

**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE
From: Lee Krueger *Lee Krueger*
Subject: **REGULAR CREDIT COMMITTEE MEETING
MARCH 19, 2019 – 2:00 P.M.**

Date: March 14, 2019

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **MARCH 19, 2019**, at **2:00 p.m.** in the Board room of the Port Authority of the City of Saint Paul located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102. The purpose of the meeting is:

Minutes

Approval of Minutes of the February 19, 2019 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Award of Contract for Construction of Fender Replacement at Barge Terminal 1
2. 2018 Legislative Bonding Bill Special Appropriation Grant for Expansion of the Minnesota Museum of American Art
3. Minnesota Museum of American Art Ground Lease and Lease/Use Agreement
4. Aaron and Joleen Pape – Approval of a \$78,000 Trillion BTU Loan
5. Peter and Leann Vogt and JD Green, LLC – Approval of a \$73,000 Trillion BTU Loan
6. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
FEBRUARY 19, 2018**

Acting Committee Chair Bennet 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:

| | | |
|--------------|---------------|------------|
| John Bennett | John Marshall | Don Mullin |
|--------------|---------------|------------|

Also present were the following:

| | | |
|----------------|----------------|--------------|
| Lee Krueger | Todd Hurley | Pete Klein |
| Michael Linder | Monte Hilleman | Andrea Novak |
| Laurie Siever | Dana Krueger | Rhett Hebig |
| Deb Forbes | David Johnson | |

APPROVAL OF MINUTES

Committee Member Marshall made a motion to approve the minutes of the January 15, 2019 Credit Committee meeting. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

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

AGENDA ITEMS

**ACORN MINI-STORAGE XIV, LLC AND
MEGIN PROPERTIES, LLC – APPROVAL OF A \$75,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$75,000 Trillion BTU loan to Acorn Mini-Storage XIV, LLC and Megin Properties, LLC for the installation of a 40-kW solar array.

Discussion included, but was not limited to, the amount debt on the property and of the borrowers.

There being no further discussion, Committee Member Mullin made a motion to approve a \$75,000 Trillion BTU loan to Acorn Mini-Storage XIV, LLC and Megin Properties, LLC for the installation of a 40-kW solar array. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**DULAYNE PROPERTIES, LLC AND
ANCONA ESCROW, INC. – APPROVAL OF A \$119,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$119,000 Trillion BTU loan to Dulayne Properties, LLC and Ancona Escrow, Inc. for the installation of a 53-kW solar array.

There being no discussion, Committee Member Mullin made a motion to approve a \$119,000 Trillion BTU loan to Dulayne Properties, LLC and Ancona Escrow, Inc. for the installation of a 53-kW solar array. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

JT LEASING, INC. – APPROVAL OF A \$188,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$188,000 Trillion BTU loan to JT Leasing, Inc. for the installation of a 49-kW solar array.

Discussion included, but was not limited to, the criteria for Kresge eligibility and how it is tracked.

There being no further discussion, Committee Member Marshall made a motion to approve a \$188,000 Trillion BTU loan to JT Leasing, Inc. for the installation of a 49-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**JOHN AND LYNN KROLL AND
BENJAMIN BARLAGE – APPROVAL OF AN \$81,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of an \$81,000 Trillion BTU loan to John and Lynn Kroll and Benjamin Barlage for the installation of a 29-kW solar array.

There being no discussion, Committee Member Marshall made a motion to approve an \$81,000 Trillion BTU loan to John and Lynn Kroll and Benjamin Barlage for the installation of a 29-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:26 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: March 19, 2019

From: Kathryn L. Sarnecki 

Subject: **AWARD OF CONTRACT FOR CONSTRUCTION OF FENDER REPLACEMENT
AT BARGE TERMINAL 1
RESOLUTION NO. _____**

Action Requested:

Authorization to award a contract to the lowest responsive and responsible bidder for completion of the fender replacement project at the Aggregate Industries site in Barge Terminal 1.

Background:

Aggregate Industries is leasing approximately 15 acres of land from the Port Authority of the City of Saint Paul (the "Port Authority") in Barge Terminal 1 and said Lease runs from December 31, 2014 through December 30, 2029, with two five-year options, which would extend said Lease out to December 30, 2039.

