



Minnesota Climate Innovation Finance Authority
Special Board Meeting Agenda
March 26, 2024 – Hybrid Meeting

10:30	Welcome	Chair
10:30	Approval of Agenda	Chair
10:35	The Heights Community Energy Inc. - \$4,700,000 Financing Request	Peter Klein
11:00	Adjourn	Chair

Credit Memo

Date: March 25, 2024

To: MnCIFA Board of Directors

From: Peter Klein

RE: The Heights Community Energy Inc. - \$4,700,000 Financing Request

Action Requested:

Approval of a \$4,700,000 loan to The Heights Community Energy Inc., a newly formed not-for-profit entity, for the purchase and installation of piping infrastructure of a geothermal renewable energy system at The Heights redevelopment project on the eastside of Saint Paul.

Background:

The Heights, formerly the site of Hillcrest Golf Course, is a 112-acre site being developed for over 1,000 units of affordable housing and one million square feet of lite industrial space. The industries locating there will provide over 1,000 livable wage jobs. The Heights has specific environmental justice goals, including being a carbon-free community. The site has been environmentally remediated and is ready to start the installation of the public infrastructure like roads, sewer and water, and utilities. The most efficient time to install the infrastructure of a geothermal district energy system, and least costly, is when the other infrastructure components are also being installed. If the infrastructure of the district energy system is not installed with the other public infrastructure, it is highly unlikely that a district energy system will be installed. Infrastructure construction will begin in April of 2024 and the first buildings will begin to be constructed this fall.

MnCIFA has been requested to fund the piping, and its installation, with a loan that will not require payments until much of the district energy system is operating. The intent of this financing is for it to be a bridge loan, and for it to be repaid once the investment tax credit has been received. The private sector is not willing to provide this type of financing, at least at a reasonable interest rate. 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.

We have received letters of support from several individuals including the Mayor of Saint Paul. The Saint Paul City Council and the Saint Paul Port Authority have both unanimously passed resolutions requesting us to fund this project. Those three documents are included in the Board packet.

Proposed Project:

The loan funds will be used to purchase and install piping relating to a proposed geothermal district energy system at The Heights. Once the other infrastructure installations (roads, sewer, water and electric) have been completed this summer, construction will begin on some of the buildings later this year. All of the buildings that will be required to connect to the district system beginning in 2025 and are expected to be completed by the end of 2030.

Sources of Funds:

• MnCIFA	\$ 4,700,000
• City & Port	450,000
• The Heights Comm. Energy	350,000
• Bonding/Grants	<u>6,500,000</u>
• Total	\$12,000,000

Uses of Funds:

District System Piping	\$ 4,700,000
Design	450,000
Test Wells	350,000
Well Construction/Other	<u>6,500,000</u>
Total	\$12,000,000

Financial Analysis:

This is a rather unusual financial analysis, but it will probably not be the last unusual financial analysis that is brought to the MnCIFA Board. I will attempt to breakdown the risk components of this proposed financing, there are many, and then show the efforts to mitigate these risks. The risks are:

- Collateral:
 - The Heights Community Energy Inc. is a new entity without any assets. Its balance sheet will essentially be the piping purchased with the MnCIFA funds and the loan from MnCIFA. Once the piping is installed, it will have very little value if the district energy system is not completed.
 - We will allow for the purchase of the piping but the final approval to start the installation will not occur until we have an opinion letter that provides comfort on the expected Investment Tax Credit (ITC) eligibility of the project. That opinion will need to conclude a minimum 40% ITC eligibility. The reason that this is important is that the ITC payment is the primary repayment source for our loan. The current understanding is that the \$12MM project would produce a \$4.8MM ITC with the new direct payment rules for non-profits. Our loan agreement will require the ITC received to immediately be used to pay down our loan. The ITC percentage could be as high as 70% with this project. The loan document will also state that MnCIFA will assume all of the assets and franchise rights of The Heights Community Energy Inc., if there is a default on the loan.
- ITC Risk:
 - The ITC rules are modified to not allow this project to benefit from them.
 - The current ITC rules would indicate that this project is eligible for at least a 40% tax credit. As earlier stated, we will require an opinion that indicates that this project will be eligible for

a minimum 40% ITC. There is also 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 2027 timeframe that we should be repaid in.

