


SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE DATE: May 11, 2017

FROM: Lee J. Krueger 

SUBJECT: **REGULAR CREDIT COMMITTEE MEETING
MAY 16, 2017 – 2:00 P.M.**

NOTICE

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **May 16, 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 April 18, 2017
2. Conflict of Interest
3. Approval of the First Amendment to the Wabasha and Sixth Street Tax Increment Financing Plan (the "TIF Plan")
4. 1024 Atlantic Ave, LLC – Approval of a \$27,000 Trillion BTU Loan/PACE Assessment
5. 2746 31st Ave, LLC – Approval of a \$254,000 Trillion BTU Loan/PACE Assessment
6. Brian and Leslie Axdahl – Approval of a \$207,000 Trillion BTU Loan/PACE Assessment
7. Dougherty, LLC – Approval of a \$44,000 Trillion BTU Loan/PACE Assessment
8. Hanny Properties, LLC and Hanish Bakeries, LLC – Approval of a \$70,000 Trillion BTU Loan/PACE Assessment
9. Men as Peacemakers – Approval of a \$127,000 Trillion BTU Loan/PACE Assessment
10. Thomas and Heidi Omerza – Approval of a \$27,000 Trillion BTU Loan/PACE Assessment

CREDIT COMMITTEE

May 11, 2017

Page 2

11. Charles Paler - Approval of a \$129,000 Trillion BTU Loan/PACE Assessment
12. Michael Singlestad – Approval of a \$51,000 Trillion BTU Loan/PACE Assessment
13. Such Other Business that May Come Before the Committee

/dj

cc: Press
City Clerk
Dai Thao

**PORT AUTHORITY OF THE CITY OF SAINT PAUL
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
APRIL 18, 2017**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:03 p.m. in the Board Room of the Saint Paul Port Authority, 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102.

The following Committee Members were present:

Paul Williams	John Bennett	Harry Melander
John Regal		

Also present were the following:

Lee Krueger	Laurie Hansen	Pete Klein
Michael Linder	Brenda Kyle	Monte Hilleman
Laurie Siever	Sarah Savela	Dana Krueger
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Regal made a motion, seconded by Committee Member Bennett, to approve the minutes of the March 21, 2017 Credit Committee meeting. The motion carried unanimously.

CONFLICT OF INTEREST

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

POLICY CHANGE – BDF LOAN PROGRAM

Mr. Klein reviewed his memorandum with the Committee requesting approval of a change to the BDF loan program to allow for the funding of PACE loans.

Discussion included, but was not limited to, what types of projects are traditional BDF loans and other possible uses for BDF funds.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Melander, for approval of a change to the BDF loan program to allow for the funding of PACE loans.

3800 28TH AVENUE S, LLC
APPROVAL OF A \$60,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$60,000 Trillion BTU loan/PACE assessment to 3800 28th Avenue S, LLC for the installation of energy efficiency upgrades.

There being no discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$60,000 Trillion BTU loan/PACE assessment to 3800 28th Avenue S, LLC for the installation of energy efficiency upgrades. The motion carried unanimously.

**BROOKLYN PARK AUTO MALL, LLC; BURNSVILLE AUTO MALL, LLC;
HOPKINS AUTO MALL, LLC; EAGAN AUTO MALL, LLC – APPROVAL OF
FOUR TRILLION BTU LOANS/PACE ASSESSMENTS TOTALING \$125,000**

Mr. Linder reviewed his memorandum with the Committee requesting approval of four Trillion BTU loans/PACE assessments totaling \$125,000 to Brooklyn Park Auto Mall, LLC, Burnsville Auto Mall, LLC, Eagan Auto Mall, LLC and Hopkins Auto Mall, LLC for the installation of lighting upgrades.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, for approval of four Trillion BTU loans/PACE assessments totaling \$125,000 Brooklyn Park Auto Mall, LLC, Burnsville Auto Mall, LLC, Eagan Auto Mall, LLC and Hopkins Auto Mall, LLC for the installation of lighting upgrades. The motion carried unanimously.

