

**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE
From: Lee Krueger *Lee Krueger*
Subject: **REGULAR CREDIT COMMITTEE MEETING
FEBRUARY 23, 2021 – 1:45 P.M.**

Date: February 18, 2021

Chair Mullin is calling a meeting of the Credit Committee for **Tuesday, February 23, 2021, at 1:45 p.m.** Chair Mullin has determined, due to the emergency declared by the Governor of Minnesota and the Mayor of Saint Paul regarding the COVID-19 health pandemic, that it is not practical nor prudent for the Saint Paul Port Authority Credit Committee and members of the staff to meet in-person or pursuant to Minnesota Statutes, Section 13D.02. In light of the COVID-19 health pandemic, it is not feasible for any member of the Saint Paul Port Authority Credit Committee and staff to be present at the regular location, and all staff and Committee members of the Saint Paul Port Authority will attend this meeting by telephone or other electronic means.

It is also not feasible for members of the public to attend the meeting at its regular location due to the health pandemic and emergency. Accordingly, no meeting will be held at the Saint Paul Port Authority offices which are located at 400 Wabasha Street No., Suite 240, St. Paul, MN. Members of the public may monitor this meeting remotely at 651-395-7858, Conference ID: 925 850 374#. The purpose of the meeting is:

Minutes

Approval of Minutes of the January 26, 2021 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Conveyance of Land to Buhl 102, LLC – Riverview West Industrial Park
2. 2021 Grant Application and Acceptance Authorization
3. Approval of Assignment and Assumption of Lease from Gerdau Ameristeel US, Inc. to Alter Trading Corporation of 780, 750 and 740 Barge Channel Road – Southport Terminal
4. Triple J Family Farm – Settlement Agreement

5. Twin Cities Athletic Training – Approval of a \$30,000 increase to a \$300,000 BDF Loan for a Total of \$330,000.00 – Treasure Island Center
6. Denco II, Inc. – Approval of a \$1,860,000 Trillion BTU Loan
7. St. Paul Event and Catering, LLC – Forbearance Agreement
8. Such other business that may come before the Committee.

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
JANUARY 26, 2021**

The regular meeting of the Port Authority Credit Committee was held on January 26, 2021 at 1:46 p.m. via Microsoft Teams.

The following Committee Members were present:

John Bennett	John Marshall	Don Mullin
Brianne Hamm	Matt Hill	

Also present were the following:

Lee Krueger	Todd Hurley	Andrea Novak
Ava Langston-Kenney	Bruce Kessel	Dana Krueger
Laurie Siever	Michael Linder	Nelly Chick
Peter Klein	Ann Kosel	Monte Hilleman
Tonya Bauer	David Johnson	George Hoene
Kathryn Sarnecki	Linda Williams	
Eric Larson, City of Saint Paul		
Carl Erickson, St. Thomas Law School Student		
Michael Auger, Ever-Green Energy		
Andrew Kasid, Ever-Green Energy		

APPROVAL OF MINUTES

Committee Member Bennett made a motion to approve the minutes of the November 24, 2020 Credit Committee meeting. The motion was seconded by Committee Member Marshall, submitted to a roll call vote and carried unanimously.

CONFLICT OF INTEREST

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

AGENDA ITEMS

**DISTRICT ENERGY ST. PAUL, INC. - AUTHORIZATION FOR AN APPROXIMATE
\$15,000,000 TAX-EXEMPT CONDUIT BOND ISSUE AND APPROVE THE AMENDED
AND RESTATED JOINT POWERS AGREEMENT WITH THE HRA OF THE CITY OF SAINT PAUL**

Mr. Klein reviewed his memorandum with the Committee requesting approval for the issuance of approximately \$15,000,000 of tax-exempt conduit revenue bonds for District Energy St. Paul, Inc. and to enter into a revised Joint Powers Agreement with the HRA of the City of Saint Paul.

Committee Member Bennett made a motion to approve the request. The motion was seconded by Committee Member Hamm, submitted to a roll call vote and carried unanimously.

**2021 LEASE RENEWAL AND RENTAL RATE
ADJUSTMENT – J.F. BRENNAN COMPANY, INC. - SOUTHPORT**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval of a 2021 lease renewal and rental rate adjustment for leasing a portion of 637 Barge Channel Road in the Southport Terminal and the downriver portion of Fleeting Area #7 (Area A) with Tenant, J.F. Brennan Company, Inc. (“Tenant”). Committee Member Marshall made a motion to approve the request. The motion was seconded by Committee Member Hamm, submitted to a roll call vote and carried unanimously.

