

**MEMORANDUM  
NOTICE**

**To:** CREDIT COMMITTEE  
**From:** Lee Krueger *Lee Krueger*  
**Subject:** **REGULAR CREDIT COMMITTEE MEETING  
AUGUST 20, 2019 – 2:00 P.M.**

**Date:** August 15, 2019

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **AUGUST 20, 2019**, at **2:00 p.m.** in the Board room of the Port Authority of the City of Saint Paul located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102. The purpose of the meeting is:

**Minutes**

Approval of Minutes of the July 23, 2019 Regular Credit Committee Meeting

**Conflict of Interest**

Conflicts with any items on the agenda

**Agenda Items**

1. District Energy St. Paul, Inc. – (1) Inducement Resolution No. 69; (2) Authorization for Tax Exempt Financing Allocation Application
2. 2019 Lease Renewal and Rental Rate Adjustment – Hawkins, Inc. – Red Rock Terminal
3. 606 North Loop, LLC – Approval of a \$376,000 Trillion BTU Loan
4. Curve Crest Professional Building, LLC – Approval of a \$167,000 Trillion BTU Loan
5. Mills Manor, Inc. – Approval of a \$100,000 Trillion BTU Loan
6. Rebound Exchange, LLC – Approval of a \$444,000 Trillion BTU Loan
7. Deer Lake Properties, LLC – Approval of a \$35,000 Trillion BTU Loan
8. ITM Lafayette, LLC; Lafayette Enterprises, LLC; 2H Lafayette, LLC; 315 Lafayette, LLC; HAF, LLC – Approval of a \$100,000 Trillion BTU Loan
9. Paul and Paula Schumacher – Approval of a \$73,000 Trillion BTU Loan
10. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY  
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING  
JULY 23, 2019**

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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:

John Bennett

John Marshall

Don Mullin

Also present were the following:

Lee Krueger

Todd Hurley

Michael Linder

Bruce Kessel

Kathryn Sarnecki

George Hoene

Dana Krueger

David Johnson

Ava Langston-Kenney

Laurie Siever

Eric Larson, General Counsel, City of Saint Paul

Commissioner Nneka Constantino

Sam Richie, Fryberger Law Firm

David Moberg, City of Saint Paul

**APPROVAL OF MINUTES**

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

**CONFLICT OF INTEREST**

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

**AGENDA ITEMS**

**2019 LEASE AMENDMENT AND RENTAL RATE**

**ADJUSTMENT CONTANDA TERMINALS, LLC AT BARGE TERMINAL NO. 1**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval of the 2019 lease amendment and rental rate adjustment for Contanda Terminals, LLC at Barge Terminal No. 1.

There was a brief discussion regarding river flooding and the effect on tenants and lease negotiations. There being no further discussion, Committee Member Marshall made a motion to approve the 2019 lease amendment and rental rate adjustment for Contanda Terminals, LLC

at Barge Terminal No. 1. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**COMPLIANCE WITH GRANT REQUIREMENTS FOR  
MINNESOTA’S PORT DEVELOPMENT ASSISTANCE PROGRAM FOR  
A DIRECT BARGE-RAIL-TRUCK TRANSLOAD FACILITY AT THE SOUTHPORT TERMINAL**

Ms. Langston-Kenney reviewed her memorandum with the Committee requesting the amendment of Resolution No. 4643 to comply with grant requirements for Minnesota’s Port Development Assistance Program for a direct barge-rail-truck transload facility at the Southport Terminal.

There being no discussion, Committee Member Marshall made a motion to approve the the amendment of Resolution No. 4643 to comply with grant requirements for Minnesota’s Port Development Assistance Program for a direct barge-rail-truck transload facility at the Southport Terminal. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**COMPLIANCE WITH GRANT REQUIREMENTS FOR  
MINNESOTA’S PORT DEVELOPMENT ASSISTANCE PROGRAM  
FOR A BARGE RECEIVING SYSTEM AT BARGE TERMINAL NO. 1**

Ms. Langston-Kenney reviewed her memorandum with the Committee requesting the amendment of Resolution No. 4644 to comply with grant requirements for Minnesota’s Port Development Assistance Program for a barge receiving system and Barge Terminal No. 1.

There being no discussion, Committee Member Marshall made a motion to approve the the amendment of Resolution No. 4644 to comply with grant requirements for Minnesota’s Port Development Assistance Program for a barge receiving system at Barge Terminal No. 1. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**OTHER BUSINESS**


There being no further business, the meeting was adjourned at 2:13 p.m.

By: \_\_\_\_\_

Its: \_\_\_\_\_

## MEMORANDUM

**To:** CREDIT COMMITTEE **Meeting Date:** August 20, 2019

**From:** Peter M. Klein 

**Subject:** **DISTRICT ENERGY ST. PAUL, INC.**

- 1. INDUCEMENT RESOLUTION NO. 69**
- 2. AUTHORIZATION FOR TAX EXEMPT FINANCING ALLOCATION APPLICATION**

**Action Requested:**

1. Provide preliminary approval for the Port Authority to issue taxable and tax-exempt bonds in the approximate amount of \$20,000,000 to finance the proposed extension of the Company's distribution system in downtown Saint Paul to connect new customers and thermal improvements and capacity to the system.
2. Authorization for application for up to a \$15,000,000 allocation of bonding authority from the Minnesota Management and Budget, Treasury Division.

