

**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE
From: Lee Krueger *Lee Krueger*
Subject: **REGULAR CREDIT COMMITTEE MEETING
FEBRUARY 19, 2019 – 2:00 P.M.**

Date: February 14, 2019

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **FEBRUARY 19, 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 January 15, 2019 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Acorn Mini-Storage XIV, LLC and Megin Properties, LLC – Approval of a \$75,000 Trillion BTU Loan
2. Dulayne Properties, LLC and Ancona Escrow, Inc. – Approval of a \$119,000 Trillion BTU Loan
3. JT Leasing, Inc. – Approval of a \$188,000 Trillion BTU Loan
4. John and Lynn Kroll and Benjamin Barlage – Approval of an \$81,000 Trillion BTU Loan
5. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
JANUARY 15, 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
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Also present were the following:

Lee Krueger	Pete Klein	Michael Linder
Monte Hilleman	Andrea Novak	Bruce Kessel
Kathryn Sarnecki	Ava Langston-Kenney	Laurie Siever
Dana Krueger	Ann Kosel	Linda Williams
Deb Forbes	David Johnson	
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Bennett made a motion to approve the minutes of the December 11, 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

APPROVAL OF DESIGNATED DEPOSITORIES OF THE PORT AUTHORITY

Mr. Kessel reviewed his memorandum with the Committee requesting approval of an updated list of financial institutions as designated depositories of the Port Authority.

There being no discussion, Committee Member Bennett made a motion to approve the updated list of financial institutions as designated depositories of the Port Authority. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

CONCORDIA UNIVERSITY, ST. PAUL – AUTHORIZATION FOR THE ISSUANCE OF BANK-QUALIFIED TAX-EXEMPT CONDUIT REVENUE BONDS IN THE APPROXIMATE AMOUNT OF \$5,500,000

Mr. Klein reviewed his memorandum with the Committee requesting approval to issue approximately \$5,500,000 of bank-qualified conduit tax-exempt revenue bonds to be used to finance the acquisition of the Central Midway building located at 393 Dunlap Street in Saint Paul.

Discussion included, but was not limited to, the cap on the amount of bank-qualified bonds the Port Authority may issue, how these projects come to us, and other options for borrowers if the Port is unable to issue bonds.

There being no further discussion, Committee Member Bennett made a motion to approve the issuance of approximately \$5,500,000 of bank-qualified conduit tax-exempt revenue bonds to finance the acquisition of the Central Midway building located at 393 Dunlap Street in Saint Paul. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

EASTGATE I, LLC – APPROVAL OF A \$143,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$143,000 Trillion BTU loan to Eastgate I, LLC for the installation of roof-top HVAC units.

There being no discussion, Committee Member Bennett made a motion to approve a \$143,000 Trillion BTU loan to Eastgate I, LLC for the installation of roof-top HVAC units. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

NSP POST 39 AMERICAN LEGION – APPROVAL OF AN \$80,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an \$80,000 Trillion BTU loan to NSP Post 39 American Legion for the installation of 5 roof-top HVAC units.

There being no discussion, Committee Member Marshall made a motion to approve an \$80,000 Trillion BTU loan to NSP Post 39 American Legion for the installation of 5 roof-top HVAC units. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

ROGER AND JUDITH WALKES – APPROVAL OF AN \$81,100 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of an \$81,100 Trillion BTU loan to Roger and Judith Walkes for the installation of a 33-kW solar array.

There being no discussion, Committee Member Bennett made a motion to approve an \$81,100 Trillion BTU loan to Roger and Judith Walkes for the installation of a 33-kW solar array. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

2019 GRANT APPLICATION AND ACCEPTANCE AUTHORIZATION

Mr. Larson reviewed his memorandum with the Committee requesting approval for 2019 for the President of the Port Authority, or anyone acting under his direction, to apply for and accept any grant or other financial resource assistance so long as the assistance furthers the Port Authority's mission.

There being no discussion, Committee Member Bennett made a motion to authorize the President of the Port Authority, or anyone acting under his direction, to apply for and accept any grant or other financial resource assistance so long as the assistance furthers the Port Authority's mission. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**ACCEPTANCE OF GRANT FUNDING FROM MINNESOTA'S
PORT DEVELOPMENT ASSISTANCE PROGRAM FOR A DIRECT
BARGE-RAIL-TRUCK TRANSLOAD FACILITY AT SOUTHPORT TERMINAL WITH ALTER LOGISTICS**

Ms. Langston-Kenney reviewed her memorandum with the Committee requesting approval for the Port Authority to accept, receive and administer funding from the Minnesota Port Development Assistance Program for a grant in the amount of \$1,818,050 for the final design and construction of a direct barge-rail-truck transload facility located in the Southport Terminal.

Discussion included, but was not limited to, the amount to be contributed by Alter Logistics and who is responsible for cost overruns.