**2021 LEASE RENEWAL AND RENTAL RATE
ADJUSTMENT – LS MARINE, INC. – SOUTHPORT TERMINAL**

Ms. Sarnecki reviewed her memorandum with the Committee requesting approval of a 2021 lease renewal and rental rate adjustment for leasing a portion of 637 Barge Channel Road and the upriver portion of Fleeting Area #7 (Area B) in the Southport Terminal with Tenant, LS Marine, Inc. (“Tenant”). Committee Member Hamm made a motion to approve the request. The motion was seconded by Committee Member Bennett submitted to a roll call vote and carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:01 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: February 23, 2021

From: Tonya Bauer 

Subject: **CONVEYANCE OF LAND TO BUHL 102, LLC**
RIVERVIEW WEST INDUSTRIAL PARK, PID 06.28.22.42.0014
RESOLUTION NO. _____

Action Requested:

Approval of the conveyance of land to Buhl 102, LLC consisting of an approximate .10 acre (4,356 sq/ft) remnant parcel located in the Riverview West Industrial Park in Saint Paul, Minnesota.

Background:

The Saint Paul Port Authority (the "Port Authority") developed the Riverview West Industrial Park located on the south side of the Mississippi River, adjacent to Harriet Island in the late 1960's. The redevelopment and platting process at the time had created various remnant parcels throughout the industrial park. Public records list the Port Authority as the fee owner of a .10-acre remnant parcel as identified as Parcel ID 06.28.22.42.0014 at the Ramsey County Recorder's Office and outlined on the attached map. The Port Authority neither uses nor has any expressed purpose for ownership of this remnant parcel. The parcel is listed as tax exempt, is generating no tax base and is subject to special assessments, fees, and liabilities to the Port Authority. Accordingly, the Port Authority seeks to convey remnant parcels to appropriate parties as the opportunity arises to further its mission of expanding the tax base.

The adjacent property owner, Buhl 102, LLC, has expressed interest to purchase this land to maximize the redevelopment potential for 102 Water Street and the surrounding area. This remnant parcel has no development potential as a stand-alone parcel and has significant limitations for development activity to any party other than the adjacent property owner.

By way of background, 102 Water Street is a 6-story brick and timber building located within the west side neighborhood of Saint Paul. It totals approximately 200,000 square feet and has been used as cold storage for many years. Originally built in 1911 for Farwell Ozmun Kirk, the property served as an important manufacturing facility of their paint division and general warehouse. The building was occupied by Farwell Ozmun Kirk until the 1970's at which point it sat vacant for nearly 15 years. Today it is home to a variety of storage tenants, along with some artist lofts/maker studios.

Buhl 102, LLC purchased the 102 Water Street building in February 2019 and has proceeded with a plan to convert two floors of space into self-storage with the intention to convert the 6th floor (comprising of 30,000 square feet) into job-creating office space. Acquisition of this parcel will complement their project, allowing for increased parking density for more jobs, along with enhanced landscaping and beautification for site connectivity to the Harriet Island park entrance to the west.

MEMORANDUM

The Port Authority has no active interest in retaining ownership of this remnant land. On the contrary, the Port Authority's interest is to devise title to the property to resolve title and to increase the use and maximize tax revenue of the real estate.

Recommendation:

Approval of the conveyance of land to Buhl 102, LLC consisting of an approximate .10 acre (4,356 sq/ft) remnant parcel located in the Riverview West Industrial Park in Saint Paul, Minnesota.

Attachments: Map
 Resolution

**SAINT PAUL PORT AUTHORITY
LAND CONVEYANCE TRANSACTION**

Action Requested:

Approval of the conveyance of land to Buhl 102, LLC consisting of an approximate .10 acre (4,356 sq/ft) remnant parcel located in the Riverview West Industrial Park in Saint Paul, Minnesota.

Development Officer:

Tonya Bauer

Grantee:

Buhl 102, LLC

Grantee Address:

5100 Eden Avenue, Suite 240
Edina, MN 55436

Location of Property to be Conveyed:

The property measures approximately .10 acres (4,356 sq/ft). See the attached map.