**Public Purpose:**

The \$20,000,000 financing and up to \$15,000,000 allocation will enable District Energy St. Paul, Inc. to finance the proposed extension of the Company's distribution system in downtown Saint Paul to connect new customers and thermal improvements and capacity to the system.

**Business Subsidy:**

This proposal does not involve a business subsidy.

**Background:**

District Energy is a 501(c)(3) non-profit company that provides energy services to 200 buildings with nearly 32 million building square feet in downtown Saint Paul. It has operated since 1983 and continues to steadily grow.

**Proposal:**

District Energy has requested that the Port Authority apply for an allocation of tax-exempt bonding authority from the Public Facilities pool, which is administered by the Minnesota Management and Budget, Treasury Division. This pool has been established to finance public utility projects throughout the State and is similar to the Small Issue pool that the Port Authority utilizes to finance small manufacturing projects.

Approval of this resolution and authorization to make an application for allocation of bonding authority now will ensure that the upcoming expenses that the company may be incurring will be considered eligible expenses under the tax-exempt financing law. The authorization to make an application will allow the Port Authority to apply for an allocation of bonding authority from

the State of Minnesota. The inducement resolution expresses a preliminary intention of the Port Authority to issue obligations for this project, identifies the proposed project, and discloses the proposed amount of the bonds. Once the company determines the specifics of its construction project, it will be required to provide additional information to the Port Authority's Credit Committee for consideration prior to the final approval of the bond issue. In order for this portion of the project to proceed on a tax-exempt revenue bond basis, District Energy, through the Port Authority, must obtain an allocation of bonding authority from the Minnesota Management and Budget, Treasury Division.

**Workforce Implications:**

No direct implications other than construction jobs.

**Policy Exceptions:**

None.

**Recommendation:**

We recommend approval of Resolution No. 69 authorizing for up to a \$15,000,000 allocation of bonding authority from the Minnesota Management and Budget, Treasury Division.

Attachment: Inducement Resolution  
Board Resolution

**INDUCEMENT RESOLUTION OF  
THE CREDIT COMMITTEE OF THE  
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

**[District Energy St. Paul, Inc. Authorization  
for Tax-Exempt Financing Allocation Application]**

WHEREAS, the Port Authority of the City of Saint Paul, Minnesota (the "Port Authority") has received a request from District Energy St. Paul, Inc. (hereinafter referred to as "Company") that the Port Authority consider the issuance of its revenue bonds (which may be in the form of one or more notes) to finance the proposed extension of the Company's distribution system in downtown Saint Paul to connect new customers and thermal improvements and capacity additions to the system (the "Projects").

WHEREAS, the Port Authority desires to facilitate the selective development of the City of Saint Paul and the metro east community, to retain and improve its tax base and to help it provide the range of services and employment opportunities required by its population, and said Projects will assist in achieving that objective by increasing the assessed valuation of the metro east community; helping to maintain a positive relationship between assessed valuation and debt; and enhancing the image and reputation of the metro east community.

WHEREAS, the Projects to be financed by revenue bonds will result in additional employment opportunities in the City of Saint Paul and the metro east community.

WHEREAS, the Port Authority has been advised by representatives of the Company that the Company has been acting to date in anticipation that the Port Authority would favorably consider this financing proposal.

WHEREAS, the Port Authority's Credit Committee has adopted its Resolution giving preliminary approval to the proposed issuance of bonds.

NOW, THEREFORE, BE IT RESOLVED by the Credit Committee of the Port Authority of the City of Saint Paul, Minnesota as follows:

1. On the basis of information available to the Port Authority it appears, and the Port Authority hereby finds, that: said Projects constitutes properties, used or useful in connection with one or more revenue producing enterprises engaged in any business within the meaning of Minnesota Statutes, Sections 469.152 to 469.1655 (the "Act"); the Projects furthers the purposes stated in the Act; and it is in the best interests of the port district and the people of the City of Saint Paul and metro east community and in furtherance of the general plan of development to assist the Company in financing the Projects.

2. The Authority hereby indicates its intention to issue its tax-exempt and/or taxable revenue bonds, in a principal amount to be determined, to provide funds to the Company to

finance the Projects, provided that the Port Authority, the Company and the purchaser of the revenue bonds are able to reach agreement as to the details of the revenue agreement and other documents necessary to evidence and effect the financing of the Projects and the issuance of the revenue bonds, and further provided that the Projects and its financing receive approval by the Department of Employment and Economic Development of the State of Minnesota and an allocation of any bonding authority necessary for the tax-exempt bonds from the Minnesota Management and Budget, Treasury Division.

3. The staff of the Port Authority is authorized and directed to prepare and submit the application for allocation of bonding authority, as needed, for approximately \$15,000,000, and to continue negotiations with the Company so as to resolve the issues necessary to the preparation of the revenue agreement and other documents necessary to the approval by the Port Authority of the proposed revenue bond financing.