There being no further discussion, Committee Member Bennett made a motion to authorize the Port Authority to accept, receive and administer funding from the Minnesota Port Development Assistance Program for a grant in the amount of \$1,818,050 for the final design and construction of a direct barge-rail-truck transload facility located in the Southport Terminal. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**ACCEPTANCE OF GRANT FUNDING FROM MINNESOTA'S
PORT DEVELOPMENT ASSISTANCE PROGRAM FOR A BARGE
RECEIVING SYSTEM AT BARGE TERMINAL NO. 1 WITH BTHREE, LLC**

Ms. Langston-Kenney reviewed her memorandum with the Committee requesting approval for the Port Authority to accept, receive and administer funding from the Minnesota Port Development Assistance Program for a grant in the amount of \$2,590,000 for the construction of a new Barge Receiving System located at Barge Terminal No. 1.

There being no discussion, Committee Member Bennett made a motion to authorize the Port Authority to accept, receive and administer funding from the Minnesota Port Development Assistance Program for a grant in the amount of \$2,590,000 for the construction of a new Barge Receiving System located at Barge Terminal No. 1. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**ACCEPTANCE OF GRANT FUNDING FROM MINNESOTA'S
PORT DEVELOPMENT ASSISTANCE PROGRAM FOR FENDER
REPLACEMENT PROJECT AT BARGE TERMINAL NO. 1**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval for the Port Authority to accept, receive and administer \$108,295 of grant funding from the Minnesota Port Development Assistance Program for replacement of fenders along the dock wall located at Barge Terminal No. 1.

There being no discussion, Committee Member Bennett made a motion to authorize the Port Authority to accept, receive and administer \$108,295 of grant funding from the Minnesota Port Development Assistance Program for replacement of fenders along the dock wall located at Barge Terminal No. 1. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**2018-2022 LEASE – ORIGINATION, INC. AT
637 BARGE CHANNEL ROAD – SOUTHPORT TERMINAL**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval of a five-year lease for leased premises with dock wall access at 637 Barge Channel Road in the Southport Terminal.

Discussion included, but was not limited to, the lease negotiation process and the rationale on pricing.

There being no further discussion, Committee Member Bennett made a motion to approve a five-year lease for leased premises with dock wall access at 637 Barge Channel Road in the Southport Terminal. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**2019 LEASE AMENDMENT AND RENTAL RATE ADJUSTMENTS – HAWKINS, INC.
AT 701 BARGE CHANNEL ROAD AND 0 BARGE CHANNEL ROAD – SOUTHPORT TERMINAL**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval of two lease amendment and rental rate adjustments for leased premises at 701 Barge Channel Road and 0 Barge Channel Road in the Southport Terminal.

There being no discussion, Committee Member Bennett made a motion to approve two lease amendment and rental rate adjustments for leased premises at 701 Barge Channel Road and 0 Barge Channel Road in the Southport Terminal. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:35 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** February 19, 2019
From: Michael J. Linder *MJL*
Subject: **ACORN MINI-STORAGE XIV, LLC AND MEGIN PROPERTIES, LLC
APPROVAL OF A \$75,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$75,000 with Acorn Mini-Storage XIV, LLC and Megin Properties, LLC for the installation of 40-kW solar array on a commercial property located in Bloomington, 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:

Megin Properties, LLC, doing business as Acorn Mini-Storage operates 14 self-storage facilities throughout the metro area. The facilities consist of temperature-controlled units with 24-hour customer access. They also provide other services such as car, truck and boat storage as well as packing supplies and moving truck rentals. The owners are planning to install a 40-kW solar array on the facility located at 9100 Bloomington Freeway West in Bloomington. The property is owned by Acorn Mini-Storage XIV, LLC and has a tax assessed value of \$2,516,700.

Proposed Project:

40-kW Solar Array	
Purchase Price and Installation	\$75,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$75,000
Uses of funds:	
40-kW Solar Array	\$75,000

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 funder of the loan.

Financial Analysis:

Reviewed financial statements were received for the last three years through December 31, 2017 and show that the operating entity, Megin Properties, LLC was profitable in all three years with increasing revenue and profitability over that period. The combined debt service coverage ratio for the company is 2.19 to 1, when including the PACE loan it would have been 2.18 to 1. The debt-to-equity is 2.04 to 1, meeting all three underwriting criteria. The following ratios are as of December 31, 2017:

Debt Service Coverage:	2.19	Trillion standard of at least:	1.15
Debt-to-Equity:	2.04	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	40-kW Solar Array
Amount of Loan:	\$75,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

178 MMBTUs (\$4,700) 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 \$75,000 Trillion BTU loan to Acorn Mini-Storage XIV, LLC and Megin Properties, LLC.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: February 19, 2019

