/ (3 Mo. Int Free/ 6 Mo. Deferral)	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Collateral														
Signed Loan Agreement	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Personal Guaranty	N	N	N	N	N	N	N	Maybe	N	N	N	N	N	N
UCC Financing Statement	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Amount Requested	\$ 45,000	\$ 50,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 20,000	\$ 50,000	\$ 50,000	\$ 18,000	\$ 50,000
How will funds be used?														
	Payroll	Rent, Office Exp., Payroll	Pay bills, Operating Expenses	Upgrade equip., working capital	Mtg. and Working Capital	Rent, Utilities, PPE Supplies	Rent, Utilities, Supplies	Operating Expenses	Utilities, Bills, Rent	Equipment and Advertising	Payroll and Operating Exp.	Payroll and Operating Exp.	Rent, Payroll, Inventory	Mortgage, utilities, working cap.
Financial Ratios														
Debt Service Coverage (Std > 1.25)	Negative	2.98	4.88	Negative	No Debt	No Debt	Negative	5.21	No Debt	4.67	NA	2.59	No Debt	No Debt
Current Ratio (Std > 1.20)	1.77	3.33	No Liab.	4.94	No Liab.	No Liab.	No Liab.	No Liab.	No Liab.	0.23	1.05	N/A	No Debt	No Debt
Profitable at FYE 2019 (Y/N)	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N/A	Y	Y
Policy Exception (Y/N)	Y	N	N	Y	N	N	Y	N	N	Y	Y	Y	N	N
Applied for Other Gov't Loans?														
PPP/ EIDL/ DEED/ STP Grants (Y/N)	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Source	PPP/ EIDL	PPP		STP Bridge	PPP/ EIDL	PPP/ SBA	PPP, EIDL, DEED	PPP	EIDL	PPP/ EIDL	PPP/ EIDL	PPP/ EIDL	EIDL	PPP/ EIDL
Dollars/ Approved	Unsure/ Appr.	Unsure/ Appr.		\$7,500.00	Unsure/ Appr.	Unsure/ Appr.	\$131,000.00	\$12,900.00	Not Approved	\$11,000.00	Unsure	Did Not Qual.	\$6,000.00	Approved
Impacted by COVID-19?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Explanation	Bar/ Restuarants closed	Shut down due to quarantine	Sales down due to quarantine	Sales down due to quarantine	Visits down due to quarantine	Visits down due to quarantine	Dining closed due to quarantine	Closed due to quarantine	Sales down due to quarantine	Sales due to quarantine	Sales down due to quarantine	Public gatherings cancelled	Retail Closed	Payroll, working capital
Workforce Implications														
Number of Employees	12	7	2	2	2	4	22	8	6	4	187	2	6	10
Located in SPPA Business Center	Y	N	N	N	N	N	N	N	N	N	N	Y	N	N
MBE/ WBE	N	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y
DEED Approved?	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Submitting	Submitting

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

<b>Borrower</b>	<b>IBYS, LLC / G&amp;L Furniture, Inc.</b>	<b>MATS, LLC</b>
<b>Loan Amount</b>	\$ 90,000	\$ 100,000
<b>Interest Rate</b>	4.25%	4.25%
<b>Term (Years)</b>	10	10
<b>Collateral</b>		
Signed Loan Agreement	Y	Y
Personal Guaranty	N	N
PACE Special Assessment	Y	Y
<b>Project Description</b>	Solar	Solar
<b>Sources &amp; Uses</b>		
<b>Sources of Funds:</b>		
Trillion BTU	\$ 90,000	\$ 10,000
Other Funding Sources		
<b>Total Sources</b>	\$ 90,000	\$ 10,000
<b>Uses of Funds:</b>		
HVAC		
LED Lighting		
Solar Array	\$ 90,000	\$ 100,000
Boiler		
Other		
<b>Total Uses</b>	\$ 90,000	\$ 100,000
<b>Financial Ratios</b>		
Debt Service Coverage (Std > 1.15)	1.61	1.67
Debt-to-Equity (Std < 4.00)	0.11	5.58
Profitable in 2 of last 3 years (Y/N)	Y	N
Policy Exception (Y/N)	N	Y
<b>Annual Energy Savings</b>		
MMBTUs	215	170
Dollars	\$ 7,300	\$ 5,700
<b>Workforce Implications</b>		
Construction Jobs	1	1