

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE

DATE: March 16, 2017

FROM: Lee J. Krueger



SUBJECT: REGULAR CREDIT COMMITTEE MEETING
MARCH 21, 2017 – 2:00 P.M.

NOTICE

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **March 21, 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 February 21, 2017
2. Conflict of Interest
3. Conveyance of Land to City of Saint Paul – 600 Lafayette Road, Saint Paul, MN
4. Acceptance of a \$3,000,000 Loan/Grant from the Kresge Foundation
5. Innovative Power Systems, Inc. – Approval of a Three Month Extension of the \$1,400,000 Trillion BTU Loan Approved on December 15, 2015
6. Mark and Jennifer Boon – The Little Boon Farm – Approval of an Approximate \$47,000 Trillion BTU Loan
7. Larry and Debra Dreier – Approval of an Approximate \$310,000 Trillion BTU Loan
8. Randy and Robin Flynn – Approval of an Approximate \$60,000 Trillion BTU Loan
9. Joe and Fred Grote – Approval of an Approximate \$95,000 Trillion BTU Loan
10. Rob Grover – Grover Hog Farms – Approval of an Approximate \$192,000 Trillion BTU Loan
11. Matt and Gary Hellickson – Approval of an Approximate \$190,000 Trillion BTU Loan
12. Such Other Business that May Come Before the Committee

cc: Press
City Clerk
Dai Thao

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
FEBRUARY 21, 2017**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:24 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	Nneka Constantino	Harry Melander
John Regal		

Also present were the following:

Lee Krueger	Laurie Hansen	Pete Klein
Michael Linder	Andrea Novak	Monte Hilleman
Sarah Savelle	Keith Mensah	Dana Krueger
Linda Williams		

APPROVAL OF MINUTES

Committee Member Melander made a motion, seconded by Committee Member Regal, to approve the minutes of the January 17, 2017 Credit Committee meeting. The motion carried unanimously.

CONFLICT OF INTEREST

Committee Member Constantino noted that she is a member of the Regions Hospital Board of Directors but this does not prevent her from voting on item number three on the agenda.

Committee Member Constantino recused herself from voting on agenda item numbers five through eleven, in addition, had a conflict with one of those items (which item could not be identified for confidentiality reasons).

CONVEYANCE OF LAND TO REGIONS HOSPITAL

Mr. Hilleman reviewed his memorandum with the Committee requesting approval of the conveyance of land to Regions Hospital.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Constantino, to approve the conveyance of land to Regions Hospital. The motion carried unanimously.

**APPROVAL OF ADMINISTRATION
AGREEMENT WITH MINNESOTA HERO PROGRAM**

Mr. Klein reviewed his memorandum with the Committee regarding a potential administration agreement for the Minnesota HERO Program. Discussion included, but was not limited to, involvement by the Department of Commerce, examples of consumer protection measures, and potential risks to the Port Authority. Mr. Klein said that due to new pending legislation, this report is informational only and no action is being requested at this time.

**ATRIUM, LLC – WELLINGTON MANAGEMENT, INC
APPROVAL OF AN APPROXIMATE \$120,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$120,000 Trillion BTU loan to Atrium, LLC for the installation of a new energy management system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of an approximate \$120,000 Trillion BTU loan to Atrium, LLC for the installation of a new energy management system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

**AYRE PROPERTY AND INVESTMENTS, LLC AND GABRIEL FINANCIAL
GROUP, INC. - APPROVAL OF AN APPROXIMATE \$53,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$53,000 Trillion BTU loan to Ayre Property and Investments, LLC and Gabriel Financial Group, Inc. for the installation of a 20-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of an approximate \$53,000 Trillion BTU loan to Ayre Property and Investments, LLC and Gabriel Financial Group, Inc. for the installation of a 20-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

**BIGOS-JACKSON, LLC AND BIGOS-SIBLEY, LLC
APPROVAL OF AN APPROXIMATE \$2,100,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$2,100,000 Trillion BTU loan to Bigos-Jackson, LLC and Bigos-Sibley, LLC for the installation of HVAC upgrades.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of an approximate \$2,100,000 Trillion BTU loan to Bigos-Jackson, LLC and Bigos-Sibley, LLC for the installation of HVAC upgrades. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

PAUL AND MELISSA KLUESNER
APPROVAL OF AN APPROXIMATE \$34,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$34,000 Trillion BTU loan to Paul and Melissa Kluesner for the installation of a 10-kilowatt solar system.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of an approximate \$34,000 Trillion BTU loan to Paul and Melissa Kluesner for the installation of a 10-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

ARLYS AND WAYNE PANNING
APPROVAL OF AN APPROXIMATE \$96,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$96,000 Trillion BTU loan to Arlys and Wayne Panning for the installation of a 20-kilowatt solar system.

