

**MEMORANDUM  
NOTICE**

**To:** CREDIT COMMITTEE  
**From:** Lee Krueger *Lee Krueger*  
**Subject:** **REGULAR CREDIT COMMITTEE MEETING  
MAY 15, 2018 – 2:00 P.M.**

**Date:** May 10, 2018

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **May 15, 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 April 24, 2018 Regular Credit Committee Meeting

**Conflict of Interest**

Conflicts with any items on the agenda

**New Business**

1. Roseville Office Plaza, LLC – Approval of a \$221,000 Trillion BTU Loan
2. Kevin and Christy Byer – Approval of an \$84,000 Trillion BTU Loan
3. E. Sheridan Properties, LLC – Approval of a \$31,000 Trillion BTU Loan
4. Rebound Exchange, LLC – Approval of a \$400,000 Trillion BTU Loan
5. 1320 Properties, LLC and Champion Auto Enterprises, LLC – Approval of a \$60,000 Trillion BTU Loan
6. Jason and Tammy French – Approval of a \$164,000 Trillion BTU Loan
7. Aurora St. Anthony Limited, LLC – Approval of a \$195,000 Trillion BTU Loan
8. Such Other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY  
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING  
APRIL 24, 2018**

---

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 1:17 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
Don Mullin		

Also present were the following:

Lee Krueger	Laurie Hansen	Monte Hilleman
Pete Klein	Bruce Kessel	Michael Linder
Ava Langston-Kenney	Laurie Siever	Dana Krueger
Ann Kosel	Linda Williams	
Councilmember Dan Bostrom, City of Saint Paul		
Councilmember Dai Thao, City of Saint Paul		
Nneka Constantino, Merrill Lynch		
Eric Larson, General Counsel, City of Saint Paul		

**APPROVAL OF MINUTES**

Committee Member Mullin made a motion to approve the minutes of the March 27, 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**

**LYNGBLOMSTEN CARE CENTER, INC.**

**AUTHORIZATION FOR THE ISSUANCE OF BANK-QUALIFIED, TAX-EXEMPT AND TAXABLE CONDUIT REVENUE BONDS IN THE APPROXIMATE AMOUNT OF \$10,000,000**

Mr. Klein reviewed his memorandum with the Committee requesting approval for the Port Authority to issue approximately \$10,000,000 of bank-qualified, conduit tax-exempt and taxable revenue bonds to Lyngblomstem Care Center, Inc.

Discussion included, but was not limited to, the nature of conduit and bank-qualified bonds, financial benefit to the Port Authority, the risk of using the maximum allocation of bank-qualified bonds on one project, and low-income services provided by Lyngblomsten.

There being no further discussion, Committee Member Bennett made a motion to approve the issuance of approximately \$10,000,000 of bank-qualified, conduit tax-exempt and taxable revenue bonds to Lyngblomsten Care Center, Inc. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**CONVEYANCE OF LAND FOR REVISED TRAIL  
EASEMENTS THROUGH SOUTHPORT TERMINAL**

Mr. Hilleman reviewed Ms. Sarnecki’s memorandum with the Committee requesting approval of a resolution to grant revised trail easements to the City of Saint Paul’s Parks Department for the creation of the Robert Piram Regional Trail through Southport Terminal.

Discussion included, but was not limited to, current connectivity of the Robert Piram trail, status of the current easement, and potential safety issues in the easement area.

There being no further discussion, Committee Member Mullin made a motion to approve a resolution to grant revised trail easements to the City of Saint Paul’s Parks Department for the creation of the Robert Piram Regional Trail through Southport Terminal. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**INCREASE WAGE RATE POLICY FOR  
DEVELOPMENT CRITERIA FOR SUBSIDIZED LAND SALES**

Mr. Hilleman reviewed his memorandum with the Committee requesting approval of an increase in the wage rate policy for business center Development Criteria to \$14.75 per hour with benefits and \$17.00 per hour without benefits.

Discussion included, but was not limited to, how we are defining “benefits”, the reasonableness of the assumption of two working adults per household, and what effects the City’s minimum wage policy would have on the Port Authority’s policy.

