

**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE **Date:** March 22, 2018
From: Lee Krueger *Lee Krueger*
Subject: **REGULAR CREDIT COMMITTEE MEETING
MARCH 27, 2018 – 2:00 P.M.**

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **March 27, 2018, at 2:00 p.m.** in the Board room of the Port Authority of the City of Saint Paul located at 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102. The purpose of the meeting is:

Minutes

Approval of Minutes of the February 20, 2018 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

New Business

1. Augustana Care and Affiliates and Augustana Home of St. Paul – Approval of a \$550,000 Trillin BTU Loan
2. Francis Brandenburger – Approval of a \$140,000 Trillion BTU Loan
3. Jerome Iverson – Approval of a \$150,000 Trillion BTU Loan
4. Eljin Properties, LLC and Scott Sinclair – Approval of a \$55,000 Trillion BTU Loan
5. Such Other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
FEBRUARY 20, 2018**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:03 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	Don Mullin
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Also present were the following:

Lee Krueger	Laurie Hansen	Pete Klein
Bruce Kessel	Michael Linder	Andrea Novak
Sarah Savela	Rhett Hebig	Dana Krueger
Linda Williams		
Donn Hanson, PFM		
Eric Larson, General Counsel, City of Saint Paul		

APPROVAL OF MINUTES

Committee Member Mullin made a motion to approve the minutes of the January 16, 2018 Credit Committee meeting. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

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

NEW BUSINESS

**DENNIS & GLENDA JEWISON AND EMERALD ACRES, INC.
APPROVAL OF A \$33,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$33,000 Trillion BTU loan to Dennis & Glenda Jewison and Emerald Acres, Inc. for the installation of a 63-kW solar array.

Committee Member Bennett asked for clarification on the contract for deed and ownership of the property. Mr. Linder confirmed that the borrowers are the property owners and the contract for deed is unrelated to this property.

There being no further discussion, Committee Member Mullin made a motion to approve a \$33,000 Trillion BTU loan to Dennis & Glenda Jewison and Emerald Acres, Inc. for the installation of a 63-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

LITTFIN LUMBER COMPANY
APPROVAL OF A \$152,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$152,000 Trillion BTU loan to Littfin Lumber Company for the installation of a 117-kW solar array.

There being no discussion, Committee Member Bennett made a motion to approve a \$152,000 Trillion BTU loan to Littfin Lumber Company for the installation of a 117-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**GARDEN VIEW APARTMENTS, LLC AND
POLYNESIAN VILLAGE 1994 LIMITED PARTNERSHIP**
APPROVAL OF A \$480,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$480,000 Trillion BTU loan to Garden View Apartments, LLC and Polynesian Village 1994 Limited Partnership for the installation of a 157-kW solar array.

There being no discussion, Committee Member Bennett made a motion to approve a \$480,000 Trillion BTU loan to Garden View Apartments, LLC and Polynesian Village 1994 Limited Partnership for the installation of a 157-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

LAVONNE M. MULLIN REVOCABLE TRUST
APPROVAL OF A \$104,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$104,000 Trillion BTU loan to Lavonne M. Mullin Revocable Trust for the installation of a 44-kW solar array.

There being no discussion, Committee Member Mullin made a motion to approve a \$104,000 Trillion BTU loan to Lavonne M. Mullin Revocable Trust for the installation of a 44-kW solar array. The motion was seconded by Committee Member Bennett, submitted to a vote and carried unanimously.

OTHER BUSINESS

There being no further business, the meeting was adjourned at 2:15 p.m.

By: _____

Its: _____

/djg

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** March 27, 2018
From: Michael J. Linder *MJL*
Subject: **AUGUSTANA CARE AND AFFILIATES AND AUGUSTANA HOME OF ST. PAUL
APPROVAL OF A \$550,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$550,000 with Augustana Care and Affiliates and Augustana Home of St. Paul for the installation of new roof-top cooling units on a commercial property located in Apple Valley, 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:

Augustana Care and Affiliates is the third largest senior care facility operator in Minnesota with over 2,000 units in the Metro market and more than 55 facilities located in Minnesota and Colorado. Their nursing and rehab facility located in Apple Valley requires 17 new roof-top cooling units to be replaced as the age of the current units are over 35 years. Augustana Home of St. Paul owns the property, which is located at 14650 Garrett Avenue in Apple Valley and has a tax assessed value of \$7,838,300.

Proposed Project:

Replace Roof-Top Cooling Units	
Purchase Price and Installation	\$550,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$550,000
Uses of funds:	
Replace Roof-Top Cooling Units	\$550,000

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 funder of the loan.

Financial Analysis:

Audited financial statements for Augustana Care and Affiliates were received for the past three years including the most recent fiscal year through 9/30/17. Net assets of \$32,552,445 decreased from a 2016 total of \$34,026,822 due to investments in new facilities. Revenue from nursing and housing facilities both increased in the last fiscal year and when factoring out depreciation and amortization, the organization had over \$7 million in operating income. The debt-to-net asset (debt-to-equity) ratio was over guideline at 5 to 1, up from 4.43 to 1 in the previous fiscal year. The increase was caused mainly by the construction of a new facility in Colorado.

Debt Service Coverage:	1.22	Trillion standard of at least:	1.15
Debt-to-Equity:	5.00	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	Replace Roof-Top Cooling Units
Amount of Loan:	\$550,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

825 MMBTUs (\$28,000) annually.

Workforce Implications:

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

Policy Exceptions:

Yes – Debt-to-net assets was above guideline, mitigated by the strong operating revenue and continued expansion and revenue growth of the organization.