4. If issued, the revenue bonds (including any interim note or notes) and interest thereon shall not constitute an indebtedness of the Port Authority or the City of Saint Paul within the meaning of any constitutional or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Port Authority or the City of Saint Paul or a charge against their general credit or taxing powers and neither the full faith and credit nor the taxing powers of the Port Authority or the City of Saint Paul is pledged for the payment of the bonds (and interim note or notes) or interest thereon.

5. Approval of this resolution is not a commitment from the Port Authority, and final approval of the Projects, and the issuance of revenue bonds to finance the Projects, is subject to further review by the Port Authority following submission of a full application by the Company and satisfaction of the conditions and approvals described in paragraph 2, above.

6. The Company intends to make expenditures for the capital projects financed by the obligations and reimburse such expenditures from the proceeds of the obligations. This resolution is intended to constitute a declaration of the Port Authority's official intent, for purposes of Section 1.150-2 of the Treasury Regulations, with respect to certain original expenditures made from any sources other than the proceeds of the obligations, in conjunction with the capital projects financed thereby for the Projects.

Adopted: August 20, 2019

THE CREDIT COMMITTEE OF THE PORT  
AUTHORITY OF THE CITY OF SAINT PAUL

By \_\_\_\_\_  
Its \_\_\_\_\_

ATTEST

By \_\_\_\_\_  
Its \_\_\_\_\_

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

**[District Energy St. Paul, Inc.  
Approval for Tax-Exempt Financing Allocation Application]**

WHEREAS, the Port Authority of the City of Saint Paul, Minnesota (the "Port Authority") has received a request from District Energy St. Paul, Inc. (hereinafter referred to as "Company") that the Port Authority consider the issuance of its revenue bonds (which may be in the form of one or more notes) to finance the proposed extension of the Company's distribution system in downtown Saint Paul to connect new customers and thermal improvements and capacity additions to the system (the "Projects").

WHEREAS, the Port Authority desires to facilitate the selective development of the City of Saint Paul and the metro east community, to retain and improve its tax base and to help it provide the range of services and employment opportunities required by its population, and said Projects will assist in achieving that objective by increasing the assessed valuation of the metro east community; helping to maintain a positive relationship between assessed valuation and debt; and enhancing the image and reputation of the metro east community.

WHEREAS, the Projects to be financed by revenue bonds will result in additional employment opportunities in the City of Saint Paul and the metro east community.

WHEREAS, the Port Authority has been advised by representatives of the Company that the Company has been acting to date in anticipation that the Port Authority would favorably consider this financing proposal.

WHEREAS, the Port Authority's Credit Committee has adopted its Resolution giving preliminary approval to the proposed issuance of bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Port Authority of the City of Saint Paul, Minnesota as follows:

1. On the basis of information available to the Port Authority it appears, and the Port Authority hereby finds, that: said Projects constitutes properties, used or useful in connection with one or more revenue producing enterprises engaged in any business within the meaning of Minnesota Statutes, Sections 469.152 to 469.1655 (the "Act"); the Projects furthers the purposes stated in the Act; and it is in the best interests of the port district and the people of the City of Saint Paul and metro east community and in furtherance of the general plan of development to assist the Company in financing the Projects.

2. The Authority hereby indicates its intention to issue its tax-exempt and/or taxable revenue bonds, in a principal amount to be determined, to provide funds to the Company to finance the Projects, provided that the Port Authority, the Company and the purchaser of the



revenue bonds are able to reach agreement as to the details of the revenue agreement and other documents necessary to evidence and effect the financing of the Projects and the issuance of the revenue bonds, and further provided that the Projects and its financing receive approval by the Department of Employment and Economic Development of the State of Minnesota and an allocation of any bonding authority necessary for the tax-exempt bonds from the Minnesota Management and Budget, Treasury Division.

3. The staff of the Port Authority is authorized and directed to prepare and submit the application for allocation of bonding authority, as needed, for approximately \$15,000,000, and to continue negotiations with the Company so as to resolve the issues necessary to the preparation of the revenue agreement and other documents necessary to the approval by the Port Authority of the proposed revenue bond financing.

4. If issued, the revenue bonds (including any interim note or notes) and interest thereon shall not constitute an indebtedness of the Port Authority or the City of Saint Paul within the meaning of any constitutional or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Port Authority or the City of Saint Paul or a charge against their general credit or taxing powers and neither the full faith and credit nor the taxing powers of the Port Authority or the City of Saint Paul is pledged for the payment of the bonds (and interim note or notes) or interest thereon.

5. Approval of this resolution is not a commitment from the Port Authority, and final approval of the Projects, and the issuance of revenue bonds to finance the Projects, is subject to further review by the Port Authority following submission of a full application by the Company and satisfaction of the conditions and approvals described in paragraph 2, above.

6. The Company intends to make expenditures for the capital projects financed by the obligations and reimburse such expenditures from the proceeds of the obligations. This resolution is intended to constitute a declaration of the Port Authority's official intent, for purposes of Section 1.150-2 of the Treasury Regulations, with respect to certain original expenditures made from any sources other than the proceeds of the obligations, in conjunction with the capital projects financed thereby for the Projects.