Discussion included, but was not limited to, the amount of annual savings and the value of the property versus the cost of the investment.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of an approximate \$96,000 Trillion BTU loan to Arlys and Wayne Panning for the installation of a 20-kilowatt solar system. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

KEITH D. REMUND AND LAUREL C. REMUND, TRUSTEES
APPROVAL OF AN APPROXIMATE \$140,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$140,000 Trillion BTU loan to Keith D. and Laurel C. Remund, for the installation of two solar tracking systems.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of an approximate \$140,000 Trillion BTU loan to Keith D. and Laurel C. Remund for the installation of two solar tracking systems. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

SOLAR STONE PARTNERS, LLC
APPROVAL OF AN APPROXIMATE \$500,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$500,000 Trillion BTU loan to Solar Stone Partners, LLC for the solar deposit fee for five one-megawatt solar installations under Xcel Energy's Solar Rewards Community Program.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Melander, for approval of an approximate \$500,000 Trillion BTU loan to Solar Stone Energy Partners for five one-megawatt solar installations under Xcel Energy's Solar Rewards Community Program. The motion carried by a majority vote of three, with Committee Member Constantino abstaining.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 3:04 p.m.

By: _____


Its: _____

/djkc

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of March 21, 2017) **DATE:** March 6, 2017

FROM: Laurie J. Hansen 

SUBJECT: CONVEYANCE OF LAND TO CITY OF SAINT PAUL
600 LAFAYETTE ROAD, SAINT PAUL, MN
RESOLUTION NO. _____

Action Requested:

Approval of the conveyance of the Public Safety Training Facility to the City of Saint Paul.

Background

Attached is a memo outlining the terms of the land conveyance transaction to the City of Saint Paul for the property located at 600 Lafayette Road, Saint Paul, Minnesota.

Recommendation

We recommend approval of the conveyance of the Public Safety Training Facility to the City of Saint Paul.

LJH:amk

Attachments

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
LAND CONVEYANCE TRANSACTION**

Action Requested: Approval of the conveyance of the Public Safety Training Facility to the City of Saint Paul

Development Officer: Laurie J. Hansen

Purchaser: City of Saint Paul

Purchaser Address: City of Saint Paul
15 Kellogg Boulevard West
Saint Paul, Minnesota 55102

Location of Property to be Conveyed: 600 Lafayette Road, Saint Paul, MN 55130
(PID 32.29.22.23.0053)
(PID 32.29.22.23.0022)
(PID 32.29.22.22.0130)

Conveyance Structure:

The Port Authority entered into a Project Management Agreement with the City of Saint Paul to build the Public Safety Training Facility at 600 Lafayette Road, St. Paul, MN. Funding for the project was provided by a loan from BMO Bank under a Loan Agreement between the Port Authority and BMO Bank. The loan proceeds funded the Port Authority's acquisition of the building site and have been funding the construction of the Public Safety Training Facility.

The Project Management Agreement and Loan Agreement require the City issue bonds in 2017 in an amount sufficient to pay off the bank loan and complete construction. The City will be selling those bonds on March 8 and closing in early April. Once the bank loan has been repaid, the City will take title to the building site, and the Port Authority will complete construction using the remaining bond proceeds.

Nature of Intended Use:

Police Public Safety Training Facility

Business Subsidy Agreement

None

Exception from Port's Development Goals/Covenants:

None

Development Officer's Comments:

We recommend approval of the conveyance of the Public Safety Training Facility to the City of Saint Paul.

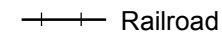
LJH:amk

Public Safety Training Facility

Legend



Site



Railroad



380 St. Peter Street
Suite 850
St. Paul, MN 55102

www.sppa.com



Source: Esri, DigitalGlobe, GeoEye, i-cubed, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community

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

**[CONVEYANCE OF LAND TO THE CITY OF SAINT PAUL
600 LAFAYETTE ROAD, SAINT PAUL, MINNESOTA]**

WHEREAS, the Port Authority of the City of Saint Paul ("Port Authority"), pursuant to Minnesota Statutes, Section 469.065, did place a notice, a copy of which with proof of publication is on file in the office of the Port Authority, of a public hearing on the proposed conveyance of land in a legal newspaper, said hearing to be held to determine whether it is in the best interests of the port district of Saint Paul and the people thereof and in furtherance of the general plan of port improvement and industrial development to grant the conveyance of land at 600 Lafayette Road in Saint Paul, Minnesota, to the City of Saint Paul (the "Property").