Recommendation:

We recommend the approval of a \$550,000 Trillion BTU loan to Augustana Care and Affiliates and Augustana Home of St. Paul.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **FRANCIS BRANDENBURGER**
APPROVAL OF A \$140,000 TRILLION BTU LOAN

Meeting Date: March 27, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$140,000 with Francis Brandenburger for the installation of 60-kW solar array on an agricultural property located in Nassau, 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:

Francis Brandenburger owns a farm located at 2760 131st Avenue in Nassau, Minnesota. The borrower owns over 2,400 acres of land where he grows crops and receives income from custom farming operations. The parcel where the solar array will be installed consists of 190 acres of land and has a tax assessed value of \$1,096,300.

Proposed Project:

60-kW Solar Array	
Purchase Price and Installation	\$140,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$140,000
Uses of funds:	
60-kW Solar Array	\$140,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. La Qui Parle County is assisting with placing the PACE special assessment on the property taxes and another funder may finance that portion of the project once the special assessment is in place. Trillion BTU funds will act as a bridge loan until that time. In the event that the special assessment is not assessed or if another funder does not take out the Trillion BTU loan, it will remain the funder of the loan.

Financial Analysis:

Tax returns were received for the last three years through 2016 and the borrower was profitable in 2015 but showed losses in 2016 and 2014. When excluding non-cash expenses, the farm operation had net operating income in 2016. The losses in 2014 were due to a reduction in income as the borrower discontinued his livestock operations and had increased costs related to purchases of seed and fertilizer to focus primarily on crops. In 2016 the debt coverage ratio, including the proposed PACE assessment was 1.70 to 1. The borrower has a mortgage on an unrelated parcel of land and with the proposed PACE assessment has a debt-to-equity ratio of 0.40 to 1.

Debt Service Coverage:	1.70	Trillion standard of at least:	1.15
Debt-to-Equity:	0.40	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	60-kW Solar Array
Amount of Loan:	\$140,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

230 MMBTUs (\$8,100) annually.

Workforce Implications:

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

Policy Exceptions:

Yes – The borrower was not profitable in two of the last three years. This is mitigated by the adequate debt coverage ratio, low debt-to-equity and the positive operating income in 2016 when excluding non-cash expenses.

Recommendation:

We recommend the approval of a \$140,000 Trillion BTU loan to Francis Brandenburger.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **JEROME IVERSON**
APPROVAL OF A \$150,000 TRILLION BTU LOAN

Meeting Date: March 27, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$150,000 with Jerome Iverson for the installation of 60-kW solar array on an agricultural property located in Clarkfield, 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:

Jerome Iverson has a farm located at 3252 450th Street in Clarkfield, Minnesota. The borrower grows grain on over 600 acres of land which is located in Yellow Medicine County. There are multiple parcels of land that have a collective tax assessed value of \$2,692,300.

Proposed Project:

60-kW Solar Array	
Purchase Price and Installation	\$150,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$150,000
Uses of funds:	
60-kW Solar Array	\$150,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Yellow Medicine 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 2017 and the previous two years and show the borrower was profitable in all three years. The debt service coverage ratio for 2017 was 3.71 to 1 prior to the PACE assessment and 2.25 to 1 when including the assessment. A balance sheet was provided and indicated the borrower has a debt-to-equity ratio of 0.70 to 1 when factoring in the PACE assessment.

Debt Service Coverage:	2.25	Trillion standard of at least:	1.15
Debt-to-Equity:	0.70	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	60-kW Solar Array
Amount of Loan:	\$150,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

250 MMBTUs (\$8,500) annually.

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 \$150,000 Trillion BTU loan to Jerome Iverson.

MEMORANDUM

To: CREDIT COMMITTEE

From: Michael J. Linder *MJL*

Subject: **ELJIN PROPERTIES, LLC AND SCOTT SINCLAIR
APPROVAL OF A \$55,000 TRILLION BTU LOAN**

Meeting Date: March 27, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$55,000 with Eljin Properties, LLC And Scott Sinclair for the installation of 20-kW solar array on a commercial property located in Hastings, 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:

Eljin Properties is a real estate holding company owned by Scott Sinclair. The LLC owns multiple commercial buildings in Hastings, Minnesota. The subject property is located at 214/220 Ramsey Street and is a multi-tenant office building with a tax assessed value of \$275,300, limiting the PACE financing to \$55,000. The main tenant of the building is National Facility Solutions, which focuses on energy efficiency in commercial buildings and was founded by Scott.

Proposed Project:

20-kW Solar Array	
Purchase Price and Installation	\$55,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$55,000
Uses of funds:	
20-kW Solar Array	\$55,000

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 funder of the loan.

Financial Analysis:

Tax returns were received for 2016 and the previous two years for Eljin Properties, LLC as well as Scott’s personal tax returns. The subject property was profitable 2016 but had net losses in 2015 and 2014. The losses in those years were due to depreciation expense as well as renovation and repair expenses as the property was purchased in 2013. The subject property has a debt service coverage ratio of 1.22 to 1 prior to the PACE assessment and 0.90 to 1 after. There was limited equity on the balance sheet, so debt-to-equity was high at 16 to 1. Scott’s personal financial statement and tax returns show significant W-2 and income from other business ventures that support this request.

Debt Service Coverage:	0.90	Trillion standard of at least:	1.15
Debt-to-Equity:	16.00	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	20-kW Solar Array
Amount of Loan:	\$55,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

90 MMBTUs (\$3,000) annually.

Workforce Implications:

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

Policy Exceptions:

Yes – The subject property did not meet the underwriting criteria but was profitable in 2016. Scott Sinclair’s personal returns show there is sufficient income to service all related debt.

Recommendation:

We recommend the approval of a \$55,000 Trillion BTU loan to Eljin Properties, LLC and Scott Sinclair.