

CLEAN ENERGY PARTNERSHIP FUNDING UPDATE

# BRIDGING THE GAP



# BACKGROUND

- Work Group formed after 2016 Q4 EVAC meeting in response to Board and EVAC interest
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- 5 meetings, 2 separate planning sessions
- Goal: to scope the budget and potential sources for the Work Plan

# 59 ACTION ITEMS FROM CLIMATE ACTION PLAN AND PARTNERSHIP WORK PLAN

# A LOT OF GROUND TO COVER

| in Activities  |                     |  |   |   |   |               |   |  |                                      |                                  |                          |  |
|--|---------------------|--|---|---|---|---------------|---|--|--------------------------------------|----------------------------------|--------------------------|--|
| at: Data Tools Add-ons Help Last edit was made yesterday at 8:44 AM by Matthew Kozlowski   |                     |  |   |   |   |               |   |  |                                      |                                  |                          |  |
| Identify and coordinate energy efforts for commercial and residential buildings that have low barriers to entry and limited risk for local government. Property-assessed financing, on-bill financing and other financial mechanisms could provide low- interest financing opportunities for homeowners, and |                     |  |   |   |   |               |   |  |                                      |                                  |                          |  |
| C  | D                   | E                                      | F   | G   | H   | I             | J   | K  | L                                    | M                                | N                        | O  |
| Source ID  | Area of Impact      | Sub-area                               | Type of activity  | Full activity description (from source document)  | Source category                               | Source Item # | Current activity status   | Is EIMAC 17/18 work plan?                                  | Requires city staff resources        | Requires utility staff resources | Requires other resources | Requires other investments   |
| 4D   | Building Efficiency | All buildings - existing               | Policy development  | Develop tools to finance energy efficiency and renewable energy retrofits for commercial and residential buildings that have low barriers to entry and limited risk for local government. Property-assessed financing, on-bill financing and other financial mechanisms could provide low- interest financing opportunities for homeowners and commercial properties. High interest rates, the need for perfect credit, and complex program design can all be barriers to widespread adoption of these programs, especially for low-income households. Programs should be designed to maximize participation and provide access to all housing types and income levels. Working through a process led by the State of Minnesota, identify tools that the City or another regional entity can develop to provide more opportunities for energy efficiency and renewable energy financing.                          | Buildings & Energy - Green-Cutting Strategies |               | Campanella is creating an on-bill financing tool, and the City has partnered with CEE to offer DS interest financing to participants. There's still more to be done to reduce barriers for people with poor credit or other issues. | Yes  | Yes                                  | Yes                              |                          | Maybe  |
| 5F   | Building Efficiency | All buildings - existing               | Policy development  | Explore opportunities to incentivize the mechanical permit fee schedule and other fee schedules to incentivize energy- and water- efficient products and renewable energy. Mechanical permit fees for products like furnaces are currently based on a percentage of the total value of the work being performed. More energy efficient products are typically more expensive than less efficient products, in turn increasing the permit fee, which could be a disincentive to contractors and building owners who are considering more efficient equipment. With City staff and stakeholders, explore changes to the permit fee structure (ideally revenue neutral) that would incentivize the installation of more energy- and water- efficient equipment or renewable supportive building design (e.g., "solar ready" buildings).  | Buildings & Energy - Green-Cutting Strategies | 8 TT          |   | Somewhat   | Yes                                  |                                  |                          |  |
| 5F   | Building Efficiency | All buildings - existing               | Policy development  | Incentivize energy and water efficiency in private buildings during every interaction with the City. City departments could promote energy and water efficiency efforts in anyone interacting with the City for regulatory purposes, such as when seeking a permit or participating in design or zoning review. This may be targeted toward certain kinds of buildings that showed high promise for targeted efforts on energy efficiency, such as restaurants.   | Buildings & Energy - Green-Cutting Strategies | 8 TT          |   | Somewhat   | Yes                                  |                                  |                          |  |