Adopted: August 27, 2019


PORT AUTHORITY OF THE  
CITY OF SAINT PAUL

By \_\_\_\_\_  
Its \_\_\_\_\_

ATTEST

By \_\_\_\_\_  
Its \_\_\_\_\_

**MEMORANDUM**

**To:** CREDIT COMMITTEE **Meeting Date:** August 20, 2019  
**From:** Kathryn L. Sarnecki   
**Subject:** **2019 LEASE RENEWAL AND RENTAL RATE ADJUSTMENT – HAWKINS, INC. – RED ROCK TERMINAL RESOLUTION NO. \_\_\_\_\_**

**Action Requested:**

Approval of a 2019 lease renewal and rental rate adjustment for leased premises at 1425 Red Rock Road in the Red Rock Terminal with Tenant, Hawkins, Inc.

**Background:**

The Port Authority leased 10.71 acres (466,528 sq/ft) at 1425 Red Rock Road in the Red Rock Terminal in Saint Paul, Minnesota to Hawkins, Inc. with the 30-year lease extending to July 31, 2029 (the “Leased Premises”). A map depicting the Leased Premises is attached hereto for your reference. The Leased Premises is primarily used for bulk chemical blending and distribution and the loading and unloading of bulk commodities.

**Lease Terms and Conditions:**

Current Lease: Through July 31, 2029

Proposed Five-Year Rental Rate Adjustment: August 1, 2019 through July 31, 2024

Annual rental rate adjustments is 3.5% per year (with a multiplier of 1.035).

*Base Rent for year ending 7/31/2019 - \$189,037.15*  
*Base Rent Multiplier beginning 8/1/2019: 1.035*

Base Rent	SF Included	Period Total	Quarterly
Aug. 1, 2019 – July 31, 2020	466,528	\$195,653.45	\$48,913.36
Aug. 1, 2020 – July 31, 2021	466,528	\$202,501.32	\$50,625.33
Aug. 1, 2021 – July 31, 2022	466,528	\$209,588.86	\$52,397.22
Aug. 1, 2022 – July 31, 2023	466,528	\$216,924.47	\$54,231.12
Aug. 1, 2023 – July 31, 2024	466,528	\$224,516.82	\$56,129.21

Tonnage fees will be increased from \$0.10 per ton to \$0.12 per ton of loaded product, pursuant to the method of measurement in the original Leases.

All the base rent from this lease and half of the tonnage will go to 876 bondholders. The other half of the tonnage will go to our River Maintenance Fund.