There being no further discussion, Committee Member Marshall made a motion to approve an increase to the hourly wage policy to \$14.75 per hour with benefits and \$17.00 per hour without benefits. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**2018 GRANT APPLICATION AND ACCEPTANCE AUTHORIZATION**

Mr. Larson reviewed his memorandum with the Committee requesting approval for 2018 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 Mullin, submitted to a vote and carried unanimously.

**APPLICATION TO MINNESOTA'S DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT, METROPOLITAN COUNCIL AND RAMSEY COUNTY FOR CONTAMINATION CLEANUP GRANT FUNDS FOR THE MINNESOTA CHEMICAL BUILDING RENOVATION/REDEVELOPMENT PROJECT**

Ms. Langston-Kenney reviewed her memorandum with the Committee requesting authorization to apply to Minnesota's Department of Employment and Economic Development (DEED), Metropolitan Council and Ramsey County for Contamination Cleanup grant funds for the Minnesota Chemical Building Renovation/Redevelopment Project.

Committee Chair Williams asked if there is a conflict of interest with the Port Authority being part of the project consulting team and requesting grant funds for the project. Mr. Larson stated there is no conflict of interest.

There being no further discussion, Committee Member Bennett made a motion to authorize the application to Minnesota's Department of Employment and Economic Development (DEED), Metropolitan Council and Ramsey County for Contamination Cleanup grant funds for the Minnesota Chemical Building Renovation/Redevelopment Project. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**LAKE COUNTY VETERINARY CLINICS, PLLP,  
MICHAEL E. OVEREND REVOCABLE TRUST AND LUCY A. GRINA  
REVOCABLE LIVING TRUST - APPROVAL OF A \$32,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$32,000 Trillion BTU loan to Lake County Veterinary Clinics, PLLP, Michael E. Overend Revocable Living Trust and Lucy A. Grina Revocable Living Trust for the installation of a 12-kW solar array.

There being no discussion, Committee Member Marshall made a motion to approve a \$32,000 Trillion BTU loan to Lake County Veterinary Clinics, PLLP, Michael E. Overend Revocable Living Trust and Lucy A. Grina Revocable Living Trust for the installation of a 12-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

**LDT, INC., TOM DWELLE AND GLEN DWELLE, JR.  
APPROVAL OF AN \$85,000 TRILLION BTU LOAN**

Mr. Linder reviewed his memorandum with the Committee requesting approval of an \$85,000 Trillion BTU loan to LDT, Inc., Tom Dwelle and Glen Dwelle, Jr. for the installation of a 20-kW solar array.

There being no further discussion, Committee Member Marshall made a motion to approve an \$85,000 Trillion BTU loan to LDT, Inc., Tom Dwelle and Glen Dwelle, Jr. for the installation of a 20-kW solar array. The motion was seconded by Committee Member Mullin.

Discussion included, but was not limited to, the borrower's financial position, the energy savings of the project, the limited amount of financial information available to the Committee, and what other information the Committee would like to see on this item.

Committee Member Bennett made a motion to table the request for approval of an \$85,000 Trillion BTU loan to LDT, Inc., Tom Dwelle and Glen Dwelle, Jr. for the installation of a 20-kW solar array pending further review. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

**OTHER BUSINESS**

Mr. Klein presented the Committee with a past due report of Trillion BTU loans.

There being no further business, the meeting was adjourned at 2:11 p.m.

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

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

## MEMORANDUM

**To:** CREDIT COMMITTEE

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

**Subject:** ROSEVILLE OFFICE PLAZA, LLC  
APPROVAL OF A \$221,000 TRILLION BTU LOAN

**Meeting Date:** May 15, 2018

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$221,000 with Roseville Office Plaza, LLC for the installation of high efficiency boilers on a commercial property located in Roseville, 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:**

Roseville Office Plaza is a multi-tenant commercial office building located at 1970 Oakcrest Avenue in Roseville, Minnesota. The property is owned and managed by Wellington Management. Improvements to the property include new high efficiency boilers and expansion tanks as well as new control systems. The property has a tax assessed value of \$4,126,500 and is currently 84% occupied.

**Proposed Project:**

High Efficiency Boilers	
Purchase Price and Installation	\$221,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$221,000
Uses of funds:	
High Efficiency Boilers	\$221,000

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 were received for the past three years and show the property had losses in all three years, due to depreciation and amortization expenses. The property had adequate cash flow coverage with a debt service coverage ratio of 1.41 to 1 with the PACE loan included in the calculation. The debt to equity was within guideline at 3.84 to 1.