WHEREAS, the Port Authority did conduct a public hearing pursuant to said notice on Tuesday, March 28, 2017, at which hearing all taxpayers in the port district, both for and against the conveyance, were allowed to state their views.

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 conveyance.

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

1. That the Board of Commissioners of the Port Authority hereby finds, determines and declares that it is for the best interests of the port district and the people thereof to enter into said agreement to convey the land.

2. That the actions of the President of the Port Authority in causing public notice of the proposed conveyance, and in describing the terms and conditions of such conveyance, which have been available for inspection by the public at the office of the Port Authority from and after the publication of notice of hearing, are in all respects ratified and confirmed.

3. That the President of the Port Authority is hereby authorized and directed to complete and execute said agreement to convey, in substantially the form as is on file in the office of the Port Authority, and the proper Port Authority officers are hereby authorized and

Resolution No. _____

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directed to complete and execute all documents necessary to convey title in form as approved by counsel.

Adopted: March 28, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of March 21, 2017)

DATE: March 16, 2017

FROM: Peter M. Klein 

SUBJECT: ACCEPTANCE OF A \$3,000,000 LOAN/GRANT FROM THE KRESGE
FOUNDATION
RESOLUTION NO. _____

Action Requested:

Acceptance of a \$3,000,000 loan/grant from the Kresge Foundation to provide loans to organizations in low income communities so that they can invest in energy efficiency and renewable energy projects.

Public Purpose:

Organizations located within low income communities have had difficulty investing in energy savings projects. The loan/grant from the Kresge Foundation will allow the Port Authority of the City of Saint Paul to focus on these organizations to help them understand the positive cash flow that these investments can provide. These organizations will become more competitive and reduce their reliance on fossil fuels.

Background:

In April of last year, the Port Authority submitted a proposal to use the Kresge loan/grant funds in New Markets Tax Credit (NMTC) eligible areas in Minnesota. NMTC eligible areas are designated as areas of need and their boundaries are easily determined. As part of our submission, we also committed to lend to minority-led and women-led organizations. This is a new program for the Kresge Foundation, and the first that we have seen, to use endowment funds in this manner. Hundreds of organizations throughout the country expressed an interest in this new program and the Port Authority was one of the few selected.

Financial Analysis:

The Kresge Foundation requires that the loan/grant funds be returned to it in ten years. We intend to use the funds in a similar way to our Trillion BTU fund. The same underwriting criteria will be in place, PACE assessments will likely be used as collateral and the Credit Committee will need to approve all loans. Should there be a loss relating to one of these loans, Kresge is expecting the Port Authority to take that loss and return the full \$3,000,000 within ten years. We are working with the Minnesota Department of Commerce to see that Trillion BTU grant funds will cover any losses in the Kresge program. If Commerce does not approve the use of Trillion BTU to act as a loss reserve, then the Port Authority staff will reevaluate and, if the Port Authority staff elects to proceed, will bring the revised recommendation to the Board for reconsideration. However, Commerce has initially provided its approval subject to the U.S. Department of Energy's approval.

CREDIT COMMITTEE

March 16, 2017

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Loans in the Kresge program will generally be for 10 years at 4.5%. Kresge will earn 2.5% and the Port Authority will earn 2.0% on these loans. Kresge will also compensate the Port Authority with a one-time payment of 5.0% of grant funds implemented. We will have 18 months to implement up to \$3,000,000 of these loans.

Recommendation:

We recommend the acceptance of the Kresge Foundation loan/grant in the amount of \$3,000,000.

