

**AGENDA**  
**SPECIAL CITY COUNCIL MEETING**  
**MAPLEWOOD ECONOMIC DEVELOPMENT AUTHORITY**  
June 27, 2011  
Council Chambers, City Hall

The Economic Development Authority, (EDA), is a statutorily-authorized body organized under State Statute §469.090 and is charged with carrying out economic and industrial development and re-development within the City and surrounding area. The Mayor and City Council make up the EDA and the City Manager serves as its Director.

The EDA will conduct a meeting during the Regular City Council Meeting that is scheduled to convene at 7:00 p.m. on June 27, 2011.

**A. CALL TO ORDER**

**B. ROLL CALL**

**C. APPROVAL OF AGENDA**

**D. NEW BUSINESS**

1. Meeting of the Economic Development Authority
  - a. Call to Order by EDA President
  - b. Approval of EDA Agenda
  - c. Consider Approval of Loan to St. John's Hospital for its Participation in the Trillion BTU Program
  - d. Adjourn

**E. ADJOURNMENT**

**THIS PAGE IS INTENTIONALLY LEFT BLANK**

## MEMORANDUM

TO: James Antonen, City Manager  
FROM: Michael Martin, AICP, Planner  
Chuck Ahl, Assistant City Manager  
SUBJECT: **Consider Approval of Loan to St. John's Hospital for Participation in the Trillion BTU Program**  
DATE: June 21, 2011

### INTRODUCTION

HealthEast is moving forward with an energy efficiency project at St. John's Hospital utilizing a loan program that has been established by the St. Paul Port Authority. The St. Paul Port Authority's Trillion BTU Program aims to save one trillion BTUs of energy by providing loans to large businesses for energy efficiency improvements to their facilities. The St. Paul Port Authority is also working to maximize the impact of this program by partnering with other local economic development authorities (EDA) who would also issue loans to local businesses.

### BACKGROUND

The Minnesota Department of Commerce's Office of Energy Security (OES) awarded \$5 million in seed money to the St. Paul Port Authority to create a revolving loan fund for energy efficiency improvements in commercial and industrial buildings. The \$5 million grant from OES, coupled with other sources of funding, helps fund the St. Paul Port Authority's Trillion BTU Program. Once fully implemented, the revolving loan fund is projected to generate the equivalent of 300,000 MMBTU in electric and natural gas energy savings annually. The St. Paul Port Authority forecasts that the annual cost savings resulting from the fully-funded revolving loan fund could approach \$3 million.

### DISCUSSION

The project at St. John's Hospital will upgrade and improve the energy efficiency of the facility's lighting and chiller systems. The cost of these improvements will be \$875,000. Xcel Energy will be providing a rebate of \$75,000 for these efficiencies, making the final loan amount \$800,000. As discussed earlier, the St. Paul Port Authority is partnering with local EDAs in order to ensure its project has the most impact. This proposal would call for the Maplewood EDA to loan St. John's Hospital \$400,000 for its improvements. If approved, the loan would be issued in July and payments to the city would begin in August.

The \$400,000 would be borrowed from the city's general fund to the Maplewood EDA who would then issue the loan. The city currently has funds that are invested with revolving maturities, which the \$400,000 would be diverted from to be used for this investment. The city would lend the \$400,000 to St. John's and be repaid over a five-year period at a four percent interest rate. Any interest earned from the loan would be split between the city's general fund and the Maplewood EDA. The city's finance department estimates the city would earn just more than \$40,000 of interest over five years. These dollars would begin to help the EDA in its broader

efforts. It needs to be noted that this is an unsecure loan, meaning if HealthEast defaulted the city would not be able to recoup any funds.

## **SUMMARY**

Alan Kantrud, the city's attorney, has reviewed this proposal and associated legal documents and is comfortable with the city's participation. Attached to this report is the draft participation agreement between the city and the St. Paul Port Authority. Also attached is an informational flyer produced by the St. Paul Port Authority on its Trillion BTU Project. Staff believes this proposal is a great opportunity for the city to show its support of a significant energy efficiency program and a key local business in Maplewood.