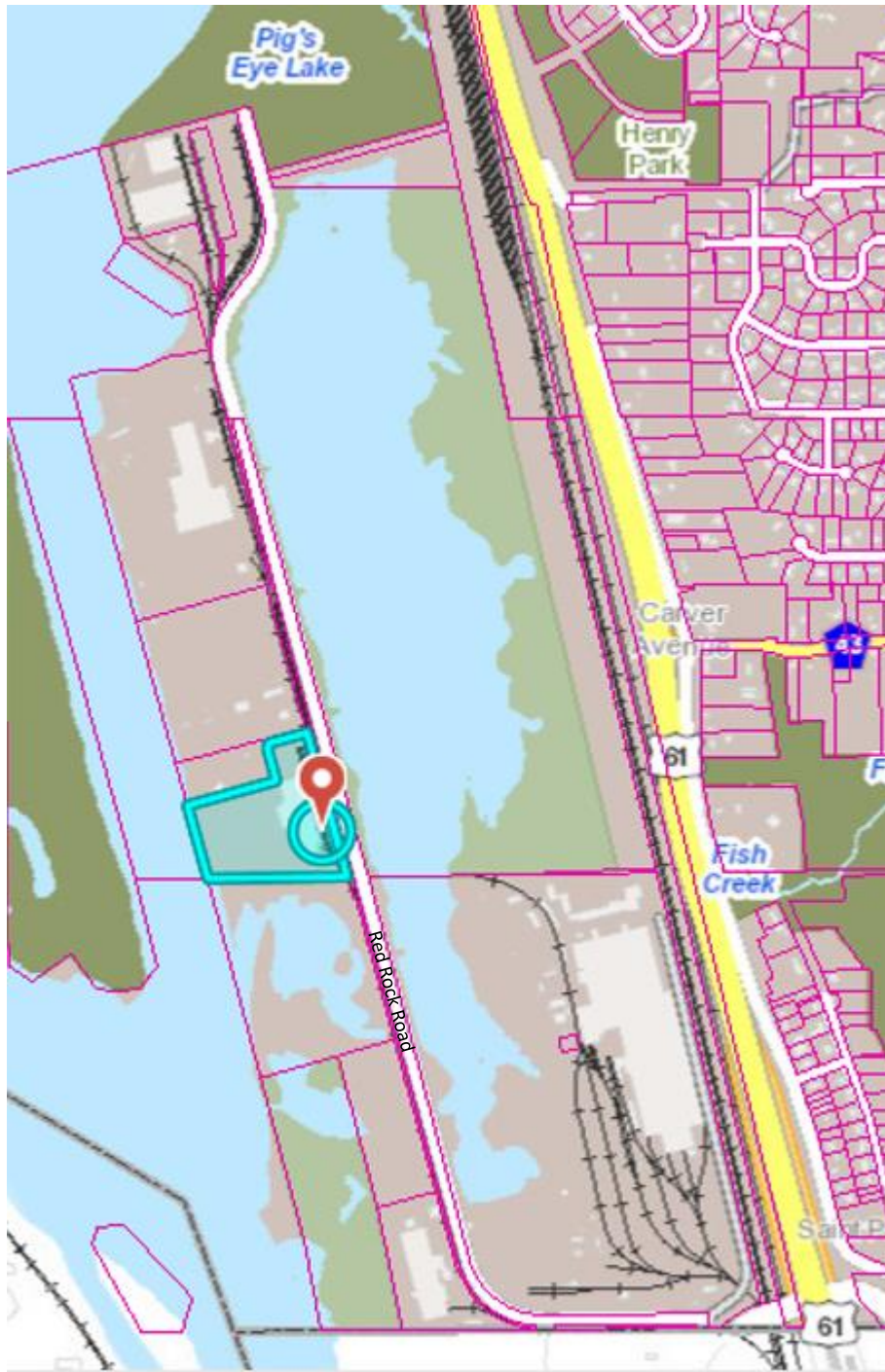
**Tenant Improvements:**

Tenant's responsibility to invest in capital improvements to the Leased Premises pursuant to Section 11 of the original Lease has been satisfied by the investment by Tenant of \$20.8 million into the Leased Premises to date.

**Recommendation:**

Approval for the 2019 lease renewal and rental rate adjustment for the Leased Premises at 1425 Red Rock Road in the Red Rock Terminal for Hawkins, Inc.

Attachment: Map  
Resolution



= Hawkins, Inc.  
1425 Red Rock Road  
Saint Paul, MN

**RESOLUTION OF THE  
PORT AUTHORITY OF THE CITY OF SAINT PAUL  
[2019 LEASE RENEWAL AND RENTAL RATE  
ADJUSTMENT – HAWKINS, INC. – RED ROCK TERMINAL]**

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

WHEREAS, the Port Authority wants to enter into a 2019 Lease Renewal and Rental Rate Adjustment for the leased premises at 1425 Red Rock Road in the Red Rock Terminal with Hawkins, Inc. (the "Tenant"), which adjusts the rates in the Lease through July 31, 2024 as set forth below:

<p><i>Base Rent for year ending 7/31/2019 - \$189,037.15</i>  <i>Base Rent Multiplier beginning 8/1/2019: 1.035</i></p>
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<b>Base Rent</b>	<b>SF Included</b>	<b>Period Total</b>	<b>Quarterly</b>
Aug. 1, 2019 – July 31, 2020	466,528	\$195,653.45	\$48,913.36
Aug. 1, 2020 – July 31, 2021	466,528	\$202,501.32	\$50,625.33
Aug. 1, 2021 – July 31, 2022	466,528	\$209,588.86	\$52,397.22
Aug. 1, 2022 – July 31, 2023	466,528	\$216,924.47	\$54,231.12
Aug. 1, 2023 – July 31, 2024	466,528	\$224,516.82	\$56,129.21

WHEREAS, tonnage fees will be increased from \$0.10 per ton to \$0.12 per ton of loaded product, pursuant to the method of measurement in the original Lease.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL that the proposed 2019 Lease Renewal and Rental Rate Adjustment, as contained in the Memorandum to the Board, is hereby approved; and

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 2019 Lease Renewal and Rental Rate Adjustment in accordance with the above-referenced terms in form as approved by counsel.

Adopted: August 27, 2019

PORT AUTHORITY OF THE  
CITY OF SAINT PAUL

By \_\_\_\_\_  
Its \_\_\_\_\_

ATTEST:

By \_\_\_\_\_  
Its \_\_\_\_\_

## MEMORANDUM

**To:** CREDIT COMMITTEE

**From:** Michael J. Linder *MJL*

**Subject:** **606 NORTH LOOP, LLC**  
**APPROVAL OF A \$376,000 TRILLION BTU LOAN**

**Meeting Date:** August 20, 2019

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$376,000 with 606 North Loop, LLC for the installation of new HVAC units and controls on a commercial property located in Minneapolis, 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:**

606 North Loop, LLC is a real estate entity that owns a multi-use commercial building located at 606 N Washington Avenue in Minneapolis. The building consists of four floors of commercial space, with the Loop Restaurant occupying the street level retail space. The remaining three floors are currently unoccupied as the building is being redeveloped for new commercial tenants. The project consists of replacing two HVAC roof-top units with four new high efficiency units along with new controls throughout the building for added efficiency. The property has a tax assessed value of \$3,594,000. An appraisal shows an as-stabilized value of \$6.6 million.

