CLIMATE INNOVATION FINANCE AUTHORITY

Meeting Minutes: Minnesota Climate Innovation Finance Authority Board of Directors

Date: 07/17/2024
Minutes prepared by: Parisa Rostamkhani
Location: Minnesota Pollution Control Agency – Conference Room 100 / Hybrid

Attendance:

- The meeting began at approximately 9:30am
- Present: Kumar, Haagenson, Fowler, Kohlasch, Nelmark, Teiken, Warmuth, Wyckoff,
- Mills arrived at 9:45am, Sultanova arrived at 9:50am
  Absent: Perushek, Benjamin

Approval of Agenda:

- Motion: Fowler, Second: Warmuth

Approval of Minutes from the May 15th, 2024 Board Meeting:

- Motion: Fowler, Second: Teiken
- Unanimous approval - roll call vote.

Management Analysis and Development (MAD):

- Stacey Sjogren and Lisa Anderson shared committee's proposed mission statements, with the consideration of using both. The board discussed together ways to improve these statements.
- Full Version: MnCIFA works to remove financial barriers to, and creates financial tools for, the adoption of qualified clean energy and greenhouse gas emissions reduction projects, MNCIFA creates and fosters communication between potential investing entities and qualified projects while being sensitive to issues of equity.
- Short Version for marketing purposes: MnCIFA works to remove financial and communications barriers for the adoption of qualified clean energy and greenhouse gas emissions reduction projects.
- Values (1-3):
  - We see a clear distinction between governing and administering. We look to staff to determine the most appropriate strategies and activities to accomplish the priority and goal areas the board will define based on existing and new input because staff best understands their strengths and capacity. The partnership between staff and board will maximize MnCIFA's success.
  - We recognize limitations of capacity found in organizations still in the forming stage. We will honor the need to provide time and energy for MnCIFA's formational work and will scale our early expectations accordingly. We will also make sure we have established our governing systems. This world will be reflected in the strategic plan.
- Values (3-5):
  - We value equity and inclusion; we connect with patience and grace. We recognize that many communities and organizations have been treated poorly during previous engagements with the state. Getting those people on board may be difficult but we won't give up because we value equity and inclusion.

    - Our obligation is to the whole. Coming to the table with an interest in only representing all sectors and all communities.

- Unanimous approval - roll call vote.
- Lisa Anderson went over the phase 1 of engagement planning goals that are a part of the strategic plan, as well as the statutorily required groups to engage. She made note that there will soon be a team's channel with a calendar, engagement conversations, questions, etc. for the board. She discussed the engagement goals, ways to engage, engagement timeline, and went over the public engagement process. The target date to get started on this process is August 1st.

Future Funding Opportunities: Peter Klein & Brendon Slotterback

- Still anticipate receiving $25MM directly from CGC. Funds were expected in July but there has been a delay due to a group contesting the EPA's process of allocating funds. Ultimately feel that the funds will still come to us. Their direction is that the funds need to be deployed within a 12-month period. It is MnCIFA's intent to do so well within that period, and then be able to get the funds out as soon as possible, and then be able to go them for an additional ask for additional projects that come to us.
- Solar for All: Minnesota received $62MM that the Department of Commerce is working with EPA to implement. The expectation for those funds is that they won't be deployable until early next year.
- Department of Energy Loan Program Office funding is a $80B pool that MnCIFA would like to receive more than Minnesota's fair share of.
- Presented a spreadsheet of potential projects.

Open Discussion:

- Klein reviewed the status of the open Executive Director position.

Motion to Adjourn:

- Motion: Fowler, Second: Teiken
- Unanimous approval – roll call vote
- Meeting ended approximately 11:05am

CLIMATE INNOVATION FINANCE AUTHORITY

Credit Memo

Date: August 12, 2024

To: MnCIFA Credit Committee – Meeting Date August 14, 2024

From: Peter Klein

RE: Avenues For Youth - $4,500,000 Financing Request

Action Requested:

Approval of a $4,500,000 loan to Avenues for Youth, a not-for-profit entity, for the purchase and installation of a geothermal renewable energy system and associated HVAC components at its proposed facility located at 1400 N 8th Avenue, Minneapolis.

Background:

Avenues For Youth (Avenues) began in 1993 and currently assists youth, ages 16 – 24, that are experiencing homelessness. This can come in the form of a need for one night or for up to 18 months of transitional housing. Avenues provides additional services relating to skills, well-being, and connections. In 2023, Avenues assisted 284 youth experiencing homelessness. Avenues leases its current facility at 1708 Oak Park Avenue from the City of Minneapolis Public Housing.

