

# Rural Minnesota Energy Board

## PACE Orientation

January 25, 2021

Robin Weis, Deputy Director



# PACE COMMITTEE

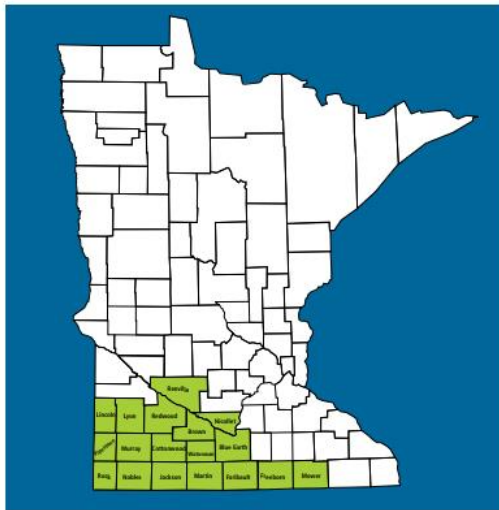
- 5 Members
  - Don Wachal- Chair
  - Gene Metz
  - Dan Wildermuth
  - Mic VanDeVere
  - \_\_\_\_\_ - replacement due to retirement
- Meetings- Quarterly or As Needed
  - Typically at noon prior to RMEB OR
  - Zoom with documents e-mailed securely

# MN Property Assessed Clean Energy (PACE) Legislation Overview

Web Address to complete legislation:

[https://www.revisor.mn.gov/statutes/cite/216  
C.436](https://www.revisor.mn.gov/statutes/cite/216C.436)

# PACE 1/2 Sheet



## Property Assessed Clean Energy

PACE is a program which finances energy efficiency and renewable energy upgrades to the buildings of commercial property owners in counties within the Rural Minnesota Energy Board (RMEB) region. The program allows businesses to make these improvements without the up-front costs. Costs of improvements are repaid as a special assessment on the property taxes. PACE eliminates the burden of upfront costs by providing low-cost, long-term financing.

### WHAT PROJECTS CAN YOU FINANCE WITH PACE?



**Energy Efficiency**  
HVAC, equipment,  
lighting & more



**Renewable Energy**  
Solar, wind turbines,  
geothermal & more



Find out more: [rmeb.org/pace.htm](http://rmeb.org/pace.htm)

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Program administered by the Southwest Regional Development Commission.



# PACE Brochure- Page 1

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**PACE Program Objectives**

- Increase energy efficiency and decrease energy costs through the utilization of "green energy" systems.
- Decrease energy demand.
- Reduce carbon footprint.
- Give qualifying businesses the ability to improve energy efficiency without up-front out-of-pocket expense.
- No increase in net operating costs realized throughout the repayment period.
- Increase property value.
- Promote job growth in the clean energy sector.

**RURAL MINNESOTA ENERGY BOARD**

**Mission Statement**

The Rural Minnesota Energy Board is committed to cooperating in a joint venture to provide the greatest public service benefit possible for the 18-county area encompassed by the Counties in policy, planning, management, and implementation of methods to deal with energy and transmission in rural Minnesota.

**Contact Us**

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**SRDC**  
 This Program is administered by the SRDC on behalf of the Rural Minnesota Energy Board.  
 www.swrdc.org | f: SWRDCmn  
This institution is an equal opportunity provider and employer.

**RURAL MINNESOTA ENERGY BOARD**  
 Loan Fund Investment in Clean Energy

**Property Assessed Clean Energy**

www.rmeb.org/pace.htm  
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# PACE Brochure- Page 2

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Property Assessed Clean Energy **PACE**


PACE is a financing tool used to assist commercial and agri-businesses with improvements to existing facilities that substantially increase energy efficiency.

Costs for the improvements are paid back through a special assessment on property taxes.

The increase in property taxes is offset by the decrease in energy costs so that the business sees no change in the bottom line.

PACE can assist with new construction (limitations apply), as well as renovation and retrofitting on commercial properties.