LIBERTY CROSSING INVESTMENT PARTNERS, LLC
APPROVAL OF A \$185,000 TRILLION BTU LOAN/PACE ASSESSMENT

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$185,000 Trillion BTU loan/PACE assessment to Liberty Crossing Investment Partners, LLC for the installation of additional solar arrays.

Committee Member Bennett inquired about the use of Trillion BTU funds for new construction. Mr. Klein explained that Trillion BTU funds may not be used for the construction of a new building, but may be used for renewable energy measures.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$185,000 Trillion BTU loan/PACE assessment to Liberty Crossing Investment Partners, LLC for the installation of additional solar arrays. The motion carried unanimously.

**NE WHERE, LLC AND THE COFFEE SHOP NE
APPROVAL OF A \$95,000 TRILLION BTU LOAN/PACE ASSESSMENT**

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$95,000 Trillion BTU loan/PACE assessment to NE Where, LLC and The Coffee Shop NE for the installation of a 20-kilowatt solar system and efficient foam insulated roof.

Discussion included, but was not limited to, the relationship between the borrowing entities, the reason for having co-borrowers, and the effect the improvements will have on cash flow and debt service coverage.

There being no further discussion, Committee Member Regal made a motion, seconded by Committee Member Bennett, for approval of an approximate \$95,000 Trillion BTU loan/PACE assessment to NE Where, LLC and The Coffee Shop NE for the installation of a 20-kilowatt solar system and efficient foam insulated roof. The motion carried unanimously.

**SPYCHALA REAL ESTATE, LLC
APPROVAL OF A \$127,000 TRILLION BTU LOAN/PACE ASSESSMENT**

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$127,000 Trillion BTU loan/PACE assessment to Spychala Real Estate, LLC for the installation of a 43-kilowatt solar system.

Committee Member Melander requested an updated map showing the legislative districts where PACE projects have been completed.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, for approval of an approximate \$127,000 Trillion BTU loan/PACE assessment to Spychala Real Estate, LLC for the installation of a 43-kilowatt solar system. The motion carried unanimously.

**MELVIN S. YUNKER REVOCABLE FAMILY TRUST
AND SHARON E. YUNKER REVOCABLE FAMILY TRUST
APPROVAL OF A \$190,000 TRILLION BTU LOAN/PACE ASSESSMENT**

Mr. Linder reviewed his memorandum with the Committee requesting approval of an approximate \$190,000 Trillion BTU loan/PACE assessment to Melvin S. and Sharon E. Yunker Revocable Family Trusts for the installation of a 40-kilowatt solar system.

There being no discussion, Committee Member Bennett made a motion, seconded by Committee Member Regal, for approval of an approximate \$190,000 Trillion BTU

loan/PACE assessment to Melvin S. and Sharon E. Yunker Revocable Family Trusts for the installation of a 40-kilowatt solar system. The motion carried unanimously.

OTHER BUSINESS

Mr. Klein presented a past due report of Trillion BTU loans to the Committee. Committee Member Bennett asked at what point the Port Authority stops accruing interest on past due loans. Mr. Klein stated that once the Port Authority receives a bankruptcy notice, it stops accruing interest.

There being no further business, the meeting was adjourned at 2:39 p.m.

By: _____


Its: _____

/djg

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Bruce A. Kessel 

SUBJECT: APPROVAL OF THE FIRST AMENDMENT TO THE WABASHA AND SIXTH STREET TAX INCREMENT FINANCING PLAN
RESOLUTION NO. _____

Action Requested

Final approval of the First Amendment to the Wabash & Sixth Street Tax Increment Financing Plan (the "TIF Plan").

Background

At its September 22, 2015 Board meeting, the Port Authority reviewed and approved the TIF Plan. A public hearing on the proposed TIF Plan was held by the City Council on December 9, 2015, after which it was approved. Ramsey County certified the district on July 15, 2016.

