

**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE
From: Lee Krueger *Lee Krueger*
Subject: **REGULAR CREDIT COMMITTEE MEETING
OCTOBER 23, 2018 – 2:00 P.M.**

Date: October 18, 2018

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **October 23, 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 September 18, 2018 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Koobmoo Funeral Chapel, Inc. – Approval of a \$193,000 Trillion BTU Loan
2. 830 Grand Victoria Flats, LLC and Sergei Voyakin – Approval of a \$40,000 Trillion BTU Loan
3. Alexander Lumber Company, Inc. – Approval of a \$90,000 Trillion BTU Loan
4. Raven Ridge Farm, Inc. and Kim and Andrew Barone – Approval of a \$100,000 Trillion BTU Loan
5. YWCA St. Paul – Approval of a \$70,000 Trillion BTU Loan
6. Minnesota Cameroon Community – Approval of a \$250,000 Trillion BTU Loan
7. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
SEPTEMBER 18, 2018**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:01 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	Laurie Hansen	Monte Hilleman
Pete Klein	Michael Linder	Andrea Novak
Rhett Hebig	Dana Krueger	Deb Forbes
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Mullin made a motion to approve the minutes of the August 21, 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

**BABCOCK PROPERTIES, LLC AND CHAD S. BABCOCK
INSURANCE AGENCY, INC. – APPROVAL OF A \$45,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$45,000 Trillion BTU loan to Babcock Properties, LLC and Chad S. Babcock Insurance Agency, Inc. for the installation of a 10-kW solar array and insulated roof.

Discussion included, but was not limited to, eligible project costs and the tax filing status of the borrowers.

There being no further discussion, Committee Member Marshall made a motion to approve a \$45,000 Trillion BTU loan to Babcock Properties, LLC and Chad S. Babcock Insurance Agency, Inc. for the installation of a 10-kW solar array and insulated roof. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

CJK PROPERTIES, LLC - APPROVAL OF A \$58,500 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$58,500 Trillion BTU loan to CJK Properties, LLC for the installation of a 20-kW solar array.

Discussion included, but was not limited to, whether another lender would purchase this loan and which years the business was not profitable.

There being no further discussion, Committee Member Bennett made a motion to approve a \$58,500 Trillion BTU loan to CJK Properties, LLC for the installation of a 20-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**TODD KATZENBERGER AND
TRK HOLDINGS, INC. – APPROVAL OF A \$119,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$119,000 Trillion BTU loan to Todd Katzenberger and TRK Holdings, Inc. for the installation of a 40-kW solar array and new doors.

There being no discussion, Committee Member Bennett made a motion to approve a \$119,000 Trillion BTU loan to Todd Katzenberger and TRK Holdings, Inc. for the installation a 40-kW solar array and new doors. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

KOOBMOO FUNERAL CHAPEL, INC. – APPROVAL OF A \$107,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$107,000 Trillion BTU loan to Koobmoo Funeral Chapel, Inc. for the installation of a 40-kW solar array.

There being no discussion, Committee Member Marshall made a motion to approve a \$107,000 Trillion BTU loan to Koobmoo Funeral Chapel, Inc. for the installation of a 40-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

PROSPERITY PROPERTIES, LLC – APPROVAL OF A \$233,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$233,000 Trillion BTU loan to Prosperity Properties, LLC for the installation of a 93-kW solar array.

There being no discussion, Committee Member Bennett made a motion to approve a \$233,000 Trillion BTU loan to Prosperity Properties, LLC for the installation of a 93-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

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

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$479,000 Trillion BTU loan to DPN Properties, LLC and St. Croix Cleaners for the installation of a boiler, heat exchanger and energy efficiency upgrades.

There being no discussion, Committee Member Mullin made a motion to approve a \$479,000 Trillion BTU loan to DPN Properties, LLC and St. Croix Cleaners for the installation of a boiler, heat exchanger and energy efficiency upgrades. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**PINE HABILITATION AND SUPPORTED
EMPLOYMENT, INC. – APPROVAL OF A \$175,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$175,000 Trillion BTU loan to Pine Habilitation and Supported Employment, Inc. for the installation of new roof-top air handling units.

Discussion included, but was not limited to, clarification of the debt to be paid off in 2020, how long the organization has been operating, projected cutbacks in funding to this type of organization, and trends in the recycling industry.

