


**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE
From: Lee Krueger 
Subject: **REGULAR CREDIT COMMITTEE MEETING
MAY 28, 2019 – 1:30 P.M.**

Date: May 23, 2019

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **MAY 28, 2019**, at **1:30 p.m.** in the Board room of the Port Authority of the City of Saint Paul located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102. The purpose of the meeting is:

Minutes

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

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Creation of the Hillcrest Industrial Development District
2. Refinancing of Trillion BTU Loan to Capital City Properties for Energy Park Utility Company
3. Akamai, LLC and Global, LLC – Approval of a \$60,000 Trillion BTU Loan
4. Brian and Gayle Bauer – Approval of a \$110,000 Trillion BTU Loan
5. Meghan and Robert Blair – Approval of a \$52,000 Trillion BTU Loan
6. Sandra Guyse – Approval of a \$27,000 Trillion BTU Loan
7. LDT, Inc. – Approval of a \$59,000 Trillion BTU Loan
8. Minnesota Cold Storage and Julie and John Austinson – Approval of a \$109,000 Trillion BTU Loan
9. Riverton Community Housing – Approval of a \$450,000 Trillion BTU Loan
10. Rivoli Properties, Inc. – Approval of a \$116,000 Trillion BTU Loan
11. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
MARCH 19, 2019**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:02 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	John Marshall
Don Mullin		

Also present were the following:

Lee Krueger	Todd Hurley	Michael Linder
Monte Hilleman	Kathryn Sarnecki	Dana Krueger
Deb Forbes	David Johnson	Linda Williams
Tonya Bauer	Ava Langston-Kenney	
Catherine Courtney, Briggs & Morgan		
Anne Marie Landis, University of St. Thomas		
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Marshall made a motion to approve the minutes of the February 19, 2019 Credit Committee meeting. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

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

AGENDA ITEMS

**AWARD OF CONTRACT FOR CONSTRUCTION
OF FENDER REPLACEMENT AT BARGE TERMINAL 1**

Ms. Sarnecki reviewed her memorandum with the Committee requesting authorization to award a contract for completion of the fender replacement project at Barge Terminal No. 1.

Discussion included, but was not limited to, the requirements for the contractor to pay prevailing wages and funds contributed toward the project by Aggregate Industries.

There being no further discussion, Committee Member Bennett made a motion to authorize the award of contract for completion of the fender replacement project at Barge

Terminal No. 1. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

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

Mr. Linder reviewed his memorandum with the Committee requesting approval for the Port Authority to accept and act as legal sponsor for the Special Appropriation Grant in the amount of \$2,500,000 for the expansion of the Minnesota Museum of American Art (MMAA) and to enter into a grant agreement for the total MMAA project in the amount of \$8,500,000.

Discussion included, but was not limited to, a brief recap of the history of the project and clarification of the project costs and grant amounts.

There being no further discussion, Committee Member Bennett made a motion to authorize the Port Authority to accept and act as legal sponsor for the Special Appropriation Grant in the amount of \$2,500,000 for the expansion of the Minnesota Museum of American Art (MMAA) and to enter into a grant agreement for the total MMAA project in the amount of \$8,500,000. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

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

Mr. Linder reviewed his memorandum with the Committee requesting approval for the Port Authority to enter into a Ground Lease and Lease/Use Agreement with Minnesota Museum of American Art.

Discussion included, but was not limited to, potential risk to the Port Authority and a recap of the ownership and landlord relationships of the transaction.

There being no further discussion, Committee Member Mullin made a motion to authorize the Port Authority to enter into a Ground Lease and Lease/Use Agreement with Minnesota Museum of American Art. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

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

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$78,000 Trillion BTU loan to Aaron and Joleen Pape for the installation of a 25-kW solar array.

There being no discussion, Committee Member Marshall made a motion to approve a \$78,000 Trillion BTU loan to Aaron and Joleen Pape for the installation of a 25-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

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

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$73,000 Trillion BTU loan to Peter and Leann Vogt and JD Green for the installation of a 22-kW solar array.

There being no discussion, Committee Member Marshall made a motion to approve a \$73,000 Trillion BTU loan to Peter and Leann Vogt and JD Green for the installation of a 22-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:25 p.m.


