

# Lean & Green Michigan's Unique CPACE Formula

*How to build a statewide, open  
market program in any state,  
regardless of politics*

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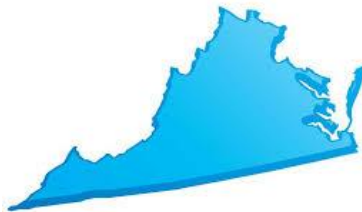
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# How do you create a statewide, open market PACE program . . .



. . . in a purple or red state

. . . with no state financial, organizational, or political support?



# Michigan Political Primer

- Nationally: “blue”



- Statewide: “red”



- Locally: mixed

# All Politics is Local

- Bigger cities are blue (and concentrated)
- Most local governments are “red”



2012 Presidential Election

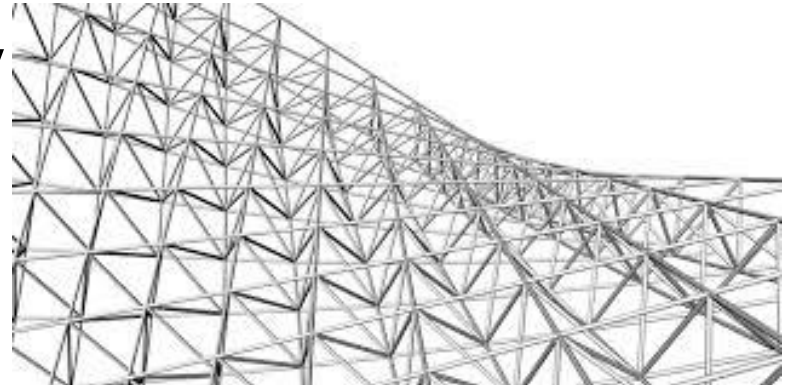
# PACE Messaging

- Focus on the elimination of waste
- Saving property owners money
- Freedom + liberty for business owners
- Free market and open market approach
- Moral: stay away from politics and environmental controversy



# PACE Structure: Appeal to All

- Public-Private Partnership
  - No “Big Government”
    - no new staff or bureaucracy
  - No tax payer money
- Market orientation
  - Private administrator
  - Private capital
  - Open to all
- Pro business: government simply getting out of the way to let private actors make money together



# The Lean & Green Michigan Model (I)

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

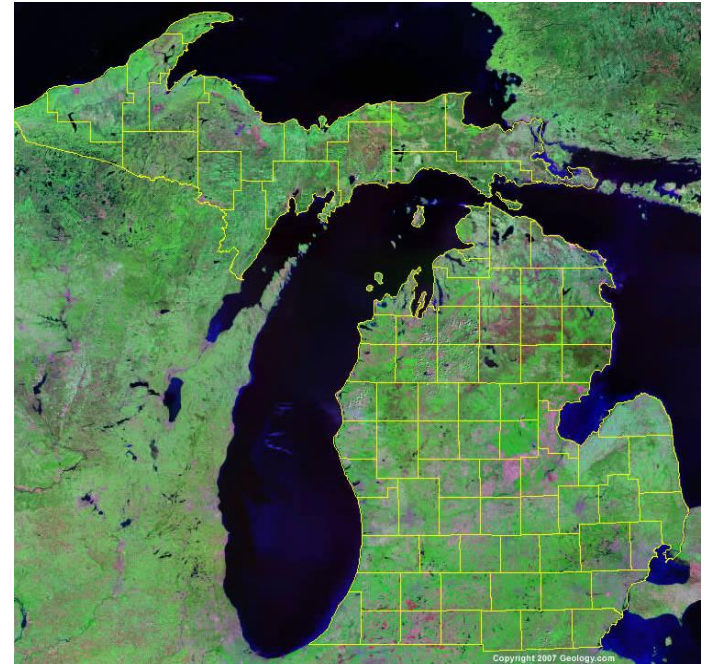
- Traditional model: local govt. pays vendor \$200,000 to \$1,000,000 to create PACE district
- Better way: join Lean & Green Michigan™ for free
  - Levin Energy Partners administers the district
  - LEP is compensated by administrative fees on each privately-financed PACE deal, *not* by County/City
- 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 creates a new category of long-term, government-secured debt obligation
  - That's a lot of words to say a safe investment very attractive to:
    - Pension funds
    - Insurance companies
    - Other private equity players
  - They will buy \$100,000,000 of Michigan PACE projects per year if we can produce them
- Public funding is allowed but not necessary