| 5F   | Building Efficiency | All buildings - new                    | Policy development  | Encourage "net-zero" energy buildings. Net-zero energy buildings maximize synergies between energy efficiency and distributed energy generation. Policies in other states are encouraging building codes that require net-zero standards for residential buildings as soon as 2030. Minneapolis should aim to capture this transformative market trend through support of state efforts and creation of local incentives.   | Renewable Energy                              | 6 TT          |   | No   | Yes                                  |                                  |                          |  |
|  |                     |  |   | Evaluate and expand incentives targeted for high energy performance. Density bonuses are currently available to developments in the downtown zoning districts achieving high energy performance and can be used as an amenity for a planned unit development to obtain approvals for alternatives to its zoning regulations. These bonuses could be extended to areas outside of downtown and/or incorporated into other incentive programs. Extend these incentives to buildings that incorporate or are designed to allow for easy installation of significant renewable energy systems and to those in targeted under-invested communities (i.e., a City Green Zone program). Maintaining a diverse mix of housing types and affordability levels is a priority for the city. The displacement of low and moderate income households should be avoided in the implementation of any specific incentive policy. | Buildings & Energy - Green-Cutting Strategies | 10 TT         |   | No   | Yes                                  |                                  |                          |  |
|  |                     |  |   | Require City-financed projects to meet an energy efficiency standard, like Sustainable Buildings 2030 (SB2030). The State of Minnesota has adopted a requirement that all State bonded projects meet the SB2030 standards. This requires progressively better energy performance from new projects. Similar requirements include Saint Paul's Sustainable Building Policy. Alternatively, or in combination, the City could require projects to complete Real Energy's Energy Design Assistance program. In conjunction, the City should review the rules required for project financing (e.g., financing to extend project cost) to minimize any disruption to affordable housing construction that may be caused by implementing additional requirements.   | Buildings & Energy - Green-Cutting Strategies | 7 TT          |   | Yes  | Yes                                  |                                  |                          |  |
| 4D   | Building Efficiency | City buildings - existing              | Existing asset management   | Ensure that City facilities and infrastructure, across all neighborhoods, are models of energy efficiency and renewable energy technology. The City will investigate opportunities in buildings, street lighting, traffic signals and parking ramps to continually increase energy efficiency and reduce water use. Those neighborhoods with infrastructure in immediate need should be prioritized. The City-operated water treatment plant is a large energy user, and opportunities for increasing efficiency will be continuously reviewed. Tools like the State's Guaranteed Energy Savings Program could be used to finance efforts to City buildings. The City will continue to identify opportunities for renewable energy deployment on its facilities to reduce long-term operating costs and demonstrate new technologies.   | Buildings & Energy - Green-Cutting Strategies | 8             | This is happening, but it's uncertain what pace it's at or what target it's going towards.  | No   | Yes, especially in Property Services | No                               |                          | Yes - money invested in infrastructure. May require increased investment in buildings to enable it. If a big investment in addition to project design time may be biggest barrier. |
| WAC 7/18   | Building Efficiency | City buildings - new                   | Policy development  | The City of Minneapolis will develop a resolution to its Leadership in Energy and Environmental Design (LEED) Building Policy to include meeting the Sustainable Buildings 2030 Energy Standard for new City buildings or major renovations.  | City Enterprise & Coordination                | 20            |   | Yes  |                                      | no                               |                          |  |
