

# Paying for Energy Improvements: The Next Step

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Chris Duffrin – Neighborhood Energy Connection  
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# Agenda

## Introductions & Session Goals

## Panelist Presentations

- MHFA
- NEC
- CEE
- St Paul Port Authority
- Department of Commerce

## Panel Q&A



*Duluth Energy  
Design Conference:*

# Partnering for Energy Efficiency

February 23-25, 2015



## financing affordable housing

Minnesota's state housing finance agency

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In 2013, invested nearly **\$782 million** and served **63,000 households**

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**16,000** households benefited from homeownership and home improvement programs last year

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Total assets of **\$3.15 billion**



# the products

## Fix Up

*Home improvement loans*

Secured - \$50,000

Secured Energy and  
Accessibility - \$15,000

Unsecured - \$15,000

Unsecured Energy -  
\$15,000



## the process

- 1. BORROWER...** applies with Minnesota Housing approved lender.
- 2. LENDER...** originates, underwrites, closes and funds the loan.
- 3. LENDER...** sells the loan to Minnesota Housing.

# the improvements

windows; insulation



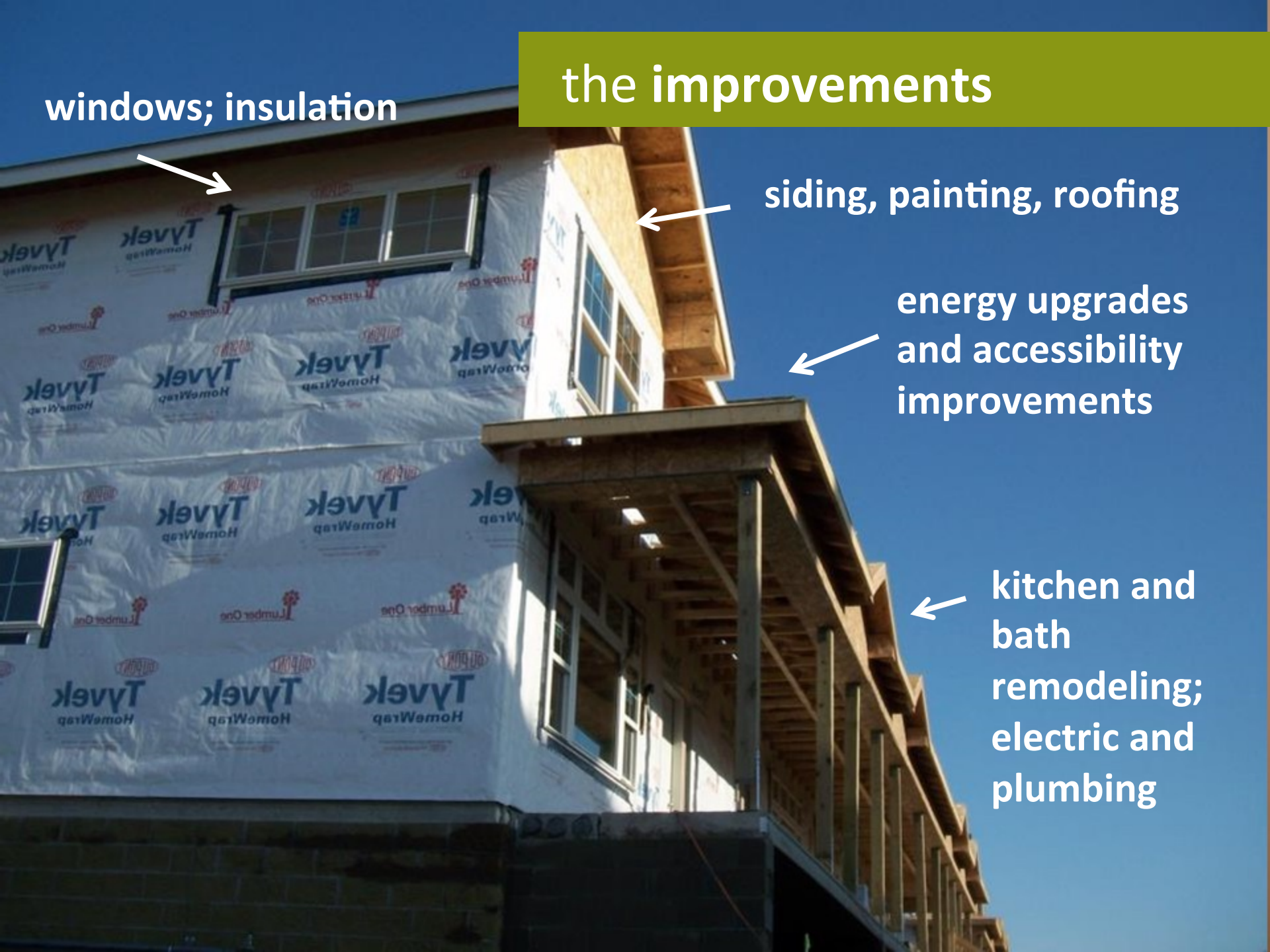
siding, painting, roofing



energy upgrades  
and accessibility  
improvements



kitchen and  
bath  
remodeling;  
electric and  
plumbing





## focus: energy efficiency



- thermostat
- furnace
- air conditioner
- water heater
- windows
- light fixtures
- insulation
- and more



## the benefits

- **Reduced interest rate of 4.99%**
- **Higher loan-to-value ratio than traditional products**
- **Longer repayment terms**



## the benefits

- **No income limits**
- **Secured and unsecured**
