

Credit Memo

Date: June 4, 2025

To: MnCIFA Credit Committee – Meeting Date June 11, 2025

From: Peter Klein

RE: 30,000 Feet - \$750,000 Financing Request

Action Requested:

Approval of a \$750,000 loan to 30,000 Feet, a not-for-profit entity, for the purchase and installation of a geothermal renewable energy system and solar at its proposed facility located at 1351 Arcade Street, Saint Paul.

Background:

30,000 Feet (30K) is a youth-focused non-profit organization based on the east side of Saint Paul. It offers art and technology educational programs centered on arts, culture and African American empowerment. Since 2013, 30K has supported over 2,000 youth in the East Saint Paul neighborhoods through its three core programs; After-school Academic Support, Tech Geeks and Artist Residencies.

30K is proposing to build a 12,000 square foot Black Arts and Tech Center at 1351 Arcade Street, adjacent to Johnson High School. The facility will include a Best Buy Teen Technology Center, a multidisciplinary arts studio, dance studio, recording studio outdoor gathering space and flexible spaces for individual and collaborative work. The facility will also serve as the headquarters for the organization. The building is located in a CEJST disadvantaged community, and it should have a LEED Silver certification when completed. The construction costs of the 12,000 square foot facility are expected to be around \$7,580,000.

MnCIFA has been requested to fund a portion of the geothermal system and solar installation. The intent is for it to be a bridge loan, and for it to be repaid once the investment tax credit (ITC) (\$450,000) and Minnesota Department of Education Grant (\$300,000) have been received, or other funding sources are secured. The Minnesota Department of Education grant is confirmed and should be received around the end of 2025 and beginning of 2026. The ITC should be received in the middle of 2026.

Proposed Project:

The loan funds will be used to purchase and install a geothermal renewable energy system and solar. The overall construction project sources and uses is outlined below:

Sources of Funds:

- State of Minnesota - DEED \$3,500,000

Uses of Funds:

General Construction \$6,400,000

• City of Saint Paul	594,000	Design and Soft Costs	805,000
• Metropolitan Council	495,000	Acquisition	<u>375,000</u>
• Best Buy Foundation	400,000		
• Gannett Foundation	100,000		
• Nexus Community Partners	75,000		
• Otto Bremer Trust	55,000		
• St. Paul Foundation	40,000		
• Other Donations	1,571,000		
• MnCIFA	<u>750,000</u>		
• Total	\$7,580,000	Total	\$7,580,000

Financial Analysis:

The audited financial statements, for the year end of December 31, 2023 show that 30K was profitable and that it had no outstanding debt other than an auto loan that was paid off in 2024. The following ratios are based on the audited financial statements at December 31, 2023 and incorporate the proposed MnCIFA loan of \$750,000.

• Debt-to-Equity	1.35
• Debt Coverage Ratio	1.05
• Risk Rating	1.6
• Project Scoring	89

Collateral:

MnCIFA will hold a lien on the property in the form of a first mortgage and would be 10% of the project cost. The mortgage position may be subordinate to the \$3,500,000 provided by the Legislature through DEED. If the mortgage is subordinate, the debt-to-construction cost would be 56% $[(\$3,500,000 + \$750,000) / \$7,580,000]$.

Risk:

ITC Risk:

- The current ITC rules would indicate that the geothermal project is eligible for at least a 40% tax credit. There is the political risk of a significant change in the makeup of the federal branches of government. It is hard to judge just how significant of a change would need to occur for the ITC rules to be altered, but I do not expect detrimental changes to the ITC rules through the 2026 timeframe that we should be repaid in.

Loan Terms:

The following are the proposed terms of the financing:

- Two-year term with interest only payments beginning September 1, 2025.

- MnCIFA staff have determined that the interest rate for this loan will be the 2-year Treasury Bill rate a week before closing and a basis point adjustment based on its location in an environmental justice community.
- Interest will start to accrue on August 1, 2025.
- All outstanding principal and interest will be due by July 31, 2027.
- \$10,000 loan origination fee to be paid at closing.

Workforce:

- Prevailing wages will need to be paid and reported.
- Approximately 75 FTEs construction jobs.
- 15 FTEs created at 30K (10 FTEs and 10 parttime).

Energy Savings:

- 824,000,000 Btus annually.
- CO2 reduction of 123 tons annually.
- \$30,000 annually.

Recommendation:

- It is recommended that the Board of MnCIFA authorize the execution of loan documents, with 30,000 Feet, for a loan not to exceed \$750,000 and to authorize the transfer of funds if all covenants are met.