Proposal

When TIF Plan budgets are established, estimates are made for tax increment financing revenues, grant receipts and anticipated costs. The Port Authority reports to the State annually on the status of the various districts, and formally amends a district budget when differences between initial projections and proposed results are anticipated to become material.

Total projected revenues and costs are anticipated to remain the same as in the original TIF Plan budget. However, based upon the changes in amounts and categories anticipated to be expended on the proposed project, it appears prudent to amend the TIF Plan at this time to conform with the amended budget. The attached Exhibit A sets forth the original budget as well as the proposed amended budget.

Recommendation

We recommend approval of the First Amendment to the Wabash & Sixth Street Tax Increment Financing Plan.

BAK/lkw

Attachments: Exhibit A
Resolution

EXHIBIT A

**Wabasha and Sixth Street Tax Increment Financing District
Budget (First Amendment)**

	<i>Notes</i>	Original Budget	Adjustment	Amended Budget
SOURCES OF FUNDS				
Tax Increments		23,528,934	0	23,528,934
Interest earnings		10,066	0	10,066
Debt (internal & external funds):				
Pay-As-You-Go Note		11,077,000	0	11,077,000
Grants				
Metropolitan Council		0	0	0
		<u>34,616,000</u>	<u>0</u>	<u>34,616,000</u>
Total Sources of Funds				
USES OF FUNDS				
Site acquisition	(1)	0	0	0
Site improvements	(2)	7,537,000	4,000,000	11,537,000
Parking facilities	(3)	5,400,000	(4,000,000)	1,400,000
Public utilities	(4)	0	0	0
Contingency	(5)	50,000	(50,000)	0
Pay-As-You-Go Note principal		11,077,000	0	11,077,000
Pay-As-You-Go Note interest		10,500,000	0	10,500,000
County fees		52,000	0	52,000
Administration		0	50,000	50,000
		<u>34,616,000</u>	<u>0</u>	<u>34,616,000</u>
Total Sources of Funds				
NET SOURCES OF FUNDS OVER USES		<u>0</u>	<u>0</u>	<u>0</u>

Notes

- (1) Includes direct cost of purchasing the site by the developer.
- (2) Includes direct costs of removing façade, upgrading elevators, HVAC, electrical and other related items identified in the substandard building report.
- (3) Parking ramp and related site improvements.
- (4) Sidewalk and skyway costs included in site improvements.
- (5) Contingency - unanticipated costs to be reallocated as needed to other categories.
- (6) Subordinate to Pay-As-You Go Note.

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

**[APPROVAL OF THE FIRST AMENDMENT TO THE WABASHA
AND SIXTH STREET TAX INCREMENT FINANCING PLAN]**

WHEREAS, the Port Authority of the City of Saint Paul (the "Port Authority") has previously established the Wabasha and Sixth Street Tax Increment Financing District (the "TIF Plan").

WHEREAS, the Board Memorandum, dated September 17, 2015, sets forth the basis for the TIF Plan adopted and approved in Board Resolution No. 4552, both of which are incorporated herein as if set forth in full.

WHEREAS, it is proposed that the Board of Commissioners of the Port Authority consider the amendment of the budget to reflect current projections of tax increment collections and expenditures over the life of the District, as described on Exhibit A and to provide for reimbursement of eligible costs that had been or will be incurred in the redevelopment of the District.

WHEREAS, Port Authority management has prepared a revised budget which is set forth in the proposed amendment.

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

1. The proposed amendment to the tax increment financing plan for the Wabasha and Sixth Street District is hereby approved and adopted, and shall be placed on file in the office of the Port Authority.

2. Port Authority management, along with the Port Authority's legal counsel, is hereby authorized to proceed with the implementation of the amended Plan.

