

RePort

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The Newsletter of the Saint Paul Port Authority

Pier and Port team up on century-old West Side foundry's energy-saving plan

Port Beacon: Reinvestment

The Grilz family has decided it's time to get a new furnace. But unlike the furnace in a typical basement, this one will cost \$1.5 million and it will be paid for by energy savings.

The Grilz brothers -- Matt and Nick -- are fourth-generation operators of Pier Foundry & Pattern Shop, an iron metal-casting firm that has existed on the south side of the Mississippi River near the Lafayette Bridge since 1889.

The Saint Paul Port Authority recently enrolled Pier Foundry in its innovative Trillion BTU loan program, an ongoing initiative to harness energy conservation as a development tool. Pier is receiving a five-year, \$1.5 million loan to install a new, efficient furnace that will save the company an estimated \$250,000 a year in operating costs.

That saving, plus a \$250,000 rebate from Xcel Energy, will be used to pay back the loan at a 4 percent interest rate. The Port will then "recycle" the money into new Trillion BTU

projects.

Since its launch a little over a year ago, 22 different Trillion BTU loans have been approved with projects totaling \$13 million, said Pete Klein, the Port's vice president of finance.

"These are particularly effective loans because there's no money up front for the company and

there's an immediate cash flow," Klein said.

"This new furnace will give us double the melting metal capacity while costing less to operate," said Matt Grilz, 36, who is Pier's President and Chief Operating Officer. His younger brother, Nick, 29, is vice president of operations.

The brothers took over the foundry from their father, Randy, in 2006 and immediately began an aggressive effort to update equipment and expand

sales. They saw an international contraction in the number of ferrous metal operations as an opportunity to capture new customers and obtain equipment at a lower cost.

Since then, the company has upgraded everything from new machinery to high-efficiency lighting systems. The new managers also stressed



RePort Goes Digital

Beginning in February 2012, the Saint Paul Port Authority's bimonthly newsletter will no longer be printed. It will be distributed digitally. If you want to continue receiving the latest news and information from the Port, please provide your email address to Tonya Bauer at tkb@sppa.com

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Tax base development and job creation Crucial to Saint Paul's prosperity

From the President



Louis Jambois

The Saint Paul Port Authority's mission and focus for nearly 80 years is to create quality job opportunities for Saint Paul residents, while expanding the Saint Paul tax base and advancing its goals for sustainable development. In 22 business centers throughout the City of Saint Paul, we have cleaned up more than 1,300

acres of polluted industrial/commercial property and attracted many good businesses to purchase the property resulting in a substantial increase in good quality jobs at these sites and a substantial increase in the tax base. Businesses in our centers account for nearly half of the City of Saint Paul's commercial/industrial tax base and provide jobs for nearly 14,200 people.

Early in 2009 we learned that 620 and 656 Pelham Boulevard was possibly available to be purchased. Prior to acquiring the site, we met with the St. Anthony Park and Union Park district councils and discussed the Port Authority's interest and objectives concerning this property. The Property was zoned I-1. The district councils were informed that we intended to redevelop the property in substantially the same manner we have in our other 21 business centers in Saint Paul. No opposition to our plans was at that time communicated by the district councils.

Before we purchased this property in 2009, it was operated as a trucking terminal and was occupied by 1960s concrete block sheds, totaling less than 30,000 square feet. It was home to less than a dozen jobs and hundreds of trucks entered and left the site each week at all hours of the day and night. In contrast, the market-driven site plan proposed by the development firm, Industrial Equities, called for at least 68 – and possibly up to 200 – good-paying jobs with benefits. A local real estate broker brought Industrial Equities' interest in the site to the Port's attention. The Port Authority had no previous

experience with Industrial Equities or the firm's principal, John Allen. And the firm was the only interested prospect in this site.

Allen, proposed a site plan for this site after surveying the Midway area from Minneapolis to Saint Paul. He found that of the 7 million square feet of multi-story, multi-use space along this corridor, 48 percent – or more than 3 million square feet – was vacant. In other words, the supply of multi-story, multi-use street frontage structures substantially exceeded market demand. In sharp contrast, the type of development proposed by Industrial Equities is not common in this area and, according to the developer, is likely to succeed. We agreed then and we still agree with his assessment.