There being no further discussion, Committee Member Bennett made a motion to approve a \$175,000 Trillion BTU loan to Pine Habilitation and Supported Employment, Inc. for the installation of new roof-top air handling units. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

HFS GOLDEN RULE, LLC – APPROVAL OF A \$315,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$315,000 Trillion BTU loan to HFS Golden Rule, LLC for the installation of LED lighting.

Discussion included, but was not limited to, the relationship between the two HFS entities, concentration of credit, and rebates on this project.

There being no further discussion, Committee Member Mullin made a motion to approve a \$315,000 Trillion BTU loan to HFS Golden Rule, LLC for the installation of LED lighting. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

HFS PROPERTIES, LP – APPROVAL OF A \$65,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$65,000 Trillion BTU loan to HFS Properties, LP for the installation of LED lighting.

Mr. Linder noted that there were inconsistent occupancy rates listed in the Credit Committee memo. The correct occupancy rate is 91%

There being no further discussion, Committee Member Bennett made a motion to approve a \$65,000 Trillion BTU loan to HFS Properties, LP for the installation of LED lighting. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

RBP REALTY, LLC – APPROVAL OF A \$364,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$364,000 Trillion BTU loan to RBP Realty, LLC for the installation of roof-top air handling units.

Discussion included, but was not limited to, principal ownership of the company and concentration of credit.

There being no further discussion, Committee Member Marshall made a motion to approve a \$364,000 Trillion BTU loan to RBP Realty, LLC for the installation of roof-top air handling units. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

OTHER BUSINESS

Mr. Krueger announced that the Port Authority will be adding photos of the Board of Commissioners to its website.

Mr. Krueger announced that the Minnesota Whitecaps, the new franchise for the national women’s hockey league, will start playing at TRIA Rink in October.

Mr. Krueger announced that Laurie Hansen will be retiring from the Port Authority at the end of December.

There being no further business, the meeting was adjourned at 2:32 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: October 23, 2018

From: Michael J. Linder *MJL*

**Subject: KOOBMOO FUNERAL CHAPEL, INC.
APPROVAL OF A \$193,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to reapprove a Trillion BTU loan for approximately \$193,000 with Koobmoo Funeral Chapel, Inc. for the installation of two solar arrays totaling 70-kW on commercial properties located in Saint Paul and Maplewood, Minnesota. The loan was originally approved for \$107,000 in September 2018.

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:

Koobmoo Funeral Chapel has two locations, 1235 Arcade Street in Saint Paul and 1259 Gervais Avenue, in Maplewood. The chapels provide various funeral services and cater primarily to the Hmong community. The Arcade property has a tax assessed value of \$539,200 and the Gervais property has a tax assessed value of \$983,300. The owners are planning to install a 30-kW solar array at the Arcade location and a 40-kW array at the Gervais location to offset electricity use. The original request only included the solar array for the Arcade Street installation. The original request had the wrong solar project on the Arcade property, and was limited to 20% of the properties tax value, resulting in a reduction of the original loan to \$107,000.

Proposed Project:

70-kW Solar Arrays

Arcade Street Property	\$ 84,000
Gervais Avenue Property	\$109,000

Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$193,000
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Uses of funds:

70-kW Solar Arrays	\$193,000
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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 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 3.56 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: 70-kW Solar Arrays

Amount of Loan: \$193,000

Rate: 5.0%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

350 MMBTUs (\$12,800) 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 \$193,000 Trillion BTU loan to Koobmoo Funeral Chapel, Inc.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: October 23, 2018

From: Michael J. Linder *MJL*

**Subject: 830 GRAND VICTORIA FLATS, LLC AND SERGEI VOYAKIN
APPROVAL OF A \$40,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$40,000 with 830 Grand Victoria Flats, LLC and Sergei Voyakin for the installation of a 13-kW 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:

830 Grand Victoria Flats, LLC is a partnership that was recently created when Sergei Voyakin and other investors purchased a seven-unit apartment building located at 830 Grand Avenue in Saint Paul. The building was originally a condominium until the unit owners decided to collectively sell their condos in 2003. The property is fully occupied and has a tax assessed value of \$947,200. The owners have made various energy efficiency improvements including LED lighting and new hot water heaters. They are also bidding for new roof, siding and insulation and improving the hot water distribution throughout the building.