3. Port Authority management is hereby authorized to forward a copy of the amended TIF Plan to the Ramsey County Auditor and the Minnesota Department of Revenue pursuant to Minnesota Statutes, Section 469.175, subd. 4a.

Adopted: _____

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$27,000 with 1024 Atlantic Ave, LLC for the installation of new energy-efficient air handling units on a commercial property located in Minneapolis, Minnesota.

Public Purpose:

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

Business Subsidy:

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

Background:

1024 Atlantic Ave, LLC is the real estate holding company for the Tiny Diner restaurant located at 1024 E 38th Street in South Minneapolis, owned by Kim Bartmann. The 1960's era diner needs an upgrade to their make-up air handling system to increase efficiency and comfort in the kitchen and dining area of the restaurant. The system replaces exhausted air from kitchen vent fans with clean heated or cooled air. The 2017 assessed value of the property is \$320,000.

Proposed Project:

Purchase and installation of two 10-ton high efficiency make-up air handling units

Purchase Price and Installation	\$27,000
---------------------------------	----------

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$27,000
Uses of funds:	
High efficiency HVAC system/ installation	\$27,000

CREDIT COMMITTEE

May 11, 2017

Page 2

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. The City of Minneapolis is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Kim's tax returns were received for 2015 and the previous two years and show the Diner had a net loss in the past three years, but was profitable when factoring in non-cash depreciation expenses in 2015. These losses are offset by other business activities and Kim has personally been profitable in all three years. The debt service coverage ratio on the Tiny Diner alone was 1.50 which includes the PACE assessment and an SBA and Minneapolis CPED notes with balances totaling approximately \$260,000. Loan to value using the tax value and outstanding debt is 80%, with the PACE assessment LTV would be 90%. A balance sheet was not provided so a debt to equity ratio could not be calculated.

Debt Service Coverage:	1.50	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:	High efficiency HVAC system/installation
Amount of Loan:	\$27,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

50 MMBTUs (\$1,700) annually. The estimated payback on the project is 15 years based on the reduced energy consumption of the new HVAC system.

Workforce Implications:

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

CREDIT COMMITTEE

May 11, 2017

Page 3

Policy Exceptions:

Yes - The Tiny Diner had net losses in the past two year, which is offset by other business activities of Kim Bartmann.

Recommendation:

We recommend the approval of a \$27,000 Trillion BTU loan with PACE assessment to 1024 Atlantic Ave, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$254,000 with 2746 31st Ave, LLC for the installation of a 134–Kilowatt roof-top solar system on a multi-tenant commercial office 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:

2746 31st Ave, LLC is the real estate holding company for a multi-tenant office building located at 2746 31st Avenue South in Minneapolis, whose main tenant is Spye, LLC, which is related through common ownership. Spye, LLC is a technology company that installs digital signage, video walls, interactive systems, building automation and audio/video conferencing technology. The assessed value of the property is \$1,270,000 which allows us to place a PACE assessment of \$254,000; the total cost of the installation is \$438,000.

Proposed Project:

134–Kilowatt Photovoltaic Roof Mount Solar System	
Purchase Price and Installation	\$438,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$254,000
Funds from Borrower	\$184,000
Uses of funds:	
134–Kilowatt Photovoltaic Solar System	\$438,000

CREDIT COMMITTEE

May 11, 2017

Page 2

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. The City of Minneapolis is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Tax returns were received for 2015 and the previous two years and show the company was profitable in the past three years. The company had a debt service coverage ratio of 1.40 prior to the PACE assessment and 1.03 after the assessment is factored in. A balance sheet was also provided and shows the entity has a debt/ equity ratio of 1.08 to 1 with the proposed loan. The building is fully occupied with four tenants including Spye, LLC, which occupies about two thirds of the total space.

Debt Service Coverage:	1.03	Trillion standard of at least	1.15
Debt-to-Equity:	1.08	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU and PACE Assessment
Use of Funds:	134-Kilowatt Roof-top Solar Array
Amount of Loan:	\$254,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

450 MMBTUs (\$15,000) annually. The estimated payback on the project with incentives and rebates is 17 years based on a cash flow projection for the solar array.

