


**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE

Date: September 12, 2019

From: Lee Krueger 

**Subject: REGULAR CREDIT COMMITTEE MEETING
SEPTEMBER 17, 2019 – 2:00 P.M.**

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **September 17, 2019**, at **2:00 p.m.** in the Board room of the Port Authority of the City of Saint Paul located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102. The purpose of the meeting is:

Minutes

Approval of Minutes of the August 20, 2019 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Belle Enterprises, LLC – Approval of a \$193,000 Trillion BTU Loan
2. Highland Bloomington, LLC – Approval of a \$235,000 Trillion BTU Loan
3. The Willmar Community Theatre – Approval of a \$93,000 Trillion BTU Loan
4. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
AUGUST 20, 2019**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:08 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
Peter Klein	Bruce Kessel	Kathryn Sarnecki
George Hoene	Andrea Novak	Dana Krueger
Linda Williams	Sarah Savela	David Johnson
Eric Larson, General Counsel, City of Saint Paul		
Andrew Kasid, District Energy St. Paul		

APPROVAL OF MINUTES

Committee Member Bennett made a motion to approve the minutes of the July 23, 2019 Credit Committee meeting. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

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

AGENDA ITEMS

DISTRICT ENERGY ST. PAUL, INC.

(1) INDUCEMENT RESOLUTION NO. 69 AND

(2) AUTHORIZATION FOR TAX-EXEMPT FINANCING ALLOCATION APPLICATION

Mr. Klein reviewed his memorandum with the Committee requesting the approval of Inducement Resolution No. 69 and authorization for tax-exempt financing allocation application.

Discussion included, but was not limited to, the financial liability of conduit bonds and District Energy's services area.

There being no further discussion, Committee Member Bennett made a motion, seconded by Committee Member Mullin, for approval of Inducement Resolution No. 69 and authorization for tax-exempt financing allocation application. The motion carried unanimously.

**2019 LEASE RENEWAL AND RENTAL RATE
ADJUSTMENT – HAWKINS, INC. – RED ROCK TERMINAL**

Ms. Sarnecki reviewed her memorandum with the Committee requesting the approval of the 2019 lease renewal and rental rate adjustment for Hawkins, Inc. at Red Rock Terminal.

There being no discussion, Committee Member Mullin made a motion to approve the 2019 lease renewal and rental rate adjustment for Hawkins, Inc. at Red Rock Terminal. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

606 NORTH LOOP, LLC – APPROVAL OF A \$376,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$376,000 Trillion BTU loan to 606 North Loop, LLC for the installation of HVAC units and controls.

Discussion included, but was not limited to, the ownership structure of the borrower and pending leases.

There being no further discussion, Committee Member Marshall made a motion to approve a \$376,000 Trillion BTU loan to 606 North Loop, LLC for the installation HVAC units and controls. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**CURVE CREST PROFESSIONAL BUILDING, LLC
APPROVAL OF A \$167,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$167,000 Trillion BTU loan to Curve Crest Professional Building, LLC for the installation of HVAC units, controls and LED lighting.

There being no discussion, Committee Member Bennett made a motion to approve a \$167,000 Trillion BTU loan to Curve Crest Professional Building, LLC for the installation of HVAC units, controls and LED lighting. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

MILLS MANOR, INC. – APPROVAL OF A \$100,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$100,000 Trillion BTU loan to Mills Manor, Inc. for the installation of a new boiler and air handling equipment.

Committee Member Mullin made a motion to approve a \$100,000 Trillion BTU Loan to Mills Manor, Inc. for the installation of a new boiler and air handling equipment. The motion was seconded by Committee Member Bennett.

Discussion included, but was not limited to, the loan-to-value on the property, the need for personal financial statements versus company financial statements, and the possibility of requesting a personal guaranty from the owners.

There being no further discussion, Committee Member Mullin made a motion to approve a \$100,000 Trillion BTU Loan to Mills Manor, Inc. for the installation of a new boiler and air handling equipment. Committee Member Bennett, seconded by Committee Member Marshall, made a motion to amend Mr. Linder's request by adding collateral in the form of a personal guaranty from the owners of the company. Motion to approve the amended request carried unanimously.

REBOUND EXCHANGE, LLC - APPROVAL OF A \$444,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$444,000 Trillion BTU loan to Rebound Exchange, LLC for the installation of energy efficiency upgrades.

Discussion included, but was not limited to, concentration of credit and the policy requirement of three years of financial statements.

There being no further discussion, Committee Member Bennett made a motion to approve a \$444,000 Trillion BTU loan to Rebound Exchange, LLC for the installation of energy efficiency upgrades. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

DEER LAKE PROPERTIES, LLC – APPROVAL OF A \$35,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$35,000 Trillion BTU loan to Deer Lake Properties, LLC for the installation of LED lighting.

Following a brief discussion regarding charter schools and their financial stability, Committee Member Bennett made a motion to approve a \$35,000 Trillion BTU loan to Deer Lake Properties, LLC for the installation of LED lighting. The motion was seconded by Committee Member Marshall, submitted to a vote and carried by a vote of 3 - 1.

ITM LAFAYETTE, LLC; LAFAYETTE ENTERPRISES, LLC; 2H LAFAYETTE, LLC; 315 LAFAYETTE, LLC; HAF, LLC – APPROVAL OF A \$100,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$100,000 Trillion BTU loan to ITM Lafayette, LLC; Lafayette Enterprises, LLC; 2H Lafayette, LLC; 315 Lafayette, LLC; and HAF, LLC for the installation of a solar array.

There being no discussion, Committee Member Marshall made a motion to approve a \$100,000 Trillion BTU loan to ITM Lafayette, LLC; Lafayette Enterprises, LLC; 2H Lafayette, LLC; 315 Lafayette, LLC; and HAF, LLC for the installation of a solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

PAUL AND PAULA SCHUMACHER – 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 Paul and Paula Schumacher for the installation of a solar array.