The Port Authority has received bids for fender replacement of the laminated rubber fenders along the dockwall at the Aggregate Industries leased property in Barge Terminal 1. Please see the attached maps as a reference. The fenders are to be replaced with timber fenders 8" x 12" to provide adequate separation between the dock and the barges.

Bid Process and Results:

The City of Saint Paul Contract and Analysis Services conducted a public bidding process on behalf of the Port Authority and opened sealed bids on March 6, 2019.

The initial engineers estimate for the fender replacement was \$286,450. As shown below, the bid amounts are higher than the engineers estimate, with the lowest bidder coming in \$78,250 higher than the estimate.

A tabulation of the bids, showing LS Marine, Inc. as the apparent lowest bidder, is as follows:

| <u>Company</u> | <u>Bid Amount</u> |
|--|-------------------|
| LS Marine, Inc. | \$364,700 |
| Lametti & Sons, Inc. | \$369,850 |
| Carl Bolander and Sons Co. | \$406,000 |
| Engineering & Construction Innovations, Inc. | \$531,725 |
| J.F. Brennan Company, Inc. | \$572,750 |
| Blackstone Contractors | \$589,013 |
| Dubuque Barge & Fleeting Service | \$959,987 |

MEMORANDUM

Source of Funds:

In 2015, Aggregate Industries contributed \$800,000 to dockwall repairs, of which only \$700,000 was used during construction. The remaining \$100,000 will be used to replace the damaged fenders. The Port Authority has been awarded remaining available PDA grant dollars in the amount of \$108,295 to replace the damaged fenders. Below is a chart showing the overall project budget and source of funds:

| <u>SOURCE OF FUNDS</u> | <u>2019 FENDER REPLACEMENT COST</u> |
|--|--|
| PDA Grant | \$108,295 |
| Aggregate Industries (2015 Contribution) | \$100,000 |
| Additional Contribution Requested from Agg. Industries | \$78,250* |
| SPPA River Maintenance (includes a \$35,000 annual contribution by Aggregate Industries, as well as other tenant contributions) | \$78,155 |
| Total Cost | \$364,700 |

*Agg. Industries has indicated local budget approval and is currently seeking corporate approval for this additional requested contribution.

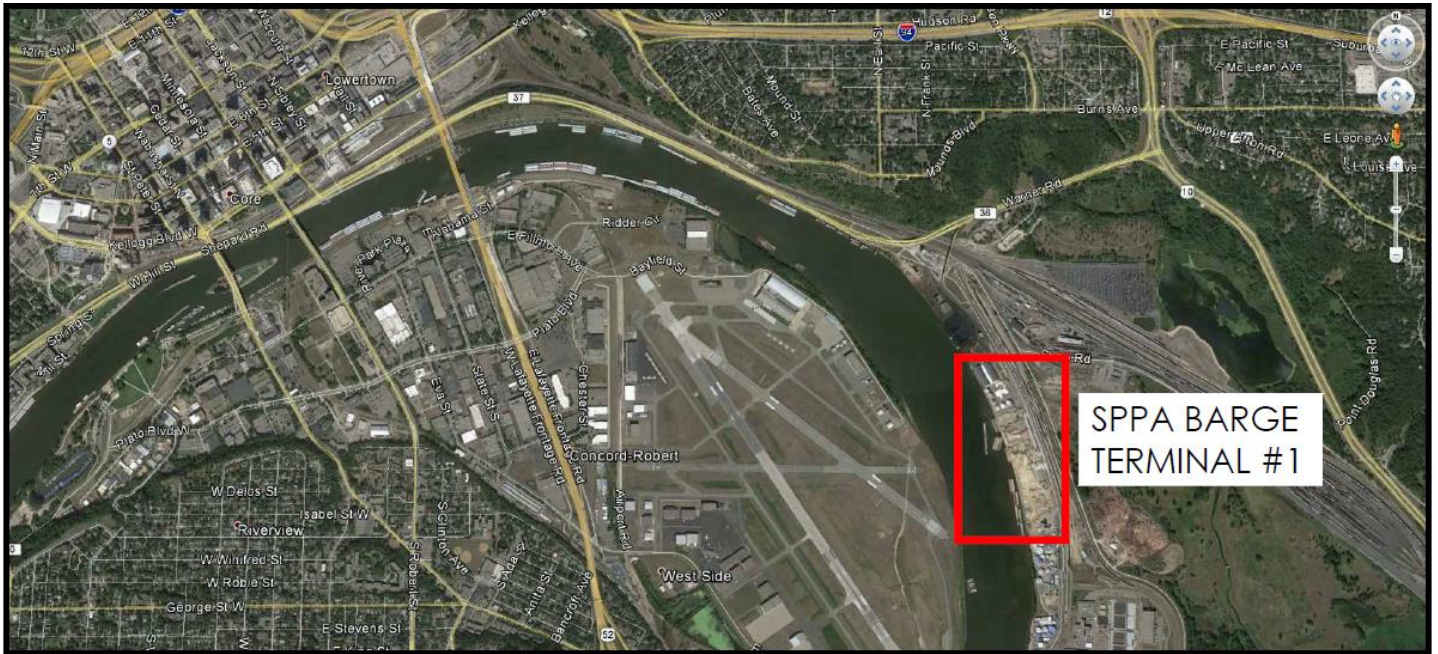
Recommendation:

