


**MEMORANDUM
NOTICE**

To: CREDIT COMMITTEE

Date: November 15, 2018

From: Lee Krueger 

**Subject: REGULAR CREDIT COMMITTEE MEETING
NOVEMBER 20, 2018 – 2:00 P.M.**

Chair Williams is calling a meeting of the Credit Committee for Tuesday, **November 20, 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 October 23, 2018 Regular Credit Committee Meeting

Conflict of Interest

Conflicts with any items on the agenda

Agenda Items

1. Sky Food Catering – Approval of a \$500,000 BDF Loan of up to \$500,000
2. Approval to Draw \$1,022,000 of the \$3,000,000 Kresge Grant/Loan Approved by the Credit Committee on August 22, 2017
3. Approval of a \$10,000,000 Non-Revolver Draw Loan Between the Port Authority of the City of Saint Paul and Hiway Federal Credit Union
4. Hub’s Landing and Marina, LLC – Trillion BTU Loan Modification
5. Cherrywood of St. Cloud, LLC – Approval of a \$109,000 Trillion BTU Loan
6. Douglas and Nora Felton, and Felton Family Farms, LLP – Approval of a \$205,000 Trillion BTU Loan
7. Tom and Kristin Mueller – Approval of a \$74,000 Trillion BTU Loan
8. Northgate Development, LLC – Approval of a \$173,000 Trillion BTU Loan
9. Shady Oak Center, LLC – Approval of a \$185,000 Trillion BTU Loan
10. Such other Business that May Come Before the Committee

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR CREDIT COMMITTEE MEETING
OCTOBER 23, 2018**

Committee Chair Williams called the Regular Meeting of the Credit Committee to order at 2:01 p.m. in the Board Room of the Saint Paul Port Authority, 380 St. Peter Street, Suite 850, Saint Paul, Minnesota 55102.

The following Committee Members were present:

John Bennett	John Marshall	Don Mullin
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Also present were the following:

Lee Krueger	Laurie Hansen	Monte Hilleman
Pete Klein	Michael Linder	Andrea Novak
George Hoene	Laurie Siever	Dana Krueger
Ann Kosel	Deb Forbes	

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
Bryan George, University of Minnesota

APPROVAL OF MINUTES

Committee Member Mullin made a motion to approve the minutes of the September 18, 2018 Credit Committee meeting. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

CONFLICT OF INTEREST

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

AGENDA ITEMS

KOOBMOO FUNERAL CHAPEL, INC - APPROVAL OF A \$193,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$193,000 Trillion BTU loan to Koobmoo Funeral Chapel, Inc. for the installation of two solar arrays.

There being no discussion, Committee Member Mullin made a motion to approve a \$193,000 Trillion BTU loan to Koobmoo Funeral Chapel, Inc. for the installation of two solar arrays. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

830 GRANT VICTORIA FLATS, LLC AND SERGEI VOYAKIN
APPROVAL OF A \$40,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$40,000 Trillion BTU loan to 830 Grant Victoria Flats, LLC and Sergei Voyakin for the installation of a 13-kW solar array.

There being no discussion, Committee Member Marshall made a motion to approve a \$40,000 Trillion BTU loan to 830 Grant Victoria Flats, LLC and Sergei Voyakin for the installation of a 13-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

ALEXANDER LUMBER COMPANY - APPROVAL OF A \$90,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$90,000 Trillion BTU loan to Alexander Lumber Company for the installation of a 44-kW solar array.

There being no discussion, Committee Member Marshall made a motion to approve a \$90,000 Trillion BTU loan to Alexander Lumber Company for the installation a 44-kW solar array. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

RAVEN RIDGE FARM, INC. AND KIM AND ANDREW BARONE
APPROVAL OF A \$100,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$100,000 Trillion BTU loan to Raven Ridge Farm, Inc. and Kim and Andrew Barone for the installation of a 40-kW solar array.

There being no discussion, Committee Member Mullin made a motion to approve a \$100,000 Trillion BTU loan to Raven Ridge Farm, Inc. and Kim and Andrew Barone for the installation of a 40-kW solar array. The motion was seconded by Committee Member Marshall, submitted to a vote and carried unanimously.

YWCA ST. PAUL – APPROVAL OF A \$70,000 TRILLION BTU LOAN

Mr. Linder reviewed his memorandum with the Committee requesting approval of a \$70,000 Trillion BTU loan to YWCA St. Paul for the installation of new HVAC units.

