


**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE

Date: September 13, 2018

From: Lee Krueger 

**Subject: REGULAR CREDIT COMMITTEE MEETING
SEPTEMBER 18, 2018 – 2:00 P.M.**

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **September 18, 2018**, 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 21, 2018 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Babcock Properties, LLC and Chad S. Babcock Insurance Agency, Inc. – Approval of a \$45,000 Trillion BTU Loan
2. CJK Holdings, LLC – Approval of a \$58,500 Trillion BTU Loan
3. Todd Katzenberger and TRK Holdings, Inc. – Approval of a \$119,000 Trillion BTU Loan
4. Koob Moo Funeral Chapel, Inc. – Approval of a \$107,000 Trillion BTU Loan
5. Prosperity Properties, LLC – Approval of a \$233,000 Trillion BTU Loan
6. DPN Properties, LLC and St. Croix Cleaners – Approval of a \$479,000 Trillion BTU Loan
7. Pine Habilitation and Supported Employment, Inc. – Approval of a \$175,000 Trillion BTU Loan
8. HFS Golden Rule, LLC – Approval of a \$315,000 Trillion BTU Loan
9. HFS Properties, LP – Approval of \$65,000 Trillion BTU Loan
10. RBP Realty, LLC – Approval of a \$364,000 Trillion BTU Loan
11. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
AUGUST 21, 2018**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:21 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
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Also present were the following:

Lee Krueger	Laurie Hansen	Monte Hilleman
Pete Klein	Michael Linder	Bruce Kessel
Laurie Siever	Kathryn Sarnecki	George Hoene
Dana Krueger	Linda Williams	Andrea Novak
Deb Forbes	Angie Helms	
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Bennett made a motion to approve the minutes of the June 19, 2018 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

APADANA, LLC – APPROVAL OF A \$105,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$105,000 Trillion BTU loan to Apadana, LLC for the installation of a 40-kW solar array.

There being no discussion, Committee Member Bennett made a motion to approve a \$105,000 Trillion BTU loan to Apadana, LLC for the installation of a 40-kW solar array. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**AURORA – ST. ANTHONY LIMITED, LLC
APPROVAL OF A \$195,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$195,000 Trillion BTU loan to Aurora-St. Anthony for the installation of a 152-kW solar array.

Discussion included, but was not limited to, the risk to the project if the RDF grant doesn't come through, the source of investor contributions, and clarification about the change to the loan structure.

There being no further discussion, Committee Member Marshall made a motion to approve a \$195,000 Trillion BTU loan to Aurora-St. Anthony for the installation of a 152-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

BELLWOOD, LLC – APPROVAL OF A \$630,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$630,000 Trillion BTU loan to Bellwood, LLC for the installation of new rooftop air conditioning units.

Discussion included, but was not limited to, the benefits to the customer for pre-payment of 2018 property taxes in 2017, and the reasons the customer has requested financing from the Port Authority.

There being no further discussion, Committee Member Bennett made a motion to approve a \$630,000 Trillion BTU loan to Bellwood, LLC for the installation of new rooftop air conditioning units. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**BYRON PET CLINIC AND EAST FRONTAGE RD, LLC
APPROVAL OF A \$70,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$70,000 Trillion BTU loan to Byron Pet Clinic and East Frontage Rd, LLC for the installation of a 28-kW solar array.

There being no discussion, Committee Member Bennett made a motion to approve a \$70,000 Trillion BTU loan to Byron Pet Clinic and East Frontage Rd, LLC for the installation of a 28-kW solar array. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**WARREN AND LOIS NOLT AND NOLT FAMILY
FARM, LLC – APPROVAL OF A \$70,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$70,000 Trillion BTU loan to Warren and Lois Nolt and Nolt Family Farm, LLC for the installation of a 27-kW solar array.

Discussion included, but was not limited to, clarification of the seasonal nature of the customer's operating line of credit, and the amount of the line of credit.

