

Credit Committee

September 26, 2023 – 1:30 p.m.

400 Wabasha Street No., Suite 240 | Saint Paul, MN 55102

Chair Mullin is calling a meeting of the Credit Committee for **Tuesday, September 26, 2023, at 1:30 p.m.** in the Board Room of the Saint Paul Port Authority, 400 Wabasha Street No., Suite 240, St. Paul, MN.

The purpose of the meeting is:

Minutes

Approval of the Minutes from the August 22, 2023 Credit Committee Meeting

Conflicts of Interest

Conflicts with any Items on the Agenda

Agenda Items

1. Fernholz Family Limited Partnership – Approval of a \$159,391 PACE Trillion BTU Loan
2. Approval of a Lease Amendment, Renewal and Rental Rate Adjustment – District Energy St. Paul, Inc. – Southport Terminal
3. Authorization to Apply and Accept Special Appropriation Funding for Redevelopment of The Heights

Such Other Business That May Come Before the Committee

cc: Press
City Clerk

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
AUGUST 22, 2023**

The regular meeting of the Port Authority Credit Committee was held on August 22, 2023, at 1:31 p.m. in the Board Room of the Saint Paul Port Authority, 400 Wabasha Street, Suite 240, Saint Paul, Minnesota 55102.

The following Committee Members were present:

| | | |
|--------------|--------------|---------------|
| Don Mullin | Matt Slaven | John Marshall |
| John Bennett | Brianne Hamm | Angela Riffe |

Also present were the following:

| | | |
|----------------|-------------------|----------------|
| Todd Hurley | Ann Kosel | Emily Lawrence |
| Dana Krueger | Laurie Siever | Rick Howden |
| Pete Klein | Phoua Vang | Bruce Kessel |
| Linda Williams | Andrea Novak | Holly Huston |
| Tonya Bauer | Kristine Williams | Amanda Bauer |
| Sarah Illi | Kathryn Sarnecki | Cathy Mohr |

Nneka Constantino, Merrill Lynch, via Teams
Rebecca Noecker, City of Saint Paul
Ayesha Khan, City of Saint Paul
Andrew Kasid, District Energy
Mike Auger, District Energy St. Paul
Nick Hagen, Piper Sandler
Ben Johnson, Ballard Spahr
Charles Henck, Ballard Spahr

APPROVAL OF MINUTES

Committee Member Riffe made a motion to approve the minutes of the July 25, 2023, Credit Committee meeting. The motion was seconded by Committee Member Hamm and carried unanimously.

CONFLICTS OF INTEREST

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

AGENDA ITEMS

**APPROVAL OF THE ISSUANCE OF CONDUIT REVENUE BONDS BY THE PORT
AUTHORITY OF THE CITY OF SAINT PAUL FOR THE BENEFIT OF DISTRICT ENERGY ST. PAUL, INC.**

Ms. Huston reviewed her memorandum with the Committee requesting approval of the issuance of conduit revenue bonds by the Port Authority of the City of Saint Paul for the benefit of District Energy St. Paul, Inc. Committee Member Bennett made a motion to approve the request. The motion was seconded by Committee Member Slaven and carried unanimously.

SUCH OTHER BUSINESS

RECOGNITION OF BRIANNE HAMM

President Hurley along with Committee Chair Mullin thanked Ms. Hamm for her four years of service on the Port Authority's Credit Committee and her contribution towards the mission of the Port Authority.

There being no further business, the meeting was adjourned at 1:39 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: September 26, 2023

From: Holly Huston 

**Subject: FERNHOLZ FAMILY LIMITED PARTNERSHIP
APPROVAL OF A \$159,391 PACE TRILLION BTU LOAN**

Action Requested:

Seeking approval for the Port Authority of the City of Saint Paul (the “Port Authority”) to initiate a PACE loan funded by Trillion BTU based on the terms below for approximately \$159,391 with Fernholz Family Limited Partnership for the installation of solar panels on their agricultural property located at 2484 Hwy 40, Madison, Minnesota 56256.

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:

Carmen and Sally Fernholz own and operate the first ever certified organic farm in Lac qui Parle County in western Minnesota. The farm has operated since 1975, they own five parcels, totaling over 270 acres, with an assessed value of \$1,196,200. The farm grows crops like small grains, corn, and soybeans. In addition to growing crops the farm raises livestock. The owners are looking to install a 50.6kW solar array on their property.