- **Value now, value later**
- **Additional money-saving rebates** (Furnace up to \$400; Central A/C up to \$200)

## our partnerships

1. Help **you** increase your business
2. Help **homeowners** decrease energy costs

for more information

**Cal Greening**

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[www.mnhousing.gov](http://www.mnhousing.gov)



# NEC FINANCING PROGRAMS



Chris Duffrin

Executive Director

Neighborhood Energy Connection

February 25, 2015

# ENERGY FIX UP: STATEWIDE

- Unsecured financing for energy efficiency improvements from MN Housing, DOC
- Compare 4.99% 5-yr fixed to unsecured bank financing (9%), credit cards (13%), dealer financing (interest rate balloon)
- Allows for higher risk customers and all income levels
- Simple, quick process for the customer

# FINANCING OTHER IMPROVEMENTS: STATEWIDE WITH FIX-UP FUNDS

- Any home improvement
- Low interest: 5.99% (secured); 6.99% unsecured
- Broad credit score range: 620 (secured), 680 (unsecured), 630 (unsecured St. Paul)
- Income limit: \$96,500
- High loan limits: \$50,000 secured; \$15,000 unsecured

# WHOLE HOUSE EFFICIENCY FINANCING

- Loan programs that drive all possible cost-effective efficiency
- No interest and very low fees
- Driven by recommendations in an energy audit: heating systems, water heaters, insulation and air sealing
- Free infrared inspections



# WHOLE HOUSE EFFICIENCY FINANCING

## ▶ Suburban Ramsey County

- ▶ Income qualified
- ▶ Loan forgiven if homeowner stays in home for 10 years or more.
- ▶ Heating systems need three bids;
- ▶ We negotiate set insulation prices with experienced, qualified contractors

## ▶ Saint Paul

- ▶ All income levels
- ▶ Loan deferred for 15 years or upon sale, whichever comes first
- ▶ Heating systems and insulation need two bids
- ▶ Only qualified (BPI certified with blower door) contractors