We recommend approval of authorization to award a contract to the lowest responsive and responsible bidder for construction of the Barge Terminal 1 Fender Replacement Project.

Attachments: Maps (2)
 Resolution

Map No. 1 TO CREDIT COMMITTEE MEMO

Fender Replacement Project Area in BT1



MAP No. 2 TO CREDIT COMMITTEE MEMO

Fender Replacement Project Area in BT1



MISSISSIPPI RIVER

PROJECT
EXTENTS

1177 CHILDS ROAD

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL
[AWARD OF CONTRACT FOR CONSTRUCTION OF
FENDER REPLACEMENT AT BARGE TERMINAL 1]**

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, 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 seeks to replace the laminated rubber fenders along the dockwall at the Aggregate Industries leased property in Barge Terminal 1.

WHEREAS, the City of Saint Paul's Contract and Analysis Services office on behalf of the Port Authority submitted the contract for bid and conducted an open public bidding process and opened sealed bids on March 6, 2019.

WHEREAS, the bids have been received, tabulated and evaluated, and it appears that the lowest responsive bidder is LS Marine, Inc. in the total amount of \$364,700.

WHEREAS, the Port Authority staff is undertaking the process of determining whether the apparent lowest responsive bidder is responsible before the contract is awarded.

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 award the contract for replacement of the laminated rubber fenders along the dockwall at the Aggregate Industries leased property in Barge Terminal 1 to the bidder that is ultimately determined to be the lowest responsive and responsible bidder per the terms of the Request for Bid, including all addendums and the bid submitted by the bidder.

Resolution No. _____

Page 2

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 consummate the transaction.

Adopted: March 26, 2019

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: March 19, 2019

From: Michael J. Linder *MJL*

Subject: 2018 LEGISLATIVE BONDING BILL SPECIAL APPROPRIATION GRANT FOR EXPANSION OF THE MINNESOTA MUSEUM OF AMERICAN ART RESOLUTION NO. _____

Action Requested:

1. Approval for the Port Authority of the City of Saint Paul (“Port Authority”) to accept and act as the legal sponsor for the Special Appropriation Grant in the amount of \$2,500,000 awarded through state bonding bill general obligation funding for design and construction for an expansion of the Minnesota Museum of American Art (“MMAA Project”).
2. Authorize the Port Authority to enter into a Grant Agreement for the total MMAA Project in the amount of \$8,500,000.

Background:

As set forth below, the City of Saint Paul and the Port Authority have been reviewing and approving this matter dating back to April of 2014 to the present:

In April 2014, the Port Authority Board of Commissioners (the “Board”) approved a Resolution in support of funding that was awarded through an appropriation from the 2014 Legislative Session Bonding Bill in the amount of \$500,000 from the state general obligation funds for a grant for construction design for the expansion of the Minnesota Museum of American Art (“MMAA”).