- Construction Risk:
 - Construction and material delays.
 - This development has a labor agreement in place, that requires prevailing wages to be paid, so a labor stoppage is not likely. The materials will need to be purchased with a deadline for delivery so that risk is also mitigated.
- Additional Financing Requirements:
 - The sources and uses above shows that an additional \$6.5MM of financing will be required to drill the wells and fully build out the system.
 - The development team, consisting of Ever-Green Energy employees, has a successful background with developing and operating district energy systems, and they feel confident is being able to source that additional funding need. They will pursue the least costly option available at the time the funds are needed.
- Technology:
 - There are not many of these systems operating in the United States and the actual energy efficiency of using the aquifer in this way is not as mainstream as other technologies.
 - There are several of these systems that have been installed in Minnesota recently. Although not the same vendor, there is a similar system successfully operating with a single building just north of downtown Saint Paul. Rochester has also installed a similar system, not district, that appears to be working as expected. Ever-Green Energy has reviewed the technology and has concluded that it will succeed here.
- Franchise Agreement:
 - The franchise agreement with the City of Saint Paul is not approved.
 - The City Council passed a resolution, and the Mayor sent a letter, requesting MnCIFA to finance this project. It would be unlikely for the City to withhold the franchise agreement.
- Financial Operations:
 - This relatively new technology may not provide the expected economic benefit.
 - Our primary source of repayment will be the receipt of the ITC upon completion of the system. If the system does not perform as expected, we should still be repaid from the ITC. The financial projections, prepared by Ever-Green Energy, are attached to this memo. They indicate the expected financial success of the project.

Loan Terms:

- The following are the proposed terms of the financing:
 - Term of 5 years, ballooning on the five-year anniversary, with no prepayment penalty.
 - The interest rate will be set at the 10-year Treasury Bill rate on the day before to the closing date.
 - Interest will start to accrue on October 1, 2024, annualized accrual.
 - Monthly interest and principal payments, with a 10-year amortization, will begin on 1/1/28 if not fully prepaid at that point.

- If the Saint Paul Port Authority receives the federal IRA funds that can be used for this project, it will assume the loan and use these funds to pay the loan within 30 days of that occurrence.

Workforce:

- Prevailing wages will need to be paid and reported.
- Approximately 500 FTEs.

Energy Savings:

- TBD.

Recommendation:

- It is recommended that the Board of MnCIFA authorize the execution of loan documents for this loan and to authorize the transfer of funds if all covenants are met. Ultimately, we are relying on the expertise of Ever-Green Energy and its confidence in the project.

FINANCING ASSUMPTIONS

<u>Sources of Funds-</u>	<u>Total</u>
City of Saint Paul / Saint Paul Port Authority	\$450,000
MnCIFA Loan	4,700,000
Grant Funding/District Energy St. Paul/Utility Tax-Exempt Financing	<u>6,850,000</u>
Total Sources of Funds	\$12,000,000

<u>Uses of Funds-</u>	<u>Total</u>
ATES Plant	\$6,350,000
Distribution Pipe	4,800,000
Customer Service Connection	350,000
Construction Costs	<u>11,500,000</u>
Organization, Financing & Other	<u>500,000</u>
Total Uses of Funds	\$12,000,000

<u>Project Costs-</u>	<u>Total</u>
Total Project Costs	\$12,000,000
Inflation Reduction Act	<u>(5,750,000)</u>
Net Project Costs	\$6,250,000

<u>MnCIFA Loan-</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Beginning Debt Balance	\$4,700,000	\$4,749,938	\$4,951,810	\$5,162,262
Interest Rate	4.25%	4.25%	4.25%	4.25%

Financing Schedule:				
Beginning Balance	\$4,700,000	\$4,749,938	\$4,951,810	\$5,162,262
Interest Expense	\$49,938	\$201,872	\$210,452	\$219,396
Accrued Interest Expense	(\$49,938)	(\$201,872)	(\$210,452)	(\$219,396)
Principal Payments	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,381,658</u>
Sub-Total Debt Service Payments	<u>0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,381,658</u>
Ending Balance	\$4,749,938	\$4,951,810	\$5,162,262	\$0

