

Lean & Green Michigan and Property Assessed Clean Energy

*A Financing Breakthrough
For Water and Energy Projects*

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Property Assessed Clean Energy (PACE)

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

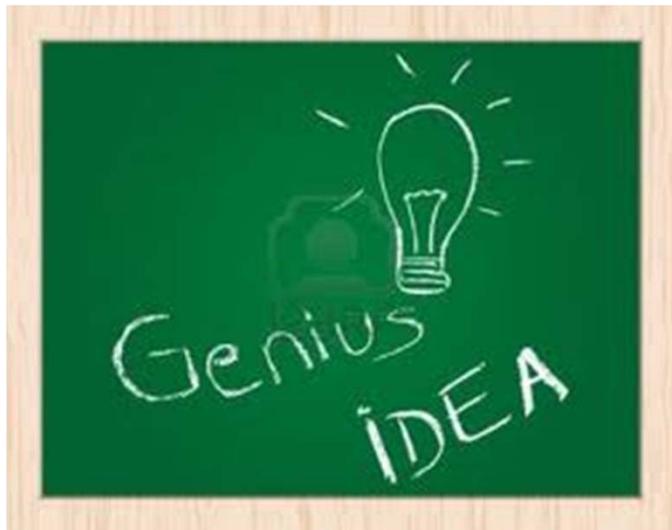


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Public policy

PACE is an economic development incentive that requires *no* taxpayer money. Local government simply gives its businesses a property tax tool to make long-term financing work for water and energy projects.



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Background: Michigan's PACE Statute

- Public Act 270 of 2010 became law on 12/14/2010
- 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
- 32 states and DC have adopted PACE statutes (all since 2008!)

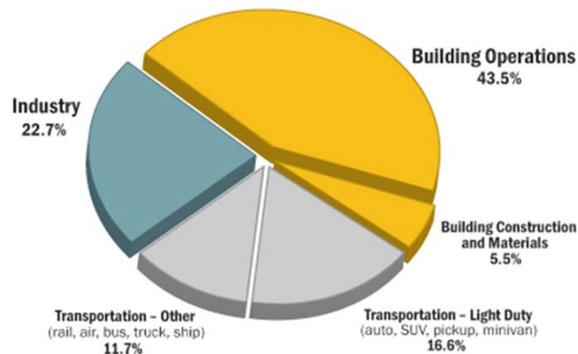


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Energy and water waste and fees

- Buildings use 40-45% of energy in the United States and 30% of that energy (and expense!) is wasted!
- Commercial buildings use approximately 17% of all publically-provided water in the United States
- Beyond this direct use, Stormwater runoff fees are a major challenge, but also a major opportunity to cut costs – potentially!



U.S. Energy Consumption by Sector

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Data Source: U.S. Energy Information Administration (2009)

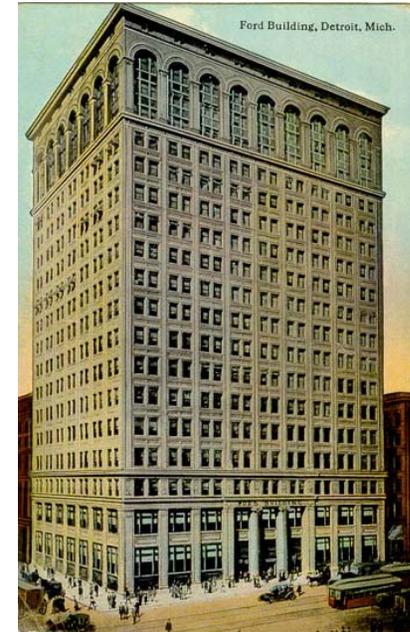
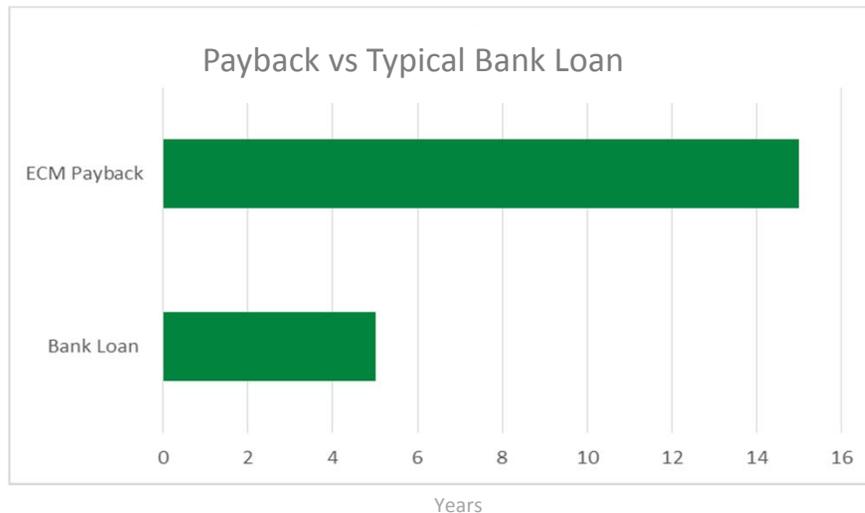