| 5F   | Building Efficiency | Commercial buildings - existing        | Policy development and/or engagement programming                      | Continue to support a loan program to help businesses including industrial companies to become more energy efficient and expand their businesses. A relatively small number of Minneapolis industrial customers are responsible for a large proportion of total energy usage in the city. Focusing efforts to increase the energy efficiency of these businesses can have a large impact, while increasing the competitiveness of Minneapolis businesses and support job growth.  | Industrial Buildings                          |               | Lending programs continue to exist for commercial and industrial customers. Unclear if they are sufficient or low barrier enough.   | Partially in the broader category of low-barrier financing | Maybe                                |                                  |                          | Maybe  |
| 5F   | Building Efficiency | Commercial buildings - existing        | Policy development and/or engagement programming                      | Develop "green lease" model language that allows building owners and tenants to share the energy savings from building capital improvements. Tenants and building owners often share a cost incentive when it comes to energy efficiency improvements since tenants frequently pay the energy bills. New model language could make more capital improvements likely.  | Commercial Buildings                          | 8             | This has not been started. It could potentially be wrapped in the work of a Small Bus EVAC working group, if that starts.   | No   | Yes                                  | No                               |                          | Maybe  |
| 5F   | Building Efficiency | Commercial buildings - existing        | Engagement programming  | Launch a public-private energy efficiency campaign to catalyze action in businesses large and small. Most of the energy in Minneapolis is consumed by businesses, manufacturing efforts that businesses and properties can undertake to reduce their energy usage. The aggregated potential energy savings from small businesses can also be significant and should be identified and targeted. Research shows that the most effective energy efficiency programs succeed because they have committed leadership from the top. The City can use its leadership position to bring top City leaders to the table and affirm their commitment to working together to achieve this goal.  | Buildings & Energy - Green-Cutting Strategies | 2             | This has been started for large commercial buildings, but not for small and medium sized buildings.   | Somewhat   | Yes                                  | Yes                              |                          | Yes  |
| 4D   | Building Efficiency | Commercial buildings - existing, large | Engagement programming  | Continue to lead an annual Energy Reduction Challenge ("Minneapolis Countdown") for Commercial Buildings in conjunction with the Building Managers and Owners Association (BMOA) and other partners. BMOA has developed a program, called the Midwest Crackdown, which local chapters can implement. Using the EnergyEWG Toolkit/Manager tool, building owners track their energy use over the course of a year or less. This is compared to a benchmark of the previous year, and the buildings with the highest energy reduction receive awards. While the Midwest Crackdown is currently composed primarily of large commercial buildings, the City should encourage BMOA to expand participation to include more small and medium-sized buildings in the challenge.   | Commercial Buildings                          | 4             | If this is same as Building Energy Challenge, that's ongoing.   | Yes  | Yes                                  | Yes                              |                          | Maybe  |
| 5F   | Building Efficiency | Commercial buildings - existing, large | Policy development  | Develop incentives for commercial office buildings to investigate transitioning personal work to "day shift cleaning" as a means of reducing energy consumed. Work with partners in their building to ensure a smoother transition. The City should also investigate the feasibility of implementing Day Shift Cleaning standards for commercial office buildings in Minneapolis.   | Commercial Buildings                          | 6             | Not started   | No   | Yes                                  |                                  |                          |  |
| 4D   | Building Efficiency | Commercial buildings - existing, large | Policy development (or engagement programming if already implemented) | Explore implementation of a commercial asset rating program, such as the Department of Energy's Commercial Building Energy Asset Rating. Asset ratings provide a tool to evaluate the physical characteristics and as-built energy efficiency of buildings. An asset rating can also identify areas where improvements are needed.  | Commercial Buildings                          | 3             | If this is same as Energy Star ratings, then completed ongoing for large buildings.   | Yes  | Yes                                  |                                  |                          |  |
