

Delaware Sustainable Energy Utility
Loan Committee
DE Sustainable Energy Utility Office
500 W. Loockerman Street, Suite 400, Dover, DE 19904

December 2, 2016 – 9:30 a.m.

Members present were: Kristopher Knight (teleconference), Dave Bonar (teleconference), Doug Bacher, NW Financial Group (teleconference), Trey Paradee, Anthony J. DePrima, and Lisa Gardner.

1. Review Loan Application – The Lorelton Foundation – Mr. DePrima informed members that the loan request from The Lorelton Foundation (TLF) was tabled by the Loan Committee on November 15, 2016. As a reminder TLF requested a loan in the amount of \$1,000,000 in order to finance various equipment and other upgrades to provide for energy efficiencies that include but are not limited to the replacement of heat pumps, roof top units, ventilation improvements, lighting, insulation, and plumbing fixtures for units in the facility. Total project costs are projected at \$1,140,000 with the proposed funding provided by a cash equity contribution of \$140,000. Below are the responses to the concerns raised by the Loan Committee:

1. What is the estimated Value of the Building?

A 2014 appraisal of the building showed a value of \$8,800,000 inclusion of \$310,000 value in personal property, and \$750,000 of business value.

2. What is the principal left on the Cinnaire loan?

\$2,972,0005.51

3. Describe the Quality of the Revenue

I was provided the following statement:

I was provided the chart below which shows the % breakdown of YTD 2016 revenues. It is showing the only government-related revenue source, Medicaid, at 1.74% ... of which just 0.27% is actually paid by the government. According to the Lorelton representative, contrary to popular belief, even Medicaid residents are mostly private pay, albeit at lower rates than traditional private pay. Further, occupancy rates have been about 97% of available units so far in 2016. By the end of 2015, overall occupancy was 84.5% of 82 units gross, or 98.6% of 71 units net (70 units occupied of 71 available). Average occupancy YTD 2016 has been 83.9% gross, or 96.9% net. When memory care opens in early 2017, revenues are expected to grow.

4. Did TLF apply for any grant funds?

The Lorelton confirmed that they have applied for grant funds and that estimate is included in their stated cash contribution, but that cash contribution is not depending on receiving the grant, they are committed to contributing \$140,000 toward the project which represents 12% of the project costs.

Mr. Bonar moved to approve the loan to The Lorelton Foundation in an amount of \$1,000,000 at 2% interest rate and a term of twenty (20) years. The motion was seconded by Mr. Paradee and unanimously carried.

Meeting adjourned at 1:35 PM.