Proposed Project: Solar Panels

| | |
|---|-----------|
| Use of Funds | |
| Solar panel purchase and Installation | \$159,391 |
| Sources | |
| Trillion BTU | \$159,391 |
| <i>The loan request is for the full project costs</i> | |

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. In addition, this property owner is applying for the Rural Energy for America Program (REAP) grant.

Eligibility:

- ☒ Assessed or appraised value is less than or equal to 20%.

20% = \$239,240 (loan is for \$159,391)

- ☒ Payback is less than or equal to 20 years.

Estimate = 11.3 year pay back

- ☒ Energy Audit provided.

Energy savings 18,891 kWh, \$14,105 annually

- ☒ Prevailing wage applies.

- ☒ A licensed contractor will perform the installation.

- ☒ JPA with Lac qui Parle County.

Financial Analysis:

Fernholz Family Limited Partnership has been in business since 1975, there is no mortgage on the property, and the income tax returns over the last three years show positive net income. The debt service coverage is above standard because there is no long-term debt on the property, and debt to equity is extremely low. The Fernholz Family Farm financial statement shows they will be able to pay back the PACE assessment.

| | | | |
|------------------------|----------------|---------------------------------|------|
| Debt Service Coverage: | above standard | Trillion standard of at least: | 1.15 |
| Debt-to-Equity: | 0.08 | Trillion standard of less than: | 4.00 |

Loan Terms:

| | |
|--------------------------------|---|
| Source of Funds: | Trillion BTU |
| Use of Funds: | Solar |
| Amount of Loan: | \$159,391 |
| Rate: | 5.5% |
| Term: | 10 years |
| Assessment Start: | 2024 |
| Collateral: | Signed Loan Agreement and PACE Special Assessment |
| County Placing the Assessment: | Lac qui Parle County |

Workforce Implications:

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

Policy Exceptions:

No

Recommendation:

We recommend approval for the Port Authority to initiate a PACE loan funded by Trillion BTU based on the terms above for approximately \$159,391 with Fernholz Family Limited Partnership for the installation of solar panels on their agricultural property located at 2484 Hwy 40, Madison, Minnesota 56256.

MEMORANDUM

To: CREDIT COMMITTEE
BOARD OF COMMISSIONERS

Meeting Date: September 26, 2023

From: Linda K. Williams *LKW*

**Subject: APPROVAL OF A LEASE AMENDMENT, RENEWAL AND RENTAL RATE ADJUSTMENT
DISTRICT ENERGY ST. PAUL, INC. – SOUTHPORT TERMINAL
RESOLUTION NO. 4752**

Action Requested:

Approval of a Lease Amendment, Renewal and Rental Rate Adjustment for District Energy St. Paul, Inc. ("Tenant") to continue leasing 112,707 square feet of land in the Southport Terminal at 571 Barge Channel Road, Saint Paul, Minnesota ("Leased Premises").

Background:

The Port Authority of the City of Saint Paul (the "Port Authority") has leased 85,075 square feet from Lot 2 and 27,632 square feet from Outlot A (formerly Parcel 3) totaling 112,707 square feet of property in the Southport Terminal to Tenant since 1983. The Leased Premises is primarily used for a maintenance and warehousing facility associated with Tenant's downtown operations.

Tenant's Improvements:

The Tenant has requested to extend the current term ("Initial Term"), which expires December 31, 2024, by two years due to the fact that the Tenant wants to make property improvements. These improvements, which will be made at Tenant's sole cost and expense, consist of the construction of a 12-foot lean-to extension (roof, no walls) on the northeast side of the existing building to allow for covered storage of construction materials.

Lease Terms and Conditions:

Tenant has requested to extend the current term by two years, exercising its first option to renew the Lease one year early. Amending the Lease to extend the Initial Term by two years will extend the expiration date to December 31, 2026 (the "Revised Initial Term"). At the end of this Revised Initial Term, Tenant will have one remaining option to renew the Lease for one (1) additional term of two (2) years (the "Revised Option Term").