Conveyance Structure:

The purchase price that has been agreed upon is \$1,000 cash; Buyer pays all closing costs. Property will be sold "as-is, where is" with no environmental liabilities and the conveyance of land will be by a Quit Claim Deed.

Nature of Intended Use:

Continued use as a parking lot and enhanced landscaping area.

Business Subsidy Agreement

There is no business subsidy agreement required for this transaction.

Development Officer's Comments:

The Port Authority has no active interest in retaining ownership of this remnant land. It would be in the Port's best interest to devise title resolving future Port Authority liabilities associated with fee ownership, while fostering the Port's mission of creating jobs, tax base, and sustainable development.

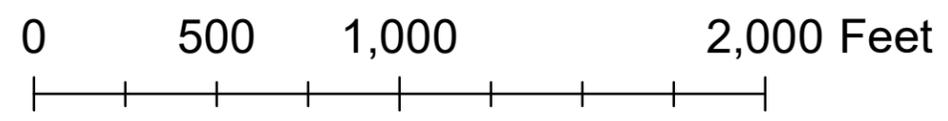
I recommend approval of the conveyance of land to Buhl 102, LLC.

Conveyance of land to Buhl 102, LLC



Document Path: C:\Users\jld\Desktop\WORKING\MXD\2021_0104_Conveyance of land to Buhl 102 LLC 60000.mxd

Data contained on this map has not been field verified and should be used as reference only. It is the user's responsibility for field verifying elevations, locations, dimensions, etc. to conduct detail design.



Subject Parcel



Buhl 102 LLC

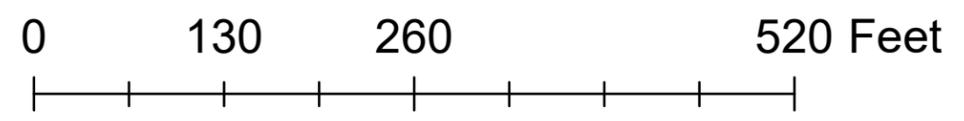


Conveyance of land to Buhl 102, LLC



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Data contained on this map has not been field verified and should be used as reference only. It is the user's responsibility for field verifying elevations, locations, dimensions, etc. to conduct detail design.



Subject Parcel



Buhl 102 LLC



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

**[PUBLIC HEARING – CONVEYANCE OF LAND
TO BUHL 102, LLC - RIVERVIEW BUSINESS CENTER]**

WHEREAS, The Port Authority of the City of Saint Paul (the "Port Authority"), pursuant to Minnesota Statutes, Section 469.065, did place a notice, a copy of which with proof of publication is on file in the office of the Port Authority, of a public hearing on the proposed conveyance of property owned by the Port Authority in a legal newspaper, said hearing to be held to determine whether it is in the best interests of the port district of Saint Paul and the people thereof and in furtherance of the general plan of port improvement and industrial development to convey real estate located in the Riverview Business Center, and by reference made a part hereof and any personal property of the Port Authority included therewith (collectively, the "Property").

WHEREAS, the Port Authority did conduct a public hearing pursuant to said notice on February 23, 2021 at which hearing all taxpayers in the port district, both for and against the conveyance, were allowed to state their views.

WHEREAS, Buhl 102, LLC ("Buhl 102") has entered into a Purchase Agreement to purchase real estate at the Riverview Business Center, which Property is owned by the Port Authority.

WHEREAS, it is in the best interests of the port district and the people thereof, and in furtherance of the general plan of port improvement and industrial development, to approve the real estate conveyance.

WHEREAS, the Port Authority has investigated the facts of the proposal with said investigation including the terms and conditions of said agreement, the proposed use of the Property, and the relationship thereof to the port district of Saint Paul and the business facilities of the Port Authority in general.

WHEREAS, the proposal presented meets the terms and conditions set forth by the Port Authority as its guide in determining if such proposals are in the best interests of the port district and of the public.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

1. That the Board of Commissioners of the Port Authority hereby finds, determines and declares that it is for the best interests of the port district and the people thereof, and in furtherance of the general plan of industrial development, to enter into said agreement to convey the land; and

2. That the actions of the President of the Port Authority in causing public notice of the proposed conveyance, and in describing the terms and conditions of such conveyance, which have been available for inspection by the public at the office of the Port Authority from and after the publication of notice of hearing, are in all respects ratified and confirmed; and

3. That the President of the Port Authority is hereby authorized to complete and execute said agreement to purchase in substantially the form as is on file in the office of the Port Authority, and the proper Port Authority officers are hereby authorized to complete and execute all documents necessary to convey title in form as approved by counsel.