	Year											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<u>ANNUAL DEBT SERVICE</u>			1	2	3	4	5	6	7	8	9	10
Debt Service Balance	\$4,749,938	\$11,973,060	\$12,234,575	\$6,644,370	\$6,579,419	\$6,456,809	\$6,280,200	\$6,088,268	\$5,888,907	\$5,679,578	\$5,459,783	\$5,228,998
Interest	\$49,938	\$373,122	\$561,515	\$554,595	\$332,218	\$328,971	\$322,840	\$314,010	\$304,413	\$294,445	\$283,979	\$272,989
Accrued Interest	(49,938)	(373,122)	(261,515)	(219,396)	0	0	0	0	0	0	0	0
Principal	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,601</u>	<u>64,951</u>	<u>122,610</u>	<u>176,609</u>	<u>191,932</u>	<u>199,361</u>	<u>209,329</u>	<u>219,795</u>	<u>230,785</u>
Total Annual Debt Service	\$0	\$0	\$300,000	\$394,800	\$397,169	\$451,581	\$499,449	\$505,942	\$503,774	\$503,774	\$503,774	\$503,774

THE HEIGHTS COMMUNITY ENERGY

FINANCIAL STATEMENT PROJECTIONS

CUSTOMER BUILDING ASSUMPTIONS

	Year										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
			1	2	3	4	5	6	7	8	9
Number of Customer Buildings			6	7	8	9	10	10	10	10	10
Building Square Footage			741,555	880,827	1,008,827	1,100,827	1,192,827	1,192,827	1,192,827	1,192,827	1,192,827
Annual Cost Per Square Foot			\$0.66	\$0.67	\$0.66	\$0.68	\$0.69	\$0.70	\$0.71	\$0.72	\$0.74

REVENUES & EXPENSES

Operating Revenues

Capacity Charges			\$450,000	\$549,300	\$630,194	\$704,725	\$780,826	\$795,761	\$802,287	\$811,243	\$820,467	\$829,968
Commodity Charges			37,457	38,580	39,737	40,929	42,159	43,423	44,725	46,067	47,449	48,872
Net Operating Reveues			487,457	587,880	669,931	745,654	822,985	839,184	847,012	857,310	867,916	878,840

Operating Expenses

Commodity Costs			37,457	38,580	39,737	40,929	42,159	43,423	44,725	46,067	47,449	48,872
O&M Fee, Labor			100,000	103,000	179,980	198,508	225,102	231,855	238,810	245,975	253,354	260,955
G&A Costs			50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339	65,239
Total Operating Expenses			187,457	193,080	272,762	294,073	323,536	333,242	343,238	353,536	364,142	375,066
Net From Operations			300,000	394,800	397,169	451,581	499,449	505,942	503,774	503,774	503,774	503,774

Non-Operating Expenses

Interest Expense-Net			300,000	554,595	332,218	328,971	322,840	314,010	304,413	294,445	283,979	272,989
Depreciation & Amortization			489,783	499,959	501,359	502,759	504,159	504,159	504,159	504,159	504,159	504,159
Tax Credit			0	(5,750,000)	0	0	0	0	0	0	0	0
Total Non-Operating Expenses			789,783	(4,695,446)	833,577	831,730	826,999	818,169	808,572	798,604	788,138	777,148
Revenues Over (Under) Expenses			(\$489,783)	\$5,090,246	(\$436,408)	(\$380,149)	(\$327,550)	(\$312,227)	(\$304,798)	(\$294,830)	(\$284,364)	(\$273,374)