There being no further discussion, Committee Member Marshall made a motion to approve a \$70,000 Trillion BTU loan to Warren and Lois Nolt and Nolt Family Farm, LLC for the

installation of a 27-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

FIRST & FIRST, LLC – LOAN EXTENSION

Mr. Klein reviewed his memorandum with the Committee requesting approval of a loan extension for First & First.

There being no discussion, Committee Member Bennett made a motion to approve a loan extension for First & First. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

OTHER BUSINESS

Mr. Klein presented the Committee with a past due report of Trillion BTU loans. Committee Member Bennett asked if we are carrying an adequate loss reserve for this program. Ms. Hansen stated that the loss reserve is reevaluated annually and adjusted accordingly.

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

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** September 18, 2018
From: Michael J. Linder *MJL*
Subject: **BABCOCK PROPERTIES, LLC AND CHAD S. BABCOCK INSURANCE AGENCY, INC.
APPROVAL OF A \$45,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$45,000 with Babcock Properties, LLC and Chad S. Babcock Insurance Agency, Inc. for the installation of 10-kW roof mounted solar array and insulated roof on a on a commercial property located in Excelsior, Minnesota. This loan was originally approved for \$26,000 in June.

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:

Chad Babcock owns a State Farm Insurance agency located at 378 Oak Street in Excelsior, Minnesota. Chad has been in the insurance business since 1998. A loan was approved in the amount of \$26,000 in June for a solar array. During design of the array, it was determined that a new roof would be needed. He intends to install a 10-kW solar array on the building that houses his agency, to offset electricity use, as well as repair the roof and add insulation to reduce heat loss in the building. The property has a tax assessed value of \$828,000.

Proposed Project:

10-kW Roof Mounted Solar Array	
Purchase Price and Installation	\$45,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$45,000
Uses of funds:	
10-kW Roof Mounted Solar Array	\$45,000

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.

Financial Analysis:

Tax returns were received for Chad’s insurance agency as well as his personal tax returns showing the real estate entity. His business was profitable in all of the past three years and show the real estate entity was profitable as well. The borrower also has W-2 and other income on his personal tax returns. The debt service coverage ratio for the insurance agency was 2.0 to 1 prior to the PACE loan and 1.84 to 1 when including the new debt. A balance sheet was not provided so a debt-to-equity ratio would not be calculated. A current appraisal shows the property has a loan to value of 78%. The following ratios are as of December 31, 2017:

Debt Service Coverage:	2.00	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:	10-kW Roof Mounted Solar Array
Amount of Loan:	\$45,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

60 MMBTUs (\$2,800) 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 \$45,000 Trillion BTU loan to Babcock Properties, LLC and Chad S. Babcock Insurance Agency, Inc.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **CJK HOLDINGS, LLC**
APPROVAL OF A \$58,500 TRILLION BTU LOAN

Meeting Date: September 18, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$58,500 with CJK Holdings, LLC for the installation of a 20-kW solar array on a commercial property located in St. 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:

CJK Holdings is the real estate entity that owns the building where Wabasha Brewing Company opened for business in February of 2015. The two entities share common ownership and the company is located at 429 South Wabasha Street in St. Paul. The building has a tax assessed value of \$293,300 and the borrower intends to install a 20-kW solar array on the roof of the building.

Proposed Project:

20-kW Solar Array	
Purchase Price and Installation	\$58,500

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$58,500
Uses of funds:	
20-kW Solar Array	\$58,500

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.

Financial Analysis:

Tax returns were received for the past three years and show the entity was profitable in 2017, but not the previous two years. This was caused primarily by higher than normal repair and maintenance expenses as they moved into the building, as well as depreciation. Their debt service coverage ratio was 2.38 to 1 prior to the PACE loan and 1.48 to 1 when adding that to their existing mortgage. No balance sheet was available but the debt-to-equity using the tax value of the building and the existing debt was 1.25 to 1 or a loan-to-tax value of 55%. The following ratios are as of December 31, 2017:

Debt Service Coverage:	2.38	Trillion standard of at least:	1.15
Debt-to-Equity:	1.25	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	20-kW Solar Array
Amount of Loan:	\$58,500
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

35 MMBTUs (\$2,750) 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, not profitable in two of the last three years. This is mitigated by the adequate debt service coverage and the low leverage of the property.