## **COMMISSION ACTION**

The business and economic development commission reviewed this proposal at its meeting on June 23, 2011. This report was sent out to the EDA before the commission meeting. Staff will report the commission's recommendation at the June 27, 2011 EDA's meeting.

## **BUDGET IMPACT**

If this loan proposal is approved, \$400,000 would be transferred from the city's general fund to the Maplewood EDA. The EDA would then loan the money to St. John's.

## **PROCESS**

The City Council will be acting as the EDA to process this loan request. In order to conduct business as the EDA, the Mayor should temporarily suspend the regular City Council meeting for the purpose of conducting an EDA meeting. Once that action is taken, the EDA President, Mr. Nephew, should call to order the EDA Meeting, which has been posted as a separate meeting. The Council, acting in their authority as the EDA, should consider this item based upon the agenda report as written. The staff recommendation is to approve the loan arrangement with St. John's Hospital. The EDA should make that contingent upon the City Council approving the loan agreement to the EDA. Once the business of the EDA is concluded, the President of the EDA should adjourn the EDA and return presiding authority to the Mayor who should then bring the regular meeting back to order for consideration of the loan agreement with the EDA.

## **RECOMMENDATION**

Approve a loan of up to \$400,000 from the city of Maplewood's Economic Development Authority, in partnership with the St. Paul Port Authority, to HealthEast's St. John's Hospital for energy efficiency improvements.

### Attachments

1. Trillion BTU Program Participation Agreement
2. Trillion BTU Program Promotional Materials

**TRILLION BTU PROGRAM**  
**PARTICIPATION AGREEMENT**

THIS PARTICIPATION AGREEMENT is entered into this 1<sup>st</sup> day of July, 2011 by and between the Port Authority of the Participant of Saint Paul (the “Port Authority”) and City of Maplewood (the “Participant”).

WHEREAS, the Trillion BTU Program (the “Trillion BTU Program”) has been established by the Port Authority to make revolving loans to industrial and commercial businesses for energy conservation and retrofit purposes; and

WHEREAS, the objective of the Trillion BTU Program is that loan monies advanced from the Trillion BTU Program be matched by an equal amount from a local lender; and

WHEREAS, the Participant has established a loan fund for the purpose of making loans to Maplewood businesses, and wishes to make funds available from that program for the purposes described herein.

NOW THEREFORE, in consideration of the above premises, and for other good and valuable consideration, the parties hereto agree as follows:

Section 1. Description of the Loan.

1.1. The Port Authority has agreed to make a loan to St. John’s Hospital (the “Borrower”) in the amount of \$875,000.00 (the “Loan”) for the purposes of paying eligible costs of the project described on Exhibit A hereto (the “Project”).

1.2. For this Loan, \$475,000.00 will be contributed by the Port Authority from the funds available in the Trillion BTU Program and \$400,000.00 will be contributed by the Participant. Amounts to be contributed by the Participant will be deposited with the Port Authority on the Closing Date, as described in Section 3 hereof.

1.3. Interest on the Loan will be computed and charged to the Borrower at the annual rate of four percent (4%).

1.4. The term of the Loan shall not exceed ten (10) years. The Port Authority shall have sole discretion to determine the appropriate loan terms.

1.5. In making the Loan, and in determining the appropriate loan terms, the Port Authority will take into account the carbon credits or other environmental benefits accruing to the Port Authority as a result of the Project. The Participant’s interest in the Loan, as described herein, will not include any direct benefit from those carbon credits or environmental matters, but rather is limited to a share of the principal and interest payments made by the Borrower.

Section 2. Loan Documentation.

2.1. The Borrower shall be required to execute a loan agreement in substantially the form attached hereto as Exhibit B, together with such other collateral documentation as is reasonably required by the Port Authority, in its sole discretion. The Participant’s interest in the promissory note(s) and any such other collateral documentation is subordinate to that of the Port Authority.