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The Problem

- Comprehensive upgrades take 5-20 years to pay back and the same is true of green infrastructure projects often times
- So businesses keep wasting energy, water, and money!



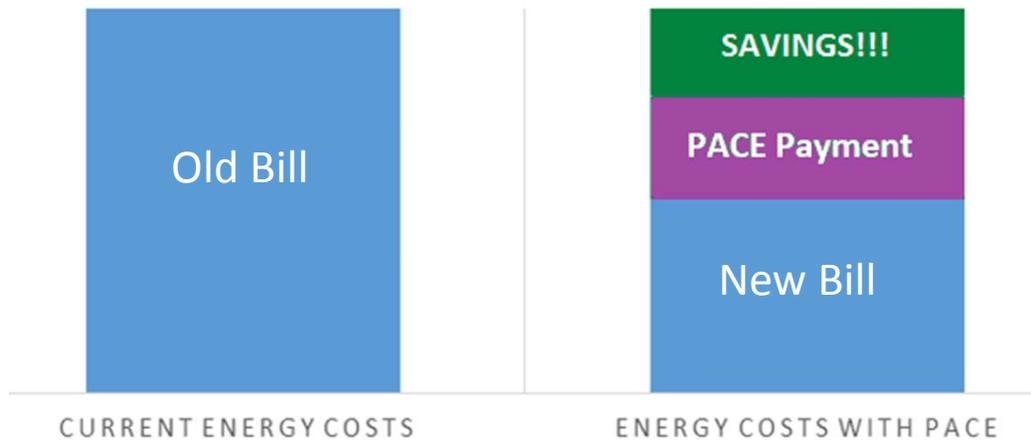
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The Solution

Property Assessed Clean Energy (PACE)

- Financing through property tax special assessment
 - 100% financing
 - 15-20 year terms
 - Positive cash flow for life of the project



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PACE Financing Benefits

- Payments (and benefits) “run with the land”
- Non-recourse (no personal guarantee)
- Can be passed through to tenants (solves “split incentive”) problem
- Can’t be used for anything else (solves “CFO’s dilemma”)

Leading to more projects and larger projects!

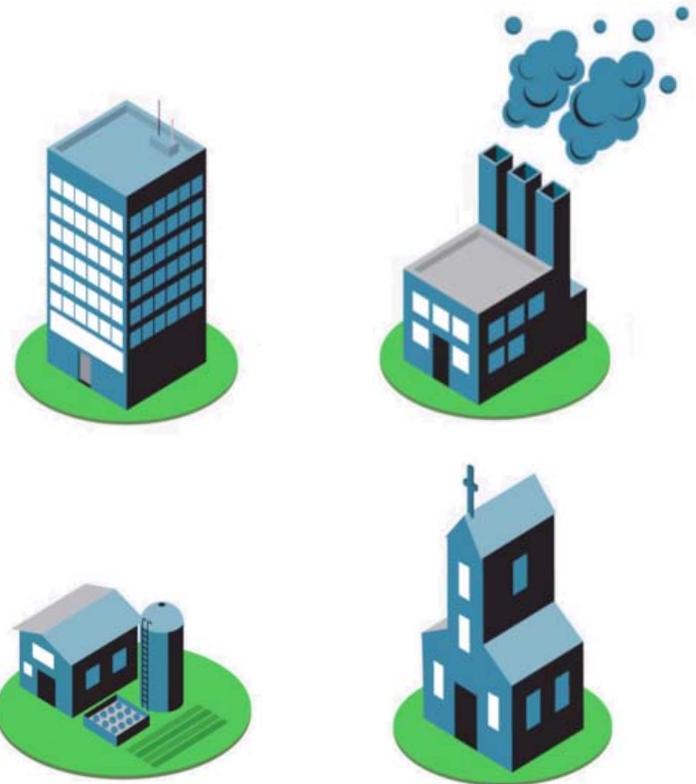


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Who can take advantage of PACE?