By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: May 28, 2019

From: Monte M. Hilleman 

Subject: **CREATION OF THE HILLCREST INDUSTRIAL DEVELOPMENT DISTRICT
RESOLUTION NO. _____**

Action Requested:

Approval of the creation of an Industrial Development District for the property described as the former Hillcrest Golf Club of Saint Paul (Hillcrest Site), located in the southwest quadrant of Larpenteur Avenue and McKnight Road in Saint Paul.

Public Purpose:

The Port Authority seeks to create jobs and increase the tax base of Saint Paul through the brownfield redevelopment of the Hillcrest Site. This site provides the opportunity to create approximately 1,000 jobs in the future and to generate an approximate additional \$4,500,000 in annual property tax revenue, subsequent to certain land development and environmental remediation activities.

Background:

The site consists of approximately 112 acres and is generally bound by Larpenteur Avenue to the north, McKnight Road to the east, Winthrop Street to the west, and Ivy Avenue to the south. The former Hillcrest Golf Club of Saint Paul has not been in operation since October 2017. Initial investigations discovered a significant amount of mercury soil contamination, a common fungicide used on golf courses through its phase-out in the 1990's and beyond, along with petroleum releases associated with maintenance and operations on the site. The amount of risk to the private sector associated with acquiring a brownfield site this large, without infrastructure, an approved master plan, zoning or other entitlements, is evidently too significant for buyers to absorb.

Accordingly, the site now lays fallow with no activity of any nature. The public purpose to acquire site control is to ensure and accelerate the redevelopment of the 112 acre Hillcrest Site on the East Side of Saint Paul for a mixed used, master planned development with substantial industrial zoned land to accomplish the Port Authority's economic development mission, by removing site preparation risks and other barriers to private sector investment.

Sound development for the economic security of the residents of Saint Paul depends on proper development of marginal property, and the general public welfare requires remediation of marginal properties by appropriate means. The property cannot be developed without public participation and assistance in acquiring the land, in remediating the contamination, and in planning and making the necessary improvements for such development to occur. As such, the

MEMORANDUM

development of the property and its continuing use are public uses, public purposes, and governmental functions that justify spending public money and acquiring private property to provide the means to develop the Hillcrest Site.

Pursuant to the State legislation providing for the establishment of an industrial development district, as evidenced by the attached aerial photograph showing the proposed Hillcrest Industrial Development District, we find that the properties located in the Hillcrest Site suffer from at least one or more of the following conditions: (1) planning to date has caused deterioration, disuse, or economic dislocation; (2) the current site is laid out without regard to its physical characteristics and surrounding conditions; (3) there are inadequate streets, open spaces, and utilities for the site's economic development potential and needs; (4) there is a lack of use or improper use of areas, resulting in stagnant or unproductive land that could contribute to the public health, safety and welfare; and (5) the site contains areas with industrial use potential not used for industry but needed for industrial development.

A Master Planning process is necessary to re-envision the site for the next generation and resolve the current improper use of areas, which result in stagnant and unproductive land within the boundaries of the site that adversely contribute to the public health, safety and welfare. The environmental status of the site includes contamination and is located on top of a former golf course with high levels of mercury contamination.

Recommendation:

We recommend approval to create the Hillcrest Industrial Development District to include the area generally bounded by Larpenteur Avenue to the north, McKnight Road to the east, Winthrop Street to the west, and Ivy Avenue to the south.

Attachments: Aerial Photograph
 Resolution

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL
[CREATION OF HILLCREST INDUSTRIAL DEVELOPMENT DISTRICT]**

WHEREAS, the Port Authority of the City of Saint Paul (the “Port Authority”), at least ten days after the legal publication of the notice thereof, held a public hearing for the purpose of establishing an Industrial Development District within the City of Saint Paul, Ramsey County, Minnesota, on 112 acres of property described as the former Hillcrest Golf Club of Saint Paul, located in the southwest quadrant of Larpenteur Avenue and McKnight Road, as shown on the aerial map attached hereto as Exhibit A, hereinafter referred to as the Hillcrest Industrial Development District (the “District”).

WHEREAS, said notice of hearing was published and said public hearing was conducted in accordance with the provisions of Minn. Stat. §469.058.