THE HEIGHTS COMMUNITY ENERGY

FINANCIAL STATEMENT PROJECTIONS

BALANCE SHEET

Assets

	Year											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
			1	2	3	4	5	6	7	8	9	10
Current Assets-												
Operating Funds	\$0	\$510,000	\$606,154	\$336,394	\$306,345	\$266,964	\$227,365	\$223,217	\$219,433	\$215,307	\$210,958	\$206,373
Maintenance Reserve	0	0	16,962	37,678	61,340	88,367	118,320	148,868	179,761	211,087	242,860	275,092
Accounts Receivable	0	0	40,621	48,990	55,828	62,138	68,582	69,932	70,584	71,443	72,326	73,237
Total Current Assets	0	510,000	663,737	423,062	423,513	417,469	414,267	442,017	469,778	497,837	526,144	554,702
Property & Equipment-												
Property & Equipment	5,199,938	11,713,060	12,044,575	12,298,971	12,333,971	12,368,971	12,403,971	12,403,971	12,403,971	12,403,971	12,403,971	12,403,971
Depreciation	0	0	(481,783)	(973,742)	(1,467,101)	(1,961,860)	(2,458,019)	(2,954,178)	(3,450,337)	(3,946,496)	(4,442,655)	(4,938,814)
Net Plant & Equipment	5,199,938	11,713,060	11,562,792	11,325,229	10,866,870	10,407,111	9,945,952	9,449,793	8,953,634	8,457,475	7,961,316	7,465,157
Total Assets	\$5,199,938	\$12,223,060	\$12,226,529	\$11,748,291	\$11,290,383	\$10,824,580	\$10,360,219	\$9,891,810	\$9,423,412	\$8,955,312	\$8,487,460	\$8,019,859

Liabilities & Fund Balance

Current Liabilities-												
Accounts Payable & Accrued Liabilities	\$0	\$0	\$31,243	\$32,180	\$45,460	\$49,012	\$53,923	\$55,540	\$57,206	\$58,923	\$60,690	\$62,511
Accrued Interest	0	0	175,532	167,600	166,109	164,486	161,420	157,005	152,207	147,223	141,990	136,495
Total Current Liabilities	0	0	206,775	199,780	211,569	213,498	215,343	212,545	209,413	206,146	202,680	199,006
Long-Term Liabilities-												
Debt	4,749,938	11,973,060	12,234,575	6,644,370	6,579,419	6,456,809	6,280,200	6,088,268	5,888,907	5,679,578	5,459,783	5,228,998
Accrued Franchise Fees	0	0	16,962	37,678	61,340	88,367	118,320	148,868	179,761	211,087	242,860	275,092
Unamortized Financing Costs	0	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Financing Cost Amortization	0	0	8,000	16,000	24,000	32,000	40,000	48,000	56,000	64,000	72,000	80,000
Total Long-Term Liabilities	4,749,938	11,773,060	12,059,537	6,498,048	6,464,759	6,377,176	6,238,520	6,085,136	5,924,668	5,754,665	5,574,643	5,384,090
Total Fund Balance	450,000	450,000	(39,783)	5,050,463	4,614,055	4,233,906	3,906,356	3,594,129	3,289,331	2,994,501	2,710,137	2,436,763
Total Liabilities & Fund Balance	\$5,199,938	\$12,223,060	\$12,226,529	\$11,748,291	\$11,290,383	\$10,824,580	\$10,360,219	\$9,891,810	\$9,423,412	\$8,955,312	\$8,487,460	\$8,019,859