Attachment

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

**[ACCEPTANCE OF A \$3,000,000 LOAN/
GRANT FROM THE KRESGE FOUNDATION]**

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

WHEREAS, under Minn. Stat. § 469.055, the Port Authority shall promote the general welfare of the port district, and of the port as a whole; promote the efficient, safe, and economical handling of the commerce; and, under Minn. Stat. §§ 469.048 to 469.061, the Port Authority has the powers and duties conferred upon all port authorities; and, under Minn. Stat. § 469.084, Subds. 1 to 15, the Port Authority has additional statutory duties and powers including powers related to recreational facilities and small business capital; and

WHEREAS, the Kresge Foundation recently created a new grant program focused on economic development stimulus in low-income communities; and, in April of 2016, the Port Authority submitted a proposal to the Kresge Foundation for loan/grant funds in New Markets Tax Credit (NMTC) eligible areas in Minnesota (NMTC eligible areas are designated as areas of need), and as part of the submission, the Port Authority committed to lend to minority-led and women-led organizations; and

WHEREAS, the Kresge Foundation has awarded the Port Authority a \$3,000,000 loan/grant under a ten-year program.

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

That subject to the Minnesota Department of Commerce's agreement that the Trillion BTU grant funds will serve as a loss reserve fund to cover any losses incurred in the Kresge grant/loan program with the Port Authority, the President or anyone acting under his direction is hereby authorized and directed to execute any and all necessary documents and undertake reasonable actions and steps to obtain and administer the Kresge Foundation loan/grant program with the Port Authority.

Adopted: March 28, 2017

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of March 21, 2016)

DATE: March 15, 2017

FROM: Peter M. Klein 

SUBJECT: INNOVATIVE POWER SYSTEMS, INC.
APPROVAL OF A THREE 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 three 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. The loan was funded last March. IPS has run into some equipment issues within the four buildings and with Xcel Energy's system. However, the solar panels are on all four roofs and IPS is confident that the RDF funds will be released by the end of June.

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 three months.

Recommendation:

We recommend the approval of the extension of the \$1,400,000 Trillion BTU loan to Innovative Power Systems, Inc. to July 1, 2017.

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 March 21, 2017)

DATE: March 16, 2017

FROM: Michael J. Linder 

SUBJECT: MARK AND JENNIFER BOON – THE LITTLE BOON FARM
APPROVAL OF AN APPROXIMATE \$47,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$47,000 loan with Mark and Jennifer Boon for the installation of a 26-kilowatt solar system.

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:

Mark and Jennifer Boon own an 18-acre farm in Maple Lake, MN located in Wright County. The 2017 assessed value of the property is \$235,000. The Boons grow organic vegetables and raise chickens to produce eggs for sale through a seasonal subscription service and also raise cattle and deer.

Proposed Project:

26-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$47,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$47,000
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Uses of funds:

Energy Project Costs	\$47,000
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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. Wright 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. TBTU is acting as a bridge loan until

CREDIT COMMITTEE

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that time. In the unlikely event that the special assessment is not assessed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Three years of tax returns have been reviewed and the borrowers break even on their farming operation when factoring in depreciation. They also have W-2 and other self-employment income to supplement the farm income. The borrowers have a mortgage on the property which is their only outstanding debt. The balance sheet was not provided to calculate the debt to equity ratio, however, using the tax assessed value of the property, the loan to value is 95%. The following ratios are as of December 31, 2016:

Debt Service Coverage:	3.67	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 and PACE Assessment
Use of Funds:	26-Kilowatt Photovoltaic Solar System
Amount of Loan:	\$47,000
Rate:	4.5%
Term:	Ten years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

130 MMBTUs (\$4,200) annually. Approximately 90% of the system's cost will be recouped through a 30% investment tax credit, depreciation deduction and Xcel Energy incentives paid out over ten years.

Workforce Implications:

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

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$47,000 Trillion BTU loan to Mark and Jennifer Boon.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of March 21, 2017)

DATE: March 16, 2017

FROM: Michael J. Linder *mjl*

SUBJECT: LARRY AND DEBRA DREIER
APPROVAL OF AN APPROXIMATE \$310,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$310,000 loan with Larry and Debra Dreier, for the installation of a 65-kilowatt tracking solar system.

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:

Larry and Debra Dreier own a dairy farm located in Norwood, MN in the county of Carver. They have 700 acres of land and intend to install 9 solar tracking arrays on their property to supplement their farms electricity use. The borrowers own 8 contiguous parcels of land that have a combined tax assessed value of \$4,193,000.