# THE LENDING CENTER



Center for Energy and Environment  
Minneapolis, MN

**Judi Mortenson**

Lending Manger



# The Lending Center at CEE

- CEE offers financing to **residential** property owners for rehab and energy efficiency projects and to **commercial** property owners for energy related improvements.
- As a non-traditional lender and non-profit organization, we provide administrative services for several metro area cities, utilities, are a Minnesota Housing Fix-Up lender and offer programs tailored to meet a wide variety of financing needs.
- Partners include:
  - MN Department of Commerce
  - MN Housing
    - Largest Fix-Up originator for over 10-years
    - Twin Cities area Platinum Lender
  - 8 Cities
    - Anoka, Blaine, Brooklyn Park, Coon Rapids, Fridley, New Hope, St. Louis Park and Minneapolis (NRP program)
  - Utilities
    - Xcel Energy and Great River Energy
- Over 150 different loan programs are administered by the Lending Center at CEE
- CEE funds 7 different programs with our own PI

# Residential Programs

## ■ Energy Loan

- Funded by CEE, MN Department of Commerce or MN Housing (MHFA)
- Financing can be used for **Energy Efficiency Projects** such as:
  - Furnace and Air Conditioning Replacement
  - Windows
  - Exterior Doors and Light Fixtures
  - Insulation and Air Sealing
  - Water Heater Replacement
  - Solar projects
  - Ground/Air Source Heat pumps
- Secured and Unsecured options
- Rates range from 4.99%-6.99%



## ■ Home Improvement

- Funded by CEE, MN Housing or partner City programs
- Financing can be used for any permanent home improvement project
- Available for all income levels
- Secured and Unsecured options
- Rates range from 4.99%-6.99% (CEE and MN Housing programs)



# Commercial Loan Programs

- For-profit entities
  - Low interest, fixed rate
    - Currently 3.9%
  - Terms up to 10-years
- Non-profit entities (501c3)
  - 0% loan
- Eligible projects include upgrades to:
  - Lighting technology
  - HVAC controls
  - Refrigeration equipment
  - Envelope air sealing and insulation
  - Solar
  - Other efficiency projects
- Project payback must be within the life expectancy of the improvement



# PACE: Property Assessed Clean Energy



- CEE participates with the St. Paul Port Authority (and others-TBD) in funding commercial PACE projects
- We follow DOE “Best Practices” for determining participation in projects
- We are interested in funding projects!



## Our Impact

- With more than 20 years in energy efficiency and home improvement financing, we have:
  - Funded over \$190 million in loans (>22,000 units)
    - \$11 million through the MN Dept. of Commerce-Dept. of Energy
    - City Funding = \$28.5 million (2500 units)
    - MHFA Funding = \$107 million (>9000 units)
    - CEE funding = \$6 million in loans
      - plus an additional \$500,000 in Grants to non-profit organizations
- We are committed to expanding our lending operations through strong contractor relationships and enhanced technology so that we can meet the building improvement needs of MN home and business owners