- Commercial, industrial, agricultural and multi-family properties
- Private non-profits
 - (churches, hospitals, private schools and colleges, etc.)
- Who can *not* use PACE under the MI statute?
 - Single family homes
 - Government buildings



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Property and Project Eligibility

- Property is healthy and likely to continue to be used for 10-20 years
- Property is not overly leveraged (debt load is 80% or less)
- Projects are typically greater than \$200,000 dollars
- Project value does not exceed 25% of the property's market value
- High costs associated with water or energy



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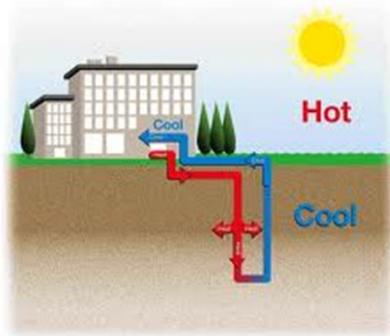


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What can be financed?



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



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Eligible Water Efficiency Measures

- Low flow and low flush
- Measures that improve water efficiency in industrial processes
- Irrigation systems
- Permeable pavement
- Green Roofs
- Water catchment systems
- Rain gardens
- Energy-related measures as well, but not listed
- Anything else approved as a "utility cost-savings measure"



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Stormwater Management?

- High stormwater fees create opportunity for SAVINGS
- Requires local government/authority to agree to reduce fees accordingly
- Same parameters apply as with any other type of project
- Key piece of statute: Anything else approved as a "utility cost-savings measure"



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The Lean & Green Model

Three Key Concepts:

1. Public-private partnership: counties/cities join for free; no barrier to entry or exit
2. Statewide, opt-in program: one lean & efficient PACE market for whole state (only one set of rules for contractors to learn!)
3. Use private capital to unleash the market to drive growth (local governments can still use bonds if they wish)