Workforce Implications:

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

Policy Exceptions:

Yes – Debt service coverage ratio is below the required minimum of 1.15. The is mitigated by the ability of the main tenant, related through common ownership, to increase rent if needed.

CREDIT COMMITTEE

May 11, 2017

Page 3

Recommendation:

We recommend the approval of a \$254,000 Trillion BTU loan with PACE assessment to 2746 31st Ave, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$207,000 with Brian and Leslie Axdahl for the installation of a 60–Kilowatt roof-top solar system on two commercial properties located in Stillwater, 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:

Brian and Leslie Axdahl operate Axdahl Farms, located at 7452 Manning Avenue North in Stillwater, MN. The Garden Farm and greenhouse provides locally grown vegetables through community supported agriculture (CSA) subscriptions. They also offer floral and plant arrangements, Christmas trees and decorated wreaths and are licensed by the Minnesota Grown program through the Minnesota Department of Agriculture. They are installing roof-top solar arrays on two facilities on their Farm. The combined tax assessed value of the properties where the panels are being installed is \$1,038,000, so PACE financing is limited to \$207,000.

Proposed Project:

60–Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$207,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$207,000

Uses of funds:	
60–Kilowatt Photovoltaic Solar System	\$207,000

CREDIT COMMITTEE

May 11, 2017

Page 2

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Washington County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Financial statements were received for 2016 and the previous two years and they were profitable in all three years. The debt service coverage ratio was 2.34 prior to the PACE assessment and 1.28 including the proposed loan. Debt to equity was within guidelines with a ratio of 0.46 using the tax assessed value of the property and including the proposed PACE debt.

Debt Service Coverage:	1.28	Trillion standard of at least	1.15
Debt-to-Equity:	0.46	Trillion standard of less than	4.00

Proposal:

Source of Funds: Trillion BTU and PACE Assessment

Use of Funds: 60-Kilowatt Roof-top Solar Arrays

Amount of Loan: \$207,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

275 MMBTUs (\$9,500) annually. The estimated payback on the project including tax incentives and rebates is 15 years based on an energy audit conducted on the property.

Workforce Implications:

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

Policy Exceptions:

None

CREDIT COMMITTEE

May 11, 2017

Page 3

Recommendation:

We recommend the approval of a \$207,000 Trillion BTU loan with PACE assessment to Brian and Leslie Axdahl.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Michael J. Linder *MJL*

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$44,000 with Dougherty, LLC for the installation of a 20–Kilowatt roof-top solar system and insulated foam roof on a commercial property located in Willmar, 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:

Dougherty, LLC is a commercial real estate holding company that owns the property located at 414 Becker Avenue South in Willmar, MN. The building is a single tenant commercial building whose tenant, FabricSource, LLC, is related through common ownership. The assessed value of the property is \$221,000 so PACE financing is limited to \$44,000. The total scope of the project is \$122,000.

Proposed Project:

20–Kilowatt Photovoltaic Solar System and Insulated Foam Roof	
Purchase Price and Installation	\$122,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$ 44,000
Funds from Borrower	\$ 78,000
Uses of funds:	
20—Kilowatt Solar System/Foam Roof	\$122,000

CREDIT COMMITTEE

May 11, 2017

Page 2

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Kandiyohi 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 for Dougherty, LLC and Beverly Dougherty were received for 2016 and the previous two years. The subject property was recently transferred from Beverly's personal taxes to the LLC. The property was profitable in the past three years and a mortgage on the property was paid off in the beginning of 2017. The debt service coverage ratio with the PACE assessment is 3.53. A balance sheet was not provided so a debt to equity ratio could not be calculated but all mortgage debt was paid off in 2016 and 2017.

