


SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS **DATE:** May 17, 2013

FROM: Peter M. Klein 

SUBJECT: NEIGHBORHOOD ENERGY CONNECTION
Public Hearing - Authorization of the Issuance of a Conduit Tax-Exempt
Note in the Approximate Amount of \$850,000
Resolution No. 4462

Action Requested:

Provide approval for the Port Authority to issue approximately \$850,000 of a bank-qualified conduit tax-exempt note to be used for the purchase and expansion of facilities at 1754 University Avenue for Neighborhood Energy Connection.

Public Purpose:

The financing will allow the Neighborhood Energy Connection to more efficiently provide energy conservation programs and services benefitting people throughout the State of Minnesota.

Business Subsidy:

The proposed issuance of this note is for a not-for-profit organization and is exempt from treatment as a business subsidy.

Background:

The Neighborhood Energy Connection (NEC) is a 28-year old Saint Paul-based nonprofit organization that provides energy conservation information, services, and programs to residents and communities across Minnesota. Its mission is to reduce pollution, conserve resources and improve quality of life by offering tools for energy-efficient living.

The primary programs NEC offers include the Home Energy Savers (residential energy improvements) and the Hourcar (car sharing). The Home Energy Savers have improved over 7,000 homes, and Hourcar serves 3,500 individuals.

Current Status:

The NEC currently leases offices at 624 Selby, which will be terminated once the new offices are ready for occupancy.

Proposal:

Type of Notes:	The tax-exempt note will be "bank qualified" under Section 265 of the Code. This will allow the bank to hold the note without a reduction in their effective after-tax yield which would otherwise impact a "non-bank qualified" tax-exempt holding.
Rate:	Approximately 2.60%
Security:	First secured interest and mortgage on the Project in favor of the Lender, including the land, building and personal property associated with the Project.
Term:	20.5 years—Four 5-year re-price dates (six months interest only)
Borrower:	Neighborhood Energy Connection
Borrower's Counsel:	TBD
Issuer:	Saint Paul Port Authority
Bond Counsel:	Fryberger, Buchanan, Smith & Frederick, P.A.
Lender:	Western Bank
Lender's Counsel:	Fenske Law Office PC

Conduit Financing:

The note will be a conduit financing of the Authority and will not constitute or give rise to a liability of the Authority, the City of Saint Paul or the State of Minnesota or a charge against their general credit or taxing powers. The Lender will not have the right to demand payment on the note out of any funds to be raised from taxation or from any revenue sources other than those expressly pledged to payment of the notes pursuant to the funding agreement. The Port Authority's role in this loan is that of Issuer only. The Lender (a sophisticated and exempt investor) has completed its internal credit analysis and loan approval.

The Port Authority will receive fees in the amount of 1/8th of a point (\$1,062.50) at closing and 1/8th of a point on the outstanding balance, annually, for the life of the note.

The Port Authority was asked to issue this note because the City of Saint Paul did not have any "Bank Qualification" capacity remaining for 2013. The Port Authority has not used its \$10,000,000 capacity (which may be used only for governmental and nonprofit financings).

Workforce Implications:

N/A

Policy Exceptions:

None.

Disclosure:

The Port Authority Commissioners by SEC rules are obligated to disclose any risks or facts you may be aware of that would affect the probability of repayment on these notes.

Recommendation:

We recommend authorization to issue an approximately \$850,000 conduit, bank-qualified tax-exempt note for Neighborhood Energy Connection.

PMK:ca

Attach.