Proposed Project:

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

Sources and Uses of Funds:

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

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:

830 Grand Victoria Flats, LLC was created to purchase the subject property in June of 2017. The property was purchased with cash and there is no mortgage. Tax returns were requested for the majority owner since the LLC is new. A debt service coverage ratio with Sergei’s personal income, including the PACE assessment and personal debt would be 5.30 to 1. Since there is no debt on the property a debt-to-equity ratio was not applicable. The property is fully occupied with long term tenants.

Debt Service Coverage:	5.30	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:	13-kW Solar Array
Amount of Loan:	\$40,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

52 MMBTUs (\$3,500) 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-year history was not available to verify three years of profitability. This is mitigated by the lack of debt on the property as well as the personal income of the majority owner.

Recommendation:

We recommend the approval of a \$40,000 Trillion BTU loan to 830 Grand Victoria Flats, LLC and Sergei Voyakin.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **ALEXANDER LUMBER COMPANY, INC.**
APPROVAL OF A \$90,000 TRILLION BTU LOAN

Meeting Date: October 23, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$90,000 with Alexander Lumber Company, Inc. for the installation of a 44-kW roof-top solar array on a commercial property located in Owatonna, 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:

Alexander Lumber Company has been in operation since 1883 and started as the Wausau Lumber Company. The business remains at its original location at 419 N Cedar Avenue in Owatonna, Minnesota. The company operates as a Do It Best member-owned hardware cooperative. Father and son, Dennis and Josh Meillier purchased the business in 1971 from the third generation Alexander. The property has a tax assessed value of \$751,800.

Proposed Project:

44-kW Solar Array	
Purchase Price and Installation	\$90,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$90,000
Uses of funds:	
44-kW Solar Array	\$90,000

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

The company has a 10/31 fiscal year end and through October of 2017 the company has been profitable in all three of its last fiscal years. The company has limited amounts of debt and sufficient cash flow to support the PACE assessment. The debt service coverage ratio was 3.30 to 1 as of 10/31/17, not including the PACE assessment and 2.93 to 1 when factoring that in. The debt-to-equity was within guideline at 0.25 to 1. The following ratios are as of October 31, 2017:

Debt Service Coverage:	3.30	Trillion standard of at least:	1.15
Debt-to-Equity:	0.25	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds: 44	44-kW Solar Array
Amount of Loan:	\$90,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

190 MMBTUs (\$6,400) 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 \$90,000 Trillion BTU loan to Alexander Lumber Company, Inc.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: October 23, 2018

From: Michael J. Linder *MJL*

**Subject: RAVEN RIDGE FARM, INC. AND KIM AND ANDREW BARONE
APPROVAL OF A \$100,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$100,000 with Raven Ridge Farm, Inc. and Kim and Andrew Barone for the installation of a 40-kW solar array on a commercial property located in Watertown, 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:

Kim and Andrew Barone own Raven Ridge Farm, located at 2830 Rose Avenue in Watertown. Raven Ridge is a 40-acre farm where they board, train, breed and sell horses. Their facility consists of a barn with 35 stalls, an indoor and an outdoor riding arena with a focus on show jumping. The property has a tax assessed value of \$1,277,500 and is owned personally by Kim and Andrew.

Proposed Project:

40-kW Solar Array

Purchase Price and Installation	\$100,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$100,000
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Uses of funds:

40-kW Solar Array	\$100,000
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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. Carver 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 past three years for Raven Ridge Farm, Inc. as well as personal tax returns for Kim and Andrew Barone. The farm was profitable in 2015 and 2016 but had losses in 2017. The losses were due to extensive capital investments in their property after the sale of their sister farm in Florida. The investments were done to reduce their capital gains on the sale of that farm. They have sufficient cash flow with a debt service coverage ratio of 1.32 prior to the PACE assessment and 1.16 after. The debt-to-equity was within guideline at 3.69 to 1. The following ratios are as of December 31, 2017:

Debt Service Coverage:	1.32	Trillion standard of at least:	1.15
Debt-to-Equity:	3.69	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	40-kW Solar Array
Amount of Loan:	\$100,000
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:

None.