Solar and wind are eligible purposes of PACE financing.



The improvements are considered a fixture to the property and are repaid through owners

## Program Requirements

- The property must be for purposes of multi-family housing, commercial, industrial or agricultural use.
- The applicant(s) must be the legal owner of the property described in the application.
- The property must be located in the RMEB area.
- The Property owner must be current on all mortgages, must not be in bankruptcy and the property must not be an asset in a bankruptcy.
- There must be no federal or state income liens, judgment liens, or similar involuntary liens on the property.
- An Energy Audit/Assessment or Renewable Energy System Feasibility Study must be performed by a pre-approved energy auditor.

Projects could include, but are not limited to:

- LED lighting
- Improved Heating/Cooling
- Enhanced Insulation
- New Windows
- Solar

## Example

Improvement Type	Operating Costs (Current)	Retrofit Costs	Operating Costs (New)	Annual Savings
Boiler System	\$39,375	\$46,000	\$17,730	\$21,645
Water Heater	\$13,230	\$22,000	\$6,024	\$7,206
Lighting	\$5,722	\$8,950	\$2,614	\$3,108
<b>TOTALS</b>	<b>\$55,198</b>	<b>\$76,950</b>	<b>\$26,368</b>	<b>\$31,959</b>

### Loan Size

- Minimum PACE Loan: \$5,000
- Maximum PACE Loan will be lesser of:
  - The actual cost of improvements, or
  - Greater of 20% of the assessed property value or 20% of the appraised value.
 Maximum PACE loan of \$100,000.

### Loan Term

- Maximum of 20 years to repay the loan.
- Loan term must not exceed the estimated life expectancy of improvement.

### Interest Rates

- The interest rate is determined by the RMEB PACE Committee.


64.3%

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# PACE Application- Starts w/Checklist

RMEB PACE Application x +

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The Property Accessed Clean Energy (PACE) Revolving Loan Fund (RLF) provides financing for the installation of energy efficiency and conservation improvements that are permanently fixed to eligible properties ("Improvements"). Commercial and agri-business properties are eligible to apply. Solar and wind are included as a qualified improvement.

### PACE Application Checklist

PLEASE INCLUDE THE FOLLOWING:

- Completed PACE Application.
- Copy of the most recent property tax statement.
- Documentation that the property owner is current on property taxes.
- Documentation that the property title is vested in the applicant's name, without federal or state income tax liens, judgment liens, or similar involuntary liens on the property. A template affidavit is available upon request.
- Property description from the Abstract.
- Documentation that the property owner is current on mortgage(s). A letter from the mortgage lender can be submitted in lieu of a current statement.
- Energy Audit and/or renewable energy system feasibility study performed by an approved Rural Minnesota Energy Board (RMEB) PACE energy auditor. The audit must include a summary of recommendations with the following information for each recommendation, if applicable: Existing MMBTU usage, proposed MMBTU usage, MMBTU savings, existing kWh, proposed kWh, kWh savings, existing kW, proposed kW, kW savings, annual savings (\$), cost, payback years, expected life cycle (years), and percent of savings. The project must have a Savings to Investment Ratio greater than 1:1; expected energy savings should exceed investment costs.
- Cost estimates for project from licensed contractor(s). The estimate(s) must include number of labor hours. The contractor's(s) cost estimate(s) must document how it is meeting the technical specifications proposed in the energy audit. Any change orders must be submitted to the SRDC. Davis Bacon applies to contractor rates and benefits in cost estimate. To find the wage rate based on state, county, and construction type, visit [beta.sam.gov/](http://beta.sam.gov/).
- Electronic photos of all sides of the building(s) emailed to [robin@swrdc.org](mailto:robin@swrdc.org).