2.2. The schedule for loan payments to be made by the Borrower shall be determined by the Port Authority as provided in Section 1.4, above, and said payments shall be made to the Port Authority on a monthly basis in accordance with the loan agreement.

2.3. The books, records, documents and accounting procedures and practices of the Port Authority relevant to this Agreement shall be subject to examination by the Participant or its designees, at reasonable times and upon reasonable notice. In addition, so long as this Agreement is in force and effect, the Port Authority shall, upon the written request of the Participant, but no more than annually, furnish the Participant with a written report summarizing the monthly payments or other payments with respect to the Loan received by the Port Authority, the amounts paid as interest on the Loan, the payments and prepayments of the principal amount of the Loan, any foreclosure actions or enforcement proceedings with respect to any security for the repayment of the Loan and any amounts derived therefrom, together with an accounting of the applications of such amounts.

Section 3. Loan Closing.

3.1. [describe expected date and place of closing (the "Closing Date").]

3.2. The Participant's contribution to the Loan shall be deposited with the Port Authority, by the Participant, on or before the Closing Date.

Section 4. Loan Repayment and Participation.

4.1. The Port Authority shall have a fifty percent (50 %) interest in the Loan and the Participant shall have a fifty percent (50%) interest in the Loan, provided that the Participant's interest in the Loan shall be subordinate to Port Authority's interest in the Loan as provided in Section 5, below.

4.2. Except as otherwise provided in Section 5.3, below, on the fifteenth day of each month, beginning August 15, 2011, the Port Authority shall pay to the Participant that portion of the payments received from the Borrower on or before the 15<sup>th</sup> day of the prior month which represents the Participant's share of principal and interest paid on the Loan, as described in Section 4.1, above.

4.3. In receipt and disbursement of any sums covered by this Section, the Port Authority will exercise the same care as would be exercised in the handling of loans for its own account.

Section 5. Subordination.

5.1. The right of the Participant to any and all security for the repayment of the Loan shall be subordinate to the right of the Port Authority to receive any amounts due to it from any security for the repayment of the Loan, to the extent of the Port Authority's interest in the Loan.

5.2. The right of the Participant to receive any repayments from the monthly payments made by the Borrower shall be subordinate to the right of the Port Authority to receive all such monthly payments made by the Borrower.

5.3. So long as the Borrower shall not be in default of its obligation to repay the Loan, or of any of its obligations under any documents or instruments incidental thereto (any such default referred to herein as an "Event of Default"), the Port Authority, upon receipt of any monthly payment or any prepayment by the Borrower, shall remit to the Participant that portion of said monthly payment or prepayment which represents the Participant's pro rata share of the principal amount of the Loan, as described in Section 4.1, above. In no event shall the Port Authority withhold from the Participant any of the Participant's pro rata share of monthly payments or prepayments received by the Port Authority, except during the continuance of an Event of Default.

After an Event of Default shall have occurred, and during the continuance of such Event of Default, then, upon receipt of any monthly payments from the Borrower, or upon receipt of any other payment from any source by or on behalf of the Borrower, the Port Authority shall apply the entire amount of such payment: first, to pay all costs and expenses incurred by the Port Authority in connection with the foreclosure or other enforcement of any note, mortgage or other document evidencing or securing the repayment of the Loan; second, to pay interest then due on the Port Authority's interest in the Loan; and third, to pay or prepay of the outstanding principal amount of the Port Authority's interest in the Loan, until all interest due to the Port Authority and the entire principal amount of the Port Authority's interest in the Loan have been paid in full. Thereafter the Port Authority shall apply the remainder of the amounts remaining pay or prepay the principal amount of and interest on the Participant's interest in the Loan.

5.4. The Participant shall promptly remit to the Port Authority any Loan repayment received directly from the Borrower.

Section 6. Miscellaneous.

6.1. The Port Authority shall promptly advise the Participant, in writing, of any default by the Borrower in repaying any amounts due under the terms of the Loan or under any mortgage, agreement, instrument or document evidencing or securing repayment of the Loan.