WHEREAS, the Port Authority finds that the land within the District is characterized as being marginal and underutilized; the site is vacant, contaminated and without proper infrastructure or planning and as such is laid out without regard to its physical characteristics and surrounding conditions; there are inadequate streets, open spaces, and utilities for the site’s economic development potential and needs; the site contains areas with industrial use potential not used for industry but needed for industrial development; and market forces have resulted in deterioration, disuse, and economic dislocation at the site evidenced by the lack of economic activity or reuse of the property.

WHEREAS, the Port Authority finds that the land within the District is characterized as laying fallow with no activity of any nature, resulting in a stagnant and unproductive condition of land within the boundaries of the site that adversely contributes to public health, safety and welfare.

WHEREAS, the Port Authority finds that the property can be acquired, remediated and developed under proper supervision using sound development and appropriate planning to re-envision the site for the next generation and resolve the current improper land use at fair prices.

WHEREAS, the Port Authority finds that development of the property and its continuing use are public uses, public purposes and governmental functions that justify spending public money and acquiring private property to provide the means to develop said property.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL, that the Port Authority finds, determines, and declares that the property within the District is marginal land as defined in Minn. Stat. §469.058; and

BE IT FURTHER RESOLVED, that the Port Authority hereby establishes and creates the Hillcrest Industrial Development District within the boundaries of the lands shown on the aerial map attached as Exhibit A hereto.

Adopted: May 28, 2019

PORT AUTHORITY OF THE CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary

EXHIBIT A

To Resolution No. 4651

Aerial Map of proposed Hillcrest Industrial Development District

{Attached}

Proposed Hillcrest Industrial Development District



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

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

 Proposed Hillcrest Industrial Development District



MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: May 28, 2019

From: Michael J. Linder



Subject: REFINANCING OF TRILLION BTU LOAN TO CAPITAL CITY PROPERTIES FOR ENERGY PARK UTILITY COMPANY

Action Requested:

Provide approval for the Port Authority to refinance a Trillion BTU loan for approximately \$500,000 with Capital City Properties (CCP) for Energy Park Utility Company (EPUC).

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:

In 2012 the Port Authority issued bonds in the amount of \$8,500,000 for the conversion from a two-pipe to a four-pipe heating and cooling system in the Energy Park Business Center. After construction was underway, the project scope was increased to include additional cooling capabilities. In 2013 the Port Authority approved a Trillion BTU loan to CCP in the amount of \$1,000,000. CCP purchased the chiller then leased it to EPUC. The original term of the loan was five years with a 10-year amortization at 2% interest.

Current Status:

The original loan is scheduled to mature on June 1, 2019 with a \$500,000 balloon payment. Staff is recommending to extend the loan for the remaining five years and increasing the interest rate from 2% to 5% to bring it in line with current lending rates.

Recommendation:

We recommend the approval to refinance the Trillion BTU loan to Capital City Properties for Energy Park Utility Company.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** May 28, 2019
From: Michael J. Linder *MJL*
Subject: AKAMAI, LLC AND GLOBAL, LLC – APPROVAL OF A \$60,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$60,000 with Akamai, LLC and Global, LLC for the installation of a solar array on a commercial property located in Saint Paul, 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:

Akamai, LLC is a real estate holding company that was created to purchase and own a multi-tenant apartment building located at 601 and 613 Hoyt Avenue E in Saint Paul. The parent company, Global, LLC is a real estate investment company that has eight other apartment complexes throughout the city of Saint Paul. The property was purchased in March 2019 and has a tax assessed value of \$2,947,200. There are two structures on the property with individual solar arrays being installed on each building with a combined 19-kilowatts of generating capacity.

Proposed Project:

19-kW Solar Array	
Purchase Price and Installation	\$60,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$60,000
Uses of funds:	
19-kW Solar Array	\$60,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Ramsey 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 lending source.