The Lease also calls for rental rates to be renegotiated upon renewal, and the Port Authority and Tenant have negotiated rental rate adjustments for the January 1, 2024 to December 31, 2026 three-year renewal term ("2024 Lease Renewal").

| | |
|--------------------------------|-----------------------------|
| Original Lease: | 1/1/2022 through 12/31/2024 |
| Proposed Amendment/Renewal: | 1/1/2024 through 12/31/2026 |
| Options to Renew: | One (1) two-year term |
| Annual rental rate adjustment: | 4% per year |

MEMORANDUM

| Base Rent | SF Included | Period Total | Monthly | PSF |
|--|-------------|--------------|------------|---------|
| <i>Base Rent for year ending 2023: \$35,615.41</i> | | | | |
| Jan. 1, 2024 – Dec. 31, 2024 | 112,707 | \$37,040.03 | \$3,086.67 | \$0.329 |
| Jan. 1, 2025 – Dec. 31, 2025 | 112,707 | \$38,521.63 | \$3,210.13 | \$0.342 |
| Jan. 1, 2026 – Dec. 31, 2026 | 112,707 | \$40,062.49 | \$3,338.54 | \$0.355 |

Recommendation:

Approval of a Lease Amendment, Renewal and Rental Rate Adjustment for District Energy St. Paul, Inc. to continue leasing 112,707 square feet of land in the Southport Terminal at 571 Barge Channel Road, Saint Paul, Minnesota.

Attachment: Resolution

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

**[LEASE AMENDMENT, RENEWAL AND RENTAL RATE ADJUSTMENT
DISTRICT ENERGY ST. PAUL, INC. – SOUTHPORT TERMINAL]**

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

WHEREAS, the Port Authority has negotiated certain terms to be incorporated into a 2024 Lease Amendment, Renewal and Rental Rate Adjustment (“2024 Lease Renewal”) to continue leasing 112,707 square feet of land in the Southport Terminal at 571 Barge Channel Road in Saint Paul, Minnesota (the “Leased Premises”) to District Energy St. Paul, Inc. (the “Tenant”) pursuant to the Lease between the Port Authority, as landlord, and Tenant dated January 1, 2022 (the “Lease”). The rates in the 2024 Lease Renewal for the period from January 1, 2024 through December 31, 2026, increasing 4% per year, are set forth below:

| <u>Base Rent Term:</u> | <u>Annual Rent:</u> | <u>PSF Rate</u> |
|------------------------------|---------------------|-----------------|
| Jan. 1, 2024 – Dec. 31, 2024 | \$ 37,040.03 | \$0.329 |
| Jan. 1, 2025 – Dec. 31, 2025 | \$ 38,521.63 | \$0.342 |
| Jan. 1, 2026 – Dec. 31, 2026 | \$ 40,062.49 | \$0.355 |

WHEREAS, at the end of the term of the 2024 Lease Renewal, the Tenant shall have one option to renew for a two-year term.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL that the terms of 2024 Lease Renewal as contained in the Memorandum to the Board are hereby approved.

BE IT FURTHER RESOLVED that the President of the Port Authority, or anyone acting under his direction, is hereby authorized and directed to execute on behalf of the Port Authority the 2024 Lease Renewal in accordance with the above-referenced terms in form as approved by counsel.

Adopted: September 26, 2023

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

MEMORANDUM

To: CREDIT COMMITTEE
BOARD OF COMMISSIONERS

Meeting Date: September 26, 2023

From: Rick Howden 

Subject: AUTHORIZATION TO APPLY AND ACCEPT SPECIAL APPROPRIATION FUNDING
FOR REDEVELOPMENT OF THE HEIGHTS
RESOLUTION NO. 4753

Action Requested:

The Port Authority of the City of Saint Paul (the “Port Authority”) seeks authorization to apply to, and accept from, the Minnesota Department of Employment and Economic Development (“DEED”) the sum of \$11,000,000 in Special Appropriation funds for the redevelopment of The Heights (f/k/a Hillcrest Redevelopment Site), an approximately 112-acre site located at 2200 Larpenteur Avenue East in Saint Paul, Minnesota.

Background:

At the January 24, 2023 Board of Commissioners meeting, the Port Authority Board unanimously approved the acceptance of the 2023 Legislative Priorities, which included a request of \$13 million from the 2023 Bonding Bill.

On June 1, 2023, Governor Walz signed H.F. 670, which included \$11 million for the Port Authority for design and construction of the redevelopment of the public areas at The Heights. This appropriation includes money for public rights-of-way, parkland, wetlands, stormwater infrastructure, and associated improvements to further economic development, jobs, housing, parkland, and net zero energy utilities and goals.