## The guts of the work

# Geographic Expansion

- Involve your biggest markets early
  - LAGM has 7 of 10 largest counties by population
- Follow project interest
  - You need early wins in terms of completed projects, so go where projects are ready
- Local champions
  - Go where local government and business leaders are ready to make it happen
- It's a lot of work!
  - Documents, meetings, testimony, etc.

## The guts of the work

# Develop the Market

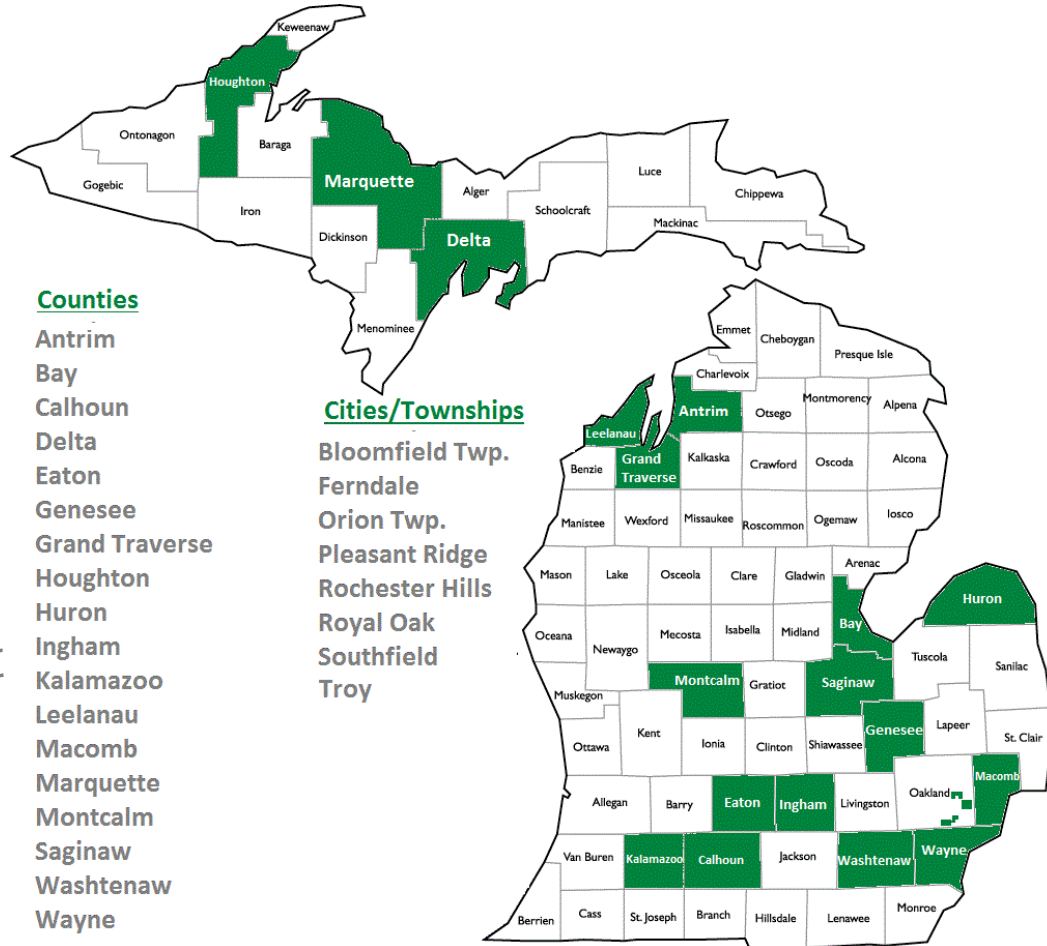
- Develop and execute training for contractors
  - Partnered with nonprofit partners
  - Charge contractors small fee to participate
- Business education
  - Speak to associations, utility programs, events, etc.
  - Fantastic breadth of opportunity makes targeting . . . Interesting!
- Earned media, social media, etc.