For its 2015 Legislative Agenda, on December 17, 2014, in City Resolution No. 14-2178, the City of Saint Paul supported the Minnesota Museum of American Art project at \$3M. On January 27, 2015, the Board adopted Resolution No. 4535 supporting the request for 2015 Legislative Session Bonding Bills which included an appropriation of \$6M in state general obligation funds for construction of the expansion of MMAA. No appropriation for MMAA was made in 2015.

For the 2016 Legislative Session Bonding Bill, on June 23, 2015, the Board adopted Resolution No. 4546 supporting the request for an appropriation of \$1.9M in state general obligation funds for a grant for the schematic design for rebuilding the Roy Wilkins facility and a grant of \$8M for the construction of exhibit and classroom space for the MMAA. On December 9, 2015, in City Resolution No. 15-2175, as part of its 2016 Legislative Agenda, the City of Saint Paul supported the Minnesota Museum of American Art project at \$8M. MMAA did not receive any state general obligation bonding in the 2016 session.

For its 2017 Legislative Agenda, on December 7, 2016, in City Resolution No. 16-2077, the City of Saint Paul supported the Minnesota Museum of American Art project at \$8M. Nothing was awarded in the regular session of the 2017 Legislature, but in conjunction with this Resolution, the 2017 Legislative First Special Session included a grant to the Port Authority in the amount of \$6M (instead of the \$8M initially requested) to design, construct, furnish, and equip new museum galleries and an art study facility for the MMAA. Prior to applying for the grant award, the Board approved and authorized the Port Authority to serve as legal sponsor for the Special Appropriation Grant under Resolution No. 4604 on August 22, 2017.

In 2018, as part of the City of Saint Paul's continued support of City Resolution No. 16-2077, the Port Authority was awarded an additional grant amount under the 2018 Legislative session bonding bill in the amount of \$2.5M towards the MMAA Project for which approval of this additional appropriation from the State is now sought.

For additional background, see a Credit Committee Memo titled Minnesota Museum of American Art Ground Lease and Lease/Use Agreement dated March 19, 2019, which is included in the March 2019 Credit Committee Packet.

The Port Authority is seeking authorization to enter into a Grant Agreement with the State of Minnesota as the public entity supporting the project for a total grant amount of \$8.5M, which will be entirely non-recourse to the Port Authority, including any out-of-pocket expenditures.

Grant Agreement Terms:

The Grant Agreement is between the Port Authority of the City of Saint Paul, as the Public Entity, and the Minnesota Department of Employment and Economic Development (DEED), as the State Entity. MMAA is the fee owner of the galleries and property, and the Port Authority will enter into a long-term lease with the Museum to have a qualifying interest in the project and eligible for the grant.

Recommendation:

We recommend approval of a Resolution (1) to accept and act as the legal sponsor for the Special Appropriation Grant in the amount of \$2,500,000 awarded through the state bonding bill general obligation funding; and, (2) to authorize the Port Authority to enter into a Grant Agreement for the MMAA Project in the amount of \$8,500,000.

Attachment: Resolution

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

**[2018 LEGISLATIVE BONDING BILL SPECIAL APPROPRIATION GRANT
FOR EXPANSION OF THE MINNESOTA MUSEUM OF AMERICAN ART]**

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

WHEREAS, the Port Authority is authorized by Minnesota Statutes, Sections 469.048-469.068 and 469.084 to undertake these types of obligations, including, but not limited to, the redevelopment of, and the buying, selling, and conveying of interests in, real property in the City of Saint Paul, Minnesota in furtherance of economic development.

WHEREAS, on April 22, 2014, the Port Authority Board of Commissioners approved Resolution No. 4501 supporting 2014 Legislative Session Bonding Bill to include an appropriation for \$500,000 in state general obligation funds for a grant for construction design for the expansion of the Minnesota Museum of American Art (“MMAA”), which funding was awarded.

WHEREAS, on December 17, 2014, in City Resolution No. 14-2178, as part of its 2015 Legislative Agenda, the City of Saint Paul supported the Minnesota Museum of American Art project at \$3M. On January 27, 2015, the Port Authority Board of Commissioners approved Resolution No. 4535 supporting 2015 Legislative Session Bonding Bill to include an appropriation of \$6,000,000 in state general obligation funds for a grant for construction of the expansion of the MMAA. MMAA did not receive any state general obligation bonding in the 2015 session.