Adopted: _____

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** February 23, 2021
From: Ava Langston-Kenney 
Subject: **2021 GRANT APPLICATION AND ACCEPTANCE AUTHORIZATION**
RESOLUTION NO. _____

Action Requested:

Approval for 2021 for the President of the Port Authority of the City of Saint Paul or anyone acting under his direction to apply for and accept any grant or other financial or resource assistance so long as the assistance furthers the Port Authority's mission.

Background:

The Port Authority seeks programs that provide grants or other financial or resource assistance that can help the Port Authority further its mission. Some of the programs require a Board resolution enclosed with the application authorizing the applicant to apply for and receive a grant or other financial or resource assistance. At times the application deadline date precedes the Port Authority's next Board meeting and, therefore, the Port Authority has not been able to provide a Board resolution in support of its application. In such instances, the Port Authority has supplemented its application as soon as possible afterwards. To the best of the Port Authority's knowledge, the lack of any such resolution has not precluded an award to the Port Authority. Regardless, Port Authority staff recommends that the Board approve a resolution, which contains many of the standard board representations and statutory information required for such program assistance and further authorizes the Port Authority to apply for and accept any grant or other financial or resource assistance so long as the assistance furthers the Port Authority's mission. This resolution may help further the Port Authority's application especially as the competition for such assistance becomes greater.

Since 2012, this has been an annual resolution authorizing the application for and acceptance of financial or resource assistance. Any and all previous resolutions are available for review upon request. This new resolution would authorize this assistance for the year 2021.

Recommendation:

It is therefore recommended that the Board approve a resolution authorizing the President of the Port Authority of the City of Saint Paul or anyone acting under his direction to apply for and accept any grant or other financial or resource assistance so long as the assistance furthers the Port Authority's mission.

Attachment: Resolution

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

[2021 GRANT APPLICATION AND ACCEPTANCE AUTHORIZATION]

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; and

WHEREAS, the district of the Port Authority is the City of Saint Paul; and

WHEREAS, the Port Authority's Board of Commissioners are appointed by the Mayor of the City of Saint Paul, subject to the approval of the Council of the City of Saint Paul; and, two of the Port Authority Commissioners must be members of the Council of the City of Saint Paul; and

WHEREAS, under Minn. Stat. § 469.055, the Port Authority shall (1) promote the general welfare of the port district, and of the port as a whole; (2) try to increase the volume of the port's commerce; (3) promote the efficient, safe, and economical handling of the commerce; and (4) provide or promote adequate docks, railroad and terminal facilities open to all on reasonable and equal terms for the handling, storage, care, and shipment of freight and passengers to, from, and through the port; and

WHEREAS, under Minn. Stat. §§ 469.048 to 469.061, the Port Authority has the powers and duties conferred upon all port authorities; and

WHEREAS, under Minn. Stat. § 469.084, Subds. 1 to 15, the Port Authority of the City of Saint Paul has additional statutory duties and powers including powers related to recreational facilities and small business capital; and

WHEREAS, under Minn. Stat. § 469.084, Subd. 8, the Port Authority of the City of Saint Paul, furthermore, has the power of and is authorized to do what a redevelopment agency may do or must do under sections 469.152 to 469.165 (Municipal Industrial Development); and

WHEREAS, federal, state, county, city, and other governmental entities and agencies have established grant, or other various assistance programs, which the Port Authority could use in furtherance of its statutory mission; and

WHEREAS, for instance, the Minnesota legislature established environmental assistance grant programs to provide financial assistance in the development of environmentally sustainable practices in Minnesota through voluntary partnerships and goal-oriented, economically driven approaches to pollution prevention and resource conservation; and

WHEREAS, many non-profit organizations have established grant, or other various assistance programs, which the Port Authority could use in furtherance of its statutory mission; and

WHEREAS, the Port Authority represents that it has undertaken reasonable and good faith efforts to procure funding in pursuit of its mission from other sources in addition to grant, or other program resources to which it may seek assistance.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL: That the Port Authority has the legal authority to apply for financial assistance, and has the institutional, managerial, and financial capability to ensure adequate project administration of any financial assistance received; and

BE IT FURTHER RESOLVED that any sources and amounts of any matching funds, local or otherwise, identified in the Port Authority's application will be committed to the identified project per the application; and