Financial Analysis:

Tax returns for Global, LLC were received for the last three years and show six of the eight properties had positive net profits and when adding back depreciation expenses, all the properties had positive operating profits. An income statement for the property for 2018 shows it was profitable and had a debt service coverage ratio of 1.04 to 1 prior to the PACE assessment and 1.0 to 1 when included. A debt-to-equity ratio for the property was 2.97 to 1 and the loan-to-value with the current mortgage is approximately 74%. The following ratios are as of December 31, 2018:

Debt Service Coverage:	1.04	Trillion standard of at least:	1.15
Debt-to-Equity:	2.97	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	19-kW Solar Array
Amount of Loan:	\$60,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

160 MMBTUs (\$5,400) annually.

Renewable Energy Rebates and Incentives:

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

Workforce Implications:

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

Policy Exceptions:

Yes – Debt coverage is below guidelines. This is mitigated by the sufficient cash flow of the parent company.

Recommendation:

We recommend the approval of a \$60,000 Trillion BTU loan to Akamai, LLC and Global, LLC.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** May 28, 2019
From: Michael J. Linder *MJL*
Subject: BRIAN AND GAYLE BAUER – APPROVAL OF A \$110,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$110,000 with Brian and Gayle Bauer for the installation of a solar array on an agricultural property located in Nerstrand, 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 Gayle own a farm located at 18303 Jacobs Avenue in Nerstrand, Minnesota. The subject property consists of 160 acres of land with a tax assessed value of \$1,435,900. The primary operation consists of growing crops for sale and the facility includes processing and drying facilities. A ground mounted solar array will offset all of their annual energy use.

Proposed Project:

50-kW Solar Array

Purchase Price and Installation	\$110,000
---------------------------------	-----------

Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$110,000
--------------	-----------

Uses of funds:

50-kW Solar Array	\$110,000
-------------------	-----------

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

Financial Analysis:

Tax returns were received for the last three years through December of 2018 and show the farm was profitable in all three years. There is limited real estate debt on the property and a loan-to-value was 13% when using the tax value of the property. Debt service coverage was sufficient with a ratio of 2.11 prior to the PACE assessment and 1.76 to 1 when factoring that in. There is also other personal income from the borrowers to support loan repayment. The following ratios are as of December 31, 2018:

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

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	50-kW Solar Array
Amount of Loan:	\$110,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

225 MMBTUs (\$8,000) annually.

Renewable Energy Rebates and Incentives:

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

Workforce Implications:

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

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$110,000 Trillion BTU loan to Brian and Gayle Bauer.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** May 28, 2019
From: Michael J. Linder *MJL*
Subject: **MEHGAN AND ROBERT BLAIR – APPROVAL OF A \$52,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$52,000 with Meghan and Robert Blair for the installation of a solar array 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:

Meghan and Robert Blair own and operate Canosia Grove Cidery and Event Center located at 5508 Martin Road in Duluth. The property consists of 38 acres where they grow organic apples for their fermented cider and also host events in their historic barn. They also raise sheep and chickens and maintain an apiary. The property has a tax assessed value of \$306,100.

Proposed Project:

15-kW Solar Array and Roof Upgrades	
Purchase Price and Installation	\$52,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$52,000
Uses of funds:	
Solar Array	\$39,000
Roof Replacement	\$13,000

In order to leverage the grant funds, we are requesting that all local EDAs 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 funding source.

Financial Analysis:

The borrowers started the cidery in early 2017 and have been in the process of starting the business with investments in the property and getting approvals from the state, as well as Federal approval, to begin producing and selling their cider. They have sufficient income from other sources including W-2 and rental income. Their debt service coverage ratio including all real estate and business debt was 3.19 to 1 prior to a PACE assessment and 2.56 to 1 after. They purchased the property in 2013 and the current loan-to-value on the property is 85%. The following ratios are as of December 31, 2018:

Debt Service Coverage:	3.19	Trillion standard of at least:	1.15
Debt-to-Equity:	N/A	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	15-kW Solar Array and Roof Upgrades
Amount of Loan:	\$52,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

70 MMBTUs (\$2,500) annually.

Renewable Energy Rebates and Incentives:

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

Workforce Implications:

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

Policy Exceptions:

Yes – Three years of financials for the business were not available since this is a new venture. Personal and other income sufficiently mitigate this risk as their cash flow for debt is sufficient.