| 5F   | Building Efficiency | Commercial buildings - existing, large | Engagement programming  | Implement the Building Energy Disclosure policy for medium and large commercial buildings. The recently adopted commercial building energy disclosure policy that requires benchmarking and publication of data annually will help increase the impact of energy use reduction in the marketplace, driving further energy efficiency improvements.  | Commercial Buildings                          | 2             | This has now been fully launched and is ongoing.  | Yes  | Yes                                  |                                  |                          |  |
| WAC 7/18   | Building Efficiency | Commercial buildings - existing, large | Engagement programming  | The Partnership will continue to develop and launch resource workshops targeted at specific segments of commercial buildings (e.g., hospitals, health care, non-profit, etc.) to connect them with technical assistance, financing, and other resources to drive energy efficiency improvements.  | Large Commercial                              | 15            | City staff has been meeting to plan this. Planning to do several workshops by sector and by public vs. private.   | Yes  | Yes                                  | Yes                              |                          | Maybe  |
| WAC 7/18   | Building Efficiency | Commercial buildings - existing, large | Engagement programming  | The Partnership will continue to develop feedback loops with building owners through the commercial building benchmarking process and leverage benchmarking information to target low-performing buildings.   | Large Commercial                              | 16            | Two to workshop process. Get people to workshops and provide individual help to those participants, and then do more targeted individual outreach to other low performers.  | Yes  | Yes                                  | Yes                              |                          | Maybe  |
| WAC 7/18   | Building Efficiency | Commercial buildings - existing, small | Engagement programming  | The Partnership will develop and pilot a citywide small business energy efficiency initiative. Examples of sub-activities may include: (1) Build off of the existing community engagement process by engaging local business associations and similar organizations in the city; (2) Target small businesses in minority and low-income communities; (3) Identify a handful of key districts in which to pilot the program; and (4) Work with the utilities to identify funding streams for local organizations to build relationships with small business owners toward energy efficiency action.  | Small Commercial                              | 12            | Not started, but a Small Business Working Group might launch at March EIMAC meeting. Kelly at the City is interested in staffing this.  | Yes  | Yes                                  | Yes                              |                          | Maybe - grant for business and/or business organization  |
| WAC 7/18   | Building Efficiency | Commercial buildings - existing, small | Conducting study  | The Partnership will continue to monitor the progress of the implementation of small business programs through Real Energy's Partners in Energy (PNE) program in the Lake Street corridor. This may include updates to EVAC at the Board on activities or program designs presented to leaders of the program.  | Small Commercial                              | 17            | Nothing happening, but the Lake Street project can report at some point, maybe host a Small Bus working group.  | Yes  | No                                   | No                               |                          | No. Maybe - grant for business and/or business organization  |
| 4D   | Building Efficiency | Commercial buildings - existing, small | Engagement programming  | The City of Minneapolis is currently exploring the separation of the Minnesota Technical Assistance program (MTAP) to assist small, local businesses assess their energy use and the range of potential retrofits. Expand this program and target outreach to achieve equal representation from minority-owned businesses.  | Buildings & Energy - Green-Cutting Strategies | 13            | This has not been started significantly. An EVAC Small Business Working Group could come up with a plan to address this goal.   | Yes  | Yes                                  | Yes                              |                          |  |
|  |                     | Commercial                             |   | The Partnership will collaborate with other interested parties to support and encourage the State of Minnesota to adopt an addendum to the state energy code that allows cities to adopt  |   |               | Not started yet. City staff and utilities   |  |                                      |                                  |                          |  |