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

BE IT FURTHER RESOLVED that the Port Authority certifies that it will comply with all applicable laws and regulations as stated in the grant/assistance agreements; and

BE IT FURTHER RESOLVED for the year 2021, that the President or anyone acting under his direction is hereby encouraged and authorized to apply to, and accept from, if awarded, a grant or some other financial or resource assistance in any amount from any federal, state, county, city, and other governmental entities and agencies or non-profit organizations so long as the assistance furthers the Port Authority's mission; and

BE IT FURTHER RESOLVED that the President or anyone acting under his direction is hereby authorized and directed to execute any and all necessary documents to complete grant/assistance applications and secure their receipt; and

BE IT FURTHER RESOLVED, that notwithstanding the above, all loans and other financial or resource assistance that needs to be repaid by the Port Authority will require Board approval prior to the execution of documents imposing the specific debt obligation and amount by and upon the Port Authority.

Adopted: February 23, 2021

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

ATTEST:

By _____
Its Secretary

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** Feb. 23, 2021
From: Kathryn L. Sarnecki 
Subject: **APPROVAL OF ASSIGNMENT AND ASSUMPTION OF LEASE FROM GERDAU AMERISTEEL US, INC. TO ALTER TRADING CORPORATION of 780, 750 and 740 BARGE CHANNEL ROAD – SOUTHPORT TERMINAL RESOLUTION NO. _____**

Action Requested:

Approval of the assignment and of the lease for 780, 750, and 740 Barge Channel Road, approximately 7 acres/304,920 square feet (“Leased Premises”) at the Southport Terminal from Gerdau Ameristeel US, Inc. (“Gerdau”) to Alter Trading Corporation (“Alter”).

Background:

This assignment is consistent with the Saint Paul Port Authority’s (“Port Authority”) ongoing mission to support commercial navigation on the Mississippi River, which enhances our regional economy by providing a cost-effective, environmentally sound way to transport commodities to global markets.

Gerdau and the Port Authority entered into a ten-year lease for the Leased Premises, that, pursuant to a lease amendment in 2013, was extended a year due to delays in site readiness from January 1, 2012 to December 31, 2023, with two five-year renewals which will bring the lease term out to December 31, 2033. The facility is used as a metal collection facility to provide raw materials to their mill in the Red Rock Terminal in Saint Paul.

In June of 2020, Gerdau shuttered much of their mill operations in the Red Rock Terminal due to business issues. Gerdau has requested that the Port Authority assign its lease to Alter who will take over the Leased Premises as is and continue operations of collecting and processing scrap metal.

Economic Benefit to Saint Paul:

The assignment and assumption, which includes lease amendment language, facilitates Alter’s plans to move all scrap metal operations from the current Alter lease area in the Southport Terminal to allow for a \$20+ million dollar expansion at the terminal to allow for rail expansion, a new state of the art fertilizer building, and terminal-wide stormwater management system.

Financial Analysis:

The Port Authority finance team has reviewed Alter’s financials and are comfortable with the assignment.

MEMORANDUM

New Lease Inclusions:

Currently there is no road access to real estate located immediately south and adjacent to Southport Terminal in South Saint Paul, Dakota County, State of Minnesota. The City of South Saint Paul has asked the Port Authority if road access could be obtained to this real estate that is currently unused. Accordingly, as a condition to the assignment, Alter and the Port Authority have negotiated an amendment to the Gerdau lease granting the Port Authority rights to later secure road access across Gerdau/Alter leasehold interests and real estate for the Port Authority to design and construct a 10-ton rated industrial road to provide access to real estate located south of the Leased Premises. This will be conditioned on the construction of the road not commencing before April 2025, the development area is appropriately rezoned, and a purchaser/user reasonably interested in the adjacent site.

Recommendation:

Approval of the assignment and assumption of the lease for 780, 750, and 740 Barge Channel Road at the Southport Terminal from Gerdau Ameristeel US, Inc. to Alter Trading Corporation.

Attachment: Resolution

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

**[APPROVAL OF THE ASSIGNMENT AND ASSUMPTION OF LEASE
FROM GERDAU AMERISTEEL US, INC. TO ALTER TRADING CORP. OF
780, 750 and 740 BARGE CHANNEL ROAD–SOUTHPORT 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, two of the Port Authority’s tenants, Gerdau Ameristeel US, Inc. and Alter Trading Corporation, both located at the Southport Terminal, seek Port Authority approval to enter into an Assignment and Assumption of Lease from Gerdau to Alter of the premises at 780, 750 and 740 Barge Channel Road, which is approximately 7 acres/304,920 square feet.