There being no discussion, Committee Member Marshall made a motion to approve a \$70,000 Trillion BTU loan to YWCA St. Paul for the installation of new HVAC units. The motion was seconded by Committee Member Mullin, submitted to a vote and carried unanimously.

MINNESOTA CAMEROON COMMUNITY - APPROVAL OF A \$250,000 TRILLION BTU LOAN

Mr. Klein reviewed his memorandum with the Committee requesting approval of a \$250,000 Trillion BTU loan to Minnesota Cameroon Community for the connection to Energy Park

Utility Company's district energy system.

Committee Member Marshall asked if the Port has used Trillion BTU funds to connect to a district energy system in the past. Mr. Klein stated that it has been done before.

There being no further discussion, Committee Member Mullin made a motion to approve a \$250,000 Trillion BTU loan to Minnesota Cameroon Community for the connection to Energy Park Utility Company's district energy system. 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 2:19 p.m.

By: _____

Its: _____

MEMORANDUM

To: CREDIT COMMITTEE

From: Lee Krueger 

Subject: **SKY FOOD CATERING**
APPROVAL OF A BDF LOAN OF UP TO \$500,000

Meeting Date: Nov. 20, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Business Development Fund (BDF) Loan of up to \$500,000 with Sky Food Catering (SFC) to finance the purchase of equipment to operate an event 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 Sky Food Catering 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. Sky Food Catering was looking to expand near the MSP Airport, where their current Mendota Heights location can service their clients. By coming to Treasure Island Center, Sky Food Catering can grow their operations at Holman Field (Saint Paul downtown airport) and serve corporate clients in the downtown area and beyond.

Business Subsidy:

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

Background:

Sky Food Catering provides gourmet cuisine with a personal touch to the aviation industry. Their focus is providing a full range of catering services including; in-flight catering, turn-around service, hi-loader service, de-catering service, linen service, cabin supplies, specialty newspapers, restaurant facilitation service, liquor procurement, event catering, corporate meetings, managerial services.

Sky Food Catering operates corporate cafes, fast-casual restaurants, flight services for major airlines, military charters, and private charter jets. They concentrate on premium cuisine, with outstanding service while accommodating budgets of all sizes.

Sky Food Catering was established in 2001. Asadullah Gharwal, the principal owner of SFC, has been operating food service establishments since 1996.

Similar to other venues in the marketplace with a sports aspect, there has been a demand for event space at TIC. The Saint Paul Saints established the Securian Club at CHS Field. There are multiple opportunities at Xcel Center and Allianz Field that will also offer opportunities for such events. Users of the TRIA Rink have sought on-premises facilities for pre- and post-game meeting areas and corporate users in the market have looked for meeting facilities that offer different venues than the hotel ballrooms that currently exist downtown.

In conjunction with this BDF Loan, SFC will enter into an 11-year lease at Treasure Island Center for a leased space of 14,348 square feet on the skyway level. This BDF Loan is crucial for them to proceed. If financially feasible, SFC will remodel the former River Room space in the basement of the building for a catering kitchen. There will be no Landlord contributions for that aspect of the project.

Rents at TIC are at the higher end of the market, appropriate given TIC's unique, high-level venue, and necessary in order to be financially viable. This BDF Loan responds to the competition (existing and proposed) in the surrounding developments, facilitates the lease-up of challenging space on the skyway level of TIC, and protects the Landlord's investment in the development.

Proposed Project:

Use of Funds:

Purchase Price and Installation of Equipment (equipment to include: seating, tables, AV equipment, lighting, moveable storage, linens, window treatments, moveable bar, partitions)	\$ 550,000
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Sources of Funds:

Sources of Funds:

BDF Loan (approximately 90% of purchase price)	\$ 500,000
Equity	<u>50,000</u>
Total	\$ 550,000

Financial Analysis:

Financial statements were received for the last three years, through 12/31/17 and show the company had a net profit in all three years. Interim company prepared financial statements were also received for the period ending 10/31/18 and show the company on track to be profitable at the end of fiscal year 2018. While revenue at 10/31/18 is \$3,021,019, this is compared with total revenue in 2017 of \$3,554,239. Profit margin is steady at 11%, with a gross profit margin also steady at approximately 30% over the past three years. Equity was negative due to owner distributions, so a debt-to-equity ratio could not be calculated. A proforma debt service coverage ratio was calculated assuming 10-year repayment on outstanding debt and shows a ratio of 4.30 to 1 as of 12/31/17 and 2.59 to 1 as of 9/30/18.

