

GROW SOLAR SOLAR POWERING MINNESOTA

**COMMERCIAL FINANCING MECHANISMS
MARCH 7, 2014**

**PROPERTY ASSESSED
CLEAN ENERGY (PACE)**

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SAINT PAUL PORT AUTHORITY

ENERGY FINANCING PROGRAMS

- Anaerobic Digestion Facilities
- Trillion BTU
- Energy Savings Partnership
- PACE of Minnesota

SAINT PAUL PORT AUTHORITY

ENERGY FINANCING PROGRAMS

Anaerobic Digestion

▶ Completed Projects:

- Becker, Minnesota

▶ Future Projects:

- South Saint Paul

- Chaska

- Austin

- Renville

- East Grand Forks

- Saint Paul

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ENERGY FINANCING PROGRAMS

Trillion BTU:

- Energy efficiency projects in Xcel Energy's service area of Minnesota
- Businesses and non-profits (not housing religious or government)
- Interest rate is usually 4% - never more than that
- Term is usually 5 years – can be a few years longer or balloon payment
- Project size from \$50,000 to \$2,500,000
- 100% financing and immediate positive cash flow

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ENERGY FINANCING PROGRAMS

Energy Savings Partnership:

- Energy efficiency or renewable energy projects in Minnesota
- Local units of government (cities, counties, schools, special authorities)
- Interest rate usually around 3%
- Term of up to 15 years
- Over \$50,000 and no limit on project size
- Primarily for non-GO obligation projects and projects under \$3,000,000
- Annual appropriation lease with US Bank
- 100% financing and immediate positive cash flow

SAINT PAUL PORT AUTHORITY

ENERGY FINANCING PROGRAMS

PACE of Minnesota:

- Energy efficiency or renewable energy projects in Minnesota
- Businesses, housing, non-profits
- Term of up to 15 years
- Amount limited to 10% of assessed property value
- Host City & County institute a requested special assessment
- Port Authority issues revenue bonds & administers program
- 100% financing and immediate positive cash flow

HISTORY OF PACE

- 2008: Residential Programs – California
- 2010: Fannie Mae & Freddie Mac Say “No”
- 2013: Current Programs:
 - ▶ Sonoma County
 - ▶ San Francisco
 - ▶ Toledo
 - ▶ Washington, D.C.
 - ▶ St. Louis
 - ▶ Milwaukee
 - ▶ Others

PACE IN MINNESOTA

- In 2010, the State Legislature authorized MN Statutes Sections 216C.435 and 436, and Chapter 429 to enable PACE statewide in Minnesota

- Any city, county, or Economic Development Commission having authority can establish and implement a PACE Financing Program

- Currently Available Programs Include
 - ▶ Emerald Energy Program–Edina
 - ▶ S.W. Regional Development Commission–Slayton, MN
 - ▶ PACE of Minnesota–Saint Paul Port Authority

HOW DOES PACE WORK

Local
Government
establishes
PACE
Program

Building
Owner
completes
energy audit
or feasibility
study to
identify
savings
opportunities

PACE
Administrator
approves
financing &
City assigns
assessment
to property

Property
Owner
completes
property
improvements

Property
Owner uses
energy
savings to
repay
assessment
(for up to 20
years)

PACE OF MINNESOTA

- State Wide
 - ▶ Joint Powers Agreement with Port Authority
 - Eagan, Cottage Grove, Eden Prairie, Minneapolis, Sherburne County
- \$10,000,000 Available – We Will Issue More, If Needed
- Requires Lender Consent
- Niches:
 - ▶ Renewable Energy
 - ▶ Multi-Tenant Buildings
 - ▶ Not-for-Profits
- Interest Rates from 4% to 7%, Depending on Term

PACE OF MINNESOTA – FINANCING EXAMPLE

■ 40 kW PV Solar Electric System on Commercial/Industrial Building

■ Installed Cost (\$5.25 per kW)	\$210,000
Solar Survey	250
Xcel Application Fee	<u>250</u>
Gross Cost	\$210,500
Investment Tax Credit (30%)	<u>(63,000)</u>
PACE Loan	<u>\$147,500</u>
■ Annual Tax Payment (5% for 10 years)	\$ 19,000
Made in Minnesota Incentive (51,500 kWh @ \$.18)	\$ (9,270)
Annual Value of Electricity (51,500 kWh @ \$.102)	(5,253)
Depreciation (10 years @ \$14,750 x .30 tax rate)	<u>(4,425)</u>
Net Annual Economic Benefit	<u>\$ 52</u>

PACE - OPEN ISSUES

- Lender Consent
 - ▶ Even California Programs Require It
- Off-Balance Sheet Financing
 - ▶ CPA and Building Owner Determine Treatment
 - ▶ CPAs are Becoming More Stringent
- Assessment Stays With Property
 - ▶ Future Mortgagee Will Determine