Recommendation:

We recommend the approval of a \$100,000 Trillion BTU loan to Raven Ridge Farm, Inc. and Kim and Andrew Barone.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: YWCA ST. PAUL
APPROVAL OF A \$70,000 TRILLION BTU LOAN

Meeting Date: October 23, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$70,000 with YWCA St. Paul for the installation of new HVAC 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:

YWCA St. Paul has been serving women, men and their families for 109 years. The organization provides safe housing and social service programs aimed at areas of significant racial and/or gender disparities. In 2016 they partnered with the Women's Foundation of Minnesota and the Governor's Office to launch the Young Women's Initiative, which provides leadership development for a group of 25 young women. Last November, the YWCA's main facility on Selby Avenue needed to replace 7 HVAC units, of which five had been red-tagged and were not operable and were replaced with high efficiency units. The remaining four units lasted another year and now need to be replaced as well. The property has a tax assessed value of \$4,235,000.

Proposed Project:

New HVAC Equipment	
Purchase Price and Installation	\$70,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$70,000
Uses of funds:	
New HVAC Equipment	\$70,000

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:

Audited financial statements were received for the last three years and show the organization had a net decrease in assets in all three years. A significant portion of the losses in those years was due to depreciation. In 2017, there was a net decrease of \$160,000, of which \$658,000 was attributed to depreciation, resulting in positive operating income. The organization had net assets of \$1,503,000, which was an increase from \$560,000 in 2016. Total liabilities were \$6,540,000 which results in a debt-to-equity of 4.35 to 1, compared to 14 to 1 in the previous year. The high leverage is mitigated by the fact that the debt is primarily 0% interest government loans that are only required to be repaid if their properties are sold.

Debt Service Coverage:	4.00	Trillion standard of at least:	1.15
Debt-to-Equity:	4.35	Trillion standard of less than:	4.00

Proposal:

Source of Funds: Trillion BTU / Kresge Eligible

Use of Funds: New HVAC Equipment

Amount of Loan: \$70,000

Rate: 5.0%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

150 MMBTUs (\$5,000) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

1 FTE for construction jobs.

Policy Exceptions:

Yes. The organization shows losses in the last three years. This is due to depreciation expenses on their balance sheet. Their debt-to-equity was also above guideline, mitigated by the strong cash flow and reduction in debt in the past year.

Recommendation:

We recommend the approval of a \$70,000 Trillion BTU loan to YWCA St. Paul.



MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: October 23, 2018

From: Peter M. Klein *PK*

**Subject: MINNESOTA CAMEROON COMMUNITY
APPROVAL OF A \$250,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$250,000 with Minnesota Cameroon Community for the connection to Energy Park Utility Company’s District Energy System 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:

Minnesota Cameroon Community, or MINCAM, is a 501 (c)(3) non-profit formed in 2013 to promote unity and friendship in Minnesota’s Cameroon community. There are several thousand members of the Cameroon community living in Minnesota. In December of 2013, the owner of 1020 Bandana Boulevard donated the building to MINCAM. During 2013, all the existing customers of Energy Park Utility Company (EPUC) signed the extended service agreement that provides for the heating and cooling services, with the exception of this building. MINCAM would like to connect to EPUC’s four pipe system and this loan will pay for the equipment and that connection.

1020 Bandana Boulevard is a 58,800 square foot building constructed in 1900. Ramsey County has a taxable value of \$3,421,100 on the property, but no property taxes are paid due to the non-profit ownership.

Proposed Project:

EPUC Connection	
Purchase Price and Installation	\$250,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$250,000
Uses of funds:	
EPUC Connection	\$250,000

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:

MINCAM meets all the underwriting criteria for Trillion BTU loans. They had a net increase in assets in the past three years. MINCAM has always been able to access sufficient contributions from its members to service any cash needs. MINCAM uses about half of the building for itself and has two potential tenants interested in renting the remainder. Those rents will help to cover the carrying costs of utilities and the \$32,000 annual costs related to this loan.

The organization received the building as charitable donation and as a non-profit do not pay property taxes. However, the building was not transferred until the end of the year and the organization inherited the tax liability. Due to a misunderstanding they became delinquent on the repayment and have since worked with Ramsey county to repay the taxes over a 10-year period and are current on payments. The debt service coverage below includes the tax payment as well as the proposed PACE payment.

MINCAM meets the standard Trillion BTU revolving loan program underwriting guidelines. The following ratios are as of December 31, 2016; their December 31, 2017 tax returns were not available as an extension was filed.

Debt Service Coverage:	1.82	Trillion standard of at least:	1.15
Debt-to-Equity:	0.20	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	EPUC Connection
Amount of Loan:	\$250,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

500 MMBTUs (\$30,000) annually.

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 \$250,000 Trillion BTU loan to Minnesota Cameroon Community.