From: Michael J. Linder *MJL*

**Subject: DULAYNE PROPERTIES, LLC AND ANCONA ESCROW, INC.
APPROVAL OF A \$119,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$119,000 with DuLayne Properties, LLC and Ancona Escrow, Inc. for the installation of 53-kW solar array on a commercial property located in White Bear Lake, 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:

Ancona Title and Escrow provides closing and legal services to customers in the residential and commercial real estate market. The company was founded in the 1980s and has nine locations throughout the metro and central Minnesota. In 2018 the company was recognized by the Star Tribune as one of the top 150 workplaces in the small company category with 68 employees. The installation of a combined 53-kW solar array on their three office buildings located at 4750 White Bear Parkway will offset a majority of their electricity usage. The properties are owned by DuLayne Properties, LLC and have a combined tax assessed value of \$1,406,500.

Proposed Project:

53-kW Solar Array	
Purchase Price and Installation	\$119,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$119,000
Uses of funds:	
53-kW Solar Array	\$119,000

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:

Financial statements and tax returns were received for the last three years for Ancona Escrow, Inc. and show the company was profitable in all three years. The combined debt service coverage ratio was 2.77 prior to the PACE assessment and 2.60 when including it. The debt-to-equity ratio was within guideline at 1.01 to 1. The following ratios are as of December 31, 2017:

Debt Service Coverage:	2.77	Trillion standard of at least:	1.15
Debt-to-Equity:	1.01	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	53-kW Solar Array
Amount of Loan:	\$119,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

225 MMBTUs (\$8,800) 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 \$119,000 Trillion BTU loan to DuLayne Properties, LLC and Ancona Escrow, Inc.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **JT LEASING, INC.**
APPROVAL OF A \$188,000 TRILLION BTU LOAN

Meeting Date: February 19, 2019

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$188,000 with JT Leasing, Inc. for the installation of LED lighting and a 49-kW solar array on a commercial property located in Brownsdale, 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:

JT Leasing, Inc. is a real estate holding company for a commercial property located at 27199 State Highway 56 in Brownsdale. The facility is occupied by IBI Data and The Ryan Group. All three entities are owned and operated by Katherine Harte, who founded them in 1986. IBI Data and The Ryan Group are data management and marketing companies specializing in the food service industry. The property consists of an office/ warehouse facility and has a tax assessed value of \$1,037,100.

Proposed Project:

LED Lighting and 49-kW Solar Array	
Purchase Price and Installation	\$188,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$188,000
Uses of funds:	
LED Lighting Upgrade	\$ 50,000
49-kW Solar Array	\$138,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Mower 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 JT Leasing for the last three years and show the property was profitable in the last three years. There are no mortgages or other outstanding debt on the property so a debt service coverage ratio and debt-to-equity ratio was not applicable. The proforma debt service coverage ratio with the PACE loan is 7.19 to 1. We also received financial statements for The Ryan Group, which has seen increasing revenue and profitability in the past three years. The following ratios are as of December 31, 2017:

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 – Kresge Eligible

Use of Funds: LED Lighting and 49-kW Solar Array

Amount of Loan: \$188,000

Rate: 5.0%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment

Energy Savings:

505 MMBTUs (\$18,000) 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.
2 FTE for construction jobs.

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$188,000 Trillion BTU loan to JT Leasing, Inc.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: February 19, 2019

From: Michael J. Linder



**Subject: JOHN AND LYNN KROLL AND BENJAMIN BARLAGE
APPROVAL OF AN \$81,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$81,000 with John and Lynn Kroll and Benjamin Barlage for the installation of 29-kW solar array on an agricultural property located in Long Prairie, 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:

John Kroll operates Kroll Family Farms, located at 24451 265th Avenue in Long Prairie. The farm consists of over 385 acres of land on which they farm various crops. John and Lynn are nearing retirement and are in the process of selling the farm to their son-in-law on a contract for deed. They are installing a 29-kW solar array on one of their sheds to offset a portion of their electricity usage. The property consists of three parcels which have a combined tax assessed value of \$872,700.

Proposed Project:

29-kW Solar Array	
Purchase Price and Installation	\$81,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$81,000

Uses of funds:	
29-kW Solar Array	\$81,000

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

Personal and business tax returns were received for John and Lynn Kroll and Kroll Farms, LLC and show the farming operation was profitable in all three years. There is no mortgage or other operating debt on the farm, so a debt service coverage ratio was not applicable in 2017. The debt coverage ratio with the PACE loan would have been 4.34 to 1. Given that there was no debt on the property, a debt-to-equity ratio was also not applicable. The following ratios are as of December 31, 2017:

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:	29-kW Solar Array
Amount of Loan:	\$81,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

105 MMBTUs (\$4,200) 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 \$81,000 Trillion BTU loan to John and Lynn Kroll and Benjamin Barlage.