WHEREAS, on June 23, 2015, the Port Authority Board of Commissioners approved Resolution No. 4546 supporting for the 2016 Legislative Session “[supporting] legislative request for \$1,900,000 for the Roy Wilkins’ facility schematic design and further support[ing] MMAA’s legislative request for \$8,000,00 for the design and construction.” On December 9, 2015, in City Resolution No. 15-2175, as part of its 2016 Legislative Agenda, the City of Saint Paul supported the Minnesota Museum of American Art project at \$8M. MMAA did not receive any state general obligation bonding in the 2016 session.

WHEREAS, on December 7, 2016, in City Resolution No. 16-2077, as part of its 2017 Legislative Agenda, the City of Saint Paul supported the Minnesota Museum of American Art project at \$8M. Nothing was awarded in the regular session of the 2017 Legislature, but in conjunction with this Resolution, in the 2017 Legislative First Special Session, Chapter 8, Article 1, Section 20, Subdivision 21, entitled Saint Paul – Minnesota Museum of American Art, the bonding bill included a grant to the Port Authority in the amount of \$6M (instead of the \$8M initially requested) to design, construct, furnish, and equip new museum galleries and an art

study facility for the MMAA (“MMAA Project”). As a result, on August 22, 2017, the Port Authority Board of Commissioners approved and authorized the Port Authority to serve as legal sponsor for the Special Appropriation Grant under Resolution No. 4604.

WHEREAS, in the 2018 legislative session, under the Laws of Minnesota, 2018, Chapter 214, Article 1, Section 1, Subdivision 26, entitled Saint Paul – Minnesota Museum of American Art, the Port Authority was awarded an additional grant amount under the bonding bill in the amount of \$2,500,000 towards the MMAA Project and which the City of Saint Paul continued their support through City Resolution No. 16-2077, and for which approval of this additional appropriation is hereby sought.

WHEREAS, the Port Authority seeks authorization to enter into the Grant Agreement for the above-referenced project for the total grant amount of \$8,500,000 which will be entirely non-recourse to the Port Authority, including any out-of-pocket expenditures.

WHEREAS, the Port Authority has the legal authority to receive financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration.

NOW, THEREFORE, BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

BE IT RESOLVED, that the Port Authority has the legal authority to receive financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration.

BE IT FURTHER RESOLVED, that the Port Authority has not violated any Federal, State or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

BE IT FURTHER RESOLVED, that the Port Authority agrees to accept and act as the legal sponsor for the Project as set forth in Laws of Minnesota 2018, Chapter 214, Article 1, Section 1, Subdivision 26, entitled Saint Paul – Minnesota Museum of American Art for the awarded amount of \$2,500,000.

BE IT FURTHER RESOLVED, that the Port Authority is hereby authorized to enter into a Grant Agreement for the MMAA Project which encompasses the amount of \$6,000,000 awarded under the Laws of Minnesota, 2017 First Special Session, Chapter 8, Article 1, Section 20, Subdivision 21 of **AND** the amount of \$2,500,000 awarded under the Laws of Minnesota 2018, Chapter 214, Article 1, Section 1, Subdivision 26 for a combined total in the Grant Agreement of \$8,500,000.

BE IT FURTHER RESOLVED, that the President and Chief Financial Officer of the Port Authority are hereby authorized and directed to execute and deliver the Grant Agreement.

Adopted: March 26, 2019

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: March 19, 2019

From: Michael J. Linder *MJL*

Subject: MINNESOTA MUSEUM OF AMERICAN ART GROUND LEASE AND LEASE/USE AGREEMENT
RESOLUTION NO. _____

Action Requested:

Approval for the authorization of the Saint Paul Port Authority (“Port Authority”) to enter into a Ground Lease and a Lease/Use Agreement with the Minnesota Museum of American Art (“MMAA”).

Background:

The State of Minnesota has awarded the Port Authority \$8,500,000 for the design, construction and furnishing of a new museum, galleries, offices, art study facility, loading dock and art restoration and receiving area for the MMAA.