Avenues is proposing to build a 31-unit shelter and transitional housing complex at 1400 N 8th Avenue in Minneapolis. 20 units will be for shorter term shelter, 3 units for emergency shelter and 8 units designated as "First Steps" transitional housing. The construction costs of the 37,000 square foot facility are expected to be around $23,000,000.

MnCIFA has been requested to fund a geothermal system and the associated HVAC components. The estimated cost for this system is $4,500,000. This funding would come from current funds provided by the Legislature ($2,250,000) and the remaining $2,250,000 from the $25,000,000 of expected funding from the Inflation Reduction Act (IRA) through the Coalition for Green Capital (CGC). The intent of the MnCIFA legislation portion of this financing is for it to be a bridge loan, and for it to be repaid once the investment tax credit (ITC) has been received or other funding sources are secured.

Although MnCIFA has not established its Strategic Plan and Investment Strategy, I believe that this financing is what those documents will call on us to fund. Until those documents have been finalized, MnCIFA is limited to deploying $11,250,000 of the $45,000,000 provided by the Legislature. The Heights is the only other project that we have funded ($4,700,000) so this will bring the total deployed funding for loans to $6,950,000.

Proposed Project:

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

Sources of Funds:		Uses of Funds:	
• State of Minnesota - OEO	$ 5,000,000	General Construction	$ 17,000,000
• State of Minnesota - DEED	6,000,000	Geothermal / HVAC	4,500,000
• Hennepin County	300,000	Acquisition	1,000,000
• HUD Federal Earmark	3,000,000		
• Other Grants / Donations	3,700,000		
• MnCIFA - Legislation	2,250,000		
• MnCIFA – IRA / CGC	2,250,000		
• Total	$22,500,000	Total	$22,500,000

Financial Analysis:

The preliminary financial statements, for the fiscal year end of June 30, 2024, show that Avenues was profitable and that it had no outstanding debt other than long-term leases. Its net equity is in excess of $6MM.

- Debt-to-Equity N/A (There is no debt with $6.4MM of equity)
- Debt Coverage Ratio N/A (There is no debt with $6.4MM of equity)

Collateral:

MnCIFA will hold a first position lien, either in the form of a mortgage or as a Property Assessed Clean Energy (PACE) special assessment. The mortgage position may be pari passu with other state agencies. There may also be a combination of these.

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Risk:

ITC Risk:

- The current ITC rules would indicate that the geothermal project is eligible for at least a 40% tax credit, and it could be as high as 70%. 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:

- Five-year term with a 10-year amortization, payments deferred for one year with interest accruing January 1, 2025.
- The interest rate will be set at the 10-year Treasury Bill rate one week before to the closing date plus any associated PACE fees.
- Interest will start to accrue on January 1, 2025. The accrued interest for 2025 will be added to the principal amount.
- Monthly interest and principal payments, with a 10-year amortization, will begin on 1/1/26 except for the portion of the financing covered with a PACE assessment. Those payments would begin on May 15, 2026.
- The loan documents will require Avenues to remit all funding received through the direct payment of the ITC within 30 days of its receipt.

Workforce:

- Prevailing wages will need to be paid and reported.
- Approximately 100 FTEs construction jobs.
- 28 FTEs retained and 8 new FTEs created at the Avenues.

Energy Savings:

- 1,739,000,000 Btus annually

Recommendation:

- It is recommended that the Board of MnCIFA authorize the execution of loan documents for a loan not to exceed $4,500,000 and to authorize the transfer of funds if all covenants are met. The maximum loan from legislative allocated funds will be $2,250,000.

MnCIFA Preliminary (Unaudited) Financial Statements - June 30, 2024

Balance Sheet:

Assets:			
	Cash or Cash Equivilants	$ 41,715,242	
	Loans Receivable	$ 4,700,000	
	Total Assets		$ 46,415,242
Liabilities:			
	Accrued Expenses	$ 7,991	
	Total Liabilities		$ 7,991
Equity:			
	Beginning Balance 7/1/2023	$ -	
	Contributions	$ 45,000,000	
	Net Income	$ 1,407,252	
	Ending Balance 6/30/2024		$ 46,407,252
	Total Liabilities and Equity		$ 46,415,242

Income Statement:

Interest Income			$ 1,529,170
Expenses:			
	Payroll	$ 102,065	
	Travel and Meetings	$ 27	
	Employee Development	$ 365	
	State Agency Services	$ 19,354	
	Supplies	$ 108	
	Total Expenses		$ 121,919
Net Income			$ 1,407,252