The developer intended to invest over \$3 million dollars into the site towards a total \$5.85 million of infrastructure investment into the property. The developer would have self-financed building construction and paid us \$442,000 to cover some of our costs in preparing the site for development. The developer and we still believe this development would be a huge improvement over what existed there for the past 50 years, and would increase city property taxes by at least 200 percent.

Once the developer for the Property was ready to seek site plan approval for this 24-foot-clear, office/flex building, we again engaged the community in discussions. As a result of community input, we agreed to additional pedestrian connections and landscaping features that neighbors asked for during this yearlong process.

Our greatest concern is the message that the City of Saint Paul sent to the business community. By rejecting the Pelham site plan, which was crafted over 14 months of discussions with a wide variety of interested parties, businesses will conclude that the City of Saint Paul is not a business friendly place for expansion, relocation, or development. Businesses will go where their often-large preliminary expenditures have the greatest likelihood of resulting in a completed development. Sadly, the City of Saint Paul has informed the development world that the City is not such a place.

GOVERNMENT CREATES ENVIRONMENT PRIVATE SECTOR CREATES JOBS, DAYTON SAYS

Port's energy-conservation to economic development program Featured at Governor's Jobs Summit

Fresh from nine Economic Development summits throughout the state, Gov. Mark Dayton and his staff rallied attendees of his job summit to "harness our diversity and the rich ideas of our innovators" to put Minnesotans back to work.

"We are at a critical juncture," the governor told business and civic leaders at the Crowne Plaza in Downtown Saint Paul on Oct. 25, 2011.

"We are gathered here today because we love our state and we care about the future for our children and grandchildren. I ask you to honor different points of view and focus on shared ideas that can work for the benefit of all of us."

In 2002, Minnesota was the seventh highest state in the nation in per capita income. In 2010, "we had dropped to 13th. Minnesota's historic standing in terms of per capita income and growth has declined," Dayton noted.

"I have been to China. I have seen how hard the Chinese work. I have been to a Nike factory, comprised of 5,000 workers, in which 250 pairs of

hands touch each pair of shoes," Dayton said.

"China certainly can compete. But it cannot yet create and innovate like we can here. You need a free and innovative environment to grow entrepreneurs. Government cannot create private-sector jobs; but it can create the right environment in which to create those jobs."

One such innovative program on the governor's jobs summit agenda was the Port Authority's Trillion BTU Energy Conservation program. The program is one of the first in the nation to use energy conservation as an economic development tool, said Pete Klein, the Port's vice president of finance.

Twenty-two projects have been approved. Nearly \$13.5 million has been invested in conservation measures to help companies reduce fuel costs and become more competitive. The projects, Klein said, have resulted in more than 463 retained and new jobs in the businesses and 142 construction jobs.



Pete Klein (left), the Port Authority's vice president of finance, was a panelist on the Energy Efficiency & Job Creation segment of the Governor's Job Summit 2011 at the Crowne Plaza Hotel in Downtown Saint Paul. Klein manages the Port's Trillion BTU Energy Conservation program for the Port. The goal of the program is to use energy efficiency to help private businesses cut costs to retain or add jobs.

Port Photo by Brenda Kyle

Manufacturing is a good career path for young adults ... Just ask new MPMA President Paul Huot



Brenda Kyle

A quiet guy. Decent. Thoughtful. Committed. Smart. And Minnesota Precision Manufacturing Association's next president.

Paul Huot is a husband, father, bicycle enthusiast, and partner in a third generation family owned manufacturing operation in Saint Paul.

Like so many of his colleagues within the

manufacturing community, he underestimates the impact of his story on others. To his way of thinking, business is about producing an excellent product and treating customers with integrity. *Simple*, he says. *Extraordinary*, is what I say.

Paul's grandfather, Eugene Huot, started the company in 1926, as a tool and die shop. Paul describes him to be a man "of solid French Canadian stock, an entrepreneur who was driven to run his own business." Huot actually started Minnesota's first chapter of the Society of Manufacturing Engineers (SME), and his son, William (Paul's father) became the national president.

In the early 1930s, Eugene Huot designed the first drill index, which evolved into the drill index product line the company still is known for today. Huot's company went on to design a line of tool boxes for the automotive garage repair market, a line that ultimately migrated to the custom toolbox market for the military and special order tool cabinet clients.

