

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)

Lean & Green Michigan™ 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 bottom line:

PACE is an economic development incentive that requires **no** taxpayer money. The local govt. simply gives 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 and multi-family property (virtually 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

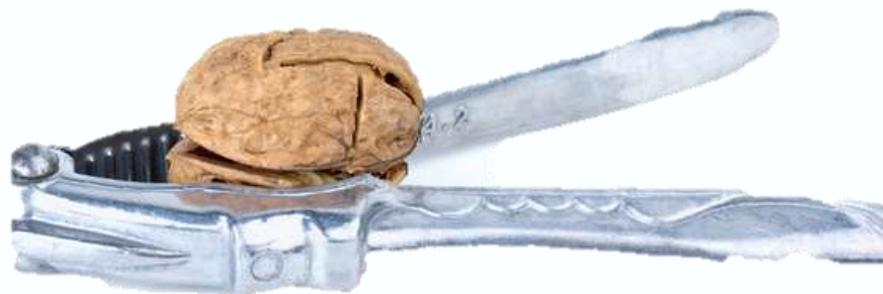


MORE DETAILED LIST: WHAT CAN BE FINANCED

- 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

PACE CRACKS THE ENERGY FINANCE NUT

- Problem: most clean energy projects don't work with traditional financing (payback > loan term)
- “Special assessment” mechanism provides more secure, longer term financing
- As a property tax, a PACE special assessment:
 - Is senior to any mortgage, so it is extremely secure
 - “Runs with the land,” so it moves to new owner if property is sold



PACE CRACKS THE ENERGY FINANCE NUT (CONT.)



- Longer term
 - Typical commercial loan: 3-5 years
 - PACE: 7-20 years
- Secure fixed interest rate
- Reduced risk for lender
- Contractors must guarantee the energy savings on projects over \$250,000

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
 - Miller Canfield does the legal work for local govt.
 - LEP and MC are 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

Levin Energy Partners is the ideal PACE partner for local governments

- **Knowledge** - Harvard-trained lawyer Andy Levin is a national PACE expert and helped pass Michigan's PACE law while heading DELEG
- **Experience** – Six counties and two cities have already created PACE districts with LEP:
 - ◆Huron County ◆Wayne County
 - ◆Ingham County ◆City of Rochester Hills
 - ◆Macomb County ◆City of Southfield
 - ◆Saginaw County
- **Cost effectiveness** - LEP helps the County implement PACE at no cost to taxpayers

A FAST-GROWING MARKET



Huron County
Pop. 32,463

Ingham County
Pop. 281,723

Macomb County
Pop. 847,383

Saginaw County
Pop. 198,353

Washtenaw County
Pop. 350,946

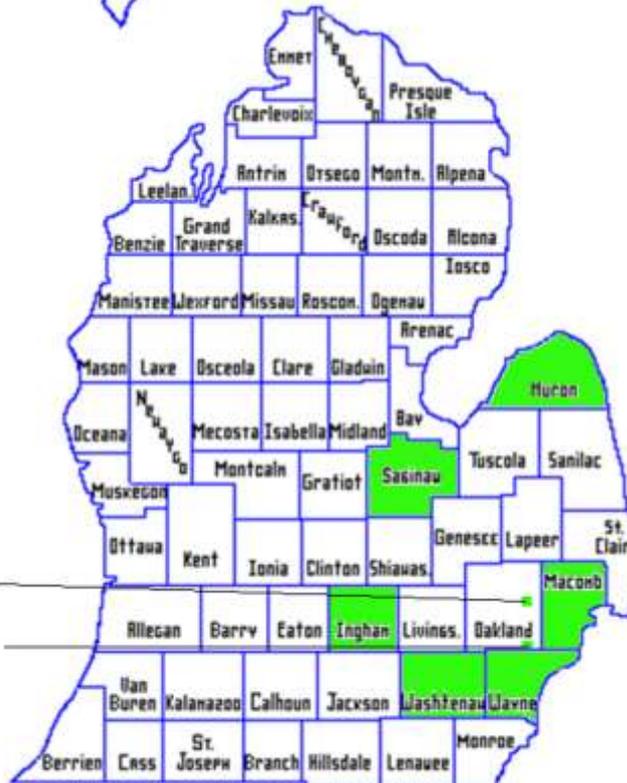
Wayne County
Pop. 1,792,000

Rochester Hills

Southfield

Rochester Hills
Pop. 72,283

Southfield
Pop. 72,507



- 6 counties and 2 cities
- Including 1st, 3rd and 10th largest counties
- Over 3,700,000 people
- 37% of state population
- Expanding at a rapid rate

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



What's Coming Next?



- A 90-second PACE video will go live on our website within two weeks
- We will announce the first project to close within four weeks; the pipeline exceeds \$20,000,000
- We will be rolling out a contractor training and enrollment program (incl. CEC's) in Q2
- Bay County will finish joining LAGM in April, and others are close behind

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