THE HEIGHTS COMMUNITY ENERGY

	Year											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
FINANCIAL STATEMENT PROJECTIONS			1	2	3	4	5	6	7	8	9	10
CASH FLOW STATEMENT												
Cash Flows From Operations-												
Revenues Over (Under) Expenses	\$450,000	\$0	(\$489,783)	\$5,090,246	(\$436,408)	(\$380,149)	(\$327,550)	(\$312,227)	(\$304,798)	(\$294,830)	(\$284,364)	(\$273,374)
Depreciation & Amortization	0	0	489,783	499,959	501,359	502,759	504,159	504,159	504,159	504,159	504,159	504,159
Accounts Receivable	0	0	(40,621)	(8,369)	(6,838)	(6,310)	(6,444)	(1,350)	(652)	(859)	(883)	(911)
Current Liabilities	0	0	206,775	(6,995)	11,789	1,929	1,845	(2,798)	(3,132)	(3,267)	(3,466)	(3,674)
Deferred Franchise Fees	0	0	16,962	20,716	23,662	27,027	29,953	30,548	30,893	31,326	31,773	32,232
Net Operating Cash Flows	\$450,000	\$0	\$183,116	\$5,595,557	\$93,564	\$145,256	\$201,963	\$218,332	\$226,470	\$236,529	\$247,219	\$258,432
Cash Flows From Financing-												
Debt	4,749,938	7,223,122	261,515	(5,590,205)	(64,951)	(122,610)	(176,609)	(191,932)	(199,361)	(209,329)	(219,795)	(230,785)
Unamortized Financing Costs	0	(200,000)	0	0	0	0	0	0	0	0	0	0
Net Financing Cash flows	4,749,938	7,023,122	261,515	(5,590,205)	(64,951)	(122,610)	(176,609)	(191,932)	(199,361)	(209,329)	(219,795)	(230,785)
Cash Flows From Investing-												
Property & Equipment	(5,199,938)	(6,513,122)	(331,515)	(254,396)	(35,000)	(35,000)	(35,000)	0	0	0	0	0
Investments	0	0	(16,962)	(20,716)	(23,662)	(27,027)	(29,953)	(30,548)	(30,893)	(31,326)	(31,773)	(32,232)
Net Investing Cash Flows	(5,199,938)	(6,513,122)	(348,477)	(275,112)	(58,662)	(62,027)	(64,953)	(30,548)	(30,893)	(31,326)	(31,773)	(32,232)
Total Cash Flows	0	510,000	96,154	(269,760)	(30,049)	(39,381)	(39,599)	(4,148)	(3,784)	(4,126)	(4,349)	(4,585)
Cash Beginning Balance	0	0	510,000	606,154	336,394	306,345	266,964	227,365	223,217	219,433	215,307	210,958
Cash Ending Balance	\$0	\$510,000	\$606,154	\$336,394	\$306,345	\$266,964	\$227,365	\$223,217	\$219,433	\$215,307	\$210,958	\$206,373

March 12, 2024

To whom it may concern:

I am writing to express the support of the Ramsey County Board of Commissioners for the Saint Paul Port Authority's application to fund a District Geothermal System at the Heights redevelopment project at 2200 Larpenteur Avenue East in Saint Paul.

Since the Saint Paul Port Authority purchased the former Hillcrest Golf Course site in 2018, the county board has watched their plans progress with considerable excitement. The Heights project will bring at least 1,000 new jobs and 1,000 new affordable housing units, including a mix of high-density and mid-density housing options comprised of single-family homes and rental units available at deeply affordable and market rates. More housing of this kind is desperately needed in Ramsey County, where there is a deficit of more than 15,000 deeply affordable units countywide.

The community visioning process that led to the Hillcrest Master Plan expressed the great interest of local residents and business owners in supporting strong sustainability goals for the project that integrate with the site's ecology, including a district scale ground source energy system. Both community advocates and green energy experts have identified this system as the most viable and sustainable option that aligns with these goals. With this system in place, the Heights will become a national model for how to integrate new housing and jobs in a developed urban context without negative environmental impacts.

Saint Paul Port Authority has identified the state of Minnesota's Minnesota Climate Innovation Finance Authority as the best tool to advance this vision. The Ramsey County Board of Commissioners strongly support the application, and urge you to give them every consideration.

Sincerely,



Trista Martinson
Chair, Ramsey County Board of Commissioners



Commissioner Nicole Frethem



Commissioner Rena Moran



Commissioner Mai Chong Xiong



Commissioner Mary Jo McGuire



Commissioner Rafael Ortega



Commissioner Victoria Reinhardt



OFFICE OF MAYOR MELVIN CARTER
CITY OF SAINT PAUL

390 City Hall
15 Kellogg Boulevard West
Saint Paul, Minnesota 55102

March 13, 2024

Minnesota Climate Innovation Finance Authority
Minnesota Department of Commerce
85 7th Place East, Suite 280
Saint Paul, MN 55101

Dear Minnesota Climate Innovation Finance Authority,

The City of Saint Paul strongly supports The Heights Community Energy Inc.'s application for \$4.7 million in bridge financing for an aquifer thermal energy geo-exchange heat pump district energy system at The Heights, a new 1,000-job and 1,000-residential unit development led by the Saint Paul Port Authority. This financing would enable the construction of a net-zero carbon development in a Justice40 community, setting it up to be a model for similar development opportunities in Minnesota.