Proposed Project:

65-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$310,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$310,000
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Uses of funds:

65-kW Tracking Solar Installation	\$310,000
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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. Carver 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. TBTU is acting as a bridge loan until

CREDIT COMMITTEE

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that time. In the unlikely event that the special assessment is not assessed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Personal tax returns were obtained for Larry Dreier for 2016 and the previous two years. Schedule F shows the borrower has been profitable in two of the past three years. In addition to farm income, the tax returns show the borrower has supplemental W-2 and other income. A balance sheet was not provided to calculate a debt/equity ratio but the loan to value on the land is 28%:

Debt Service Coverage:	4.30	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 and PACE Assessment
Use of Funds:	65-Kilowatt Photovoltaic Solar System
Amount of Loan:	\$310,000
Rate:	4.5%
Term:	Ten years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

395 MMBTUs (\$16,500) annually. Approximately 90% of the system's cost will be recouped through a 30% investment tax credit, depreciation deduction and Xcel Energy incentives paid out over the life of the system.

Workforce Implications:

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

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$310,000 Trillion BTU loan to Larry and Debra Dreier.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of March 21, 2017)

DATE: March 16, 2017

FROM: Michael J. Linder 

**SUBJECT: RANDY AND ROBIN FLYNN
APPROVAL OF AN APPROXIMATE \$60,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$60,000 loan with Randy and Robin Flynn, for the installation of various energy efficiency improvements to their commercial property located in Cloquet, MN.

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:

Randy and Robin Flynn own a commercial building in downtown Cloquet, MN that has three retail units on street level and seven apartments located on the second floor. An energy audit concluded that the owner could realize a significant reduction in energy use by replacing the building's boiler and two hot water heaters, retrofitting the building's lighting with LED light bulbs and replacing the inefficient windows and doors. The total cost of the project is approximately \$60,000 and will have a payback period of approximately 15 years. The 2016 tax assessed value of the property is \$340,000.

Proposed Project:

Energy Efficiency Improvements.

New boiler and two hot water heaters	\$12,000
LED lighting retrofit	\$15,000
Window and door replacement	\$23,000
Electrical upgrades and installation	<u>\$10,000</u>
Total	\$60,000

CREDIT COMMITTEE

March 16, 2017

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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$60,000
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Uses of funds:

Energy Efficiency Improvements	\$60,000
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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. Carlton 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. TBTU is acting as a bridge loan until that time. In the unlikely event that the special assessment is not assessed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Tax returns for 2016 and the previous two years were analyzed and the property was profitable in all three years. Both borrowers are retired and have supplemental retirement and pension income. The debt service coverage ratio below shows the cash flow for the property only, including the PACE assessment, but does not the borrowers other income. A rent roll was obtained that shows all of the apartment units are occupied with one year leases, most expiring in August of 2017. The three commercial leases expire in August of 2017, December of 2018 and January of 2021. A balance sheet was not obtained so a debt to equity ratio could not be calculated.

Debt Service Coverage:	1.38	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 and PACE Assessment

Use of Funds: Energy Efficiency Improvements

Amount of Loan: \$60,000

Rate: 4.5%

Term: Ten years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

120 MMBTUs (\$4,000) annually. The estimated payback on the project is 15 years based on an energy audit conducted on the property.

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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 \$60,000 Trillion BTU loan to Randy and Robin Flynn.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of March 21, 2017)

DATE: March 16, 2017

FROM: Michael J. Linder *mjl*

**SUBJECT: JOE AND FRED GROTE
APPROVAL OF AN APPROXIMATE \$95,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$95,000 loan with Joe and Fred Grote for the installation of a 20-kilowatt solar tracking system.

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:

Fred Grote and his son Joe have a crop farming operation located in Kenyon, MN in the county of Goodhue. Joe started his own farming operation in 2014 and rents his father's land. Joe and Fred will be cosigners on the note, and Joe will be the primary source of repayment on the PACE assessment while his father will also be listed as a borrower as the solar array will be installed on his property, providing further security for the loan. Fred owns approximately 300 acres of land with a combined tax assessed value of \$2,100,000.

Proposed Project:

20-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$95,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$95,000
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Uses of funds:

Solar Tracking System Installation	\$95,000
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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. Goodhue County is assisting with placing the PACE

CREDIT COMMITTEE

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special assessment on the property taxes and another funder will finance that portion of the project once the special assessment is in place. TBTU is acting as a bridge loan until that time. In the unlikely event that the special assessment is not assessed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

2016 tax returns have been reviewed, as well as the previous two years. Joe graduated from college in 2014 and began his farming operation the same year. His operation has shown increasing positive cash flow over the three years and the tax returns also include supplemental W-2 income. The debt service coverage ratio includes mortgage debt Joe has for a hog facility. A balance sheet was not obtained to calculate a debt/ equity ratio but the loan to value using the tax assessed value of their land is 18%:

Debt Service Coverage:	2.13	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 and PACE Assessment
Use of Funds:	20-Kilowatt Photovoltaic Solar System
Amount of Loan:	\$95,000
Rate:	4.5%
Term:	Ten years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

118 MMBTUs (\$4,200) annually. Approximately 90% of the system's cost will be recouped through a 30% investment tax credit, depreciation deduction and Xcel Energy incentives paid out over ten years.