Income Statement:	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
Total Revenue:	\$ 2,555,538	\$ 3,508,180	\$ 3,554,239
Gross Profit:	\$ 834,434	\$ 1,072,407	\$ 1,080,235
Net Income:	\$ 280,018	\$ 426,016	\$ 399,070

Proposal:

Amount of Loan: \$500,000 maximum, or no more than 90% of actual equipment costs.

Rate: 3.65%

Term: 10 years
Interest only years one and two, unless operation shows profitability.
Principal payments to begin no later than year three.

Collateral: Signed Loan Agreement with Sky Food Catering.
UCC-1 Lien documents (SPPA will have a first position on the collateral of this equipment).

Personal Guarantee from Asadullah Gharwal.
Covenants to include limitation on owner salary and distribution, annual financial statement reporting and standard financial covenants.

Miscellaneous: The Landlord (Go Wild/CCP) will share in naming rights of the premises (i.e., Securian Club at CHS Field).

CCP, as part of the naming rights/sponsorship interest in the premises and the BDF Loan, will be able to use the premises free of charge for 25 events per year to encourage new tenants and sponsors to the project.

Workforce

Implications:

Current number of employees:	26
Anticipated new hires:	10-15
Starting wage for production:	\$15/hr. (with a benefit package that includes health benefits, PTO, sick & safe leave).

Policy Exceptions:

Yes. BDF guidelines are equipment loans of 50 – 75% of purchase price of new equipment. This loan will be 90% of purchase price.

Recommendation:

We recommend the approval of a BDF Loan of up to \$500,000 (90% of purchase price) to Sky Food Catering.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** November 20, 2018
From: Peter M. Klein *PK*
Subject: **APPROVAL TO DRAW \$1,022,000 OF THE \$3,000,000 KRESGE GRANT/LOAN APPROVED BY THE CREDIT COMMITTEE ON AUGUST 22, 2017**

Action Requested:

Approval to draw \$1,022,000 of the \$3,000,000 Kresge Grant/Loan approved by the Credit Committee on August 22, 2017.

Public Purpose:

Organizations located within low income communities have had difficulty investing in energy savings projects. The grant/loan from the Kresge Foundation will allow the Port Authority of the City of Saint Paul to focus on these organizations to help them understand the positive cash flow that these investments can provide. These organizations will become more competitive and reduce their reliance on fossil fuels.

Background:

On August 22, 2017, the Credit Committee authorized the Port Authority to enter into a \$3,000,000 Grant/Loan with the Kresge Foundation. On December 12, 2017, Kresge officially announced the Port Authority was one of nine organizations selected, from over 130 nationwide, to receive the Grant/Loan. The Port's award of \$3,000,000 was the largest of the nine awards and is designated to assist women and minority lead organizations, in underinvested neighborhoods, with investing in energy efficiency and renewable energy projects on their facilities. Ours was the only award relating to energy projects. We have until the end of 2019 to implement the full \$3,000,000. We believe that this partnership with Kresge will show all of the foundations in the country how to implement their endowments into programmatic investments centered around their equity and climate change objectives.

The grant portion of the award is 5.00% of the total amount of the award actually implemented in projects (\$150,000 if the full amount of the award is implemented). The Port also receives half of the interest earned on the loans (\$75,000 in the first year if the full \$3,00,000 is implemented). The loan portion of the award is that the Port has guaranteed the repayment of the amount implemented, even if the actual borrower on the project does not make its payment to the Port. To mitigate this risk, we are only using the Kresge funds with projects involving PACE assessments. When the Credit Committee approved entering into the agreement with Kresge, staff committed to informing the Credit Committee of the loans that were going to be part of the Kresge agreement. The following PACE loans are proposed to be assigned to Kresge:

Apadana, LLC	08/21/2018	\$ 105,000
St. Croix Cleaners	09/21/2018	\$ 479,000

Koobmoo Funeral Chapel, Inc.	10/23/2018	\$ 193,000
YWCA St. Paul	10/23/2018	\$ 245,000
TOTAL		<u>\$1,022,000</u>

Financial Analysis:

All of the loans proposed to go to Kresge were approved by the Credit Committee this year. In their current state, the Trillion BTU grant program would suffer the loss on any loan that payments were not received. Once transferred to Kresge, the Port Authority would suffer the loss of nonperforming loans. Since all loans involved in the Kresge program have PACE assessments associated with them, we believe that the risk of loss is low.