An investment in this system fits precisely within Minnesota Climate Innovations Finance Authority's purpose to use public dollars to leverage private investment by reducing the perceived risk, pooling projects to create investable opportunities, and demonstrating the performance of clean energy projects in our market. One of the challenges of building district geothermal systems in large new development sites is that there are relatively high upfront costs prior to having customers (building owners) on the site prepared to pay for the delivery of heating and cooling.

An aquifer thermal energy geo-exchange system at The Heights would be one of the first and likely the largest such system in the state of Minnesota, it would allow the majority of this 110-acre development to achieve net-zero carbon emissions, serving several subsidized affordable multi-family residential buildings and at least two light industrial sites with reliable green and clean heating and cooling.

The Heights Community Energy Inc. system is designed to serve 10 buildings on the site, including six multi-family housing buildings and four light industrial buildings, totaling approximately 1 million square feet of space. This community will support affordable and market-rate ownership, affordable, deeply affordable (30% AMI), and senior-oriented rental housing that will serve a range of household types including young families, large families, multi-generational households, and seniors.

Thank you for your consideration.

Sincerely,

Mayor Melvin Carter



Legislation Details (With Text)

File #: RES 24-389 **Version:** 1

Type: Resolution **Status:** Mayor's Office

In control: City Council

Final action: 3/13/2024

Title: Supporting the application to the Minnesota Climate Innovation Finance Authority to build a District Geothermal Energy System at the Heights.

Sponsors: Nelsie Yang, Cheniqua Johnson, Mitra Jalali, Rebecca Noecker, Saura Jost, HwaJeong Kim

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
3/13/2024	1	City Council	Adopted	Pass

Supporting the application to the Minnesota Climate Innovation Finance Authority to build a District Geothermal Energy System at the Heights.

WHEREAS, the 2040 Saint Paul Comprehensive Plan identifies the former Hillcrest Golf Course as an opportunity site with potential features such as higher-density mixed-use development or employment centers with increased full-time living wage job intensity; and

WHEREAS, the City of Saint Paul commenced a master planning process in 2019 to determine the future uses and layout for the site, which has resulted in a Hillcrest Master Plan passed by the City Council in 2022; and

WHEREAS, the Hillcrest Master Plan designates 54 acres for light industrial uses, 25 acres for residential/mixed uses, 5 acres for a City Park, and 15 acres for wetlands, district storm water, and passive open space; and

WHEREAS, the Hillcrest Master Plan land use allocations are estimated to provide for approximately 1,000 jobs and 1,000 households; and

WHEREAS, the Hillcrest Master Plan supports sustainability goals that integrate with the ecology of the site, support responsible material and waste stream management, and pursues effective, integrated, and visible storm water management; and

WHEREAS, the Hillcrest Master Plan noted that some sustainability goals were dependent on the potential availability of securing future funding from external sources, such as the potential for a district-scale ground source energy system; and

WHEREAS community members, advocates, and green energy experts alike have been integral partners to the work which identified a geothermal energy system as a potential solution which meets the sustainability goals of both the 2040 Saint Paul Comprehensive plan and the Hillcrest Mater plan; and

WHEREAS, the Saint Paul Port Authority purchased the Hillcrest Golf Course in 2019 and has been working with the City of Saint Paul and District Energy Saint Paul on pursuing funding for a district geothermal system at The Heights; and

WHEREAS, in 2023 the Minnesota Legislature passed bills that created and funded the Minnesota Climate Innovation Finance Authority (MnCIFA), a publicly accountable financing authority commonly known in other states as a “green bank”; and

WHEREAS, MnCIFA was established to stimulate the development of clean energy and greenhouse gas emissions reduction projects by using innovative financing tools to leverage private and public capital to overcome the market barriers that inhibit the financing of these projects; and