HOW MUCH?





# WARNING



Series





# WARNING



All right!



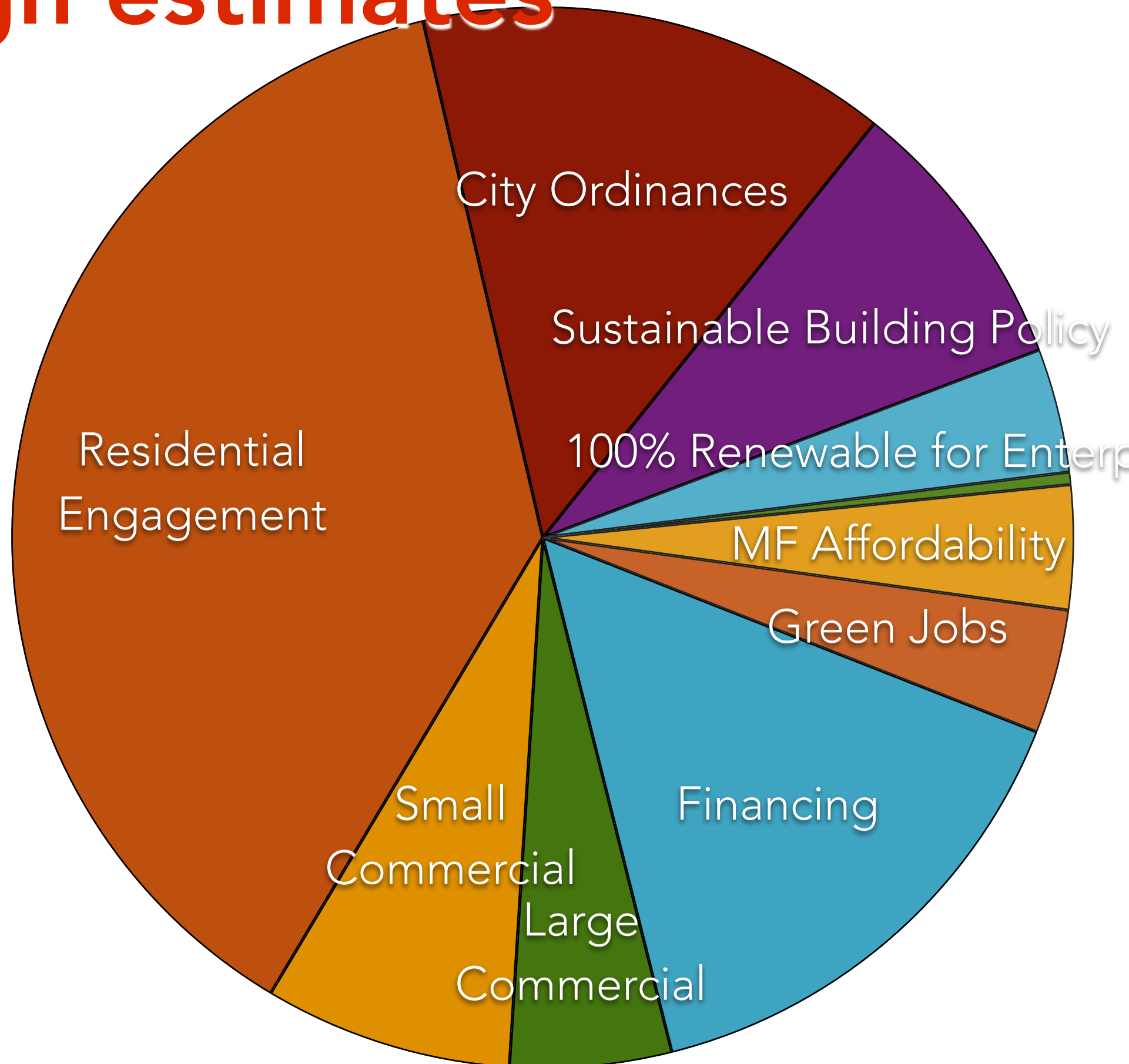
**Very rough estimates ahead**





# Very rough estimates

Total budget:  
\$2.6 million





# Very rough estimates



Residential  
Engagement

- \$1,000,000 to expand Community Engagement Pilot citywide for single- and multi-family properties; to strategically buy down Home Energy Squad visit/audits; to collaborate with utilities and utility program providers on community-based marketing initiatives

EXAMPLE

# Very rough estimates

Financing tools, e.g. on-bill repayment / inclusive financing, CPE on-bill (no funding needed for this), Xcel (waiting on CPE):

- \$50,000 for study of inclusive financing
- \$50,000 for other items, including interest rate buydown
- \$300,000 loss reserve - maybe secure from a foundation

EXAMPLE



Financing



# Very rough estimates

EXAMPLE



City Ordinances

Ordinances for MF benchmarking, residential EE incentives, time-of-sale/rental disclosure (not started), rental licensing incentives (maybe):

- 1 FTE over 2-3 years to support passage of ordinances: 250,000
- MF benchmarking - 1 FTE to maintain, \$100,000
- Residential EE - \$10,000?
- Time-of-sale - Minimal ongoing cost, \$10,000?
- Rental licensing - Depends on carrot/stick, \$10,000?