Debt Service Coverage:	1.41	Trillion standard of at least:	1.15
Debt-to-Equity:	3.84	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	High Efficiency Boilers
Amount of Loan:	\$221,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

425 MMBTUs (\$14,800) annually.

**Workforce Implications:**

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

**Policy Exceptions:**

Yes - The property had net losses in the last three years. This was mitigated by the operating profit when factoring out depreciation and amortization as well as the adequate debt service coverage ratio of 1.41 to 1.

**Recommendation:**

We recommend the approval of a \$221,000 Trillion BTU loan to Roseville Office Plaza, LLC.

## MEMORANDUM

**To:** CREDIT COMMITTEE

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

**Subject:** **KEVIN AND CHRISTY BYER**  
**APPROVAL OF AN \$84,000 TRILLION BTU LOAN**

**Meeting Date:** May 15, 2018

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$84,000 with Kevin and Christy Byer for the installation of refrigeration equipment on a commercial property located in Osage, 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:**

Kevin and Christy Byer own a property located at 54572 State Highway 34 in Osage, Minnesota. The property is a multi-tenant commercial building that is in the process of extensive renovations. The building currently houses the U.S. Post Office, has two residential rental units and when completed, a fully remodeled grocery store. The grocery store has been vacant for the past two years since the previous store closed. Kevin plans to operate the grocery store as he also owns and operates Byer's Liquor, the local beer store located across the street. The property has an assessed value of \$420,000. Kevin is requesting a PACE loan to purchase high efficiency coolers and refrigeration units as well as install LED lighting throughout the store.

**Proposed Project:**

Energy Efficient Refrigeration Equipment	
Purchase Price and Installation	\$84,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$84,000
Uses of funds:	
Energy Efficient Refrigeration Equipment	\$84,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Becker 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 tax returns were received for Kevin and Christy for the past three years and show the couple have business income from their liquor store as well as W-2 and social security income. Using their personal and business income, the debt service coverage ratio is 1.38 to 1, which includes the mortgage on the property as well as their personal debt and PACE loan. There is currently rental income from the post office lease with additional rental income once the apartment units are completed and rented out. An appraisal on the property shows an as completed value of \$600,000. Kevin has personally invested over \$270,000 of his own money into the project and has a construction/permanent financing with a local bank for \$200,000.

Debt Service Coverage:	1.38	Trillion standard of at least:	1.15
Debt-to-Equity:	1.05	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	Energy Efficient Refrigeration Equipment
Amount of Loan:	\$84,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

150 MMBTUs (\$5,200) 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 \$84,000 Trillion BTU loan to Kevin and Christy Byer.

## MEMORANDUM

**To:** CREDIT COMMITTEE

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

**Subject:** **E. SHERIDAN PROPERTIES, LLC**  
**APPROVAL OF A \$31,000 TRILLION BTU LOAN**

**Meeting Date:** May 15, 2018

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$31,000 with E. Sheridan Properties, LLC for the installation of building envelope and roof insulation on a commercial property located in Ely, 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:**

E. Sheridan Properties is a real estate holding company that owns a commercial retail building located at 145 E. Sheridan Street in Ely, Minnesota. The building houses Insula restaurant, an American-style restaurant serving locally sourced dishes for breakfast, lunch and dinner. The restaurant has been open since 2015. The project scope includes improvements to the building's envelope and roof to increase interior comfort and energy efficiency. The property has a tax assessed value of \$156,700 so the PACE loan is limited to \$31,000, the total project cost is \$44,000.

**Proposed Project:**

Building Envelope and Roof Insulation	
Purchase Price and Installation	\$31,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$31,000
Uses of funds:	
Building Envelope and Roof Insulation	\$31,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Saint Louis 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 past three years and show the property was profitable for the past two years as the property was purchased in 2014. The property had a debt service coverage ratio of 1.48 to 1 with the PACE loan included. The debt-to-equity was within guideline at 0.40 to 1.

Debt Service Coverage:	1.48	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:	Building Envelope and Roof Insulation
Amount of Loan:	\$31,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

95 MMBTUs (\$3,300) 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 \$31,000 Trillion BTU loan to E. Sheridan Properties, LLC.