Recommendation:

We recommend the approval of a \$52,000 Trillion BTU loan to Meghan and Robert Blair.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: May 28, 2019

From: Michael J. Linder



Subject: SANDRA GUYSE - APPROVAL OF A \$27,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$27,000 with Sandra Guyse for the installation of a solar array on a commercial property located in Rochester, Minnesota.

Public Purpose:

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

Business Subsidy:

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

Background:

Sandra Guyse is the owner of a 6-unit apartment complex located at 127 8th Street NE in Rochester. She owns a total of 5 multi-family properties in Rochester. The property has a tax assessed value of \$244,400 and the borrower is placing solar panels on the detached garage.

Proposed Project:

8-kW Solar Array

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

Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$27,000
--------------	----------

Uses of funds:

8-kW Solar Array	\$27,000
------------------	----------

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

Financial Analysis:

Tax returns for the last three years show the subject property was profitable in all three years. There is no mortgage debt on any of her rental properties, so a debt service coverage ratio was not applicable. Debt service for the subject property with a PACE loan would be 4.35 to 1. Given there is no real estate or other debt, a debt-to-equity ratio was not applicable. The following ratios are as of December 31, 2018:

Debt Service Coverage:	N/A	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 – Kresge Eligible

Use of Funds: 8-kW Solar Array

Amount of Loan: \$27,000

Rate: 5.0%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

35 MMBTUs (\$1,400) annually.

Renewable Energy Rebates and Incentives:

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

Workforce Implications:

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

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$27,000 Trillion BTU loan to Sandra Guyse.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: May 28, 2019

From: Michael J. Linder



Subject: LDT, INC. – APPROVAL OF A \$59,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$59,000 with LDT, Inc. for the installation of a solar array 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:

LDT, Inc. is a commercial real estate entity that owns a building located at 417 Main Street in Red Wing, MN. The property has four tenants, two street level retail tenants and two tenants on the lower level. The second level is currently undeveloped and has 10,000 square feet of space available for lease. The property has a tax assessed value of \$456,900.

Proposed Project:

20-kW Solar Array and Roof Replacement

Purchase Price and Installation	\$87,000
---------------------------------	----------

Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$59,000
--------------	----------

Borrower Funds	\$28,000
----------------	----------

Uses of funds:

Solar Array	\$48,000
-------------	----------

Roof Replacement	\$39,000
------------------	----------

In order to leverage the grant funds, we are requesting that all local EDAs 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 funding source.

Financial Analysis:

Tax returns were received for the past three years and the property had net losses in the past three years. When excluding non-cash depreciation, the property was profitable in 2016 and 2015 as rents have increased between those two years. The debt service coverage ratio prior to the PACE assessment was 1.25 to 1; however, fell to 0.88 to 1 when including the PACE assessment. This is mitigated by the personal income of the owners of the company. Debt-to-equity was within guideline at 2.25 to 1. The following ratios are as of December 31, 2018:

Debt Service Coverage:	1.25	Trillion standard of at least:	1.15
Debt-to-Equity:	2.25	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	20-kW Solar Array and Roof Replacement
Amount of Loan:	\$59,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment Personal Guarantees

Energy Savings:

90 MMBTUs (\$3,000) annually.

Renewable Energy Rebates and Incentives:

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

Workforce Implications:

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

Policy Exceptions:

Yes – Net losses in the last three years caused by non-cash expenses.

Recommendation:

We recommend the approval of a \$59,000 Trillion BTU loan to LDT, Inc.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: May 28, 2019

From: Michael J. Linder *MJL*

**Subject: MINNESOTA COLD STORAGE AND JULIE AND JOHN AUSTINSON
APPROVAL OF A \$109,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$109,000 with Minnesota Cold Storage and Julie and John Austinson for the installation of a solar array and LED lighting on a commercial property located in Rochester, Minnesota.

Public Purpose:

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

Business Subsidy:

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

Background:

Minnesota Cold Storage is a family-owned cold storage facility located at 7447 Dresser Drive in Rochester. The company provides 24/7 access to a 9,000 square foot storage facility for cold and frozen storage. The property is located north of Rochester and serves companies in the Twin Cities metro as well as western Wisconsin and northern Iowa. The property has a tax assessed value of \$936,700.