Current Status:

Since August 2023, staff have been working with the Port Authority’s assigned project manager from DEED on the process to receive the Special Appropriation funding. A specific resolution from the Port Authority’s Board of Commissioners is a required document for this application in order to receive funding from DEED.

Recommendation:

Approval for authorization to apply to, and accept from, the Minnesota Department of Employment and Economic Development the sum of \$11,000,000 in Special Appropriation funds for the redevelopment of The Heights (f/k/a Hillcrest Redevelopment Site), an approximately 112-acre site located at 2200 Larpenteur Avenue East in Saint Paul, Minnesota.

Attachment: Resolution

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

**[AUTHORIZATION TO APPLY AND ACCEPT SPECIAL APPROPRIATION FUNDING
FOR REDEVELOPMENT OF THE HEIGHTS (F/K/A HILLCREST REDEVELOPMENT SITE)
2200 LARPENTEUR AVENUE EAST, SAINT PAUL, MINNESOTA]**

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

WHEREAS, the Port Authority’s Board of Commissioners are appointed by the Mayor of the City of Saint Paul subject to the approval of the Council of the City of Saint Paul;

WHEREAS, two of the Port Authority Commissioners must be members of the Council of the City of Saint Paul;

WHEREAS, said members of the Council of the City of Saint Paul serve on the Port Authority Board so long as they continue to be members of the Council of the City of Saint Paul; and

WHEREAS, the Port Authority of the City of Saint Paul has undertaken numerous redevelopment projects of industrial sites in the City of Saint Paul;

WHEREAS, the Port Authority desires to submit a grant application to the Minnesota Department of Employment and Economic Development in an amount of \$11,000,000 of Special Appropriation funds for use at The Heights (f/k/a Hillcrest Redevelopment site), located at 2200 Larpenteur Avenue East, Saint Paul, Minnesota;

WHEREAS, the site is located in an Industrial Development District (“IDD”) as a part of an IDD created by the Port Authority;

WHEREAS, said environmental investigation and cleanup work furthers industrial development and job creation in the City of Saint Paul;

WHEREAS, the redevelopment of The Heights property is consistent with the City of Saint Paul’s comprehensive plan for land use in the area;

WHEREAS, the Port Authority finds that the required redevelopment will not occur through private or other public investment within the reasonably foreseeable future without this grant funding; and

WHEREAS, the Port Authority represents that it has undertaken reasonable and good faith efforts to procure funding from other sources.

NOW, THEREFORE, BE IT RESOLVED that the Port Authority act as the legal sponsor for the project contained in H.F. 670 entitled Hillcrest Redevelopment (the "Project").

BE IT FURTHER RESOLVED that the Port Authority has the legal authority to receive financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration.

BE IT FURTHER RESOLVED that the sources and amounts of the local match identified in the development proposal are committed to the Project.

BE IT FURTHER RESOLVED that the Port Authority has not violated any federal, state, or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest, or other unlawful or corrupt practice.

BE IT FURTHER RESOLVED that upon approval of its development proposal by the State of Minnesota (the "State"), the Port Authority may enter into an agreement with the State for the above-referenced Project, and that the Port Authority certifies that it will comply with all applicable laws and regulations as stated in all contract agreements applicable to the Project.

BE IT FURTHER RESOLVED that the non-DEED source(s) of funds identified in the sources and uses outline in the application total the amount of \$39,500,000 and are committed and adequate to fully fund or provide the match for the Project identified in the application.

BE IT FURTHER RESOLVED that any source(s) of the Applicant's funds to fully fund the Project shall be from the Port Authority's Brownfield Restoration Revolving Loan Fund, the Minnesota Cleanup Revolving Loan Fund, the Metropolitan Council's Tax Base Revitalization Account, the Ramsey County Environmental Response Fund, the State Special Appropriation award, and the Port Authority's account, which has an adequate amount of funds to cover the commitment.

BE IT RESOLVED that the President or the Chief Financial Officer, or their designees, are hereby authorized to execute such agreements as are necessary to implement the Project on behalf of the Port Authority

I certify that the above resolution was adopted by the Board of Commissioners of the Port Authority of the City of Saint Paul on September 26, 2023.

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary