

# The Lean & Green Michigan™ Approach to Property Assessed Clean Energy (PACE)

An Innovative Way to Help Businesses Save  
Money, Create Jobs, Grow the Tax Base and  
Green our State

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# Property Assessed Clean Energy (PACE)

PACE brokers long-term financing so business property owners can undertake energy improvements profitably – making their business more efficient while gaining positive cash flow to plow back into operations



# Public policy:

PACE is an economic development incentive that requires **no** taxpayer money. The county is simply giving its businesses a property tax tool to make long-term financing work for clean energy projects.



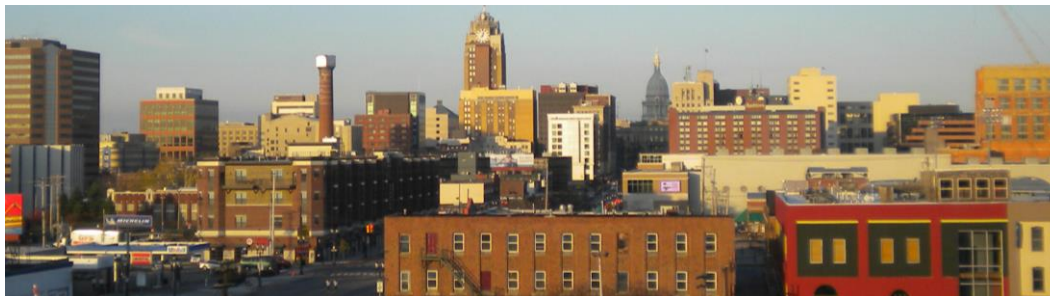
# BACKGROUND: MICHIGAN'S PACE STATUTE

- Public Act 270 of 2010 became law on 12/14/2010
- Covers commercial, industrial and multi-family property – not single family property
- Affords flexibility on financing arrangements
- Allows up to 100% loan-to-value (LTV) financing
- Bank must consent if there's a mortgage
- Allows municipalities to work together
- 31 states and DC have adopted PACE statutes (all since 2008!)



# Who can take advantage of PACE?

- Owners of commercial, industrial, agricultural and multi-family property (almost all business owners)
- Private non-profits (churches, hospitals, private schools and colleges, etc.)
- Who can *not* use PACE under the MI statute?
  - Single family homes
  - Government buildings



# What can be financed under Michigan's PACE Statute?

- Energy efficiency improvements
- Water efficiency improvements
- Renewable energy improvements
- 100% of eligible project costs
- Refinancing all of above



# MORE DETAILED LIST: WHAT CAN BE FINANCED

- Insulation
- Caulking, weather-stripping, and air sealing
- Windows
- Doors
- Energy control systems
- HVAC
- Energy recovery systems
- Lighting fixtures and day lighting systems
- Electrical systems to charge PEVs and HPEVs
- Water use reduction or efficiency
- Energy-efficient or water-efficient manufacturing processes and equipment
- Biomass
- Solar photovoltaics
- Solar thermal
- Wind
- Geothermal
- Methane gas captured from a landfill
- **Anything else approved as a "utility cost-savings measure" by a municipality participating in Lean & Green Michigan™**
- Exclusions: incinerator and digester

## The Lean & Green Michigan Model (I)

### PUBLIC-PRIVATE PARTNERSHIP: FAST, FREE, EFFICIENT

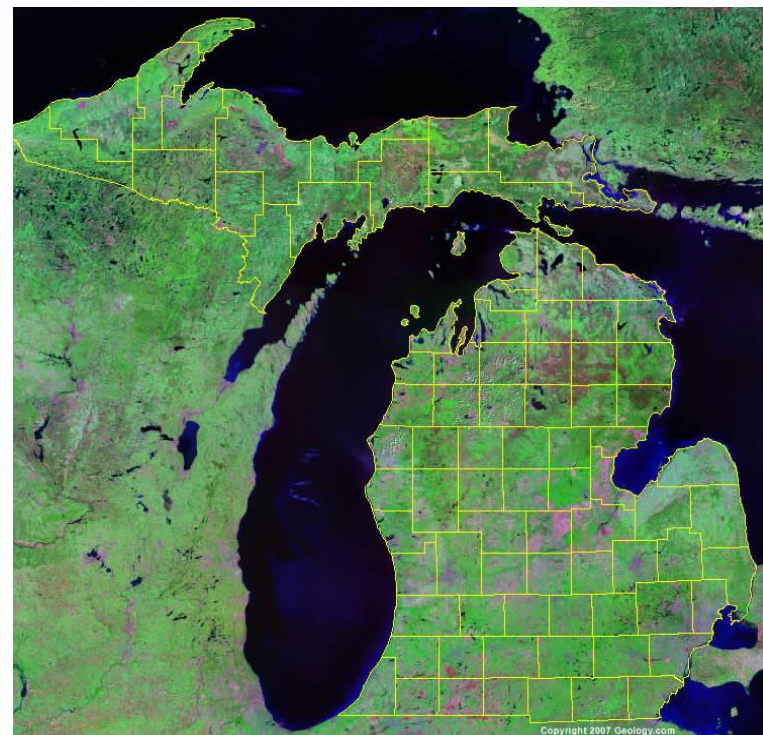
- Traditional model: local govt. pays vendor \$200,000 to \$1,000,000 to create PACE district
- Better way: join Lean & Green Michigan™ for free
  - Levin Energy Partners administers the district
  - LEP is compensated by administrative fees on each privately-financed PACE deal, *not* by County
- This Public-Private Partnership approach is faster (no vendors, no RFP process) and avoids risk for local govt., which invests no money