THANK  
*you!*

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# Saint Paul Port Authority



2015 ENERGY DESIGN  
CONFERENCE AND EXPO

February 24, 2015

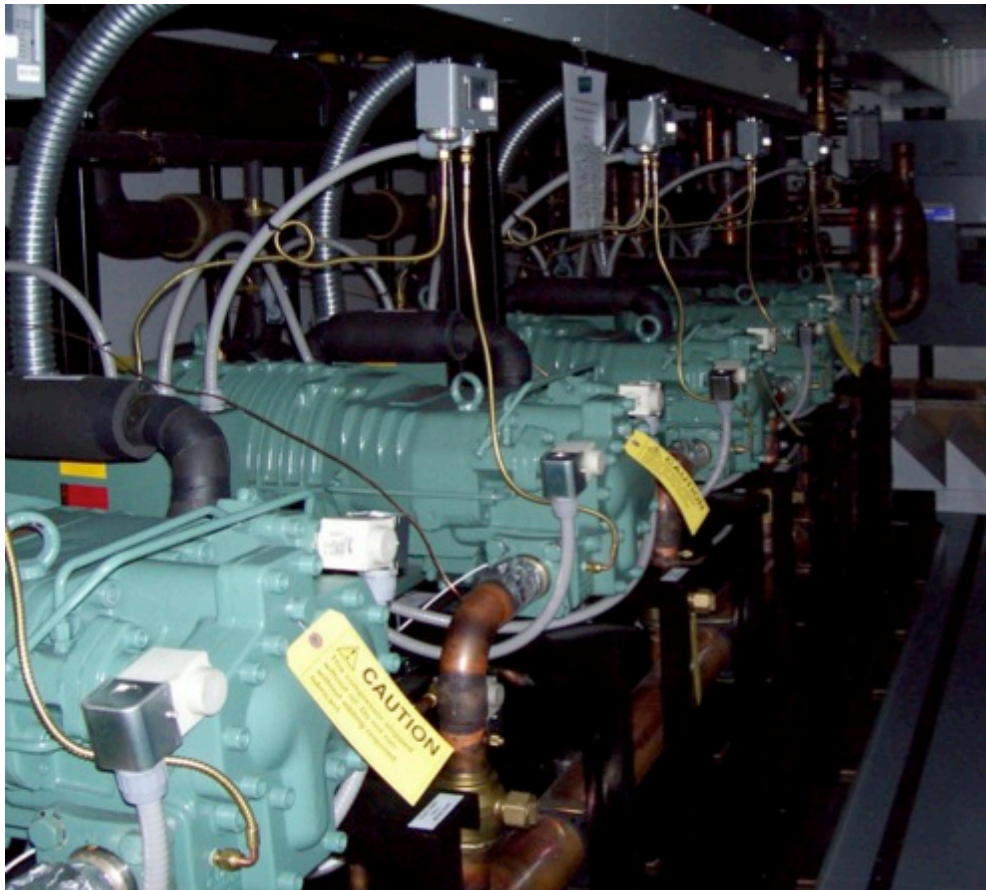
# Programs

- Trillion BTU (TBTU)
- Property Assessed Clean Energy (PACE)
- Energy Savings Partnership (ESP)
- Anaerobic Digestion Facilities (AD)

# Trillion BTU Results

- 72 Projects
- \$33,000,000 of Project Costs
- \$15,000,000 of ARRA Funds
- \$6,800,000 Annual Savings
- 239,000,000,000 BTUs Saved Annually
- 683 Jobs Retained
- 491 Construction Jobs Created