Exceptions:

None.

Recommendation:

We recommend approval to draw \$1,022,000 of the \$3,000,000 Kresge Grant/Loan approved by the Credit Committee on August 22, 2017

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** November 20, 2018

From: Michael J. Linder *MJL*

Subject: **APPROVAL OF A \$10,000,000 NON-REVOLVING DRAW LOAN BETWEEN THE PORT AUTHORITY OF THE CITY OF SAINT PAUL AND HIWAY FEDERAL CREDIT UNION**

Action Requested:

Approval of a \$10,000,000 non-revolving draw loan between the Port Authority of the City of Saint Paul, the Borrower, and Hiway Federal Credit Union, the Lender, for the lender to purchase originated Property Assessed Clean Energy (PACE) loans approved by the Port Authority.

Background:

The Port Authority has engaged local Credit Unions and Financial Institutions to participate in funding the PACE program. The Trillion BTU Revolving Loan fund is an approximate \$17,000,000 fund that is used to fund PACE loans and is routinely near capacity. To be able to provide loans consistently and without delay, we have engaged with local credit unions and financial institutions to provide additional sources of financing to keep the PACE program funded.

Proposal:

The note is a discretionary, non-revolving draw loan and the total funds advanced by the Lender shall not exceed \$10,000,000. Each advance will be an amount determined by the Port Authority and specified by the details of each PACE loan being funded. The Port Authority will execute an Assessment Assignment and Security Agreement to Hiway Federal for each PACE loan.

The draw loan will be made available in two tranches; the first will be \$2,000,000 to be advanced at an interest rate of 4.25%; after the \$2,000,000 has been advanced, the remaining \$8,000,000 will be advanced at a rate of 4.75%. This will allow the Port Authority the discretion to sell loans with a sufficient interest rate to recover not less than a 0.25% return on loans sold. The Port Authority has existing PACE loans booked at 4.5% but has raised that rate to 5% due to increasing market rates.

The Port Authority has agreed to pledge \$100,000 as a reserve to be held in a deposit account to be drawn on when the PACE payments from the counties are not received on time. This reserve account is limited to \$100,000 and is replenished when the payments have been remitted. In the event that the full \$100,000 is committed to past due payments, the Port Authority will not be required to provide any additional funds to cover further delinquencies. On August 16, 2017, to facilitate lender participation in the PACE program, the Board of Commissioners, in Resolution Number 4605, permitted the use of the Economic Development Incentive Fund to be used as a loss reserve for PACE loans assumed or directly funded by other financial institutions.

Recommendation:

Approval of a \$10,000,000 non-revolving draw loan between the Port Authority and Hiway Federal Credit Union for the lender to purchase originated PACE loans approved by the Port Authority.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** November 20, 2018
From: Michael Linder *MJL*
Subject: HUB'S LANDING AND MARINA, LLC – TRILLION BTU LOAN MODIFICATION

Action Requested:

Approval of the modification of Hub's Landing and Marina, LLC Trillion BTU Loan.

Background:

Hub's Landing and Marina is a full-service marina located at 6 Spiral View Loop Road in Hastings, MN. The Marina has a club house with a full-service ship store and deli as well as showers and restrooms for customers and guests renting out slips in the marina. They also offer seasonal boat storage and sell boats on consignment.

The Credit Committee approved a \$52,000 Trillion BTU Loan to Hub's Landing in October 2017 for the installation of an 18-kW solar array. The loan was fully disbursed in December 2017.

Current Status:

Hub's Landing made a down payment of \$36,000 to the solar installer, Able Energy. After the down payment was made, the company stopped communicating with the customers and eventually declared bankruptcy without providing any of the services promised.

Hub's Landing went ahead with the solar installation with All Energy Solar and the system is installed and operational. The owners invested approximately \$50,000 of their own money, which when included with the PACE loan is over a \$100,000 investment. The cost of the system from All Energy Solar was \$65,000.