Proposed Project:

48-kW Solar Array and LED Lighting	
Purchase Price and Installation	\$109,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$109,000
Uses of funds:	
Solar Array	\$101,000
LED Lighting	\$ 8,000

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

Financial Analysis:

Julie and John purchased the facility on December 31, 2018. The previous owner provided tax returns for the property and show that there were non-cash losses caused by depreciation in 2017, but profitability has been increasing in the last two years. New leases have been signed in 2019 with additional leases pending. Three long-term tenants include Nestle, Bernatello's Pizza and Cold Front Ice Cream with smaller tenants on short-term leases. The business is federally contracted as female-owned which is helping them with federal contracts in the region. The property had a debt service coverage ratio of 2.91 to 1 as of 12/31/17, which would have been 1.28 to 1 when including the PACE assessment. A balance sheet was not provided, however, using appraised value of the property a debt-to-equity ratio was 0.26 to 1. The following ratios are as of December 31, 2017:

Debt Service Coverage:	2.91	Trillion standard of at least:	1.15
Debt-to-Equity:	0.26	Trillion standard of less than:	4.00

Proposal:

Source of Funds: Trillion BTU – Kresge Eligible

Use of Funds: 48-kW Solar Array and LED Lighting

Amount of Loan: \$109,000

Rate: 5.0%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

200 MMBTUs (\$7,200) annually.

Renewable Energy Rebates and Incentives:

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

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

1 FTE for construction jobs.

Policy Exceptions:

Financial statements were not available for the last three years as the company was recently purchased by the borrowers. This is mitigated by the adequate cash flow of the property as well as outside personal income of the owners.

Recommendation:

We recommend the approval of a \$109,000 Trillion BTU loan to Minnesota Cold Storage and Julie and John Austinson.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **RIVERTON COMMUNITY HOUSING**
APPROVAL OF A \$450,000 TRILLION BTU LOAN

Meeting Date: May 28, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$450,000 with Riverton Community Housing for the installation of a replacement boiler and other efficiency upgrades 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:

Riverton Community Housing is a cooperative apartment complex located at 425 13th Avenue SE in Minneapolis. It is a 127-unit building located on the University of Minnesota campus in Dinkytown. It was built in 1973 and the boilers are at the end of their useful lifespan. 126 of the units are occupied and terms of the leases start at six months and then convert to month-to-month leases. The property has a tax assessed value of \$13,229,500.

Proposed Project:

Boiler Replacement/Efficiency Controls	
Purchase Price and Installation	\$450,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$450,000
Uses of funds:	
Boiler Replacement/Efficiency Controls	\$450,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Hennepin County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that

the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

Financial Analysis:

Tax returns were received for the last three years for the Riverton Housing Cooperative, which has multiple rental properties. The organization was profitable in all three years. The subject property is financed with long-term bonds, resulting in a debt-to-equity of 16 to 1. This is mitigated by the adequate debt service coverage on the property with a ratio of 1.64 to 1 prior to the PACE assessment and 1.59 to 1 when included. The following ratios are as of December 31, 2017:

Debt Service Coverage:	1.64	Trillion standard of at least:	1.15
Debt-to-Equity:	16.0	Trillion standard of less than:	4.00

Proposal:

Source of Funds: Trillion BTU – Kresge Eligible

Use of Funds: Boiler Replacement/Efficiency Controls

Amount of Loan: \$450,000

Rate: 5.0%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

705 MMBTUs (\$24,000) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

5 FTE for construction jobs.

Policy Exceptions:

Yes – Debt-to-equity is above guideline. Mitigated by low-interest, long-term bond financing and adequate debt service coverage and profitability of the organization.

Recommendation:

We recommend the approval of a \$450,000 Trillion BTU loan to Riverton Community Housing.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **RIVOLI PROPERTIES, INC.**
APPROVAL OF A \$116,000 TRILLION BTU LOAN

Meeting Date: May 28, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$116,000 with Rivoli Properties, Inc. for the installation of HVAC controls on a commercial property located in Burnsville, 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:

Rivoli Properties, Inc. is the real estate holding company that owns Ridge Point Medical Building located at 14050 Nicollet Avenue S in Burnsville. The building is a three-story, 38,200 square foot, multi-tenant medical office building that was built in 1982. The property has a tax assessed value of \$5,326,000. The scope of the project includes the replacement of the buildings energy management system and all valves and pump controls that service the building's three HVAC units.