## The Lean & Green Model (II)

# SHARED SERVICES, STATEWIDE IMPACT

- Michigan statute allows jurisdictions to create **shared** PACE district
- Lean & Green Michigan™ creates a statewide PACE market open to all
- Companies get one set of efficient rules for projects across state
- Lenders get broad and diverse pool of projects to finance
- Counties & cities save money and avoid duplication with a “shared services” approach



## The Lean & Green Model (III)

# FINANCE PROJECTS WITH PRIVATE CAPITAL



- Private financing unleashes the market to drive growth
- Lean & Green brings it!
  - PACE funds: Structured Finance Assoc., Clean Fund, Petros Capital Partners, Samas Capital
  - Banks: Citi, Wells Fargo, Comerica, Fifth Third, PNC, etc.
  - Private Equity
  - Labor capital: Ullico, pension funds
- Public funding is allowed but not necessary

# A FAST-GROWING MARKET

## COUNTIES:

### Eaton County

Population 108,008

### Genesee

Population 415,376

### Grand Traverse County

Population 89,113

### Huron County

Population 32,462

### Ingham County

Population 281,723

### Macomb County

Population 847,383

### Saginaw County

Population 198,353

### Washtenaw County

Population 350,946

### Wayne County

Population 1,792,000

## CITIES

### Rochester Hills

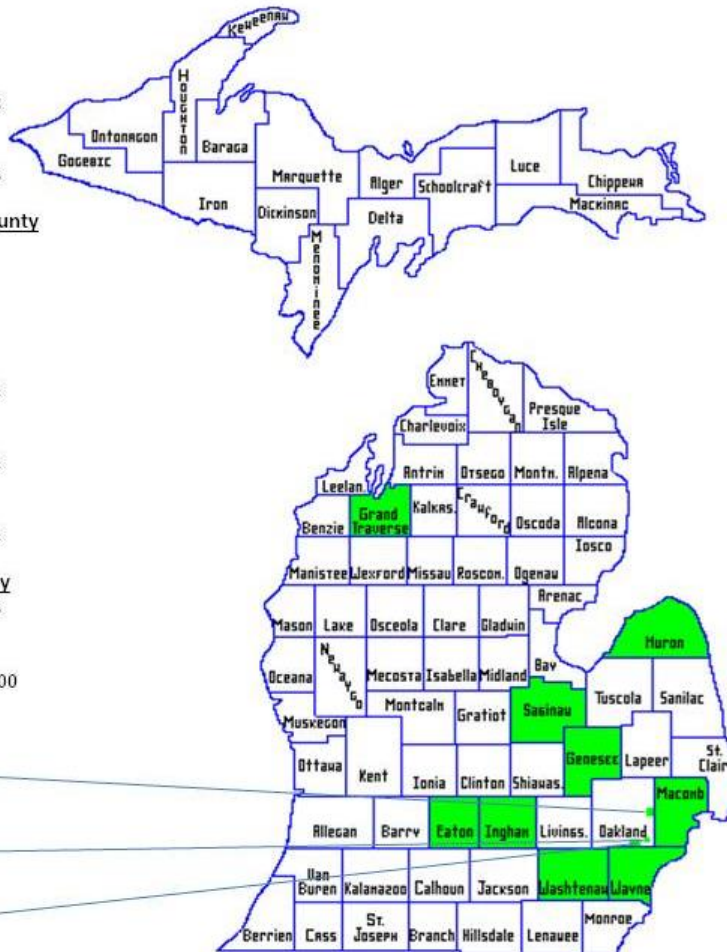
Population 72,283

### Royal Oak

Population 58,410

### Southfield

Population 72,507



- 9 counties + 3 cities have joined
- Urban & rural, big and small
- 4,320,314 people in the market
- That's 44% of MI's population
- Expanding at a rapid rate

# First Project Announced Spring 2014

- Super high visibility Southfield office bldg.
- 146 kW solar panels on roof & car ports
- 4 kW wind turbines on roof
- EV charging stations (solar-powered)
- Super high efficiency lighting
- \$530,000 of PACE financing over 20 yrs.
- Public commissioning first week of December



# Four More Racing to Close by Year-End

- Car dealership
  - \$500,000
  - Lighting, high-efficiency doors, and compressors
  - Over \$1,000,000 in savings and 20% ROI
- State agency building
  - First in nation of this kind
  - State agency arranged PACE project with landlord as part of lease/move-in
  - Solar and lighting through \$500,000 in PACE financing
- Multi-use retail and office building in northern Michigan
  - Comprehensive retrofit including HVAC, building controls, lighting, and solar
- Mall owned by largest commercial property owner in USA
- Additional \$45 million in serious project proposals

# ECONOMIC DEVELOPMENT IMPLICATIONS

- Economic gardening – help *all* home grown industries
- Property owners: save money, get green PR
- Tenants/employees: buildings are more comfortable, less expensive, and greener
- Contractors: get a new way to gain business
- Citizens: put local residents to work on retrofits, etc.
- County: cutting edge of greening; improve biz climate
- Planet: reduce carbon footprint



# Spreading the Word



- Contractor Training to help electrical, mechanical and plumbing contractors, solar installers, energy auditors, architects, ESCOs and other interested companies to make the most of PACE.
- Training held at five locations across the state.

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