



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: May 13, 2014

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Subject: Energy Efficiency Business Loan Program guidelines and contract with Center for Energy and Environment (CEE).

Recommendations:

1. Approve the revised Energy Efficiency Business Loan fund guidelines.
2. Authorize City staff to amend a contract with the Center for Energy and Environment (CEE) to administer funds in association with the Energy Efficiency Business Loan Program.

Previous Directives:

City Council on June 12, 2009 authorized an application to the U.S. Department of Energy for \$3.9 million of Energy Efficiency and Conservation Block Grant funds to support proposed activities by June 25, 2009. Of that \$3.9 million, \$780,000 was authorized by City Council on August 28, 2009 for a Revolving Loan Fund Program for Non-Residential Energy Efficiency improvements. City Council on August 18, 2009 authorized a contract with the Center for Energy and Environment (CEE) to establish and administer the Energy Efficiency Business Loan and Grant Program; and approved a Resolution delegating authority to the Executive Director of CPED or his designees to make and execute Loan Participation Agreements and other appropriate loan and grant documents consistent with the Energy Efficiency Business Loan and Grant Program Guidelines. City Council on November 9, 2010 authorized revisions to the guidelines of the revolving loan program.

Prepared by: Becky Shaw, CPED Business Development Phone: 612-673-5066

Approved by: Charles T. Lutz, Interim Director CPED _____

Catherine A. Polasky, Director, Economic Policy & Development _____

Presenters in Committee: Becky Shaw

Financial Impact

- Initial capital for the Energy Efficiency Revolving Loan Fund was provided by a \$555,000 grant under the American Recovery and Reinvestment Act.
- Repayments of initial loan projects have been held in a separate account with the intention of utilizing funds for additional Energy Efficiency Projects. The Program is designed to be self-supporting through the revolving nature of the program. As of March 31, 2014, a total of \$153,494.95 of repayments have been collected and are available to reuse for energy efficient upgrades.

Community Impact

- Neighborhood Notification: Notification was sent on 4/28/14.
- City Goals: Great Places where natural and built spaces work together and our environment is protected.
- Sustainability Targets: The Program will assist with the City's efforts on climate change and renewable energy.
- Comprehensive Plan: Loans funded through the Program will be in compliance with the City's Comprehensive Plan.
- Zoning Code: Projects will comply with zoning.
- Living Wage/Business Subsidy Agreement Yes No The Program is not subject to the State Business Subsidy Act in that the financial assistance is less than \$150,000 and assistance for energy conservation is not a business subsidy under the Act.
- Job Linkage Yes No

Supporting Information

Through the American Recovery and Reinvestment Act (ARRA), \$3.2 billion was allocated to the Energy Efficiency Conservation Block Grant Program (EECBG). The City of Minneapolis was an EECBG recipient in the amount of \$3.9 million. CPED was allocated \$780,000 of that EECBG to start a revolving loan fund program. City Council approved the Energy Efficiency Revolving Loan Program on August 28, 2009. The program was designed to assist Minneapolis business owners in upgrading or retrofitting current energy-using products, such as heating and cooling systems and refrigeration equipment, with the goal of reducing overall output and energy use.

Eligible improvements under the Energy Efficiency Business Loan Program include:

- Lighting Technology Upgrades
- Ventilation Control Optimization
- Addition of programmable controls
- Through-the-wall air conditioning upgrades
- HVAC system retrofits
- Energy Efficient Equipment
- Refrigeration equipment
- Other upgrades as determined by energy auditor and approved by CEE and CPED.

In the first phase of the project, 16 loans for a total amount of \$516,690.00 were closed and funded. Of the original \$780,000 dedicated to the revolving loan fund, \$225,000 was redirected to energy improvements to the Minneapolis Convention Center.

Center for Energy and Environment services these loans on behalf of the City of Minneapolis. They collect funds from each applicant and remit back to the City of Minneapolis. As of March 31, 2014 a total of \$153,494.95 has been collected and is available to finance other energy loan projects.

The initial Energy Loan Program contained a forgivable grant of 20% of the loan up to \$5000 along with low interest rate financing. Now that the demand for energy loans has been established, CEE and CPED staff believe that a grant component is no longer a necessary incentive, and we recommend eliminating that element to ensure that we have revolving capital available for future projects. The revised guidelines attached will continue to offer low interest rate financing, but removes the forgivable grant. The revised guidelines also allow for broader flexibility in determining eligible energy efficient projects. Energy Star rated equipment replacing less efficient equipment will be considered for financing without an energy audit. A costly audit will be required only when it is difficult to establish a baseline for energy saved.