Debt Service Coverage:	3.53	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 Roof-top Solar Array and Insulated Roof

Amount of Loan: \$44,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

80 MMBTUs (\$2,500) annually. The estimated payback on the project including rebates and incentives is 17 years based on an energy audit conducted on the property.

Workforce Implications:

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

Policy Exceptions:

No exceptions

CREDIT COMMITTEE

May 11, 2017

Page 3

Recommendation:

We recommend the approval of a \$44,000 Trillion BTU loan with PACE assessment to Dougherty, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Michael J. Linder *MJL*

**SUBJECT: HANNY PROPERTIES, LLC AND HANISH BAKERIES, LLC
APPROVAL OF A \$70,000 TRILLION BTU LOAN/PACE ASSESSMENT**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$70,000 with Hanny Properties, LLC and Hanish Bakeries, LLC for the installation of a 20–Kilowatt roof-top solar system on a commercial property located in Red Wing, 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:

Hanny Properties, LLC is the commercial real estate holding company which owns a mixed-use retail/multi-family commercial property located at 410 3rd Street West in Red Wing, Minnesota. The sole retail tenant is Hanisch Bakery and Coffee Shop and is related through common ownership. The two parcels of land the building sits on have a combined tax assessed value of \$528,000.

Proposed Project:

20–Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$70,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU/PACE Assessment	\$70,000
Uses of funds:	
20–Kilowatt Photovoltaic Solar System	\$70,000

CREDIT COMMITTEE

May 11, 2017

Page 2

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Goodhue County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Financial statements were received for 2016 and the previous two years for both the property and the bakery and both entities were profitable in all three years. The real estate holding company had a debt service coverage ratio of 1.10 including mortgage debt and the proposed PACE assessment. The bakery had a debt service coverage ratio of 2.37 including mortgages and the proposed PACE assessment. The tax returns for the bakery, which also include the real estate, show that there is negative equity due to a low book value of the property.

Debt Service Coverage:	1.10	Trillion standard of at least	1.15
Debt-to-Equity:	Neg.	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU and PACE Assessment
Use of Funds:	20-Kilowatt Roof-Top Solar Array
Amount of Loan:	\$70,000
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

95 MMBTUs (\$3,000) annually. The estimated payback on the project including rebates and incentives is 15 years based on an energy audit conducted on the property.

Workforce Implications:

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

CREDIT COMMITTEE

May 11, 2017

Page 3

Policy Exceptions:

Yes – Negative Equity and inadequate Debt Service Coverage. This is mitigated by cash flow of the bakery which is co-borrower on the loan, as well as the security of the PACE assessment.

Recommendation:

We recommend the approval of a \$70,000 Trillion BTU loan with PACE assessment to Hanny Properties, LLC and Hanish Bakeries, LLC.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Michael J. Linder *Michael J. Linder*

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$127,000 with Men as Peacemakers for the installation of energy efficient HVAC units as well as new LED lighting on a commercial property located in Duluth, 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:

Men as Peacemakers is a non-profit organization dedicated to reducing violence against women and children through engaging men and young boys to discuss the effects of domestic abuse and ways to prevent it. The organization employs 12 people and recently purchased and is renovating their property located at 123 West Superior Street in Duluth. The tax assessed value is \$264,000, so the PACE assessment is limited to \$53,000. The total project cost is \$127,000 so we are requesting the remaining amount be funded with a 10-year unsecured loan using the Trillion BTU loan program.

Proposed Project:

HVAC and Lighting Upgrades	
Purchase Price and Installation Costs	\$127,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU w/ PACE assessment	\$ 53,000
Trillion BTU Unsecured Loan	\$ 74,000
Uses of funds:	
HVAC and Lighting Upgrades	\$127,000

CREDIT COMMITTEE

May 11, 2017

Page 2

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. St. Louis 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 2015 and the previous two years. The organization had a net increase in assets in 2015 and 2013, but a drop in 2014. They were profitable in 2015 and had sufficient cash flow to service their mortgage debt and the PACE/Trillion loans with a debt service coverage ratio of 2.11. Their debt to equity ratio including mortgage debt and the proposed PACE/Trillion loans is 2.02, which is within guidelines. The organization has been in operation since 1996 and has stable and increasing program revenue over the past three years; approximately 73% coming from grants and 27% from program service revenue.