WHEREAS, the Gerdau lease has a ten-year lease through December 31, 2023, with two five-year renewals, bringing the lease term out to December 31, 2033.

WHEREAS, the Port Authority acknowledges that Gerdau has shuttered much of their mill operations and by assigning this lease to Alter, the premises would continue to operate in the collecting and processing of scrap metal and would allow Alter to invest in and expand its current site, an economic benefit to Saint Paul.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL that the proposed Assignment and Assumption of Lease, 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 Assignment and Assumption of Lease in accordance with the above-referenced terms in form as approved by counsel.

Adopted: February 23, 2021

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its _____

ATTEST:

By _____
Its _____

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: February 23, 2021

From: Peter M. Klein 

Subject: TRIPLE J FAMILY FARM – SETTLEMENT AGREEMENT

Action Requested:

Authorize a \$15,000 Settlement Agreement with Triple J Family Farm and its mortgage holder.

Background:

In April 2014, the Credit Committee approved a \$114,000 Trillion BTU loan to Triple J Family Farm in Buffalo Lake. The term was for five years with a 4.00% interest rate. Funds were used for energy efficient lighting and HVAC upgrades to a meat processing facility. About three years ago, the facility was shut down and went into bankruptcy as a result of industry supply shortages. The Port Authority contracted with a bankruptcy attorney, who immediately secured a lien and, thereafter, attended several bankruptcy hearings. At several points during the bankruptcy, the mortgage holder threatened summary judgement proceedings to eliminate our loan. In 2019, the mortgage holder entered into a new mortgage and funding was made available to restart the facility and it is currently in operation.

The Port Authority has received occasional payments over the years and the current outstanding principal amount is about \$21,000. The mortgage holder claims that it will seek summary judgement to remove our lien and, in alternative, offered a \$10,000 settlement payment as a full and final loan payment and waiver of all Port Authority claims under the loan agreement and promissory note. On advice from our counsel, the Port Authority countered at \$15,000, which was accepted. Our counsel has recommended that we accept this offer which will result in a \$6,000 principal write off. We believe that this is our best course of action.

In the big picture, TBTU is a grant from the State which was funded at \$15,000,000 of ARRA funds a decade ago. The current balance is in excess of \$16,000,000. We have funded over \$150,000,000 in projects and we have had one other loss of \$13,000. We have two loans that are in forbearance since last May and we do not expect to incur a loss related to either of those loans. We have two other loans that are concerning and could result in a future loss. Other than those two loans, the TBTU portfolio is performing well, and the State is pleased with our performance.

Proposal:

We have agreed, on advice from our counsel, with the mortgage holder to remove our lien and all other claims in exchange for a \$15,000 settlement.

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Recommendation:

We recommend authorization to enter into a \$15,000 settlement agreement relating to the Triple J Family Farm TBTU loan.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** February 23, 2021

From: Michael J. Linder 

Subject: **TWIN CITIES ATHLETIC TRAINING - APPROVAL OF A \$30,000 INCREASE TO A \$300,000 BDF LOAN FOR A TOTAL OF \$330,000.00 TREASURE ISLAND CENTER**

Action Requested:

Provide approval for the Port Authority to increase a Business Development Fund (BDF) Loan from \$300,000 to \$330,000 with Twin Cities Athletic Training to finance the purchase of equipment to operate a fitness center at Treasure Island Center (TIC) in Saint Paul, Minnesota.

Public Purpose:

One of the purposes of the BDF Program is to encourage job creation and business growth in Saint Paul and the contiguous East Metro area.

The proposed financing will enable Twin Cities Athletic Training to expand into Saint Paul. The BDF Loan program allows for business equipment financing (not restaurants or bars) and does require a “but for” element for the Port Authority to be involved. Twin Cities Athletic Training was being recruited to expand in Maple Grove, Woodbury and near the National Sports Center in Blaine. Franchisee was working with a St. Cloud area bank that was unwilling to finance the operations in Saint Paul. They were willing to finance a suburban location. Each of those locations are more traditional training locations, and the BDF loan allows for the operator to locate in a non-traditional building, such as Treasure Island Center, for their first Twin Cities location.