## MEMORANDUM

**To:** CREDIT COMMITTEE

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

**Subject:** **REBOUND EXCHANGE, LLC**  
**APPROVAL OF A \$394,000 TRILLION BTU LOAN**

**Meeting Date:** May 15, 2018

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$394,000 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:**

Rebound Exchange, LLC purchased the Exchange Building, located at 26 E. Exchange Street, in September of 2017. Rebound Hospitality is the development company which has a portfolio of historic renovations and hotel conversions in Minnesota and Iowa. The property was previously a multi-tenant office building and home to the St. Paul Conservatory of Music. The company is in the process of converting the building to a 72-room boutique hotel. As part of the conversion, new high efficiency equipment and conservation materials are planned to be installed. The property has a tax assessed value of \$1,969,400.

**Proposed Project:**

Energy Efficiency Upgrades	
Purchase Price and Installation	\$394,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$394,000
Uses of funds:	
Energy Efficiency Upgrades	\$394,000

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:**

Proforma financial statements were provided indicating construction is planned to be completed and the hotel opened in June of 2019. The proformas 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 1.25 to 1. The entity shows the current debt-to-equity with all sources of financing included is 2.8 to 1.

Debt Service Coverage:	1.25	Trillion standard of at least:	1.15
Debt-to-Equity:	2.80	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	Energy Efficiency Upgrades
Amount of Loan:	\$394,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment Personal Guaranty

**Energy Savings:**

600 MMBTUs (\$21,000) annually.

**Workforce Implications:**

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

**Policy Exceptions:**

3 years of financials were not available as this is a new venture. This is mitigated by the experience of the development company, significant investment in the property, and personal guaranties, reducing risk of loss on a PACE assessment.

**Recommendation:**

We recommend the approval of a \$394,000 Trillion BTU loan to Rebound Exchange, LLC.

## MEMORANDUM

**To:** CREDIT COMMITTEE

**Meeting Date:** May 15, 2018

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

**Subject: 1320 PROPERTIES, LLC AND CHAMPION AUTO ENTERPRISES, LLC  
APPROVAL OF A \$60,000 TRILLION BTU LOAN**

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$60,000 with 1320 Properties, LLC and Champion Auto Enterprises, LLC for the installation of roof-mounted solar array on a commercial property located in Mankato, 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:**

1320 Properties, LLC is a real estate holding company for a property located at 55 Star Street in Mankato, Minnesota. Greg and Bonita Bednar own the LLC which is home to Champion Auto Enterprises, LLC, a related entity. Doing business as Greg's Champion Auto, this is a full-service, ASE certified auto repair facility that has been in operation for more than 40 years. The property has a tax assessed value of \$758,300 and the owners are installing a roof mounted solar array to offset the buildings electricity use.

**Proposed Project:**

Roof-Mounted Solar Array	
Purchase Price and Installation	\$60,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$60,000
Uses of funds:	
Roof-Mounted Solar Array	\$60,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Blue Earth 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 past three years for 1320 Properties, LLC and show the entity was profitable in two of the last three years, with losses in 2016. Excluding depreciation, the LLC was profitable. The debt service coverage ratio was 1.12 to 1 prior to the PACE loan and 1.03 to 1 when including the PACE debt. We also received financial statements for Greg’s Champion Auto and the business has been profitable in the past three years. Including income from both sources and all related debt, the debt service coverage for the two entities is 1.80 to 1. The combined debt-to-equity for 1320 Properties and Greg’s Champion Auto was within guideline at 1.40 to 1.

Debt Service Coverage:	1.03	Trillion standard of at least:	1.15
Debt-to-Equity:	1.40	Trillion standard of less than:	4.00

**Proposal:**

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

**Energy Savings:**

160 MMBTUs (\$5,500) 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:**

Yes - The debt service coverage ratio was not within guideline at 1.03 to 1. This was mitigated by the support of the tenant and related entity with a combined debt service coverage ratio of 1.80 to 1.

**Recommendation:**

We recommend the approval of a \$60,000 Trillion BTU loan to 1320 Properties, LLC and Champion Auto Enterprises, LLC.