MMAA has completed phase one of the project, which totaled \$9,600,000. The state bonded portion covers phase two of the project, which has a budget of \$10,500,000 with \$8,500,000 in state bonding and the remainder raised through their capital campaign as required by the Grant Agreement.

For the space being developed, MMAA has a purchase agreement with the building owner to acquire ownership of the condominium unit. Under terms that meet the requirements for use of state general obligation bond proceeds, MMAA will thereafter enter into a Ground Lease with the Port Authority. The space would be subleased back to MMAA under a Lease/Use Agreement. There would be no financial risk to the Port Authority.

Our agreement with MMAA to serve as legal sponsor is in compliance with the parameters included in our support resolution. The project will be entirely non-recourse to the Port Authority including any out-of-pocket expenditures.

Ground Lease Terms:

Minnesota Museum of American Art is the Lessor (Landlord) and the Port Authority is the Lessee (Tenant). The term of the lease consists of 10 years, with two options to renew for an additional 10 and 5 years, for a total of a 25-year lease. The state grant funds require the lease to be 125% of the useful life of the project, which is 20 years according to the architect.

Lease/Use Agreement Terms:

The Port Authority is the Lessor (Sub-Landlord) and the MMAA is the Lessee (Sub-Tenant) and the term of the Lease/Use Agreement coincides with the term of the Ground Lease. The Lease/Use Agreement requires MMAA to submit supporting documents to the State pursuant to the Grant Agreement, to be monitored by the Port Authority and its representatives.

Recommendation:

We recommend the approval of the authorization for the Saint Paul Port Authority to enter into a Ground Lease and a Lease/Use Agreement with the Minnesota Museum of American Art.

Attachment: Resolution

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

[MINNESOTA MUSEUM OF AMERICAN ART GROUND LEASE AND LEASE/USE AGREEMENT]

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

WHEREAS, the Port Authority is authorized by under Minn. Stat. Sections 469.048-469.068 and 469.084 to undertake these type of obligations, including, but not limited to, the redevelopment of, and the buying, selling, and conveying of interests in real property in the City of Saint Paul, Minnesota in furtherance of economic development.

WHEREAS, many non-profit organizations have established grant, or other various assistance programs, which the Port Authority could use in furtherance of its statutory mission.

WHEREAS, the Port Authority represents that it has undertaken reasonable and good faith efforts to procure funding in pursuit of its mission from other sources in addition to grant, or other program resources to which it may seek assistance.

WHEREAS, the State of Minnesota awarded the Port Authority \$8,500,000 for the design, construction and furnishing of a new museum, galleries, offices, art study facility, loading dock and art restoration and receiving area for the Minnesota Museum of American Art (“MMAA”) through a state-bonded grant.

WHEREAS, the Grant Agreement terms require the Port Authority to enter into a Ground Lease with MMAA and then sublease the property back to MMAA under a Lease/Use Agreement in order to serve as the legal sponsor and remain in compliance within the parameter included in our support resolution requirement under the Grant Agreement.

WHEREAS, the project will be entirely non-recourse to the Port Authority, including any out-of-pocket expenditures.

NOW, THEREFORE, BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

BE IT RESOLVED, that the Port Authority is authorized to enter into a Ground Lease and a Lease/Use Agreement with the Minnesota Museum of American Art.

BE IT FURTHER RESOLVED, that the Port Authority certifies that it will comply with all applicable laws and regulations as stated in the grant agreements and will serve as legal sponsor in compliance with the parameters included in the support resolution.

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 in this matter.

Adopted: _____

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: **AARON AND JOLEEN PAPE**
APPROVAL OF A \$78,000 TRILLION BTU LOAN

Meeting Date: March 19, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$78,000 with Aaron and Joleen Pape for the installation of a 25-kW solar array on a commercial property located in Sacred Heart, 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:

Aaron and Joleen Pape own a farm located at 84494 150th Street in Sacred Heart, located in Renville County. They have almost 450 acres of land that they use to grow various crops for sale. They also provide various transport and trucking services throughout the country. They are installing solar panels on one of their equipment barns. The subject property has a tax assessed value of \$394,900.