There being no discussion, Committee Member Mullin made a motion to approve a \$73,000 Trillion BTU loan to Paul and Paula Schumacher for the installation of a solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:43 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **BELLE ENTERPRISES, LLC**
APPROVAL OF A \$193,000 TRILLION BTU LOAN

Meeting Date: September 17, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$193,000 with Belle Enterprises, LLC for the installation of new HVAC units and a solar array on a commercial property located in Shoreview, 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:

Belle Enterprises, LLC owns a 10,000 sq. ft. multi-tenant office building located at 3434 Lexington Avenue N in Shoreview. The building was purchased in January of this year and the owner is installing 10 new roof-top HVAC units as well as a 50-kW solar array. The property has a tax assessed value of \$1,199,300.

Proposed Project:

HVAC Units and Solar Array	
Purchase Price and Installation	\$193,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$193,000
Uses of funds:	
10 HVAC Units	\$ 98,000
50-kW Solar Array	\$ 95,000

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 funding source.

Financial Analysis:

The property was purchased in January of this year, so the entity provided financial statements from the previous owner. Those financials show the building was profitable in 2018 and 2017, with losses in 2016. Rent has increased through all periods including through July of this year. The debt service coverage ratio at the end of 2018 was 1.32 to 1. With the PACE loan it would be 0.93 to 1. This is mitigated by the increased rents in 2019 as well as a new tenant lease signed for January of 2020. A balance sheet was not available but the loan to tax value of the property was 58% and with the PACE loan would be 74%. The following ratios are as of December 31, 2018:

Debt Service Coverage:	1.32	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 Units and Solar Array
Amount of Loan:	\$193,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

220 MMBTUs (\$7,500) 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.
2 FTE for construction jobs.

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$193,000 Trillion BTU loan to Belle Enterprises, LLC.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** September 17, 2019
From: Michael J. Linder *MJL*
Subject: **HIGHLAND BLOOMINGTON, LLC**
APPROVAL OF A \$235,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$235,000 with Highland Bloomington, LLC for the installation of an energy management system and LED lighting on a commercial property located in Bloomington, 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:

Highland Bloomington, LLC owns a commercial property located at 5270 84th Street W in Bloomington. The building is a five-story, 85,000 sq. ft. multi-tenant office building with Highland Bank as the anchor tenant, located just south of 494 off Normandale Boulevard. The owners are installing new valves and digital controls for their HVAC system as well as replacing all fluorescent lighting with LED lighting. The property has a tax assessed value of \$7,210,000.

Proposed Project:

EMS and LED Lighting	
Purchase Price and Installation	\$235,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$235,000
Uses of funds:	
EMS	\$125,000
LED Lighting	\$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. 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:

Financial statements for Highland Bloomington, LLC were received for the last three years through 2018 and show the building was profitable in 2016 and 2018, with small losses in 2017. Excluding non-cash expenses, the LLC was profitable in all three years. The debt service coverage ratio was 2.02 to 1 at the end of 2018 and would have been 1.86 to 1 with the PACE loan. Debt-to-equity was slightly over guideline at 4.20 to 1, due primarily to accumulated depreciation. A current mortgage statement shows the debt to tax value of the property is 70% and has an occupancy rate of 86%. The following ratios are as of December 31, 2018:

Debt Service Coverage:	2.02	Trillion standard of at least:	1.15
Debt-to-Equity:	4.20	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	EMS and LED Lighting
Amount of Loan:	\$235,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

895 MMBTUs (\$30,400) annually.

Workforce Implications:

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

Policy Exceptions:

Debt-to-equity is above guideline, caused primarily by accumulated depreciation and mitigated by the 70% loan to value.

Recommendation:

We recommend the approval of a \$235,000 Trillion BTU loan to Highland Bloomington, LLC.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **THE WILLMAR COMMUNITY THEATRE, INC.
APPROVAL OF A \$93,000 TRILLION BTU LOAN**

Meeting Date: September 17, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$93,000 with The Willmar Community Theatre, Inc. for the installation of new HVAC equipment 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:

The Willmar Community Theatre, which operates as the Barn Theatre, is located at 321 4th Street SW in Willmar. The theatre provides various entertainment to the public including plays, recitals and orchestra performances. There is also an art gallery that displays local and regional artists as well as an event and entertaining space that is available for rent for weddings and other gatherings. The property has a tax assessed value of \$499,600.

Proposed Project:

New HVAC Equipment	
Purchase Price and Installation	\$93,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$93,000
Uses of funds:	
New HVAC Equipment	\$93,000

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

Financial Analysis:

Financial statements for the last three years show the organization had a reduction in net assets (net losses) for the last three years. When excluding depreciation however, there was operating profits. The debt service coverage ratio was slightly below guideline at 1.13 to 1. When including the PACE loan it would have been 0.88 to 1. This is mitigated by a loan maturing in March of 2020 that has annual debt service of \$19,500. Without that debt the coverage ratio with the PACE loan would have been 1.36 to 1. Debt-to-equity was within guideline at 0.44 to 1. The following ratios are as of December 31, 2018:

Debt Service Coverage:	1.13	Trillion standard of at least:	1.15
Debt-to-Equity:	0.44	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	New HVAC Equipment
Amount of Loan:	\$93,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

140 MMBTUs (\$4,800) annually.

Workforce Implications:

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

Policy Exceptions:

Net losses in the last three years offset by positive operating profits when excluding non-cash expenses. Debt coverage ratio was below guideline, mitigated by maturing debt prior to first payment.

Recommendation:

We recommend the approval of a \$93,000 Trillion BTU loan to The Willmar Community Theatre, Inc.