

# The Lean & Green Michigan™ Approach to Property Assessed Clean Energy (PACE)

An Innovative Way to Help Grand Traverse  
County 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 county is simply giving 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.)
- Exclusions
  - 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
- 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

# Levin Energy Partners is the ideal PACE partner for Grand Traverse County

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

## The Lean & Green Michigan Model (I)

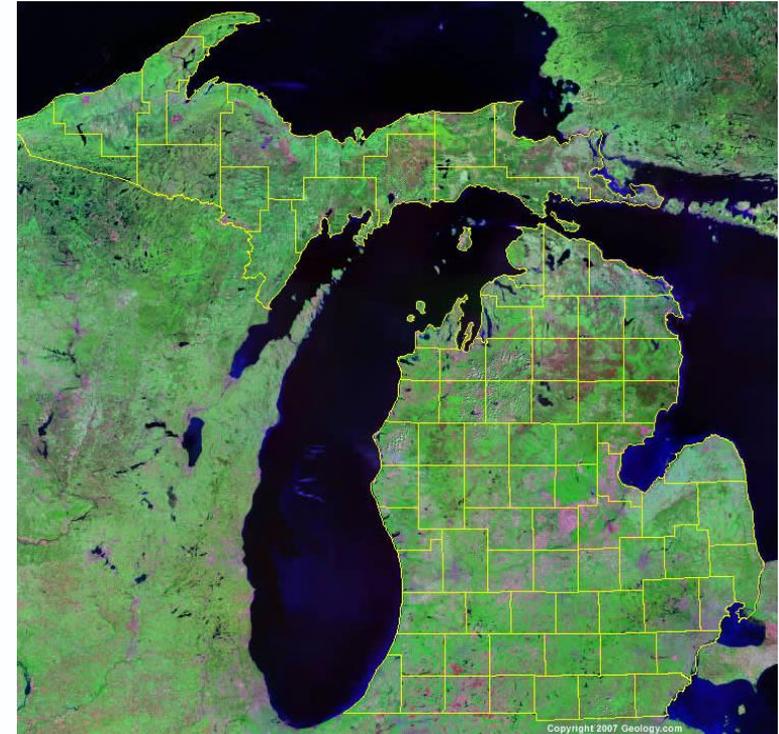
### PUBLIC-PRIVATE PARTNERSHIP: FAST, FREE, EFFICIENT

- 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

# 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



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