Debt Service Coverage:	2.11	Trillion standard of at least	1.15
Debt-to-Equity:	2.02	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU and PACE Assessment
Use of Funds:	HVAC and LED Lighting Upgrades
Amount of Loan:	\$53,000 - PACE \$74,000 - TBTU
Rate:	4.5%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment (\$53,000)

Energy Savings:

180 MMBTUs (\$5,000) annually. The estimated payback on the project including rebates and incentives is 16 years based on an energy audit conducted on the property.

Workforce Implications:

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

CREDIT COMMITTEE

May 11, 2017

Page 3

Policy Exceptions:

Yes – The organization had net drop in assets in 2014, which is mitigated by the sufficient cash flow in 2015 and low overall leverage.

Recommendation:


We recommend the approval of a \$127,000 Trillion BTU loan with \$53,000 PACE assessment to Men as Peacemakers.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$27,000 with Thomas and Heidi Omerza for the installation of new energy efficient HVAC units, windows and LED lighting on a multifamily commercial property located in Ely, 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:

Thomas and Heidi own a 5-unit rental property located at 334 South 4th Avenue in Ely, MN. The property has an assessed value of \$81,500, which limits our PACE assessment to \$16,000, with the balance of the project funded directly from Trillion BTU loan funds on an unsecured basis. The project includes the replacement of the main furnace unit with a high efficiency unit, replacement of single pane windows with double pane low-E units and replacement of all lighting with LED fixtures. Annual savings \$2,600 has a combined payback of approximately 10 years, excluding incentives.

Proposed Project:

HVAC, Window and LED Lighting Upgrade	
Purchase Price and Installation	\$27,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU Loan	\$27,000

Uses of funds:	
HVAC, Window and LED Lighting Upgrade	\$27,000

CREDIT COMMITTEE

May 11, 2017

Page 2

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

Thomas and Heidi's personal tax returns for 2016 and the previous two years show the property had positive cash flow for all three years and all of the units are occupied. The debt service coverage for the property with the existing mortgage of \$65,000 and the proposed PACE and Trillion BTU loans is 0.95, which does not meet guideline. However, with W-2 income factored in, the debt service coverage ratio is 9.27 with all loans. A balance sheet was not provided so a debt to equity ratio could not be calculated.

Debt Service Coverage:	0.95	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:	HVAC, Window and LED Lighting Upgrade
Amount of Loan:	\$16,000 - PACE \$11,000 - TBTU
Rate:	4.5%
Term:	10 years - PACE 5 years – TBTU
Collateral:	Signed Loan Agreement PACE Special Assessment (\$16,000)

Energy Savings:

100 MMBTUs (\$2,600) annually. The estimated payback on the project is approximately 10 years based on an energy audit conducted on the property.

Workforce Implications:

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

CREDIT COMMITTEE

May 11, 2017

Page 3

Policy Exceptions:

Yes – Debt service coverage ratio on the property is 0.95, this is mitigated by additional W-2 income which results in an overall coverage ratio of 9.27.

Recommendation:


We recommend the approval of a \$27,000 Trillion BTU loan with PACE assessment to Thomas and Heidi Omerza.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$129,000 with Charles Paler for the installation of a 40–Kilowatt ground-mounted solar system on a farm located in Montevideo, Minnesota.

Public Purpose:

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

Business Subsidy:

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

Background:

Charles has a farming operation located at 3020 County Road 15 SW in Montevideo, MN and also has a business building feeders for farm animals. The property has a tax assessed value of \$389,800, which limits our PACE assessment to \$78,000. The borrower is requesting the remaining portion of the costs as an unsecured Trillion BTU loan that will amortize over five years at 4.5%. The borrower has sufficient cash flow to service both loans as he has no additional outside financing.