Business Subsidy

Not applicable. The rate differential value is less than \$150,000.

Background

Founded in 2001 by former NFL Denver Broncos player Will Bartholomew, D1 Training began as a passion project following an injury. While working on his comeback to the NFL, Bartholomew trained neighborhood kids in his hometown of Nashville. Within three years, his training class elevated from a community field to a 4,500-square foot performance center. From there, Bartholomew partnered with former University of Tennessee teammate, Peyton Manning, to purchase an eight-acre tract in which D1 Training was officially born.

D1 is founded on time-tested and sports science-backed training techniques that have helped develop the world’s best athletes. D1’s daily workouts, which are led by a certified D1 Coach, are based on its core Five-Star Training System and designed by a national training panel. The workouts, which incorporate both strength and cardio, are updated every five to eight weeks and are designed around the concept of periodization which builds week upon week to create a more well-rounded program targeted to reach specific goals. Every D1 training center offers state-of-the-art equipment,

MEMORANDUM

synthetic turf, and a positive and energizing workout environment fueled by specialized playlists based on synchronized beats-per minute that are not found in any other facility. This structured and scheduled model will attract and bring additional customers to downtown Saint Paul. With late-afternoon, evening and weekend-focused training times, D1 can overcome some of the traditional weaker time slots of downtown commerce.

D1 has been in business for over 18 years, currently has 41 locations across the country, and is experiencing record growth with over 100 locations expected within 5 years. It has the backing of numerous professional athletes who have invested in the company or own their own franchises.

D1's quality and effectiveness have been acknowledged through its numerous endorsements, partnerships and accomplishments. A partial list includes:

- Preferred Partner by the National Academy of Sports Medicine (NASM)
- Preferred Facility by the Athletics & Fitness Assoc. of America (AFAA)
- NFL Players Association approved training location
- Official partner to Manning Passing Academy
- Entrepreneur Magazine Top 10 Gyms for 2019
- Entrepreneur Magazine Top New Franchise for 2019
- Men's Health Top 30 Gyms in America
- Placed over 100 athletes into professional sports drafts

The local franchisee is Kris Nelson. Kris graduated from the University of Minnesota's Carlson School of Management with a degree in Finance and worked for 18 years as a market, financial and economic consultant for Conventions, Sports and Leisure International, a firm specializing in providing feasibility studies for public event facilities across the country and throughout the world. During this time, he completed more than 250 projects for collegiate and professional arenas, stadiums, ballparks, fairgrounds, performing arts centers, theaters, civic and exhibition centers, youth and recreational sports facilities and complexes, convention and conference centers, hotels, museums, shopping malls and other such venues.

In conjunction with this BDF loan, Twin Cities Athletic Training has entered into an 11-year lease at Treasure Island Center for a leased space of 7,800 square feet on the skyway level. This BDF loan was crucial for them to proceed.

Proposed Project:

Sources and Use of Funds:

<u>Minimum</u> purchase Price and Installation of equipment	\$330,000
(equipment includes athletic training equipment, turf, sound system, accent lighting)	
Borrower to pay any costs in excess of \$330,000.	

MEMORANDUM

Sources and Uses of Funds:

Sources of funds:

BDF Loan (equipment only)	\$330,000
Equity spent thus far	\$140,000
Additional equity to contribute	<u>\$100,000</u>
Total Project	\$570,000

Debt Service Coverage Ratio:

For Trillion Loans provided by the Port Authority, we use a 1.15 for debt service requirement. The proforma debt coverage ratio is 2.17 for the first full year of operation.

Proposal:

Source of Funds: Business Development Fund (BDF)

Use of Funds: Equipment to furnish a fitness center

Amount of Loan: Increase from \$300,000 to \$330,000 maximum

Rate: 3.65%

Term: 10 years

Collateral:

- Signed Loan Agreement with Twin Cities Athletic Training
- UCC-1 Lien documents (SPPA will have a first position on the collateral of this equipment)
- Personal Guarantee from Kris Nelson

Workforce

Implications: Anticipated new hires: 6-11, with additional personal trainers working on a contractual basis.

Policy Exceptions: Yes

1. BDF guidelines have targeted up to 50% of Fair Market Value and this deal is at approximately 75%.
2. While D1 corporate has been in business 20 years, and the franchisee has extensive experience, this is a start-up operation. The risk is mitigated by the support of a franchisor.