6.2. Any mortgage, agreement, instrument or other document securing repayment of the Loan shall be foreclosed or enforced only upon the written consent of both the Participant and the Port Authority, such consent not to be unreasonably withheld. In the event that consent from the Participant has not been received within 90 days after notice of default, and information regarding the Port Authority's proposed actions, has been given to the Participant by the Port Authority, the Participant shall be deemed to have consented to the Port Authority's proposed actions. As provided in Section 5.3, in foreclosing any mortgage or enforcing any remedy under any other agreement, instrument or document evidencing or securing repayment of the Loan, the Port Authority shall be entitled to receive all amounts derived from such foreclosure or enforcement until the Port Authority has recovered all amounts due to it with respect to its interest in the Loan and its costs incurred in such foreclosure or enforcement. Thereafter, the Port Authority shall remit to the Participant all remaining amounts derived from such foreclosure or enforcement, up to the amounts needed to pay or prepay the principal amount of and interest on the Participant's interest in the Loan.

6.3. This Agreement incorporates the terms of all mortgages, agreements, instruments or documents securing the repayment of the Loan, if any, which are attached hereto as Exhibits, and are incorporated by reference herein.

6.4. This Agreement shall continue in full force and effect until all amounts payable under the Loan have been paid in full.

6.5. The Port Authority shall not execute a satisfaction of any mortgage, agreement, or document securing the repayment of the Loan without the prior written consent of the Participant.

6.6. The Port Authority is hereby granted, subject to paragraphs 6.1, 6.2, and 6.5, the power and authority to administer, manage and service the Loan; to waive the performance of obligations of the Borrower; to excuse the nonoccurrence of conditions; to exercise collection rights with respect to any collateral; to foreclose against any collateral or to accept a transfer in lieu of foreclosure; to collect and receive any and all payments, collections and proceeds of collateral made or delivered by or for the account of the Borrower and at its sole discretion to release such payments, collections and proceeds to the Borrower or apply the same to the payment of indebtedness; to enforce rights against third parties; to manage and control proceedings in the Borrower's bankruptcy; and otherwise to do and refrain from doing any and all acts and things which the Port Authority

would be required or permitted to do or refrain from doing in connection with the Loan if it had retained its entire interest as lender in the Loan, but acting on behalf of the Participant and all other participants, if any.

6.7. Neither the Port Authority nor any of its directors, officers, employees or agents shall be liable for any action taken or omitted by the Port Authority or any of them except in the case of gross negligence or willful misconduct.

6.8. Neither the Port Authority nor the Participant (i) shall be liable or responsible for any representations or warranties made by, or for obligations binding upon or assumed by, the Borrower or anyone else; or (ii) makes any representation or warranty as to the genuineness, legality, validity, perfection, priority, enforceability or sufficiency of the Loan; or of any security interests, mortgage liens, guaranties, or other collateral rights and remedies securing the Loan; or of any of the documents evidencing the Loan or any other agreement made or instrument, document or writing issued thereunder, in connection therewith, or as a result thereof; or (iii) makes any representation or warranty as to the Borrower, as to any financial statements or collateral reports submitted by or for the Borrower, as to any risk of loss with respect to the Loan, or as to any matter whatsoever; or (iv) shall have any right or recourse against the other party hereto.

6.9. This Agreement may be executed in any number of counterparts.

6.10. The rights and obligations of the parties to this Agreement shall inure to their respective successors and assigns.

6.11. This Agreement is a continuing agreement and shall remain in full force and effect until payment in full of the Loan and all interest due thereon. Upon such payment in full, this Agreement shall automatically terminate.

6.12. Unless otherwise expressly provided, all notices shall be in writing and shall be deemed sufficiently given if sent by telecopy, registered or certified mail (postage prepaid), nationally recognized overnight courier (fee prepaid) or delivered during a business day to the address of the receiving party set forth on the signature hereof.