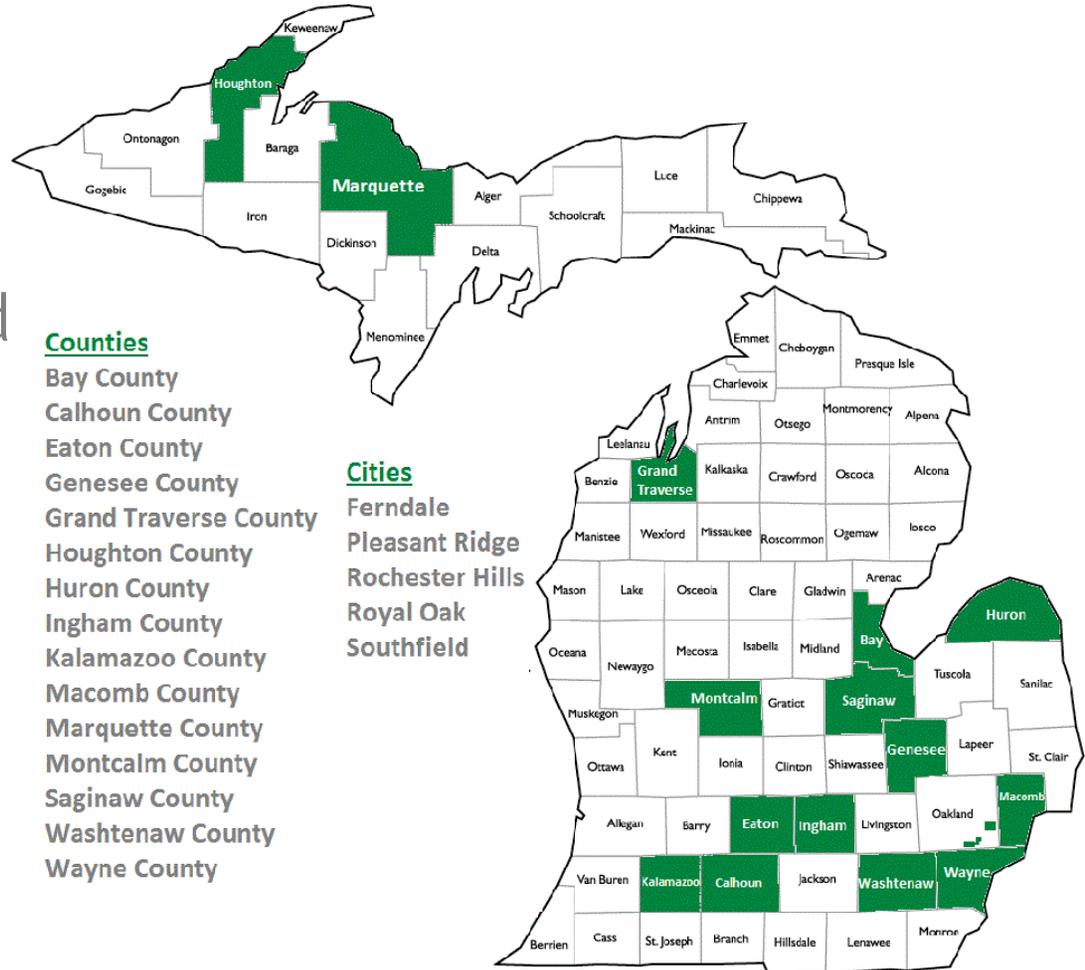


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Statewide Market

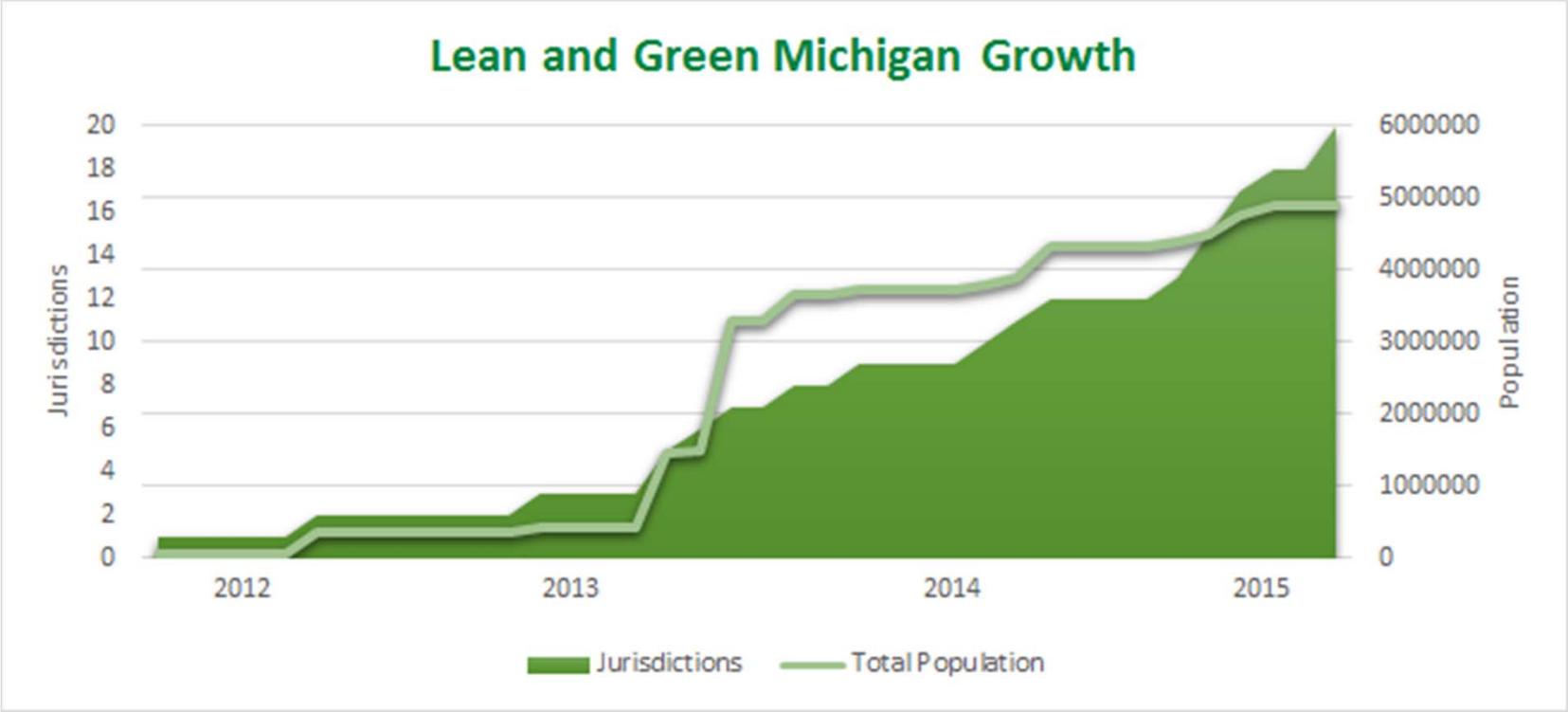
- 15 counties + 5 cities have joined
- Urban & rural, big and small
- Over 50% of MI's population
- Expanding at a rapid rate