Workforce Implications:

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

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$95,000 Trillion BTU loan to Joe and Fred Grote

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of March 21, 2017)

DATE: March 16, 2017

FROM: Michael J. Linder 

SUBJECT: ROB GROVER – GROVER HOG FARMS
APPROVAL OF AN APPROXIMATE \$192,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$192,000 loan with Rob Grover, owner of Grover Hog Farms, for the installation of a 40-kilowatt roof-top solar system.

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:

Rob Grover operates a hog farm located in Madelia, MN in the county of Blue Earth, just Southwest of Mankato. The farm is situated on two parcels that consist of 82 acres of land. The 2016 tax assessed value of the parcels is \$1,434,800.

Proposed Project:

40-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$192,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$192,000
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Uses of funds:

40-kW Roof-top Solar Installation	\$192,000
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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. Blue Earth 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. TBTU is acting as a bridge

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loan until that time. In the unlikely event that the special assessment is not assessed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Personal tax returns were obtained for Rob Grover for 2015 and the previous two years. In addition to farm income, Rob also has a trucking operation as well as other W-2 income to supplement farm income. A balance sheet was not provided to calculate a debt/ equity ratio but the loan to value on the land is 80% using the 2016 tax assessed value:

Debt Service Coverage:	1.81	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 and PACE Assessment
Use of Funds:	40-Kilowatt Photovoltaic Solar System
Amount of Loan:	\$192,000
Rate:	4.5%
Term:	Ten years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

255 MMBTUs (\$9,000) annually. Approximately 76% of the system's cost will be recouped through a 30% investment tax credit, depreciation deduction and Xcel Energy incentives paid out over ten years.

Workforce Implications:

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

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$192,000 Trillion BTU loan to Rob Grover.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of March 21, 2017)

DATE: March 16, 2017

FROM: Michael J. Linder *mjl*

**SUBJECT: MATT AND GARY HELLICKSON
APPROVAL OF AN APPROXIMATE \$190,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate an approximate \$190,000 loan with Matt and Gary Hellickson, for the installation of a 40-kilowatt solar tracking system.

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:

Matt Hellickson and his father Gary own a hog and crop farming operation located in Preston, MN in Fillmore County. Matt and Gary together own over 1,200 acres of land where they have a 5,000 head hog nursery and also grow corn, alfalfa and soybeans. The land where the solar array is being installed is owned by Gary Hellickson and the 150 acre parcel has a tax assessed value of \$1,100,000.

Proposed Project:

40-Kilowatt Photovoltaic Solar System.

Purchase Price and Installation	\$190,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$190,000
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Uses of funds:

Tracking Solar Installation	\$190,000
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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. Fillmore County is assisting with placing the PACE special assessment on the property taxes and another funder will finance that portion of

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March 16, 2017

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the project once the special assessment is in place. TBTU is acting as a bridge loan until that time. In the unlikely event that the special assessment is not assessed or if another funder does not take out the TBTU loan, TBTU will remain as the funder of the loan.

Financial Analysis:

Matt and Gary have a joint interest in two farming entities, G & M Pork, LLC, and Hellickson Farms. 2016 tax returns as well as personal financial statements for both individuals and the two farming operations were analyzed. All operations have been profitable in the past three years and the ratios below show debt service and debt/equity ratios for the combined entities:

Debt Service Coverage:	2.30	Trillion standard of at least	1.15
Debt-to-Equity:	1.15	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU and PACE Assessment
Use of Funds:	40-Kilowatt Photovoltaic Solar System
Amount of Loan:	\$190,000
Rate:	4.5%
Term:	Ten years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

245 MMBTUs (\$7,300) annually. Approximately 75% of the system's cost will be recouped through a 30% investment tax credit, depreciation deduction and Xcel Energy incentives paid out over ten years.

Workforce Implications:

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

Policy Exceptions:

None

Recommendation:

We recommend the approval of a \$190,000 Trillion BTU loan to Matt and Gary Hellickson.

MJL:djk