Today, Huot both manufactures its own line of carts, cabinets, racks and drill indexes to help machine shops get organized. They also do contracts fabrication work for cabinets and boxes, computer housings, as well as parts for the medical markets. Paul Huot shares leadership with his cousins John and Ted Huot. Together they continue to grow the company, but are committed to staying small – process improvement and increased margins, rather than growth in numbers.

Paul inherited Eugene Huot's operational bent and desire to be in charge of his own destiny. He earned a degree from St. Cloud State University, where he met Jeanine, his wife of 29 years.

Today, Paul is a strong promoter of manufacturing.

"It was a good decision to commit to this company. Manufacturing is the lifeblood of this country," asserts Huot, "and I am proud of what we do."

Any company that survived both the Great Depression and World War II has some stories to tell. Huot Manufacturing is no different. Paul said that during the Great Depression, "the internal books show that toolmakers within the company would bid on a job and then Eugene Huot would mark it up to shop rate. When we got the job, the toolmaker within the shop with the lowest bid got the job. Each individual bid the job. We had about 35 employees at the time.

"During the WWII," Paul continues, "we got materials because we did military die work, bullet molds, shell casing dies. That was mainly how we survived. And because we could get material, we still could make the drill indexes as well."

What does the future of Huot Manufacturing look like? "We continue to grow," he explained. "But my attitude about size has changed. Our future growth will be less about a percentage of growth each year and more about margins."

What should we expect out of him as the 2012 MPMA president:

"I believe we need to continue promoting manufacturing as an attractive career path for young adults. I'd also like to promote cooperation among the different manufacturing associations," he says. "We all share certain goals for the future of this industry, and as the saying goes, we can 'hang together or hang separately.'"



Paul Huot

Foundry uses Port Trillion BTU energy Savings program to fuel expansion



Pier Foundry Photos

on diversity. "We mostly do agriculture work, such as casting parts for farm equipment," Matt Grilz said. "But we're also doing renewable energy, such as wind equipment, off-highway equipment, and municipal work like valve components."

Reinvestment continued from 1

"lean principles," including training for every staff member. As a result, the plant reduced its landfill materials by 65 percent.

At the same time, aggressive marketing resulted in sales that boosted the company's employee ranks by 50 new workers this year alone.

"We have 90 employees right now and their average age is 35," Matt Grilz said. "With this latest expansion, we expect to hire an additional 30 employees, for a total of 120."

The Grilz family's ownership of Pier Foundry dates to 1951, when the plant was bought by Don Grilz as an investment. At the time, he was employed as a pattern maker for American Hoist & Derrick, so he turned over the foundry's operations to his father, Mathias Grilz, who had immigrated to America from Germany shortly before the start of World War I.

The operation eventually passed to Randy Grilz, who turned the business over to his two sons five years ago. Members of the Grilz family, in other words, have been running the foundry for half of its 122-year existence.

"We have a lot of family invested in this place and in Saint Paul," Matt Grilz said.

The newest operators have capitalized

"It's very, very diversified," he added. "For instance, our largest single customer represents only 7 percent of our sales."

Klein said Pier is an ideal candidate for the Trillion BTU program – and a reliable one.

"These guys have flourished in the last two years," Klein said. "While everybody else talked about recession, they talked about expansion. And they got results."



Third- and fourth-generation owners of Pier Foundry (left to right) Randy, Matt and Nick Grilz are expanding their business.

Port's Baldinger NMTC project honored

The Novogradac Community Development Foundation (NCDF) honored the Port Authority's involvement in Baldinger Bakery's expansion into Beacon Bluff with an honorable mention at its recent New Markets Tax Credit (NMTC) Investors Conference in Chicago, IL.



Bruce Gehrke

Baldinger Bakery, which opened its doors in Saint Paul in 1888, recently opened its \$29 million, 144,000-square-foot bakery on the eastern end of the Port's Beacon Bluff Business Center. The new building is the largest LEED-certified bakery in



Baldinger Bakery

the United States.

Baldinger used \$19 million in NMTCs – \$10 million in credits provided by the Community Reinvestment Fund and \$9 million from the Port. Bruce Gehrke, the Port's vice president of lending services, said U.S. Bank served as the NMTC equity investor. East Balt Inc., Baldinger's Chicago partner, provided \$14 million in NMTC loans and another \$10 million in direct loans to the project.