# Example: J&J Distributing



Central Refrigeration System

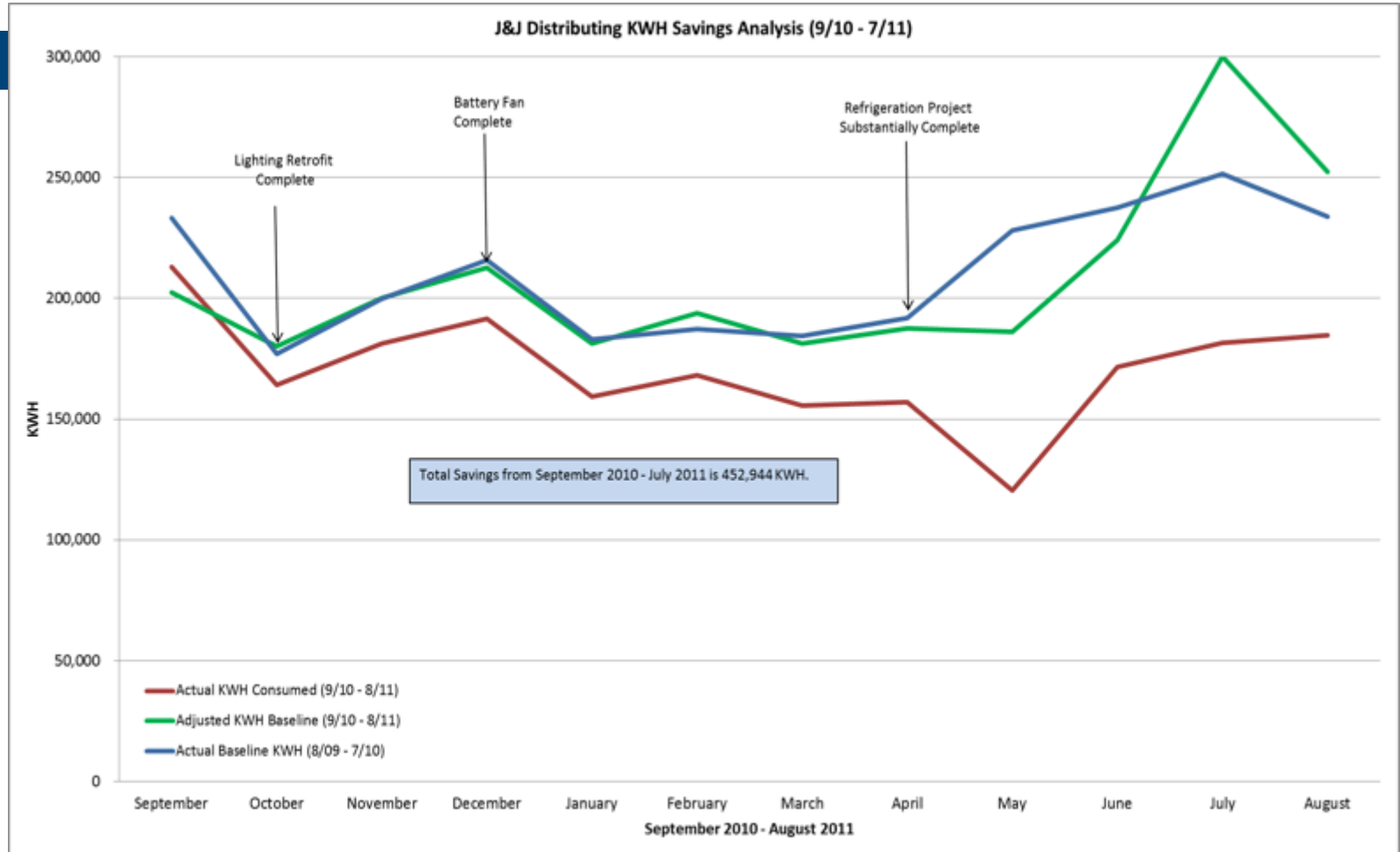
\$ 1,395,269. Project Cost

40% Energy Reduction

8 union pipefitters on-site

Future Expansion

# J&J Distributing





## Example 2: Pier Foundry



# Pier Foundry

- Installation of a new furnace - \$1,500,000
  - Xcel energy rebate - \$400,000
  - Trillion fund - \$1,100,000
- Monthly energy savings - \$21,000
- Monthly loan payment - \$20,000
- Monthly positive cash flow - \$1,000
- Start-up went from 8 hours to 20 minutes
- Capacity doubled as well as workforce

# Example 3: Science Museum of MN



# SCIENCE MUSEUM OF MINNESOTA

## Large Museum Building:

- \$1.5 million Trillion Fund loan to install a heat recovery system that is expected to cut energy costs by 80%
  - Xcel Energy Rebate – \$250,000
  - Trillion Fund – \$750,000
  - Corporate Grants – \$500,000
- Monthly Energy And Operating Savings – \$17,000
- Monthly Loan Payment – \$13,000
- Monthly Positive Cash Flow – \$4,000

# PACE OF MINNESOTA

- State Wide
- Requires Lender Consent
- Niches:
  - ▶ Renewable Energy
  - ▶ Multi-Tenant Buildings
  - ▶ Not-for-Profits
- Interest Rates from 4% to 7%, Depending on Term