WHEREAS, the Saint Paul City Council expressly provides its support for the application of The Heights Community Energy, Inc. to MnCIFA for the financing of a district geothermal energy system at The Heights and urges MnCIFA to fund this application; and

WHEREAS, The Heights Community Energy, Inc. will be a non-profit working with District Energy Saint Paul and is applying for funding from MnCIFA for a district geothermal system at The Heights; and

BE IT FURTHER RESOLVED, the Saint Paul City Council is supportive of the overall success of The Heights Community Energy Inc for the first and likely largest district geothermal energy system in the State of Minnesota.

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

**[RESOLUTION IN SUPPORT OF APPLICATION BY THE HEIGHTS COMMUNITY ENERGY, INC.
TO THE MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
FOR FINANCING OF A GEOTHERMAL DISTRICT ENERGY SYSTEM AT THE HEIGHTS]**

WHEREAS, the Port Authority of the City of Saint Paul (the “Port Authority”) is a public body corporate and politic organized pursuant to Chapter 469 of Minnesota Statutes;

WHEREAS, the Port Authority’s Board of Commissioners (“Board”) is appointed by the Mayor of the City of Saint Paul (the “City”) subject to the approval of the Council of the City of Saint Paul (the “City Council”);

WHEREAS, two of the Port Authority Commissioners must be members of the City Council;

WHEREAS, said members of the City Council serve on the Port Authority Board so long as they continue to be members of the City Council;

WHEREAS, the 2040 Saint Paul Comprehensive Plan identifies the former Hillcrest Golf Course located at 2200 Larpenteur Avenue East in the East Side neighborhood of Saint Paul, Minnesota, now known by the Port Authority as, The Heights redevelopment project (“The Heights” or “Hillcrest”) as an opportunity site with potential features such as higher-density mixed-use development or employment centers with increased full-time living wage job intensity;

WHEREAS, the City commenced a master planning process in 2019 to determine the future uses and layout for The Heights, which has resulted in a Hillcrest Master Plan passed by the City Council in 2022;

WHEREAS, the Port Authority has undertaken numerous redevelopment projects of industrial sites in the City and is committed to the redevelopment of The Heights;

WHEREAS, the Hillcrest Master Plan and the Port Authority support sustainability goals for The Heights that integrate with the ecology of the site, support responsible material and waste stream management, and pursue effective, integrated, and visible stormwater management;

WHEREAS, the Hillcrest Master Plan noted that some sustainability goals were dependent on the potential availability future funding from external sources, outside of the City or Port Authority;

WHEREAS, The Heights Community Energy, Inc. (“Applicant”), an affiliate of District Energy St. Paul, Inc., intends to install, own, and operate an aquifer thermal energy geoexchange, heat pump district energy system (the “System”) at The Heights;

WHEREAS, in 2023, the Minnesota Legislature established and funded the Minnesota Climate Innovation Finance Authority ("MnCIFA"), a public financing authority commonly known in other states as a "green bank", to stimulate the development of clean energy and greenhouse gas emissions reduction projects by using innovative financing tools to leverage private and public capital to overcome the market barriers that inhibit the financing of such projects; and

WHEREAS, Applicant intends to submit an application to MnCIFA to request approximately \$4.7 million in funding for the first phase of the development of the System (the "Application"), and such Application does not create any financial obligations or commitments for the Port Authority.

NOW, THEREFORE, BE IT RESOLVED that the Port Authority is committed to the redevelopment of The Heights and expresses its ongoing support of Applicant's installation, ownership, and operation of the System at The Heights, subject to the terms and conditions of an Operating Agreement between the Applicant and the Port Authority.

BE IT RESOLVED that the Port Authority expressly provides its support of the Application to MnCIFA for financial support of the System and the award of the funding requested in the Application to Applicant.

I certify that the above resolution was adopted by the Board of Commissioners of the Port Authority of the City of Saint Paul on March 15, 2024.

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By

Its Chair



ATTEST:

By

Donald Mullin

Its Secretary