FROM WHERE?





# SOME POTENTIAL SOURCES

| SOURCE                                | ROUGH ORDER OF MAGNITUDE   | LONGEVITY              | ISSUES   |
|---------------------------------------|----------------------------|------------------------|--|
| FRANCHISE FEE                         | \$1,000,000 TO \$4,000,000 | OPEN-ENDED             | Matching cost impact with savings, ensuring equity by income and ratepayer class |
| FOUNDATION GRANTS                     | ~\$150,000                 | 1-2 YEAR GRANT PERIODS | Good for short term or discrete program (e.g. franchise fee study)               |
| CITY-OWNED RURAL RENEWABLE ENERGY     | ~\$150,000                 | 20+ YEARS              | Would take 2-3 yrs. Min. to develop  |
| GENERAL FUND                          | ~\$100,000                 | 1 YEAR AT A TIME       | <div>Very rough estimates</div>  |
| LARGE COMMERCIAL GIFTS / SPONSORSHIPS | ~\$100,000                 | A FEW YEARS?           |  |
| MARGINAL SAVINGS FROM EE OR RE        | ~\$100,000                 | 20+ YEARS              |  |
| STATE GRANTS                          | ~\$100,000                 | 1-3 YEARS              |  |
| FEDERAL GRANTS                        | ~\$100,000                 | 1-3 YEARS              | Limited opportunity under Trump?   |
| UTILITIES                             | ~\$25,000                  | OPEN-ENDED             | Unlikely to increase beyond CEP staffing without major regulatory change         |
| SITE HOST FOR RENEWABLE ENERGY        | ~\$20,000                  | 20+ YEARS              | Could be near-term opportunity   |

# FRANCHISE FEE ILLUSTRATION

| <i><b>CUSTOMER<br/>CLASS</b></i> | <i><b>0.25% INCREASE</b></i> | <i><b>0.5% INCREASE</b></i> | <i><b>0.75% INCREASE</b></i> |
|----------------------------------|------------------------------|-----------------------------|------------------------------|
| RESIDENTIAL                      | \$472,222                    | \$944,444                   | \$1,416,667                  |
| COMMERCIAL                       | \$650,000                    | \$1,300,000                 | \$1,950,000                  |
| INDUSTRIAL                       | \$192,233                    | \$383,333                   | \$575,000                    |
| <b>TOTAL</b>                     | <b>\$1,314,456</b>           | <b>\$2,627,778</b>          | <b>\$3,941,667</b>           |