Proposed Project:

40–Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$129,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$129,000
Uses of funds:	
40–Kilowatt Photovoltaic Solar System	\$129,000

CREDIT COMMITTEE

May 11, 2017

Page 2

In order to leverage the grant funds, we are requesting that all local EDA's match the Trillion funds for projects in their area. Chippewa County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Three years of tax returns were received for Charles and although he shows a loss on his farming operation, he has additional income from IRA distributions, Social Security and other businesses, resulting in positive cash flow over the past three years. The debt service coverage ratio with the 10-year PACE assessment and the five year Trillion BTU loan is 7.26. The borrower does not have mortgage debt, so a debt to equity ratio using the value of the unencumbered land with the proposed PACE and Trillion BTU loans is 0.33.

Debt Service Coverage:	7.26	Trillion standard of at least	1.15
Debt-to-Equity:	0.33	Trillion standard of less than	4.00

Proposal:

Source of Funds:	Trillion BTU and PACE Assessment
Use of Funds:	40-Kilowatt Ground Mount Solar Array
Amount of Loan:	\$78,000 - PACE \$51,000 - TBTU
Rate:	4.5%
Term:	10 years - PACE 5 years - TBTU
Collateral:	Signed Loan Agreement PACE Special Assessment (\$78,000)

Energy Savings:

250 MMBTUs (\$7,300) annually. The estimated payback on the project including tax credits and rebates is 15 years based on an energy audit conducted on the property.

Workforce Implications:

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

CREDIT COMMITTEE

May 11, 2017

Page 3

Policy Exceptions:

Yes – Farming operation shows a loss in the past three years, which is mitigated by additional sources of revenue and low leverage.

Recommendation:

We recommend the approval of a \$129,000 Trillion BTU loan with PACE assessment to Charles Paler.

MJL:djk

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of May 16, 2017) **DATE:** May 11, 2017

FROM: Michael J. Linder 

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

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan with PACE assessment for approximately \$51,000 with Michael Singlestad for the installation of a 40–Kilowatt ground-mount solar system on his farm located in Waseca, 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:

Mike has a farming operation located 37902 120th Street in Waseca, MN. The property is a five-acre piece of land where the solar installation will be placed. Mike also rents out additional land where he grows crops. The tax assessed value of the property is \$258,000, which limits our PACE assessment to \$51,000. He will personally finance the remaining portion of the \$122,000 solar system, or scale the project back accordingly.

Proposed Project:

40–Kilowatt Photovoltaic Solar System	
Purchase Price and Installation	\$122,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$ 51,000
Funds from Borrower	<u>\$ 71,000</u>
Total	<u>\$122,000</u>

Uses of funds:	
40–Kilowatt Photovoltaic Solar System	\$122,000

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

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

Financial Analysis:

Mike's personal tax returns were received for 2016 and the previous two years and show that he was profitable in all three years. There is a mortgage on the property and with the proposed PACE loan, the debt service coverage ratio would be 1.04. The balance of the mortgage is \$110,500 with annual principal and interest payments due of \$65,760; with the aggressive repayment the mortgage should be paid off within two years. A balance sheet was not obtained so a debt to equity ratio could not be calculated.

Debt Service Coverage:	1.04	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 Roof-top Solar Array

Amount of Loan: \$51,000

Rate: 4.5%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

50 MMBTUs (\$1,800) annually. The estimated payback on the project including tax credits and incentives is 15 years based on an energy audit conducted on the property.

Workforce Implications:

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

Policy Exceptions:

Yes – Inadequate Debt service coverage ratio is mitigated by the aggressive repayment on the mortgage debt as well as the limited financing to the amount of the PACE assessment.

Recommendation:

We recommend the approval of a \$51,000 Trillion BTU loan with PACE assessment to Michael Singlestad.