**Proposed Project:**

New HVAC Units and Controls	
Purchase Price and Installation	\$376,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$376,000
Uses of funds:	
New HVAC Units and Controls	\$376,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Hennepin County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special

assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

**Financial Analysis:**

Tax returns were not received for the last three years as this is a new entity created for the recent purchase of the property in September of 2018. The company did provide a current balance sheet and income statement Net income year to date was negative due to the vacancy during redevelopment. The company provided a proforma cash flow analysis that shows a stabilized debt service coverage ratio of 1.87 to 1. Paster Properties is the controlling entity and Colliers International is in charge of leasing. Given the location of the building in the North Loop neighborhood, leasing interest has been high. The following ratios are as of June 30, 2019:

Debt Service Coverage:	Neg.	Trillion standard of at least:	1.15
Debt-to-Equity:	1.84	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	New HVAC Units and Controls
Amount of Loan:	\$376,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

590 MMBTUs (\$20,000) annually.

**Workforce Implications:**

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

**Policy Exceptions:**

Yes – Three years of tax returns were not received, and the property is currently being redeveloped, with three vacant floors. This is mitigated by the proforma analysis showing profitability and strong leasing interest for the building, as well as the strong track record of the parent company.

**Recommendation:**

We recommend the approval of a \$376,000 Trillion BTU loan to 606 North Loop, LLC.



## MEMORANDUM

**To:** CREDIT COMMITTEE

**From:** Michael J. Linder *MJL*

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

**Meeting Date:** August 20, 2019

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$167,000 with Curve Crest Professional Building, LLC for the installation of HVAC units and controls and LED lighting on a commercial property located in Stillwater, 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:**

Curve Crest Professional Building, LLC is a real estate entity that owns a multi-tenant office building located at 2850 Curve Crest Blvd in Stillwater. The scope of the project includes the replacement of four roof-top HVAC units along with building controls, as well as LED lighting retrofit throughout the building. The property has a tax assessed value of \$5,593,500.

**Proposed Project:**

HVAC Units and Controls and LED Lighting	
Purchase Price and Installation	\$167,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$167,000
Uses of funds:	
HVAC Units and Controls	\$151,500
LED Lighting	\$ 15,500

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Washington County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time.

In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

**Financial Analysis:**

Tax returns and proforma financial statements were received for the last three years and show the property was profitable in all three years. The debt service coverage ratio was 1.26 to 1 prior to the PACE loan and proforma coverage of 1.17 to 1 when including the PACE loan. The debt-to-equity was above guideline at 10 to 1, caused primarily by accumulated depreciation and mitigated by the loan to tax value of 43%. The following ratios are as of December 31, 2018:

Debt Service Coverage:	1.26	Trillion standard of at least:	1.15
Debt-to-Equity:	10.00	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	HVAC Units and Controls
Amount of Loan:	\$167,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

300 MMBTUs (\$10,300) annually.

**Workforce Implications:**

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

**Policy Exceptions:**

Yes – Debt-to-equity is above guideline due mainly to accumulated depreciation. This is also mitigated by the loan to tax value of 43%.

**Recommendation:**

We recommend the approval of a \$167,000 Trillion BTU loan to Curve Crest Professional Building, LLC.

## MEMORANDUM

**To:** CREDIT COMMITTEE  
**From:** Michael J. Linder *MJL*  
**Subject:** **MILLS MANOR, INC.**  
**APPROVAL OF A \$100,000 TRILLION BTU LOAN**

**Meeting Date:** August 20, 2019

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$100,000 with Mills Manor, Inc. for the installation of a new boiler and air handling equipment on a commercial property located in New York Mills, 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:**

Mills Manor is an assisted living facility located at 215 Tousley Avenue S in New York Mills. The owners purchased the facility in 2018 which was then a shuttered nursing home. Renovations were made and the facility reopened in April 2019. The scope of the project includes the replacement of the original steam boiler with a high efficiency boiler and air handling equipment. The property has a tax assessed value of \$562,750.

**Proposed Project:**

Boiler and Air Handling Equipment	
Purchase Price and Installation	\$100,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$100,000
Uses of funds:	
Boiler and Air Handling Equipment	\$100,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Otter Tail County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that

the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

**Financial Analysis:**

Tax returns were received for 2018, the year the business was created. Since the property was vacant when they purchased it, there is no revenue showing on the returns. Operating statements show net losses since the property was recently placed into service with the first residents moving in in April of this year. A rent roll shows the building has approximately 22 units, with 12 of them occupied. Given the high demand of senior living facilities the occupancy rate should increase quickly. Also, there is negative equity in the project as the property was redeveloped and first six months of operation show net losses. The following ratios are as of December 31, 2018:

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:	Boiler and Air Handling Equipment
Amount of Loan:	\$100,000
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.  
1 FTE for construction jobs.

**Policy Exceptions:**

Yes – Three years of financial statements were not obtained and lack of profitability. This is due to the redevelopment of the property and ownership change as well as the security of the PACE assessment.

**Recommendation:**

We recommend the approval of a \$100,000 Trillion BTU loan to Mills Manor, Inc.