# PACE HOST CITY/COUNTY CONCERNS

- Financial Risk:
  - No Financial Risk Per Statute
  
- Time Commitment:
  - One-time Action for Joint Powers Agreement
  - Process Payments Twice Each Year
  - Tax-Forfeiture Process By County, if Needed
  
- Special Assessment Process:
  - Not Controversial – Requested by Owner
  - Feel Good Vote – Helping Owner
  
- Why the Saint Paul Port Authority
  - Department of Commerce Request



# SAINT PAUL PORT AUTHORITY PACE JOINT POWERS AGMTS.

## Executed JPAS

Eagan

Eden Prairie

Cottage Grove

Minneapolis

Minnetonka

Sherburne Co.

Becker County

Wright County

Bridgewater Township

Stearns County

Falcon Hts.

Mankato

Duluth

Roseville

Hopkins

Saint Paul

Oakdale

Edina

Saint Louis Park

## Pending JPAS

Woodbury

Hennepin Co.

Carver County

Maplewood

Washington Co.

Ramsey County

Saint Cloud

Stillwater

Houston County

Scott County

# SAINT PAUL PORT AUTHORITY APPROVED PACE SOLAR PROJECTS

		<u>Kw</u>	<u>Project Cost</u>	<u>PACE/TBTU Financing</u>	<u>Annual Savings</u>
Crankshaft Supply Co.	Minneapolis	40	\$ 180,000	\$ 55,000	\$ 5,000
Greenway Office	Minneapolis	80	\$ 506,000	\$ 100,000	\$ 10,000
Buffie Chiropractic	Rockford	40	\$ 250,000	\$ 49,000	\$ 5,000
Meyer's Cozy Corner Campground	Richmond	40	\$ 135,000	\$ 135,000	\$ 5,000
Water Street Inn	Stillwater	40	\$ 210,000	\$ 160,000	\$ 5,000
Cover Park Manor	Oak Park Hts.	10	\$ 52,000	\$ 40,000	\$ 1,000
Carver County Commercial Prop.	Cologne	7	\$ 37,000	\$ 37,000	\$ 800
Jordan Seeds	Woodbury	40	\$ 140,000	\$ 112,000	\$ 5,000
Otten Bros. Nursery	Delano	40	\$ 133,000	\$ 133,000	\$ 5,000
World Imports	Eden Prairie	40	\$ 160,000	\$ 161,000	\$ 5,000
RJFK Media Prod.	Saint Paul	<u>12</u>	<u>\$ 57,000</u>	<u>\$ 57,000</u>	<u>\$ 1,500</u>
<b>Totals</b>		<b>389</b>	<b>\$1,860,000</b>	<b>\$1,038,000</b>	<b>\$ 48,300</b>

# SAINT PAUL PORT AUTHORITY APPROVED EFFICIENCY PROJECTS

		<u>MMBTUs</u>	<u>PACE/TBTU Financing</u>	<u>Annual Savings</u>
Excellen	Minneapolis	750	\$ 223,000	\$ 25,000
Longfellow Market	Minneapolis	800	\$ 120,000	\$ 15,000
Miller Hill Mall	Duluth	5,000	\$1,000,000	\$170,000
Central Midway	Saint Paul	7,000	\$1,000,000	\$262,000
Mankato Col. Manor	Mankato	50	\$ 184,000	\$ 7,000
Into the Mystic	Minneapolis	200	\$ 340,000	\$ 17,000
Brave New Workshop	Minneapolis	<u>250</u>	<u>\$ 350,000</u>	<u>\$ 20,000</u>
Totals		14,050	\$3,217,000	\$363,000

# 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

# Energy Savings Partnership

- Local Government Buildings – Not State
- Cities, Counties, School Districts, etc.
- Energy Efficiency and Renewables
- \$2M LOC with U.S. Trust
- Niche: Projects Under \$3M  
G.O. Pledge Unavailable

