

# Back to Work Minnesota: Creating Jobs Through Energy Efficiency

*An initiative to bring together local and national leaders from the public and private sector to promote energy efficiency retrofits in Minnesota.*

Prepared By the Office of Senator Al Franken

Energy efficiency has enormous promise to save building owners, businesses, and communities money on energy bills - improving their bottom line, the working environment, and the value of the building. Senator Franken launched the Back to Work Minnesota initiative in October 2011 to raise the profile of energy efficiency and get more retrofits done in Minnesota. The goal of the initiative is to connect public and private building owners to resources that can help them identify retrofit opportunities.

## **THE SENATOR'S SUPPORT**

Many building owners in Minnesota have already started investing in energy efficiency, saving kilowatts and dollars. Senator Franken stands ready to provide his support and aid to building owners whether it's starting the conversation or moving to the next level of building retrofits.

## **OPTIONS FOR FINANCING ENERGY EFFICIENCY BUILDING RETROFITS**

Energy efficiency retrofits have particular promise for owners of public and commercial buildings. A retrofit can reduce the energy bills of older buildings, increase property values, and improve working conditions. From the Empire State building in New York, to the Grandview Tire and Auto shop in Edina, commercial building owners are making their buildings more energy efficient and are seeing real return on their investment. Below are some financing options that can make investing in retrofits more manageable for public and private building owners.

\*\*As part of Back to Work Minnesota initiative, we are happy to set up conversations between building owners and our partners who are energy efficiency experts.

\*\*Please contact Senator Franken's staff for more information on any of the options below.

## **FINANCING AVAILABLE IMMEDIATELY**

**Off-Balance-Sheet Financing:** Companies such as SCI-Transcend Equity, Metrus Energy, Lime Energy and Siemens have developed financing models called "Off-Balance-Sheet Financing" or "Energy Services Agreements" that require no payments and no debt on the part of the building owner. The building owner pays the company its monthly utility bills at historical rates. The company performs energy retrofits and keeps the utility bill savings

through the course of the contract. After the contract is over, the building owner collects the energy savings, keeps the equipment, and has essentially received a retrofit for free.

**Energy Service Companies (ESCOs) and Performance Contracts:** ESCOs such as Honeywell and Johnson Controls set up performance contracts with building owners, where the ESCO performs a package of retrofit improvements and guarantees a level of energy savings usually high enough to pay for the retrofits. If savings don't materialize, the ESCO pays the difference.

**Banks Loans:** A number of large banks such as PNC, Bank of America, and Citibank, are financing performance contracts for building retrofits. Local lenders, community banks, and credit unions may also be interested in providing loans for retrofit investments. Banks seek projects on buildings with solid credit and fit their financing requirement models.

**Energy-Smart Minnesota:** Energy Smart connects Minnesota businesses to financial incentives for energy efficiency projects. The program is funded through state-approved utility conservation programs, and all services are provided for free.

#### **LONG-TERM FINANCING APPROACH**

**Local PACE Financing:** Minnesota passed a commercial PACE law, which permits cities and counties to set up programs to lend money for commercial building retrofit projects. PACE allows building owners to make deep energy efficiency improvements without taking on debt. Using money saved from lower energy bills, building owners pay back loans over ten or more years as a line item on their property taxes. The repayment obligation transfers with the ownership of the building, so if a building owner sells, the retrofit loan transfers along with the energy savings, and the value of the equipment to the next owner.

The city of Edina has set up Minnesota's first commercial PACE program, and in November commenced its first deal retrofitting the Grandview Tire and Auto shop with solar panels. Other cities around Minnesota are working towards setting up similar PACE programs. These programs have been initiated by building owners who request PACE programs from city governments.

**PACE Commercial Consortium:** The PACE Consortium model is an easier, less expensive, risk-balanced way for counties to set up PACE programs. It is a new partnership between Ygrene Energy Fund, Barclays, Lockheed Martin, Energi Insurance, and Hanover Re Reinsurance. Ygrene, the primary partner, will enter into a contract with a city or county to set up its commercial PACE system and identify a portfolio of commercial retrofitting projects. Loans from Barclays Capital pay for the upgrades. Contractors, including ESCOs, implement the projects and guarantee that the energy savings will pay for the cost of the retrofit. Energi Insurance will back up that warranty, which will be reinsured by Hannover Re, one of the world's largest reinsurance companies. Ygrene is starting to implement this model in Sacramento and Miami, cities with functioning commercial PACE programs.

\*\*If building owners are interested in PACE programs, we'd be happy to connect them with our team of PACE experts.