## MEMORANDUM

**To:** CREDIT COMMITTEE

**From:** Michael J. Linder *MJL*

**Subject:** **REBOUND EXCHANGE, LLC**  
**APPROVAL OF A \$444,000 TRILLION BTU LOAN**

**Meeting Date:** August 20, 2019

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$444,000 with Rebound Exchange, LLC for the installation of energy efficiency upgrades 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:**

In May 2018, the Credit Committee approved a PACE loan to Rebound Exchange in the amount of \$394,000 for energy efficiency upgrades for the Exchange Building located at 26 E. Exchange Street. The company purchased the property in September 2017 and is in the process of converting it to 72-room boutique hotel. The total cost of the energy conservation improvements was estimated to be \$838,000 but the PACE loan was limited to 20% of the property's assessed value. With the passage of the new PACE legislation allowing financing of up to 20% of the appraised value, the borrower is requesting an additional loan of \$444,000. The property has a tax assessed value of \$1,969,400 and an appraisal shows a stabilized value of \$13.8 million. Qualified improvements include high efficiency HVAC units, water heaters, boilers and LED lighting.

**Proposed Project:**

Energy Efficiency Improvements	
Purchase Price and Installation	\$444,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$444,000

Uses of funds:	
Energy Efficiency Improvements	\$444,000

In order to leverage the grant funds, we are requesting that all local EDA's 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:**

Proforma financial statements were provided which show the construction is planned to be completed and the hotel opened October 15<sup>th</sup> of this year. The proforma's show that the first full year of operations in 2020 will result in net losses, however, when excluding depreciation and amortization, operating income will result in a debt service coverage ratio of 1.38 to 1. When including both PACE loans the debt service coverage ratio would be 1.21 to 1. The entity shows the current debt to equity with all sources of financing included is 3 to 1. The following proforma ratios are as of December 31, 2020:

Debt Service Coverage:	1.38	Trillion standard of at least:	1.15
Debt-to-Equity:	3:00	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	Energy Efficiency Improvements
Amount of Loan:	\$444,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

700 MMBTUs (\$24,000) annually.

**Workforce Implications:**

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

**Policy Exceptions:**

Yes – Three years history of financial statements not available as this is a new development.

**Recommendation:**

We recommend the approval of a \$444,000 Trillion BTU loan to Rebound Exchange, LLC.

## MEMORANDUM

**To:** CREDIT COMMITTEE

**From:** Michael J. Linder *MJL*

**Subject:** **DEER LAKE PROPERTIES, LLC**  
**APPROVAL OF A \$35,000 TRILLION BTU LOAN**

**Meeting Date:** August 20, 2019

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$35,000 with Deer Lake Properties, LLC for the installation of LED lighting on a commercial property located in Bemidji, 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:**

Deer Lake Properties is a real estate holding company that owns a building located at 8955 Deer School Road in Bemidji. The building is occupied by a single tenant, School Craft Learning Community, a K-8 charter school with 200 students. The school has been expanding and signed a lease last year to move their campus to this new facility. The owners have made approximately \$1.9 million in improvements and the property has a tax assessed value of \$499,800, which does not reflect the extensive renovation and additions to the property.

**Proposed Project:**

LED Lighting Upgrade	
Purchase Price and Installation	\$35,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$35,000
Uses of funds:	
LED Lighting Upgrade	\$35,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Beltrami County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that

the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

**Financial Analysis:**

The property was purchased in 2018, so three years of tax returns were not available. The property was vacant when purchased and School Craft has signed a 10-year lease on the property. Annual rent is \$300,000 and the annual debt service on all outstanding loans is approximately \$198,000 per year with the school paying all building expenses with a triple-net lease. A profit and loss statement through June 30, 2019 shows positive profit with a debt coverage ratio of 1.36 to 1. A balance sheet was not provided but there is approximately \$2.3 million in outstanding loans with an “As-Stabilized” building valuation of \$4.5 million, resulting in a loan to value of 51%. The following ratios are as of December 31, 2017:

Debt Service Coverage:	1.36	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 Upgrade
Amount of Loan:	\$35,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

170 MMBTUs (\$5,800) annually.

**Workforce Implications:**

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

**Policy Exceptions:**

Yes- Three years of financials were not available as this is a new entity in 2018. This is mitigated by the long-term lease of the tenant, a certified charter school.

**Recommendation:**

We recommend the approval of a \$35,000 Trillion BTU loan to Deer Lake Properties, LLC.



## MEMORANDUM

**To:** CREDIT COMMITTEE **Meeting Date:** August 20, 2019  
**From:** Michael J. Linder *MJL*  
**Subject:** **ITM LAFAYETTE, LLC; LAFAYETTE ENTERPRISES, LLC; 2H LAFAYETTE, LLC; 315 LAFAYETTE, LLC; HAF, LLC**  
**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 ITM Lafayette, LLC; Lafayette Enterprises, LLC; 2H Lafayette, LLC; 315 Lafayette, LLC and HAF, LLC for the installation of 40-kW solar array on a commercial property located in West 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:**

The five real estate entities are tenants in common who own a commercial building located at 1970 Christensen Avenue in West St. Paul. The 33,000 square foot building has a single occupant, West St. Paul School District, which operates the building as an early learning center. The property has a tax assessed value of \$1,209,200. The owners are installing a roof mounted solar array to offset 50% of the building's electricity use.