Recommendation:

We recommend the approval of a \$58,500 Trillion BTU loan to CJK Holdings, LLC.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** September 18, 2018
From: Michael J. Linder *MJL*
Subject: **TODD KATZENBERGER AND TRK HOLDINGS, INC.**
APPROVAL OF A \$119,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$119,000 with Todd Katzenberger and TRK Holdings, Inc. for the installation of 40-kW solar array and new doors on a commercial property located in Tofte, 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:

Todd Katzenberger owns TRK Holdings, Inc., which operates as Cliff Dweller Resort, a 22-room resort with walkout balconies overlooking the shores of Lake Superior. The resort was purchased in 2017 and the new owner has invested heavily in updating and modernizing the facility and the rooms. Todd has installed new LED lighting throughout, all new appliances and water efficient fixtures, new septic system, water pumps, windows, doors, and other efficiency upgrades that have dramatically reduced energy and water use on the property. The scope of the project includes installing the remaining exterior insulated doors and a solar array to further reduce energy use. The property is located at 6452 W US Hwy 61 in Tofte, MN and has a tax assessed value of \$745,021.

Proposed Project:

40-kW Solar Array and New Doors	
Purchase Price and Installation	\$119,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$119,000
Uses of funds:	
40-kW Solar Array and New Doors	\$ 97,000
Insulated Entry and Sliding Doors	<u>\$ 22,000</u>
Total	<u>\$119,000</u>

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Cook 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 2018 year-to-date and 2017, the year the property was purchased. The year-to-date statements show a significant improvement in the profitability of the property. The company did end 2017 with a net profit and shows even stronger profits in 2018. The debt service coverage ratio was 1.85 to 1 prior to the PACE debt and 1.43 after factoring that in. The debt-to-equity was 2.15 to 1, which is within guideline. The following ratios are as of December 31, 2017:

Debt Service Coverage:	1.85	Trillion standard of at least:	1.15
Debt-to-Equity:	2.15	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	40-kW Solar Array and New Doors
Amount of Loan:	\$119,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

215 MMBTUs (\$7,400) 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:

We were unable to verify a three-year history of profitability since the business was purchased in 2017.

Recommendation:

We recommend the approval of a \$119,000 Trillion BTU loan to Todd Katzenberger and TRK Holdings, Inc.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: September 18, 2018

From: Michael J. Linder *MJL*

**Subject: KOOB MOO FUNERAL CHAPEL, INC.
APPROVAL OF A \$107,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$107,000 with Koob Moo Funeral Chapel, Inc. for the installation of 40-kW solar array on a commercial property located in Maplewood, 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:

Koob Moo Funeral Chapel is located at 1235 Arcade Street in Maplewood. The chapel provides funeral services and caters primarily to the Hmong community. The property has a tax assessed value of \$539,200. The owners are planning to install a 40-kW solar array on the roof to offset electricity use.

Proposed Project:

40-kW Solar Array	
Purchase Price and Installation	\$107,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$107,000
Uses of funds:	
40-kW Solar Array	\$107,000

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 funder of the loan.

Financial Analysis:

Tax returns were received for the last three years and the company was profitable in 2017 and 2015 with a small loss in 2016. Operating income was positive in 2016 when factoring out non-cash items. The debt service coverage ratio, was 4.70 to 1 prior to the PACE debt, and 4 to 1 when factoring that debt in. The debt-to-equity was within guideline at 2.85 to 1. The following ratios are as of December 31, 2017:

Debt Service Coverage:	4.70	Trillion standard of at least:	1.15
Debt-to-Equity:	2.85	Trillion standard of less than:	4.00

Proposal:

Source of Funds: Trillion BTU / Kresge Eligible

Use of Funds: 40-kW Solar Array

Amount of Loan: \$107,000

Rate: 5.0%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

200 MMBTUs (\$7,000) 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 \$107,000 Trillion BTU loan to Koob Moo Funeral Chapel, Inc.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** September 18, 2018
From: Michael J. Linder *MJL*
Subject: **PROSPERITY PROPERTIES, LLC**
APPROVAL OF A \$233,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$233,000 with Prosperity Properties, LLC for the installation of 93-kW solar array on a commercial property located in St. 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:

Prosperity Properties, LLC is a real estate investment firm that owns a 30,000 square foot, multi-tenant office building located at 956 Prosperity Ave in St. Paul. The company is owned by Scott Zac and Kevin Gartland, who have extensive experience in the real estate, technology, private equity and title insurance industries. The property has a tax assessed value of \$1,169,300.

