MINNESOTA PACE: PARTNERSHIPS AND FINANCING CREATIVITY

MinnPACE is a statewide commercial PACE (C-PACE) program. Minnesota passed PACE enabling legislation in 2010 and MinnPACE officially launched in late 2013. MinnPACE can finance renewable energy upgrades as well as energy efficiency projects. The Minnesota Department of Commerce and Utilities (MDCU) utilized federal funds to provide MinnPACE with $15 million in start-up capital. MinnPACE was established as a multi-jurisdictional C-PACE market because its two largest cities—Minneapolis and St. Paul—are part of the same metropolitan area.

The MDCU delegated program administration to the St. Paul Port Authority, a nonprofit government agency established in 1929 to manage the City’s harbor. It has more recently managed energy finance programs through its Trillion BTU program—a partnership with Xcel Energy and the Center for Energy and Environment, a nonprofit organization promoting responsible use of energy and natural resources in Minnesota.

The legislation permits any local government to join by entering in a Joint Powers Agreement with the Port Authority. MinnPACE initially used Port Authority revenue bonds to finance projects but now relies mainly on private lenders.

SIGNIFICANT IMPACT

As of 2017, the MinnPACE program resulted in:

$40M
Leveraged in energy efficiency and renewable energy investment

80%
Amount of Minnesota’s population eligible for MinnPACE financings (50 counties and 20 cities)

105
Completed projects for commercial, industrial, and multifamily properties
WHAT IS PACE?

Property Assessed Clean Energy (PACE) is an innovative model for financing energy efficiency, renewable energy, or water conservation projects in commercial and residential properties. Since its inception in 2007, PACE has provided nearly $6 billion in project financing across the U.S. The program has the potential to overcome some of the major barriers to greater energy efficiency adoption, such as large upfront costs, difficulty obtaining financing, and split incentives between owners and tenants. In addition, there is potential for cities to leverage policies like mandatory benchmarking audit ordinances to support PACE uptake in the commercial sector.

SUCCESSFUL FEATURES OF MINNPACE

Multiple statewide providers allowed. Minnesota’s PACE legislation allows multiple C-PACE programs to operate throughout the state. In addition to MinnPACE, there is a program run by the Southwest Regional Development Authority that’s limited to southwestern Minnesota counties.

Open-market financing. At first, the Port Authority sold revenue bonds to finance C-PACE projects. However, it has sought to limit the use of public funds and source most of its project capital from private lenders.

Convergence with Trillion BTU. MinnPACE builds on the success of Trillion BTU by allowing 100% financing for renewable energy projects. In addition, borrowers can optimize their experience by utilizing both PACE and Trillion BTU to finance different elements of a project. It can utilize either program, or a combination of both to reduce administrative or financing costs.

Trusted administrator. The Port Authority successfully leveraged its name recognition and years of experience in economic development and energy financing. They utilized relationships with critical PACE stakeholders (e.g., utilities, contractors, and commercial property owners) to raise awareness and drive uptake within the Twin Cities and beyond.

REFERENCES