Proposal:

Hub's landing has requested our cooperation in addressing the cost overruns on their solar installation. We are recommending the Port Authority delay placing the assessment until after 2018 and convert this loan to 0.0% interest; this will delay the required assessment payment until 2020, while giving Hub's Landing the opportunity to make repayments in 2019, if they are able. The Port Authority will forego approximately \$15,000 in interest if this modification is approved.

Recommendation:

We recommend approval of the modification of Hub's Landing and Marina, LLC Trillion BTU Loan.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** November 20, 2018
From: Michael J. Linder *MJL*
Subject: **CHERRYWOOD OF ST. CLOUD, LLC**
APPROVAL OF A \$109,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$109,000 with Cherrywood of St. Cloud, LLC for the installation of a 44-kW roof-top solar array on a commercial property located in St. Cloud, 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:

Cherrywood of South St. Cloud is located in St. Cloud, Minnesota and provides assisted living, memory care and enhanced nursing care in a small ten-resident house. Their mission is to provide exceptional medical care while keeping residents involved in daily life. The facility is located at 3315 Cooper Avenue S, in St. Cloud. The property has a tax assessed value of \$1,780,000.

Proposed Project:

44-kW Roof-Top Solar Array	
Purchase Price and Installation	\$109,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$109,000
Uses of funds:	
44-kW Roof-Top Solar Array	\$109,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Stearns 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 and show the facility was profitable in all three years. There is a mortgage on the property and the debt service coverage ratio prior to the PACE loan is 1.27 to 1. After factoring in the new debt, the ratio would be 1.15 to 1 using 2017 tax returns. The debt-to-equity was above guideline at 12.4 to 1. This was due primarily to accumulated depreciation. The following ratios are as of December 31, 2017:

Debt Service Coverage:	1.27	Trillion standard of at least:	1.15
Debt-to-Equity:	12.40	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	44-kW Roof-Top Solar Array
Amount of Loan:	\$109,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

175 MMBTUs (\$6,000) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system’s cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

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

Policy Exceptions:

Yes – Debt-to-equity is above guideline. This is mitigated by the adequate cash flow and historical profitability of the facility.

Recommendation:

We recommend the approval of a \$109,000 Trillion BTU loan to Cherrywood of St. Cloud, LLC.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: October 23, 2018

From: Michael J. Linder *MJL*

**Subject: DOUGLAS AND NORA FELTON AND FELTON FAMILY FARMS, LLP
APPROVAL OF A \$205,000 TRILLION BTU LOAN**

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$205,000 with Douglas and Nora Felton and Felton Family Farms, LLP for the installation of a 42-kW solar array on a commercial property located in Randolph, 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:

Doug and Nora Felton farm over 2,800 acres of land, of which 2,000 are owned by the Feltons with a value of over \$18 million. They are second generation farmers growing crops and raising horses and cattle and have been in operation since 1976. The farm is located at 2055 330th Street E in Northfield. The tax assessed value of the two parcels where the solar installations will be located is \$1,357,100. They are installing a ground mounted tracking solar array to offset energy use for crop and animal production.

Proposed Project:

42-kW Solar Array

Purchase Price and Installation	\$205,000
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Sources and Uses of Funds:

Sources of funds:

Trillion BTU	\$205,000
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Uses of funds:

42-kW Solar Array	\$205,000
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In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. 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 the last three years and the borrowers were profitable in all three years. The farm had adequate debt service coverage with a ratio of 4.27 to 1 prior to factoring in the PACE loan and 3.99 to 1 when including it. Debt-to-equity was within guideline at 2.65 to 1. The loan to value of the property including new PACE debt would be 53%. The following ratios are as of December 31, 2017:

Debt Service Coverage:	4.27	Trillion standard of at least:	1.15
Debt-to-Equity:	2.65	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	42-kW Solar Array
Amount of Loan:	\$205,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

325 MMBTUs (\$11,000) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system’s cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

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

Policy Exceptions:

None.

Recommendation:

We recommend the approval of a \$205,000 Trillion BTU loan to Douglas and Nora Felton and Felton Family Farms, LLP.