Proposed Project:

HVAC Controls	
Purchase Price and Installation	\$116,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$116,000
Uses of funds:	
HVAC Controls	\$116,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Dakota 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:

Rivoli Properties, Inc. acquired the building in July of 2018. Financial statements were received for the previous three years from the previous ownership. The property showed positive net operating income for the last three years with net losses due to depreciation and other non-cash expenses. The debt service coverage ratio as of 12/31/17 was 3.33. When including the PACE loan, it would be 2.94 to 1. Interim statements through the first quarter of 2019 show an increase in rental revenue and operating income. A balance sheet was not available, but the property had a debt-to-equity ratio of 0.35 to 1 using the current assessed value. The property is currently 81% occupied. The following ratios are as of December 31, 2017:

Debt Service Coverage:	3.33	Trillion standard of at least:	1.15
Debt-to-Equity:	N/A	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	HVAC Controls
Amount of Loan:	\$116,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

400 MMBTUs (\$13,600) annually.

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 \$116,000 Trillion BTU loan to Rivoli Properties, LLC.

Trillion BTU / PACE Loan Summary
For the month of May 2019

Borrower	Akamai, LLC & Global, LLC	Brian & Gayle Bauer	Mehgan & Robert Blair	Sandra Guyse	LTD, Inc.	Minnesota Cold Storage / Julie & John Austinson	Riverton Community Housing	Rivoli Properties, Inc.
Loan Amount	\$ 60,000	\$ 110,000	\$ 52,000	\$ 27,000	\$ 59,000	\$ 109,000	\$ 450,000	\$ 116,000
Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Term (Years)	10	10	10	10	10	10	10	10
Collateral								
Signed Loan Agreement	Y	Y	Y	Y	Y	Y	Y	Y
Personal Guaranty	N	N	N	N	Y	N	N	N
PACE Special Assessment	Y	Y	Y	Y	Y	Y	Y	Y
Project Description	19-kW roof-mount solar array	50-kw ground-mount solar array	15-kW roof-mount solar array; roof replacement	8-kW roof-mount solar array	20-kW roof-mount solar array; roof replacement	48-kW roof-mount solar array; LED lighting	Boiler and efficiency controls	HVAC controls
Sources & Uses								
Sources of Funds:								
Trillion BTU	\$ 60,000	\$ 110,000	\$ 52,000	\$ 27,000	\$ 59,000	\$ 109,000	\$ 450,000	\$ 116,000
Other Funding Sources					\$ 28,000			
Total Sources	\$ 60,000	\$ 110,000	\$ 52,000	\$ 27,000	\$ 87,000	\$ 109,000	\$ 450,000	\$ 116,000
Uses of Funds:								
Solar System	\$ 60,000	\$ 110,000	\$ 39,000	\$ 27,000	\$ 48,000	\$ 101,000	\$ -	\$ -
LED Lighting						\$ 8,000		
Roof Replacement			\$ 13,000		\$ 39,000			
Boiler							\$ 450,000	
HVAC Controls								\$ 116,000
Total Uses	\$ 60,000	\$ 110,000	\$ 52,000	\$ 27,000	\$ 87,000	\$ 109,000	\$ 450,000	\$ 116,000
Financial Ratios								
Debt Service Coverage (Std > 1.15)	1.04	2.11	3.19	N/A	1.25	2.91	1.64	3.33
Debt-to-Equity (Std < 4.00)	2.97	N/A	N/A	N/A	2.25	0.26	16.00	N/A
Profitable in 2 of last 3 years (Y/N)	Y	Y	N	Y	N	N	Y	Y
Policy Exception (Y/N)	Y	N	Y	N	Y	Y	Y	N
Annual Energy Savings								
MMBTUs	160	225	70	35	90	200	705	400
Dollars	\$ 5,400	\$ 8,000	\$ 2,500	\$ 1,400	\$ 3,000	\$ 7,200	\$ 24,000	\$ 13,600
Workforce Implications								
Construction Jobs	1	1	1	1	1	1	5	1