Proposed Project:

93-kW Solar Array
Purchase Price and Installation \$233,000

Sources and Uses of Funds:

Sources of funds:
Trillion BTU \$233,000

Uses of funds:
93-kW Solar Array \$233,000

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 funder of the loan.

Financial Analysis:

Tax returns were received and show the LLC was profitable in all three years. The LLC receives revenue from other investments as well as the subject property, which itself was profitable in 2017 and 2015 with losses in 2016 due to higher repair and maintenance costs. Excluding non-cash expenses there was an operating profit in that year. A rent roll was received and show the property is 53% occupied with four tenants that have leases expiring in 2019. The owners have indicated that they are in the process of renegotiating and intend to convert from gross to triple net leases. They are also in the process of negotiating a lease for the vacant space. Since the leases have not been signed, we asked for personal guarantees from the two owners and reviewed their personal tax returns to verify income, which is more than sufficient to support the cash flow of the property should the vacancy remain or increase. The global debt service of Prosperity Properties, LLC is 3.32 to 1 prior to the PACE assessment and 2.74 to 1 after. The debt-to-equity is 0.80 to 1. The following ratios are as of December 31, 2017:

Debt Service Coverage:	3.32	Trillion standard of at least:	1.15
Debt-to-Equity:	0.80	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	93-kW Solar Array
Amount of Loan:	\$233,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment Personal Guarantees

Energy Savings:

325 MMBTUs (\$11,200) 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.
3 FTE for construction jobs.

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$233,000 Trillion BTU loan to Prosperity Properties, LLC.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: September 18, 2018

From: Michael J. Linder



**Subject: DPN PROPERTIES, LLC AND ST. CROIX CLEANERS
APPROVAL OF A \$479,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$479,000 with DPN Properties, LLC and St. Croix Cleaners for the installation of a boiler, heat exchanger and energy efficiency upgrades on a property located in St. 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:

St Croix Cleaners, owned by Dave Nemeč for 20 years, started with just two small stores in Stillwater. The business has grown to 17 locations in the eastern metro, St. Paul and Minneapolis. In September 2017, Dave partnered with his daughter, Kelley Nemeč as General Manager, to form a wholly owned division called St Croix Linen. They provide laundry cleaning services to companies like Delta Airlines and St. Paul Grill to clean their napkins, tablecloths and blankets. St. Croix Linen has outgrown its 3,800 square foot facility and equipment at 286 W 7th Street, in St. Paul. In 11 months, they have grown to be at 19 full-time and 4 part-time employees, have started a second shift and are limited now by space and throughput of equipment. Dave and Polly Nemeč have entered into a purchase agreement to buy a 33,400 sq. ft. building at 120 Plato Blvd W, in St. Paul. They will purchase the building under the name of DPN Properties, LLC and will lease the building to St. Croix Linen. The property has a tax assessed value of \$2,397,000.

Proposed Project:

Energy Efficiency Upgrades

Purchase Price and Installation	\$479,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$479,000
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Uses of funds:

Energy Efficiency Upgrades	\$479,000
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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 funder of the loan.