Recommendation:

We recommend the approval of an increase of \$30,000 from a \$300,000 BDF loan to \$330,000 to Twin Cities Athletic Training.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** February 23, 2021
From: Michael J. Linder *Michael J. Linder*
Subject: **DENCO II, LLC**
APPROVAL OF A \$1,860,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$1,860,000 with Denco II, LLC for the installation of a stack heat recovery and flour heating system on a commercial property located in Morris, 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:

Denco II, LLC is an ethanol production plant located at 227 County Road 22 in Morris. The plant produces 30 million gallons of ethanol annually. The installation of this system will reduce the overall natural gas usage at the facility by 10-15%, resulting in a savings of \$406,000 per year at current gas prices. Water usage will also be reduced by reclaiming and recycling water from the process. Even though these savings are not included in the payback of the system, they anticipate an additional \$71,500 in annual savings from a reduction of city water usage and heating costs. The property has an appraised value of \$30,500,000 and a tax assessed value of \$1,537,800. The borrower has also applied for a REAP grant to offset a portion of the system costs and that amount will be applied to the outstanding balance of the loan.

Proposed Project:

Stack Heat Recovery System	
Purchase Price and Installation	\$1,860,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$1,860,000
Uses of funds:	
Stack Heat Recovery System	\$1,860,000

MEMORANDUM

Stevens 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 for the last three years show the company was profitable in 2017 with net losses in 2018 and 2019. 2018 losses were attributed to depreciation and when excluded they were profitable. The debt to equity was within guideline at 2.30 to 1. The mortgage on the property is currently \$2,000,000 with Ag Country with total outstanding operational debt of \$10,000,000, resulting in a LTV of 33%. The mortgage is secured by the land and the equipment on the property. The line of credit is secured by the inventory of crops and ethanol. Projections for 2021 show the operation stabilizing and returning to profitability by the end of the year.

2018 and 2019 losses were due to changes in Federal policies relating to the ethanol industry. These changes were removed by the Courts in 2020 and this should have brought profitability back to the industry. However, COVID-19 greatly reduced the use of transportation fuels so 2020 will likely also show a loss. The Company, and the industry, believes that market conditions will improve with a significant increase in demand during 2021.

The following ratios are as of December 31, 2019.

Debt Service Coverage:	Negative	Trillion standard of at least:	1.15
Debt-to-Equity:	2.30	Trillion standard of less than:	4.00

Proposal:

Source of Funds: Trillion BTU

Use of Funds: Stack Heat Recovery System

Amount of Loan: \$1,860,000

Rate: 4.50%

Term: 10 years

Collateral: Signed Loan Agreement
PACE Special Assessment approved by the County prior to funding

MEMORANDUM

Energy Savings:

11,940 MMBTUs (\$406,000) annually.

Workforce Implications:

Davis-Bacon wage requirements need to be followed.

21 FTE for construction jobs.

Policy Exceptions:

Yes – There was negative cash flow available for debt service as well as losses in 2018 and 2019.

Recommendation:

We recommend the approval of a \$1,860,000 Trillion BTU loan to Denco II, LLC.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: February 23, 2021

From: Michael Linder



Subject: ST. PAUL EVENT AND CATERING, LLC – FORBEARANCE AGREEMENT

Action Requested:

Provide approval of a 22-month interest forbearance agreement with St. Paul Event and Catering, LLC until January 1, 2022.

Background:

In November of 2018, the Credit Committee approved a \$500,000 BDF loan originally to Sky Food Catering, now St. Paul Event Center, LLC. The term was for ten years and the interest rate is 3.65%. Funds were used for equipment purchases. No interest payments have been made at this point and the loan has an outstanding balance of approximately \$490,000.00.

Current Status:

Due to COVID-19 the event center was shut down immediately after their grand opening. The forbearance will allow them to preserve funds and continue limited operations until restrictions are lifted, and normal operations can resume.

Proposal:

The current loan terms specify interest only payments were originally to begin in March of 2020 and continue for two years until February 1, 2022, with principal and interest payments to commence in years three through ten, beginning February 1, 2022. The restructuring would reset balance on January 1, 2022 and re-amortize over the remaining eight-year term of the note. Interest will continue to accrue during the forbearance period.

Recommendation:

We recommend approval of a 22-month forbearance agreement with St. Paul Event Center, LLC until January 1, 2022.