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Rapidly Growing

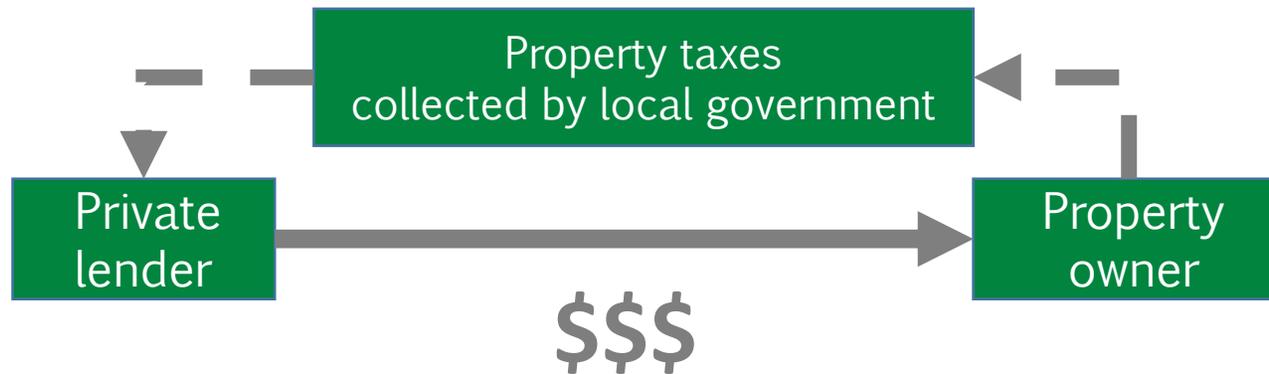


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Private Financing

- Lean & Green brings it!
 - PACE creates a new category of long-term, government-secured debt obligation
 - That's a lot of words to say a safe investment very attractive to:
 - Pension funds
 - Insurance companies
 - They will buy \$100,000,000 of Michigan PACE projects per year if we can produce them



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The Outcome

Comprehensive projects that package together energy efficiency, water efficiency and renewable energy improvements to transform buildings and businesses into energy stars!

Case Study: Michigan Public Service Commission HQ



MICHIGAN PUBLIC SERVICE COMMISSION

- LED lighting throughout 70,000 sq. ft. bldg.
- Solar panels
- Variable speed motors
- \$480,000 project financed over 20 years
- Positive cash flow from beginning to end

Growing Project Pipeline

- Over 50 proposed projects
- Shopping malls, charter schools, resorts, apartments, office buildings, factories, ice rinks, etc.
- Over \$50,000,000



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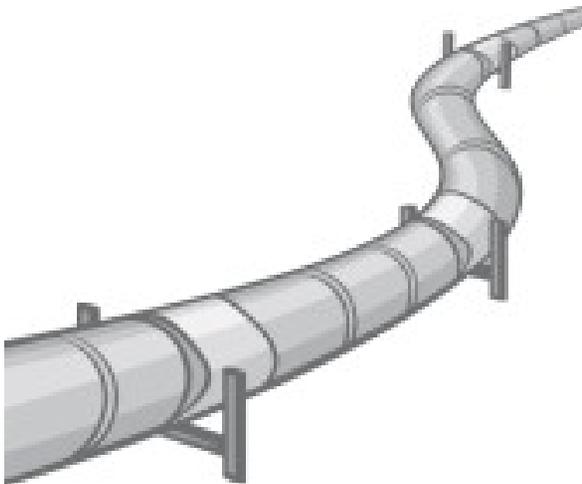


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PACE Project Pipeline

- Over \$50M serious projects proposed
- Next to be announced:
 - \$700,000 LED project at large shopping mall in Washtenaw County
- Further examples:
 - 1MW solar PV for northern Michigan factory
 - Large HVAC/EE project for Detroit charter school



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Next Steps

- Contact Lean & Green Michigan to determine if your property/facility is eligible
 - It doesn't matter if your county hasn't joined!
- Conduct an energy audit of the facility
- Learn more at www.leanandgreenmi.com



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