MEMORANDUM

To: CREDIT COMMITTEE
From: Michael J. Linder *MJL*
Subject: **TOM AND KRISTIN MUELLER**
APPROVAL OF A \$74,000 TRILLION BTU LOAN

Meeting Date: November 20, 2018

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$74,000 with Tom and Kristen Mueller for the installation of a 47-kW roof-mounted solar array on a commercial property located in Utica, 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:

Tom and Kristen Mueller own a crop farm located at 16671 County Road 18 in Utica, MN. They grow corn and soybeans and own 80 acres of land as well as renting additional land. They are installing a roof-mounted solar array on their equipment barn to offset electricity use during the grain drying process. The property has a tax assessed value of \$696,200.

Proposed Project:

47-kW Roof-Top Solar Array	
Purchase Price and Installation	\$74,000

Sources and Uses of Funds:

Sources of funds:	
Trillion BTU	\$74,000
Uses of funds:	
47-kW Roof-Top Solar Array	\$74,000

In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. Winona 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 and show their farming operations were profitable in 2017 and 2015 with losses in 2016. The borrowers don't have any debt on the property so a debt service coverage calculation was not applicable, the coverage ratio with the PACE loan would have been 8.10 to 1 using the 2017 tax returns. A debt-to-equity calculation was also not applicable since there was no debt on the property, however there was positive equity. The following ratios are as of December 31, 2017:

Debt Service Coverage:	N/A	Trillion standard of at least:	1.15
Debt-to-Equity:	N/A	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	47-kW Roof-Top Solar Array
Amount of Loan:	\$74,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

200 MMBTUs (\$6,500) 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:

None.

Recommendation:

We recommend the approval of a \$74,000 Trillion BTU loan to Tom and Kristen Mueller.

MEMORANDUM

To: CREDIT COMMITTEE

Meeting Date: November 20, 2018

From: Michael J. Linder



Subject: **NORTHGATE DEVELOPMENT, LLC**
APPROVAL OF A \$173,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$173,000 with Northgate Development, LLC for the installation of a 155-kW roof-mounted solar array on a commercial property located in Minneapolis, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

Renewable Energy Partners (REP) was formed in 2015, following the enactment of Minnesota's Solar Jobs Act, as a solar developer and construction services firm for solar energy projects. REP is a Subchapter S corporation and certified Minority Business Enterprise (MBE) that is wholly owned by Jamez Staples.

REP had limited activity for the first two years as it built its capacity, sought working capital, and engaged in training for entry-level solar positions. REP also found that there are significant barriers to entry into the solar development market by new firms in Minnesota, particularly due to labor rules that restrict the use of unlicensed personnel for solar construction.

Minnesota law prohibits subcontracting on solar projects and requires all personnel on-site to be W-2 employees of the licensed master electrician of record. State law also requires there be one licensed electrician for every two unlicensed workers on a job site, the lowest ratio of licensed-to-unlicensed workers in the nation. This strict ratio applies to all work on the job site, including assembly of equipment and cleanup, all of which has been deemed to be "electrical work" requiring licensure.

Despite these challenges, REP has built a robust pipeline of projects for 2019 and expects to develop and install a minimum of more than 4,900 kilowatts of solar at an estimated total project cost of \$7.5 million. A signature project that will be started right away, and will build REP's development capacity, is the installation of solar PV on the roof of the existing building at 1200 Plymouth Avenue N.

Northgate Development was formed as a Limited Liability Corporation in 2017 and is also wholly owned by Jamez Staples. It was formed to hold the real estate purchased last December. As a new entity, Northgate has not produced any financial statements.

Northgate purchased 1112-1200 Plymouth Avenue N. from the State of Minnesota for \$1,560,000. The property has a tax assessed value of \$1,972,200. The site includes an existing 22,000 square foot building that is a former state workforce center, and a vacant lot that is slated for development of 100,000 square feet anchored by the Minneapolis Apprenticeship Training Center (MATC).

Funding for the site purchase came from a private loan that is non-recourse and was made to support Staple’s vision for the training center and broader redevelopment along Plymouth Avenue. Northgate makes interest-only payments on the private loan at a rate of 3.0% or 1.0% above the 90-day LIBOR, whichever is less.

Northgate is currently working on developing the partnerships with public school systems and others for the training center. It has secured a commitment to finance the new construction from an entity that has an allocation of New Markets Tax Credits. In addition to the rooftop solar on the existing building, Northgate will host a demonstration of battery storage in a partnership with the University of Minnesota. Northgate has also applied for grants and financing to install four electric vehicle charging stations at the site and implement advanced practices for management of stormwater on the site.