# So How Are We Doing?

## A fast growing market

- 27 local gov't's have joined program
- They represent 54% of population
- Even higher % of biz-to-biz economy
- More local gov't's join every quarter
- If you have a project in a new county, we *will* get them in!



### Counties

Antrim  
 Bay  
 Calhoun  
 Delta  
 Eaton  
 Genesee  
 Grand Traverse  
 Houghton  
 Huron  
 Ingham  
 Kalamazoo  
 Leelanau  
 Macomb  
 Marquette  
 Montcalm  
 Saginaw  
 Washtenaw  
 Wayne

### Cities/Townships

Bloomfield Twp.  
 Ferndale  
 Orion Twp.  
 Pleasant Ridge  
 Rochester Hills  
 Royal Oak  
 Southfield  
 Troy



## Michigan PACE case studies

# Michigan Public Service Commission Michigan Agency for Energy Building

- Solar, LEDs, variable speed motors
- About \$450,00 in upgrades
- Over \$800,000 in lifetime savings
- Eaton County (just outside Lansing in Delta Twp.)
- First PACE project by a state agency in U.S.



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# First Beer Distributor in US Completes PACE Financing

## Powers Distributing Orion Township, MI

- Solar PV and LED lighting had already been installed
- Company used PACE for long-term refinancing
- Powers also decided to treat it as off balance sheet, freeing up capital for other projects



### Project Financing:

Total Assessment: \$445,330

Annual Payment: \$40,000

Annual Savings: \$66,000

Annual Cash Flow: **\$26,000!**

### Impact:

Approx. 370,000 KWh savings annually

Electricity use reduction: Approx. 20%

### Building:

200,000 square feet

Built: 1998, 2008, 2013

### Improvements:

100 kW solar PV installation & LED lighting



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# First USDA-Approved Affordable Housing PACE Project in US



## Cambridge Court Apartments Greenville, MI

Affordable housing owners do not have capital available to complete property upgrades.

With PACE, tenant comfort is improved and property operating costs are reduced.



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### Project Financing:

Total Assessment: \$117,580

Annual Payment: \$10,500

Avg. Annual Savings: \$17,000

Avg. Annual Cash Flow: **\$6,500**

### Impact:

Approx. 40% annual reductions, or:

- 50,000 kWh electricity
- 6,700 CCF natural gas
- 312,000 gallons water

### Building:

27,000 square feet – 2 buildings

Built: 1988

### Improvements:

Solar, low-flow plumbing, high-efficiency boilers, thermostats, Energy Star appliances

# Lean & Green Michigan Pipeline

- Auto parts mfr. in suburbs (\$1M)
- Detroit foundation (\$1M)
- Food co-op in N MI city (\$400K)
- Repurposed Detroit factory (\$4M)
- Senior living in suburbs (\$3M)
- Major mall in Ann Arbor (\$650K)
- Downtown Detroit office bldg. (\$3M)
- Apartment building in NW MI (\$250K)
- YMCA in midsize city (\$1.5M)
- Rural private university (\$2.5M)
- Food pantry in SE MI city (\$600K)
- Industrial facility “Up North” (\$8.5M)
- Brewpub addition in Detroit suburb (\$600K)
- Iconic facility on Detroit River (\$1M)
- Factory converted to arts hub (\$2.5M)
- Multi-building food-beer-whiskey redevelopment in suburb (\$2M)
- Detroit baking facility (\$400K)
- Injection molding mfr. (\$1.2M)
- SE MI urban multifamily refinance (\$1M)

**Over \$60M of projects of astounding variety**



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