Please submit all information to Robin Weis via email at [robin@swrdc.org](mailto:robin@swrdc.org) or via mail:  
Southwest Regional Development Commission

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# Checklist

- Property Tax Statement
- Current on Property Taxes
- Affidavit- Liens
- Legal Property Description
- Current on mortgage
- Energy Audit/Assessment
- Cost Estimates
- Electronic Photos



# Who can perform Energy Audit/Assessments?

- Must be Qualified
  - Certified Energy Manager (CEM)
  - Certified Energy Auditor (CEA)
  - Education/Experience

Insulate the roof/attic and the walls with closed cell spray foam due to the significant energy savings from conduction and infiltration.  Recommendation	Potential Savings, Annual						Tons US CO <sub>2</sub> @ 12.7 #/gal
	kWh	kW	Fuel *kBtu Propane	Water Gallons	Waste Yds	\$	
Insulate the roof/attic and the walls with closed cell spray foam due to the significant energy savings from conduction and infiltration.  Recom's # 1 & 2							
1. Insulate underside of roof			24,452			385	1.6
1. Reinsulate all wall cavities			25,096			395	1.7
1. Install door seals and insulate cracks around windows and doors			2,282			36	0.2
<b>Totals:</b>			<b>51,830</b>			<b>816</b>	<b>3.5</b>

# Davis Bacon

- [https://beta.sam.gov/search?index=wd&is\\_active=true&date\\_filter\\_index=0&date\\_rad\\_selection=date&wdType=dbra&page=1](https://beta.sam.gov/search?index=wd&is_active=true&date_filter_index=0&date_rad_selection=date&wdType=dbra&page=1)
- By County
- By Project Type
- By Job Classification

# State Historic Preservation Office

- Also known as SHPO
- Project examples- Lighting, HVAC
- Submissions required to loan closing
  - Often received back prior to committee consideration

# Aging Reports- By Month

- Includes:
  - Loan #
  - Loan Applicant
  - Loan Amount/Disbursed
  - Current Balance
  - Regular Payment
  - Late Payments, if applicable

# Purpose of PACE

Finance Cost Effective Energy Improvements on commercial real properties

Program is for property owners of qualified properties

-Why for property owners? PACE financing is paid back on property taxes as a special tax assessment

# Timelines

- Special Tax Assessment – Needs to be filed with respective county by November 30 if included in next year's property tax statement
- Payments- Collected by the county with property taxes- Counties then send funds to SRDC- Typically received in June and December

# Defaults

- Payments are not accelerated due to a default
- Tax delinquency exists only for assessments not paid when due
- Liability for special assessments runs with the property



## Eligibility:

- Must be located in a RMEB county in good standing
- Commercial or industrial business (including agri-business), non-profit (must have a business presence in at least 50% of the space), some residential
- Retrofit or New project

# Loan Size and Interest Rate:



- Loans may range from \$5,000 to \$100,000
- Interest rate as low as 4%
- 1% Origination Fee

# Financing Terms

- Term not exceeding the useful life of the energy improvements installed- max 20 years
- Loan Amount not to exceed the lesser of:
  - greater of 20 percent of the assessed value of the real property on which the improvements are to be installed or 20 percent of the real property's appraised value, accepted or approved by the mortgage lender; or
  - actual cost of installing the energy improvements
- Interest rate sufficient to pay the financing costs of the program

# Coordination with other programs

- Yes!
- Examples
  - Utility Companies
  - Rebates
  - Grants

## PORTFOLIO STATISTICS

- 31 loans since inception
- Loans totaling \$1,142,192.06
- Loans by County:
  - 1-Blue Earth      3- Cottonwood
  - 2-Jackson        4-Lincoln
  - 4- Lyon            1-Murray
  - 12-Nobles        1-Pipestone
  - 2-Redwood       1- Renville

# Types of Projects

- Lighting
- Heating/Cooling
- Refrigeration
- Insulation- some have been with roof projects
- Hot water heater
- Solar
- Air Exchange

# Types of Businesses

- Gas Stations
  - Less than 4 story housing
  - Martial Arts
  - Restaurants
  - Grocery Stores
  - Retail
  - Water Conditioning
  - Lodging
- Swine Barns
  - Laundromat
  - Dance Studio
  - Garden Center

# Questions

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