Proposed Project:

| | |
|---------------------------------|----------|
| 25-kW Solar Array | |
| Purchase Price and Installation | \$78,000 |

Sources and Uses of Funds:

| | |
|-------------------|----------|
| Sources of funds: | |
| Trillion BTU | \$78,000 |
| Uses of funds: | |
| 25-kW Solar Array | \$78,000 |

In order to leverage the grant funds, we are requesting that all local EDAs 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 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 last three years showing the farming operation was profitable in all three years. The borrowers have additional income from other businesses as well. Their debt service coverage ratio was 2.71 to 1 as of 12/31/17, and 2.60 to 1 when including the PACE loan. A balance sheet was not available but the loan to value on the subject property when using the tax assessed value is 13.6%. The following ratios are as of December 31, 2017:

| | | | |
|------------------------|------|---------------------------------|------|
| Debt Service Coverage: | 2.71 | Trillion standard of at least: | 1.15 |
| Debt-to-Equity: | N/A | Trillion standard of less than: | 4.00 |

Proposal:

| | |
|------------------|--|
| Source of Funds: | Trillion BTU |
| Use of Funds: | 25-kW Solar Array |
| Amount of Loan: | \$78,000 |
| Rate: | 5.0% |
| Term: | 10 years |
| Collateral: | Signed Loan Agreement PACE Special Assessment |

Energy Savings:

105 MMBTUs (\$4,200) 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 \$78,000 Trillion BTU loan to Aaron and Joleen Pape.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **PETER AND LEANN VOGT AND JD GREEN, LLC
APPROVAL OF A \$73,000 TRILLION BTU LOAN**

Meeting Date: March 19, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$73,000 with Peter and Leann Vogt and JD Green, LLC for the installation of a 22-kW solar array on a commercial property located in Blooming Prairie, 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:

JD Green is a limited liability company owned by Peter Vogt and Jacob Vogt, father and son, who have a farming operation located at 15400 54th Avenue SE in Blooming Prairie, located in Steele County. When they are not farming they are building energy efficient homes on some vacant lots they own in Blooming Prairie. JD Green’s farming operation consists of a 2400-head contract finishing hog barn, where they supply the building, electricity, labor, water, and heat and grow grains for feed. The solar array they are installing will offset a large portion of their energy consumption. The property has a tax assessed value of \$619,800 and is owned by Peter and Leann Vogt.

Proposed Project:

22-kW Solar Array

| | |
|---------------------------------|----------|
| Purchase Price and Installation | \$73,000 |
|---------------------------------|----------|

Sources and Uses of Funds:

| | |
|-------------------|----------|
| Sources of funds: | |
| Trillion BTU | \$73,000 |
| Uses of funds: | |
| 22-kW Solar Array | \$73,000 |

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Steele 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 JD Green, LLC for the last three years and the business was profitable in 2018, with losses in 2017 and 2016. The business was established in 2015, so there was little revenue in the first two years. Revenue and income in 2018 show the company is now fully operational and profitable. The company had a debt service coverage ratio of 2.0 to 1, when including the PACE debt, it would be 1.69 to 1. There was very little equity in the company due to lack of profits in the beginning years, combined with accumulated depreciation. Debt is limited to a contract for deed and an operating line of credit. The following ratios are as of December 31, 2018:

| | | | |
|------------------------|-------|---------------------------------|------|
| Debt Service Coverage: | 2.00 | Trillion standard of at least: | 1.15 |
| Debt-to-Equity: | 18.00 | Trillion standard of less than: | 4.00 |

Proposal:

| | |
|------------------|--|
| Source of Funds: | Trillion BTU |
| Use of Funds: | 22-kW Solar Array |
| Amount of Loan: | \$73,000 |
| Rate: | 5.0% |
| Term: | 10 years |
| Collateral: | Signed Loan Agreement PACE Special Assessment |

Energy Savings:

105MMBTUs (\$4,200) 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 - The company was not profitable in two of the last three years and debt-to-equity was not within guideline. This is mitigated by the fact that they were profitable in the last year as their

operation was at full capacity. Low equity in the business combined with accumulated depreciation caused the high debt-to-equity ratio.

Recommendation:

We recommend the approval of a \$73,000 Trillion BTU loan to Peter and Leann Vogt and JD Green, LLC.