Proposed Project:

155-kW Roof-top Solar Array	
Purchase Price and Installation	\$243,000

Sources and Uses of Funds:

Sources of funds:

Minneapolis Green Biz Incentive	\$ 70,000
Trillion BTU	\$173,000

Uses of funds:

155-kW Roof-top Solar Array	\$243,000
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In order to leverage the grant funds, we are requesting that all local EDAs match the Trillion funds for projects in their area. The City of Minneapolis 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:

Given Northgate Development, LLC is a new entity, no financial statements were available. This is mitigated by the security of the PACE assessment as collateral for repayment. The following ratios are as of December 31, 2017:

Debt Service Coverage:	N/A	Trillion standard of at least:	1.15
Debt-to-Equity:	N/A	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	155-kW Roof-top Solar Array
Amount of Loan:	\$173,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

765 MMBTUs (\$26,000) annually.

Renewable Energy Rebates and Incentives:

The borrower is eligible to receive additional incentives including the investment tax credit equal to 30% of the system’s cost, accelerated depreciation and performance-based incentives through the local utility.

Workforce Implications:

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

Policy Exceptions:

Yes – This loan is being requested absent financial statements being available given the mission driven nature of the organization and the owner’s ability to raise capital to pursue his mission. The security of the PACE loan mitigates this risk and reduces the possibility of loss.

Recommendation:

We recommend the approval of a \$173,000 Trillion BTU loan to Northgate Development, LLC.

MEMORANDUM

To: CREDIT COMMITTEE **Meeting Date:** November 20, 2018
From: Michael J. Linder *MJL*
Subject: **SHADY OAK OFFICE CENTER, LLC**
APPROVAL OF A \$185,000 TRILLION BTU LOAN

Action Requested:

Provide approval for the Port Authority to initiate a Trillion BTU loan for approximately \$185,000 with Shady Oak Office Center, LLC for the installation of a high efficiency boiler and heat pumps on a commercial property located in Minnetonka, Minnesota.

Public Purpose:

The Trillion BTU Revolving Loan Fund was established with a grant from the State of Minnesota via a Federal stimulus grant for energy conservation and the retention and expansion of jobs in the State. Additionally, the Minnesota Legislature has mandated that all utilities attempt to reduce existing customer energy usage by 1.5% annually.

Business Subsidy:

Loans under the Trillion BTU Fund are not subject to business subsidy reporting because they are for energy efficiency projects.

Background:

The Shady Oak Office Center is a five-level, 76,000 square foot multi-tenant office building located at 10901 Red Circle Drive in Minnetonka, near the northeast corner of Shady Oak Road and Highway 62. The property was developed in 1979 and underwent a major rehabilitation in 1993 and additional common area updates in 2008. Wellington Management, Inc. acquired Shady Oak Office Center in 2004 and has a 44% ownership interest. They provide all leasing and property management services. The property has a tax assessed value of \$7,176,000.

Proposed Project:

H/E Boiler and Heat Pumps
Purchase Price and Installation \$185,000

Sources and Uses of Funds:

Sources of funds:
Trillion BTU \$185,000

Uses of funds:
H/E Boiler and Heat Pumps \$185,000

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

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

Financial Analysis:

Financial statements were received for the last three years and year-to-date through September 2018. The statements show net losses in the last three years; however, operating profits were positive when excluding non-cash items. The debt service coverage ratio for 2017 was 1.57 to 1 and when factoring in the PACE debt would be 1.45 to 1. The debt-to-equity was within guideline at 3.92 to 1. The following ratios are as of December 31, 2017:

Debt Service Coverage:	1.57	Trillion standard of at least:	1.15
Debt-to-Equity:	3.92	Trillion standard of less than:	4.00

Proposal:

Source of Funds:	Trillion BTU
Use of Funds:	H/E Boiler and Heat Pumps
Amount of Loan:	\$185,000
Rate:	5.0%
Term:	10 years
Collateral:	Signed Loan Agreement PACE Special Assessment

Energy Savings:

355 MMBTUs (\$12,000) annually.

Workforce Implications:

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

Policy Exceptions:

Yes - losses in the last three years are due to non-cash expenses. The property had positive operating income and adequate debt service coverage to cover all new and outstanding debt.

Recommendation:

We recommend the approval of a \$185,000 Trillion BTU loan to Shady Oak Office Center, LLC.