**Proposed Project:**

40-kW Solar Array  
Purchase Price and Installation \$100,000

**Sources and Uses of Funds:**

Sources of funds:  
Trillion BTU \$100,000  
  
Uses of funds:  
40-kW Solar Array \$100,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Dakota County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special

assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

**Financial Analysis:**

Financial statements for the property show the property was profitable in the last three years and year-to-date. The property had a debt service coverage ratio of 1.43 to 1 prior to the PACE loan and 1.36 after factoring it in. A balance sheet was not available, however, the loan-to-value on the property is 70%. The following ratios are as of December 31, 2018:

Debt Service Coverage:	1.43	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:	40-kW Solar Array
Amount of Loan:	\$100,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

170 MMBTUs (\$5,800) 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 \$100,000 Trillion BTU loan to ITM Lafayette, LLC; Lafayette Enterprises, LLC; 2H Lafayette, LLC; 315 Lafayette, LLC and HAF, LLC.

## MEMORANDUM

**To:** CREDIT COMMITTEE

**From:** Michael J. Linder *MJL*

**Subject:** PAUL AND PAULA SCHUMACHER  
APPROVAL OF A \$73,000 TRILLION BTU LOAN

**Meeting Date:** August 20, 2019

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$73,000 with Paul and Paula Schumacher for the installation of 40-kW solar array on a commercial property located in Greenfield, 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:**

Paul and Paula Schumacher own and operate Greenfield Mini-Storage, located at 7980 Highway 55 in Greenfield. The property has a tax assessed value \$1,552,000. The owners are installing a roof-mounted solar array on the storage units to offset electricity use on the property.

**Proposed Project:**

40-kW Solar Array

Purchase Price and Installation	\$73,000
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**Sources and Uses of Funds:**

Sources of funds:

Trillion BTU	\$73,000
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Uses of funds:

40-kW Solar Array	\$73,000
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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. Hennepin County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funding source.

**Financial Analysis:**

Tax returns were received for the last three years and show the property was profitable in all three years. There is no mortgage on the property, so a debt service coverage ratio is not applicable. The debt service coverage ratio for the PACE loan would have been 10.4 to 1. A debt to equity ratio was also not applicable as there is no outside debt on the property. The following ratios are as of December 31, 2018:

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:	40-kW Solar Array
Amount of Loan:	\$73,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

265 MMBTUs (\$9,000) 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 \$73,000 Trillion BTU loan to Paul and Paula Schumacher.

**Trillion BTU / PACE Loan Summary  
For the month of August 2019**

<b>Borrower</b>	<b>606 North Loop, LLC</b>	<b>Curve Crest Prof. Bldg, LLC</b>	<b>Mills Manor, Inc.</b>	<b>Rebound Exchange, LLC</b>	<b>Deer Lake Properties, LLC</b>	<b>ITM Lafayette, et al.</b>	<b>Paul &amp; Paula Schumacher</b>
<b>Loan Amount</b>	\$ 376,000	\$ 167,000	\$ 100,000	\$ 444,000	\$ 35,000	\$ 100,000	\$ 73,000
<b>Interest Rate</b>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
<b>Term (Years)</b>	10	10	10	10	10	10	10
<b>Collateral</b>							
Signed Loan Agreement	Y	Y	Y	Y	Y	Y	Y
Personal Guaranty	N	N	N	N	N	N	N
PACE Special Assessment	Y	Y	Y	Y	Y	Y	Y
<b>Project Description</b>	HVAC units and controls	HVAC units and controls; LED lighting	Boiler and air handling equipment	Efficiency upgrades	LED lighting	40-kW solar array	40-kW solar array
<b>Sources &amp; Uses</b>							
<b>Sources of Funds:</b>							
Trillion BTU	\$ 376,000	\$ 167,000	\$ 100,000	\$ 444,000	\$ 35,000	\$ 100,000	\$ 73,000
Other Funding Sources							
<b>Total Sources</b>	\$ 376,000	\$ 167,000	\$ 100,000	\$ 444,000	\$ 35,000	\$ 100,000	\$ 73,000
<b>Uses of Funds:</b>							
HVAC	\$ 376,000	\$ 151,500					
LED Lighting		15,500			35,000		
Solar Array						100,000	73,000
Boiler			100,000				
Other				444,000			
<b>Total Uses</b>	\$ 376,000	\$ 167,000	\$ 100,000	\$ 444,000	\$ 35,000	\$ 100,000	\$ 73,000
<b>Financial Ratios</b>							
Debt Service Coverage (Std > 1.15)	Neg.	1.26	N/A	1.38	1.36	1.43	N/A
Debt-to-Equity (Std < 4.00)	1.84	10.00	N/A	3.00	N/A	N/A	N/A
Profitable in 2 of last 3 years (Y/N)	N	Y	N	N	N	Y	Y
Policy Exception (Y/N)	Y	Y	Y	Y	Y	N	N
<b>Annual Energy Savings</b>							
MMBTUs	590	300	615	700	170	170	265
Dollars	\$ 20,000	\$ 10,300	\$ 21,000	\$ 24,000	\$ 5,800	\$ 5,800	\$ 9,000
<b>Workforce Implications</b>							
Construction Jobs	4	2	1	4	1	1	1