Financial Analysis:

Tax Returns and financial statements were received for the last three years for St. Croix Cleaners, as well as the last year since St. Croix Linen was established. St. Croix Cleaners was profitable in two of the last three years, showing losses in 2017. The loss in 2017 was caused mainly by a large increase in depreciation expense, which when factored out would result in a net profit. The debt service coverage ratio was 8.10 to 1 prior to the PACE debt and 3.52 to 1 when including it. The debt-to-equity ratio was within guideline at 1.05 to 1. The following ratios are as of December 31, 2017:

Debt Service Coverage:	8.10	Trillion standard of at least:	1.15
Debt-to-Equity:	1.05	Trillion standard of less than:	4.00

Proposal:

Source of Funds: Trillion BTU/ Kresge Eligible

Use of Funds: Energy Efficiency Upgrades

Amount of Loan: \$479,000

Rate: 5.0%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

855 MMBTUs (\$29,000) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.
5 FTE for construction jobs. 19 FTE retained in St. Paul.

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$479,000 Trillion BTU loan to DPN Properties, LLC and St. Croix Cleaners.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** September 18, 2018
From: Michael J. Linder *MJL*
Subject: **PINE HABILITATION AND SUPPORTED EMPLOYMENT, INC.**
APPROVAL OF A \$175,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$175,000 with Pine Habilitation and Supported Employment, Inc. (PHASE) for the installation of a new roof and roof-top air handling units on a commercial property located in Sandstone, 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:

PHASE is a 501(c)(3) organization serving individuals with developmental and other disabilities for the past five decades. Their mission is to empower participants to live, work and thrive through the discovery and development of their individual abilities and help participants prepare for, attain and maintain meaningful employment. As part of this work, PHASE operates a recycling center in Sandstone, which employs over 35 program participants, who recycle over 1,400 tons of materials annually. The organization had an energy audit completed which determined significant energy savings could be realized by replacing the roof and increasing the insulation as well as replacing two roof-top air handling units on the facility. The property is located at 104 Main Avenue in Sandstone and has an assessed value of \$316,700.

Proposed Project:

New Roof and Roof-Top Air Handling Units	
Purchase Price and Installation	\$175,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$175,000
Uses of funds:	
New Roof and Roof-Top Air Handling Units	\$175,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Pine 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 the organization were received for the past three years and show their net assets growing while reducing their overall liabilities. Their net assets to liabilities ratio was 2.10 to 1, which is comparative to our guidelines debt-to-equity ratio. Their expenses exceeded program revenue in 2017 and 2016, however they have maintained and increased cash and liquid assets to fund operations in the event of these shortfalls. There was a debt service coverage ratio of 1.10 to 1 before the PACE assessment and 1.0 to 1 when factoring that in. This is mitigated by accelerated debt paying off in 2020, this would result in a proforma debt coverage ratio of 1.37 to 1 when using 2017 financials. The following ratios are as of December 31, 2017:

Debt Service Coverage:	1.10	Trillion standard of at least:	1.15
Debt-to-Equity:	2.10	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	New Roof and Roof-Top Air Handling Units
Amount of Loan:	PACE - \$63,000 TBTU - \$112,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment - \$63,000

Energy Savings:

270 MMBTUs (\$9,200) annually.

Workforce Implications:

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

Policy Exceptions:

Yes, debt service coverage is below guideline, which is mitigated by sufficient and increasing cash and equivalent assets available to fund shortfalls.

Recommendation:

We recommend the approval of a \$175,000 Trillion BTU loan to Pine Habilitation and Supported Employment, Inc.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: September 18, 2018

From: Michael J. Linder *MJL*

**Subject: HFS GOLDEN RULE, LLC
APPROVAL OF A \$315,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$318,000 with HFS Golden Rule, LLC for the installation of LED lighting on a commercial property located in St. 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:

HFS Golden Rule is the real estate entity that owns the Golden Rule building located at 85 7th Place E, in St. Paul. The building was built in 1886 and converted from a department store into a multi-tenant office building in 1983. The building is fully leased with the several departments of the State of Minnesota as a major tenants.

Proposed Project:

LED Lighting	
Purchase Price and Installation	\$315,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$315,000
Uses of funds:	
LED Lighting	\$315,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. The City of Saint Paul provided a \$500,000 grant to the Port Authority in 2010, as participation in the program.