NEXT STEPS

# INCORPORATE YOUR FEEDBACK





# GET PARTNERSHIP BOARD FEEDBACK





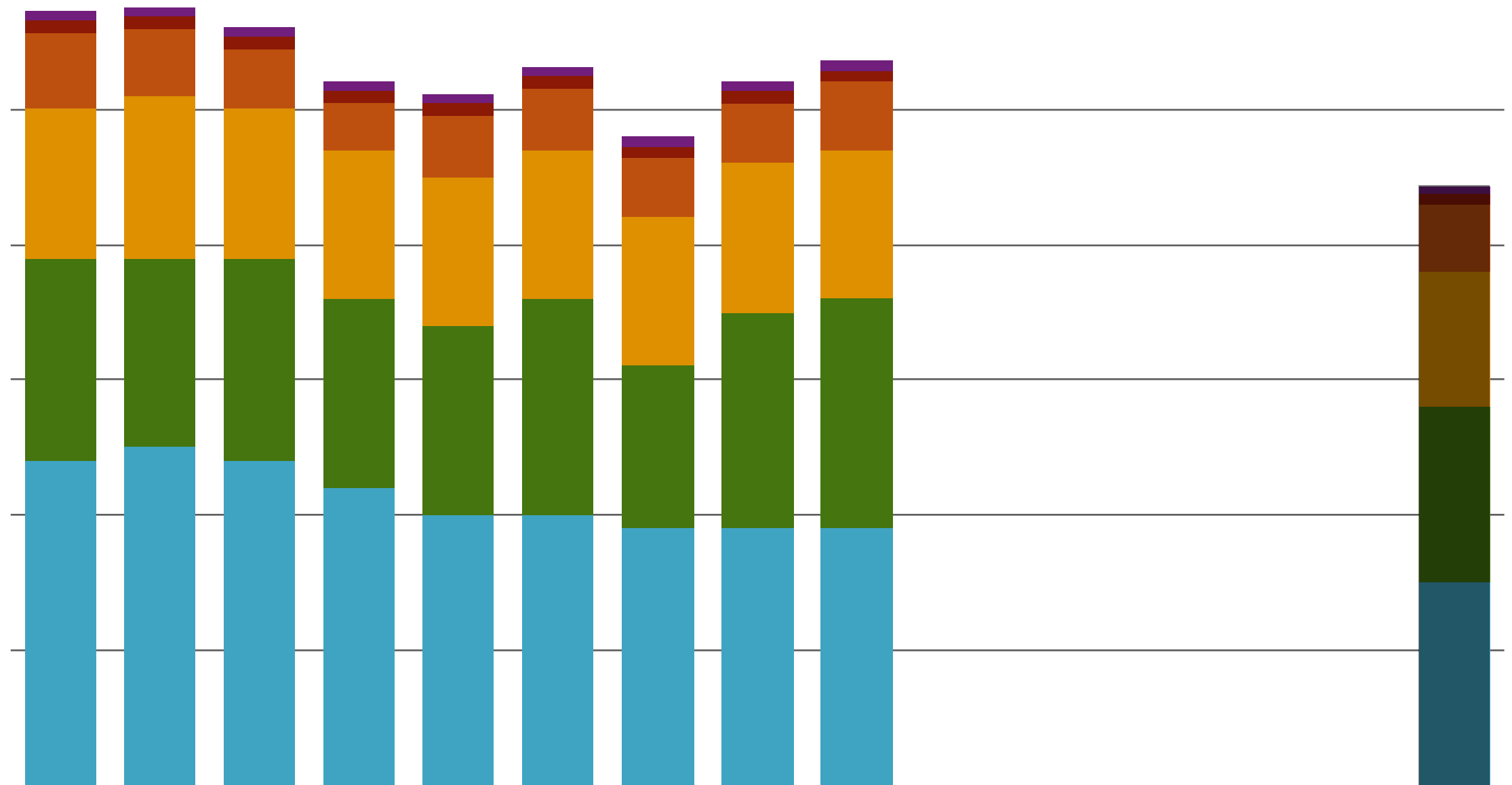
# ESTIMATE ENERGY SAVINGS



**We may need (outside) help**

# ESTIMATE EMISSIONS REDUCTIONS

**We may need (outside) help**



# TIMELINE

Funding work group report to EVAC

Funding work group report to Planning Team

Get feedback from CEP Board

Initial 1-1 with Board members

TODAY

APRIL 5

APRIL 21

APR-JUN

JUNE

JUN-JUL



# TIMELINE

EVAC votes on funding recommendation

Follow-up 1-1 with Board members

Board considers EVAC funding recommendations

Initial 1-1 with Board members

Mayor proposes 2018 City budget

Council adopts 2018  
City budget

APR-JUN

JUNE

JUN-JUL

JULY

AUG

DEC