Attachments

- Exhibit A: Energy Efficiency Loans Closed through October 2012
- Exhibit B: Energy Efficiency Loan Program Guidelines
- Exhibit C: Resolution

Energy Efficiency Revolving Loan Program

January 1, 2010 - October 31, 2012

Applicant/Address	Work Completed	Loan Amount
Reidy's Market 3904 42ND AVE S	Lighting and Cooler Doors	\$8,108.66
McIntosh Embossing, Inc. 2717 33RD ST E	Lighting	\$13,274.05
First and First LLC Dunn Brothers, Social and Old Azia space 2548 NICOLLET AVE	HVAC System	\$75,000.00
First & First LLC Vertical Endeavors 2540 NICOLLET AVE	HVAC System	\$63,510.00
Hennepin Avenue Restaurant LLC The Butcher and the Boar 1121 HENNEPIN AVE	HVAC System	\$50,000.00
Vertical Endeavors 2548 NICOLLET AVE	Insulation	\$48,305.00
United Noodle 2015 24TH AVE S	Lighting in Cooler Doors	\$8,931.61
Eureka Recycling 454 COOLIDGE ST	Lighting	\$8,229.08
Hymie's Vintage Records 3820 LAKE ST E	HVAC System	\$18,245.00
Schatzlein Saddle Shop 415 LAKE ST W	Lighting	\$5,584.49
3112 Partners 3100 2ND ST N	Lighting	\$23,894.67
Ruffridge-Johnson Co. 3024 4TH ST SE	Lighting	\$13,240.00
First and First LLC Ice House 2540 NICOLLET AVE	HVAC System	\$75,000.00
Minnesota Surplus 1121 FILLMORE ST	Solar Project	\$18,462.50
United Noodle 2015 24TH AVE S	New Refrigeration Equipment	\$50,000.00
A Chance to Grow 1800 2ND ST NE	HVAC System	\$37,174.94
TOTALS	16 Loans	\$516,960.00

Exhibit B

Energy Efficiency Loan Program Guidelines & Requirements Summary

The City of Minneapolis through the department of Community Planning & Economic Development (CPED) in partnership with The Center for Energy and the Environment (CEE) has established a city-wide loan program to provide financing for energy efficiency upgrades.

The purpose of this program is to provide financial assistance to improve energy efficiency or decrease energy output in neighborhood retail, service and light manufacturing businesses.

The Process

Applicants will begin by calling CPED staff or CEE to determine eligibility. When necessary, an audit will be scheduled to determine or verify eligibility to the program. Audits performed by an outside auditor must be approved by a CEE representative. CEE's auditors will determine which projects are most advantageous from a usage and return on investment standpoint. A report will be drafted including cost breakdowns from the most significant projects. If the business owner wishes to move forward with retrofitting, CEE will schedule a time to send service representatives to complete retrofitting process. A business owner who wishes to finance the projects through this program, may fill out an application through the CEE representative or contact CPED directly to facilitate the loan process. CEE would fill out proper rebate incentives and submit rebate paperwork to Utility companies on behalf of the customer. Any rebates will be used to pay down the principal balance of the loan.

The Loan

CPED will provide a loan up to \$75,000 at an interest rate up to 3.9% for a term not to exceed 10 years. All eligible rebates would be used to pay down the principal balance of the loan. An application fee in the amount of \$200 will be collected by CEE at the time of the loan closing.

Eligible Applicants

- An applicant must be in the City of Minneapolis and qualify through CEE's usage requirements.
- An applicant must have the ability to repay the loan and be an acceptable credit risk as determined by the lender.
- An applicant's property status must be as a conforming use or a legal non-conforming use under the City's Zoning Ordinance.

Priority will be given first to those businesses which, without the low rate of return, are unable to improve their property or expand their business. Secondly, priority will be given to those businesses located in Priority or targeted areas of the City. If the business is not located in a targeted area, then the extent to which the project will benefit low to moderate income persons through job creation or improved services will be considered. Third, priority will be given to applicants with personal net worth less than \$1 million. Subject to these priorities, the City in reviewing applications will also consider the date of the application, the extent of the improvements leveraged by revolving loan funds and the extent of reduction of overall output or total KWH savings.

Eligible Improvements

- Lighting Technology Upgrades
- Ventilation Control Optimization
- Addition of Programmable Controls
- Through-the-wall Air Conditioning Upgrades
- Retro-Commissioning of HVAC systems
- Energy Efficient replacement equipment
- Other upgrades as determined by a qualified Energy Efficiency Measures (EEM) Contractor and approved by CEE and CPED.

For more information

For additional information please contact:

CPED Business Development (612) 673-5072

City of Minneapolis
Department of Community Planning and Economic Development
Business Development
105 - 5th Avenue South, Suite 200
Minneapolis, MN 55401-2534