"Novogradac recognizes outstanding projects across the country in various categories. Interestingly they view operating projects like Baldinger one of the more challenging in the NMTC realm," he said. "It is really gratifying to see a Saint Paul-based project win in this category."

Baldinger Bakery opened its doors in 1888, when Henry and Rebecca Baldinger emigrated from Eastern Europe and moved to Saint Paul, where they began baking breads from their small home at Rondo Avenue and Summit Place.

The business was handed down from Henry to his son, Sam, and from Sam to his son, Bob. It was one conversation, on one evening in 1957, which forever changed the company. While making a delivery to the old Criterion Restaurant on University Avenue, Bob became involved in a

conversation with some businessmen who wanted buns made and packaged a specific way for their new restaurant. After analyzing their request and working the numbers in his head, Bob proclaimed, "Sure, we can do it."

The restaurant? It turned out to be the first McDonald's in Minnesota. Baldinger Bakery has been supplying buns to McDonald's ever since that meeting more than 50 years ago.

The NMTC program goal is to stimulate development in low-income communities across the United States.

The Port Authority was awarded its first NMTC allocation in 2010, which allowed us to move forward with both the Baldinger Bakery and the HealthEast Transportation projects along Phalen Boulevard.

Since the NMTC Program's inception, the federal Community Development Financial Institutions Fund has made 594 awards across the country allocating a total of \$29.5 billion for essential economic development projects.

Settlement portends end to litigation over nearly 40-year-old bond fund

Ramsey County District Judge Robert Awsumb gave final approval on Oct. 27 to a settlement between the Port Authority and a group of bondholders that could end years of litigation over the industrial revenue bond fund that was used in the 1970s and 1980s to finance economic development projects in Saint Paul.

The next step in the settlement process is to pay current past-due interest to the Fund's more than 2,600 bondholders on December 1, 2011.

The Port Authority issued \$428.8 million in industrial and commercial development bonds under its Basic Resolution 876 from February 1974 through May 31, 1991. Those bonds funded 139 projects in and around the City of Saint Paul. As of today, \$51.7 million of those bonds remain outstanding.

Fund bonds are revenue bonds and are not backed by any tax revenues of the Port Authority, the City of

Saint Paul or any governmental source.

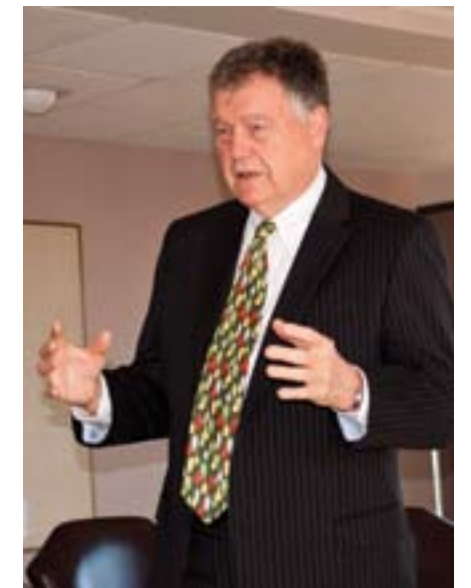
The Fund deteriorated over time due to a series of project defaults, and then defaulted in 2004.

"Judge Awsumb said it best. This is a win, win, win. It's a win for the bondholders, a win for the Port Authority and a win for the community," Port President Louis Jambois said. "For us, litigation with no end in sight is a distraction from our mission at the Port to create quality job opportunities, expand the tax base and advance sustainable development."

For the bondholders, Jambois said, a dedicated credit enhancement to the tax-exempt bonds will continue to September 1, 2032 – 10 years longer than projected in an earlier Port Authority proposal to liquidate the deteriorating fund in 2022, when the last of the 876 Fund bonds was scheduled to mature.

Details available at www.876fund.org.

Experts help Port staff explore areas Of business, green design and energy



Port Photos by Tonya Bauer

Port Forum experts describe the business, sustainable design and energy conservation environments in which they operate. (Left to right) Louis Henry owns several McDonald's restaurants, Rick Carter is a principal at LHB Inc., an architectural and planning firm, and Sheldon Strom is president of the Center for Energy and Environment.

The Saint Paul Port Authority creates quality job opportunities, expands the tax base and advances sustainable development

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