## MEMORANDUM

**To:** CREDIT COMMITTEE

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

**Subject:** **JASON AND TAMMY FRENCH**  
**APPROVAL OF A \$164,000 TRILLION BTU LOAN**

**Meeting Date:** May 15, 2018

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$164,000 with Jason and Tammy French for the installation of three solar arrays on an agricultural property located in West Concord, 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:**

Jason and Tammy own French Farms, which is an organic milk producer for Organic Valley. The farm is located at 19502 County Highway 24 in West Concord, Minnesota. The project includes three separate solar arrays, two mounted on dairy barns and one ground mounted system. The three parcels where the arrays will be located have a combined assessed value of \$1,919,600.

**Proposed Project:**

Three Solar Array Systems	
Purchase Price and Installation	\$164,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU	\$164,000
Uses of funds:	
Three Solar Array Systems	\$164,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Dodge 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 past three years and the borrowers had small losses on the farm operation but were profitable when excluding non-cash items. The French’s also have other rental real estate and W-2 income. They had sufficient cash to service their debt with a debt service coverage ratio of 3.48 to 1, based only on the farming operation and included the PACE loan. A balance sheet was not provided but their debt-to-equity using the tax value of the property was within guideline at 3.07 to 1.

Debt Service Coverage:	3.48	Trillion standard of at least:	1.15
Debt-to-Equity:	3.07	Trillion standard of less than:	4.00

**Proposal:**

Source of Funds:	Trillion BTU
Use of Funds:	Three Solar Array Systems
Amount of Loan:	\$164,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

**Energy Savings:**

275 MMBTUs (\$9,700) 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.  
2 FTE for construction jobs.

**Policy Exceptions:**

Yes – The borrowers had small losses in 2017 and 2016, caused by non-cash depreciation. This is mitigated by the sufficient cash flow coverage and other personal income.

**Recommendation:**

We recommend the approval of a \$164,000 Trillion BTU loan to Jason and Tammy French.

**MEMORANDUM**

**To:** CREDIT COMMITTEE

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

**Subject:** **AURORA ST. ANTHONY LIMITED, LLC**  
**APPROVAL OF A \$195,000 TRILLION BTU LOAN**

**Meeting Date:** May 15, 2018

**Action Requested:**

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$195,000 with Aurora St. Anthony Limited, LLC for the installation of solar array 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:**

Aurora St. Anthony Neighborhood Development Corporation was established in 1980 as a community watch and crime prevention group. Today the organization hosts a variety of social, economic, housing and commercial development programs for Aurora St. Anthony, Frogtown and Summit-University residents of all ages. The project scope includes the installation of a roof mounted solar array on the former Old Home Milk Dairy in St. Paul, located at 370 University Avenue. The purpose of the project is to integrate renewable energy with an affordable housing development and demonstrate facility design and ownership structure. This is a short-term note to act as bridge financing until they receive an RDF grant from Xcel Energy in the amount of \$240,000. The total project cost is \$445,000 and the TBTU loan will not be funded until the grant has been approved.

**Proposed Project:**

152-kW Solar Array	
Purchase Price and Installation	\$445,000

**Sources and Uses of Funds:**

Sources of funds:	
Trillion BTU/ Xcel Grant	\$195,000
Equity Investment	\$250,000

Uses of funds:	
152-kW Solar Array	\$445,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Trillion BTU funds will act as a bridge loan until RDF grant funds are received from Xcel Energy.

**Financial Analysis:**

Financial statements were received for the last three years and show the organization had an increase in net assets in all of the last three fiscal years. The organization had \$2.7 million in net assets, compared to \$1 million in liabilities, resulting in a debt-to-equity ratio of 0.40 to 1. Debt service coverage was within guideline at 1.20 to 1, which included the interest only payments on the proposed loan. The loan will be repaid directly from Xcel when the grant is processed.

Debt Service Coverage:	1.20	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:	152-kW Solar Array
Amount of Loan:	\$195,000
Rate:	5.00%
Term:	18-Month Term with Monthly Interest Only Payments
Collateral:	Signed Loan Agreement

**Energy Savings:**

515 MMBTUs (\$18,000) annually.

**Workforce Implications:**

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

**Policy Exceptions:**

None.

**Recommendation:**

We recommend the approval of a \$195,000 Trillion BTU loan to Aurora St. Anthony Limited, LLC.