IN FURTHERANCE WHEREOF, the parties hereto have set their hands as of the day and year first above written.

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

By \_\_\_\_\_  
Its President

Port Authority of the City of Saint Paul  
1900 Landmark Towers  
345 St. Peter Street  
St. Paul, MN 55102-1661  
Telecopy: 651-223-5198

**CITY OF MAPLEWOOD**

By \_\_\_\_\_  
Its \_\_\_\_\_

City of Maplewood  
1830 E County Road B  
Maplewood , MN 55109  
Telecopy: 651.249.2909

**EXHIBIT A**  
**Description of Project**

**EXHIBIT B**

**Draft Loan Agreement**



**TRILLION** BTU  
ENERGY EFFICIENCY IMPROVEMENT PROGRAM

# SUMMARY

The

## TRILLION BTU ENERGY EFFICIENCY IMPROVEMENT PROGRAM

will save Minnesota businesses money by reducing energy consumption by up to one trillion Btus a year and be one of the first in the nation to use energy conservation as an economic development tool.

## HOW IT WORKS

- The Saint Paul Port Authority is using Federal stimulus monies through the Minnesota Department of Commerce to create a business loan program.
- Businesses voluntarily agree to energy audits paid for by Xcel Energy Co.
- Engineering studies then are performed on facilities with conservation opportunities, 25% of the cost paid by the participating business and 75% paid by Xcel Energy.
- Installation of necessary physical improvements covered by a Port Authority Loan and an Xcel Energy Rebate.
- Loan repayment is less than estimated energy savings.

For more information and a loan application, contact Pete Klein,  
Vice President for Finance, Saint Paul Port Authority  
(651) 204-6211 • TOLL FREE (800) 328-8417 • [info@sppa.com](mailto:info@sppa.com)



## PROGRAM OUTCOMES

- Businesses will achieve reduced energy costs.
- Innovative “postive-cash-flow” project financing following stringent technical and financial due diligence.
- Job retention - Participating businesses will be more competitive and able to maintain employment levels.
- Job creation - Minnesota will become a national resource for the energy conservation industry.
- More of Minnesota’s capital will remain in the State and less will go to purchase foreign fossil fuels.
- Fewer energy production facilities will be needed in the future.
- Annual reduction in energy consumption of one trillion Btus - equivalent to yearly energy usage of half of Downtown of Saint Paul.



For more information and a loan application, contact Pete Klein,  
Vice President for Finance, Saint Paul Port Authority  
(651) 204-6211 • TOLL FREE (800) 328-8417 • [info@sppa.com](mailto:info@sppa.com)



## PUBLIC POLICY GOALS

- To improve the economic competitiveness of Minnesota businesses and enhance their ability to retain and create jobs.
- To expand the existing energy conservation industry, creating new “green jobs” and a national center of expertise.
- To reduce the use of fossil fuels along with the associated pollution and greenhouse gas emissions.
- To enhance the ability of utilities to meet their energy savings goals in the Next Generation Energy Act of 2007.

## PARTNERS

- U.S. Department of Energy
  - Minnesota Legislature
- Minnesota Department of Commerce
  - Jeremy deFiebre - (651) 297-1221
  - Xcel Energy Co.
    - Greg Palmer - (651) 229-2207
- Center for Energy and the Environment
  - Carl Nelson - (612) 335-5871



For more information and a loan application, contact Pete Klein, Vice President for Finance, Saint Paul Port Authority  
(651) 204-6211 • TOLL FREE (800) 328-8417 • info@sppa.com



1900 LANDMARK TOWERS • 345 SAINT PETER STREET  
SAINT PAUL, MINNESOTA 55102 • PHONE (651) 224-5686  
FAX (651) 223-5198 • TOLL FREE (800) 328-8417 • SPPA.COM



**Recycled**

Supporting responsible use  
of forest resources

[www.fsc.org](http://www.fsc.org) Cert no. SW-COC-003599  
© 1996 Forest Stewardship Council



Printed on 100 percent recycled paper  
using agri-based pigments