Financial Analysis:

Financial statements for the past three years show the building has been profitable in all three years. The debt service coverage ratio is 3.86 to 1 prior to the Trillion BTU loan and 3.70 to 1 when factoring in those payments. A balance sheet was received for Commercial Real Estate Services, Inc., owned by Pat Wolf, which includes HFS Golden Rule, LLC and show a total debt to equity ratio of 1.60 to 1. The following ratios are as of December 31, 2017:

Debt Service Coverage:	3.86	Trillion standard of at least:	1.15
Debt-to-Equity:	1.60	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	LED Lighting
Amount of Loan:	\$315,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement

Energy Savings:

1,850 MMBTUs (\$60,000) annually.

Workforce Implications:

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

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$315,000 Trillion BTU loan to HFS Golden Rule, LLC.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **HFS PROPERTIES, LP**
APPROVAL OF A \$65,000 TRILLION BTU LOAN

Meeting Date: September 18, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$65,000 with HFS Properties, LP for the installation of LED Lighting on a commercial property located in St. 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:

HFS Properties, LP is the real estate entity that owns the 81 On Seventh, a 59,000 square foot multi-tenant office building located at 81 E 7th Street in St. Paul. The building was built in 1907 and extensively renovated and modernized. The space is currently 75% occupied.

Proposed Project:

LED Lighting	
Purchase Price and Installation	\$65,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$65,000
Uses of funds:	
LED Lighting	\$65,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. The City of Saint Paul provided a \$500,000 grant to the Port Authority in 2010, as participation in the program.

Financial Analysis:

Financial statements were received for the last three years as well as year to date in 2018 and show the building is profitable in all three years. There is no long-term debt on the property so there was no debt service coverage ratio; with the Trillion BTU loan the ratio was over 40 to 1. A debt-to-equity ratio was not applicable as well with no mortgages. A rent roll shows the building is currently 91% occupied.

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
Use of Funds:	LED Lighting
Amount of Loan:	\$65,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement

Energy Savings:

250 MMBTUs (\$8,500) 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 \$65,000 Trillion BTU loan to HFS Properties, LP.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: September 18, 2018

From: Michael J. Linder *MJL*

**Subject: RBP REALTY, LLC
APPROVAL OF A \$364,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$364,000 with RBP Realty, LLC for the installation of roof-top air handling units on a commercial property located in St. 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:

Riverview Business Plaza is a complex of six office showroom buildings totaling 200,000 square feet and is located at 280 Chester Street in St. Paul. They are in the process of replacing 46 of the roof-top air handling units on five of the six buildings in the business park. The business park was constructed from 1982-84 and has a combined tax value of \$4,313,000.

Proposed Project:

46 Roof-top Air Handling Units	
Purchase Price and Installation	\$364,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$364,000
Uses of funds:	
46 Roof-top Air Handling Units	\$364,000

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 funder of the loan.

Financial Analysis:

Tax returns for RBP Realty, LLC show the entity had losses in the last three years. When factoring out non-cash expenses, the company had operating profits in 2015 and 2016, but not 2017. The losses were caused by one building in the six-building business park and in February of 2018 that building was transferred into a separate LLC and is being marketed for sale.

Financial statements were received for the last three years and show that the remaining five buildings were profitable in all three years. The debt service coverage ratio is 1.71 without the PACE debt and 1.52 to 1 when factoring that in. A current rent roll shows the five buildings have a combined occupancy rate of 92%. There was negative equity due to the accumulated losses caused by the unprofitable building as well as accumulated depreciation and amortization expenses. The following ratios are as of 12/31/17.

Debt Service Coverage:	1.71	Trillion standard of at least:	1.15
Debt-to-Equity:	Negative	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	46 Roof-top Air Handling Units
Amount of Loan:	\$364,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

615 MMBTUs (21,000) annually.

Workforce Implications:

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

Policy Exceptions:

Yes, RBP Realty, LLC had losses in all three years, which resulted in negative equity. This is mitigated by the removal of the unprofitable building from the LLC, with the remaining buildings having sufficient cash flow and low vacancy.

Recommendation:

We recommend the approval of a \$364,000 Trillion BTU loan to RBP Realty, LLC.