# Energy Savings Partnership

- Guaranteed Energy Savings Partnership - GESP
  - Department of Commerce
- Current Projects:
  - Southwest Transit Authority
  - City of Mounds View
  - Several School Districts



# Paying for Energy Improvements

Eric Rehm  
Energy Savings Programs Administrator



# Weatherization Assistance Programs

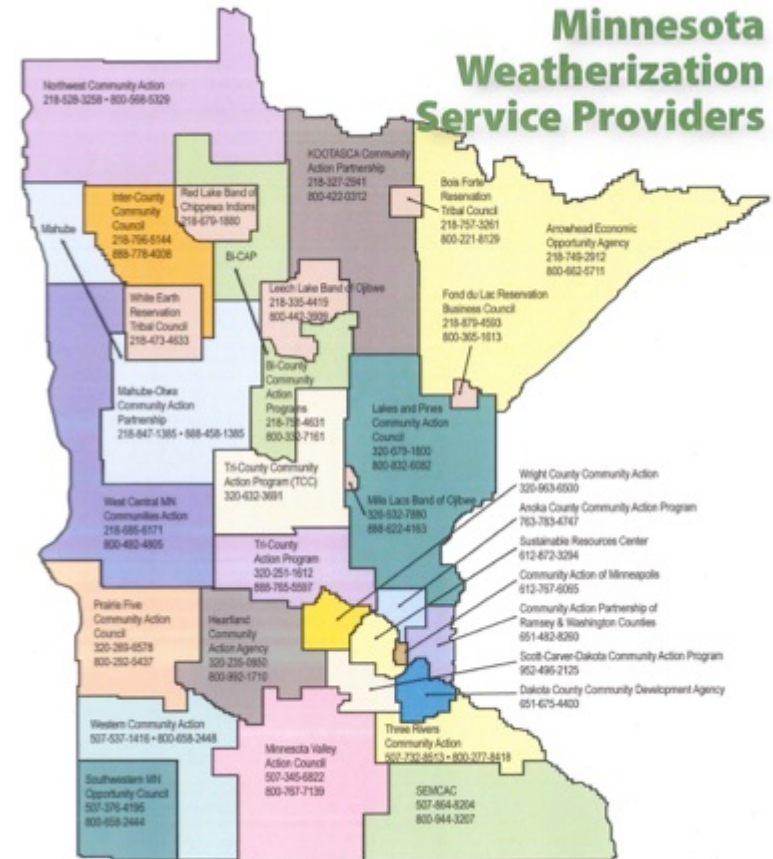
- US DOE Funded
  - provides income-eligible households access to install energy efficiency improvements in their homes
- Local Service Providers
  - providers are regionally located to serve all communities in the State of Minnesota

# Weatherization Assistance Programs

- Program Qualifications
  - household income must be below 200% of the federal poverty limit (\$47,700 for a family of 4)
  - Households must first apply for and be approved to receive Energy Assistance benefits
- Eligible Measures
  - insulation, duct sealing, furnace repair or replacement, exhaust fans, etc.

# Minnesota WAP Service Providers

- Regionally located
- Pre-qualified service providers
- Eligible to income qualified households
- Funding to perform energy audits and install energy-efficient conservation measures



# Utility Incentives

## Maximize Incentives

- Do homework
  - become familiar with local utility incentives
- Educate customers
  - inform customers about utility incentive offerings
- Maximize utility incentives
  - provide options for performance and cost
- Benefits of being reputable, informed contractor:
  - Up-sales + repeat sales + referrals



# Other Financial Resources

- Be financially resourceful
  - Learn about available financial resources
    - Grants, rebates, tax incentives, loans
- Understand the approval process
  - institutions use different procedures and timelines
- Inform customers
  - identify project financing resources
- Assist customers
  - provide information to complete financing applications

# Paying for Energy Improvements

Eric Rehm, Energy Savings Program Administrator

