

## MinnPACE Loans Slash Energy Costs at Three St. Paul Properties



A sprawling indoor Hmong market. A cool historic office building filled by small firms in creative industries. A small office property in an industrial area.

All three sites received MinnPACE loans from the St. Paul Port Authority over the past two years for projects that will lower utility bills and create a more comfortable indoor climate. The projects offer a range of PACE financing budgets, locations, property types and diverse owners.

They share one unmistakable commonality: They are old, with the youngest being a middle-aged building from the 1950s. “Buildings are made to last as long as the owners keep them up through renovations and upgrades,” says Pete Klein, senior vice president of finance at MinnPACE, a division of the Saint Paul Port Authority. “Even a 100-year-old building can be made energy efficient through wise investments in insulation, lighting, heating and cooling systems and exterior work.”

In a city rich in aging buildings, the Port Authority will have no shortage in the future of potential projects in its background. “We won’t run out of projects anytime soon in St. Paul because our building stock is built to last and developers and tenants like older properties,” he said. “We expect to fund PACE loans for years in St. Paul.”

Here’s a closer look at three properties in the Port Authority’s MinnPACE program. Because of their size, two properties have become hives of activity and creativity that draw visitors from across the region and the country.

### **Vandalia Tower**

*Project Brief: Major renovation of raw space, continued renovation of existing space and lobby*

**PACE Loan Size: \$4.5 million**

Chicago-based Baum Revision LLC bought Vandalia Tower from First & First in 2019 for \$14.3 million. First & First renovated and revived the campus’s two buildings into offices for creative firms in marketing, advertising, architecture and other fields.

The 200,000 square foot former King Koil mattress factory also boasts a Lake Monster Brewing, a theater, and the cable station St. Paul Neighborhood Network office. Baum Revision continued Vandalia Tower’s rehabilitation.

“First & First had done a lot of renovation, but we saw there were still many improvements that needed to be completed,” said Scott Goldman, Baum Revision principal. “There needed to be new tuckpointing, roofing, windows, some infrastructure improvements, and so forth.”

Baum Revision focused on adding 34,000 feet of formerly raw space on the north end of the building into office space. Contractors cleaned up the area, added and replaced windows and made other upgrades. The newly improved eye-catching lobby features several pieces of art enhanced by a coffee shop and a skylight framing a staircase. “It’s really a sensational environment there,” Goldman said. PACE proved an essential addition for renovating Vandalia Tower as part of a larger financing package that included state and federal

ax credits, debt, equity and a traditional mortgage loan. Baum Revision used Twain Financial Partners to service the \$4.5 million PACE loan.

PACE works “really well” with historic tax credits in raising the capital necessary to complete large renovation projects. As Goldman sees it, the PACE loan played an equal role to the other parts of the complex financial package.

“The combination of a traditional mortgage loan, a PACE loan and the historic tax credits were all critical to getting the project done,” he said. “I think it’s hard to single out individually and say without PACE; the project would not have been possible. But in assembling an efficient capital stack to meet our objectives, PACE was a very valuable part of that.”

### **Hmong Village**

*Project Brief: Lighting and other improvements*

**PACE Loan Size: \$274,000**

Xcel Energy performed an energy audit on Hmong Village in 2019, highlighting several upgrades that could cut energy consumption by 25%. The 130,000 square foot building houses more than 300 Hmong businesses selling food, clothes, baked goods, produce market and services.

General manager Thomas Herr said the audit brought to light several improvements that could be made that, if completed, would save Hmong Village \$75,000 annually and pay for itself in 3.6 years. However, he chose a slightly less aggressive plan due to budgetary concerns.

Hmong Village will spend \$225,000 on changing over the building’s fluorescent fixtures to LED lighting, the most significant portion of the \$274,000 budget. Herr said the remaining part of the budget would replace HVAC roof units that will cut electricity demand significantly. PACE proved complex for Herr to understand, but he liked the notion of saving money on energy and paying the PACE loan off over 20 years rather than seeking a traditional



loan from the village’s lender. However, one of the biggest challenges had less to do with understanding PACE and more to do with finding contractors this summer, a time when cranes and work crews remain busy on dozens of projects throughout the metropolitan region.

“PACE benefits communities by helping businesses get strong by reducing their energy costs,” Herr said. “At the end of the day, it’s a win-win for everybody.”

### **The Como**

*Project Brief: New Roof*

**PACE Loan Size: \$188,000**

A leaky roof in 2019 led 293 Como LLC’s property manager, Joe Meyer, to contact a roofing company and get an estimate on the repair. The three-story, 50,000 square foot building had a roof that was at least 30 years old.

Rather than go to his company’s lender, Meyer worked with the PACE Loan Group on the \$188,000 project. “It’s just a great way to finance a roof,” Meyer said. “PACE is more economical than going to your existing bank and asking for more money on your existing loan or getting a new loan.”

The company used Pinnacle Roofing Systems to install a white R-20 roof in 2020. The thicker, denser cover reflects rather than absorbs the sun while sealing the building tight at the top. The new 15,000 square foot roof will save First & First \$28,000 annually and pay for itself in a bit more than six years.

The project “is a benefit to the owner and the environment and all that,” Meyers said. “But also the roof needed to be fixed. The roof is a great improvement for the tenants’ experience at the property.



**NBC will feature Hmong Village in a profile of St. Paul gymnast Suni Lee set to air during its coverage of the Tokyo Olympics. “She shops here all the time,” Herr said.**