

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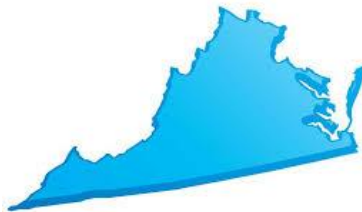
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How do you create a statewide, open market PACE program . . .



. . . in a purple or red state

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



Michigan Political Primer

- Nationally: “blue-ish”



- Statewide: “red”

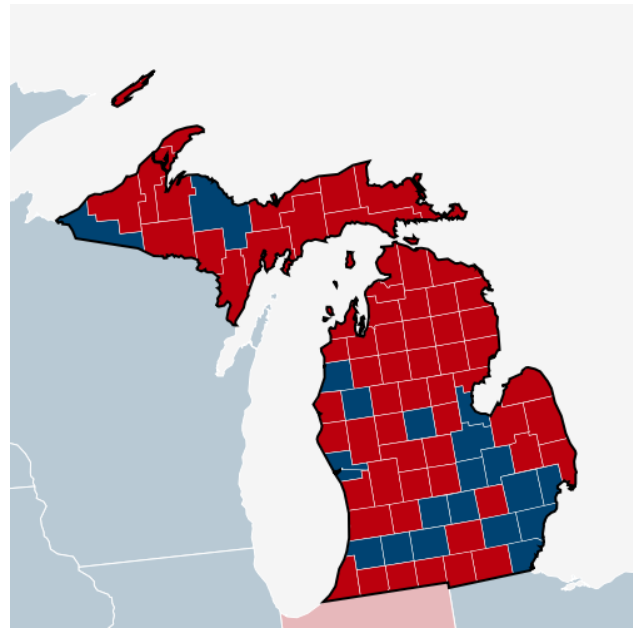


- Locally: mixed



“All Politics is Local”

- Urban counties and cities tend to be “blue”
- Rural governments tend to be “red”
- PACE program must work for *everybody!*



2012 Presidential Election



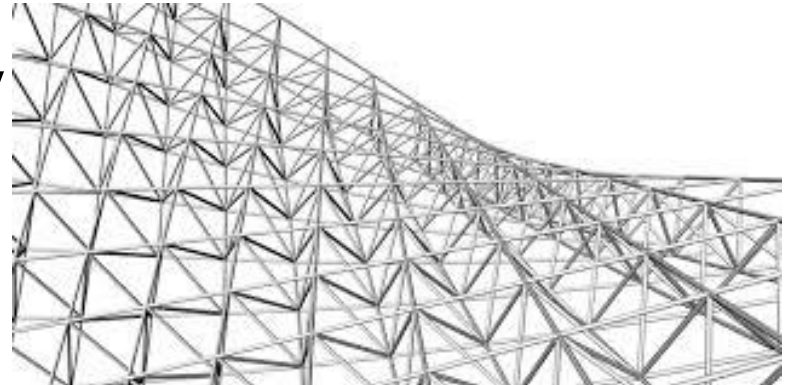
PACE Messaging Suitable For All

- 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
 - Administrator is private
 - Whether for profit or nonprofit
 - All projects can be funded with private capital
 - Open to all (property owners, contractors, lenders)
- Pro business: government simply getting out of the way to let private actors make money together



How We Roll: Lean & Green Michigan

Three Key Concepts:



1. Public-private partnership: counties join for free; no barrier to entry or exit.
2. Statewide, opt-in program: one efficient PACE market for whole state (only one set of rules for market players to learn – property owners, contractors, lenders).
3. Use private capital to unleash the market to drive growth. Finance via admin fee on each deal. Private parties pay for PACE because they all come out ahead.



The guts of the work

Geographic Expansion

- Involve your biggest markets early
 - LAGM has 8+ 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

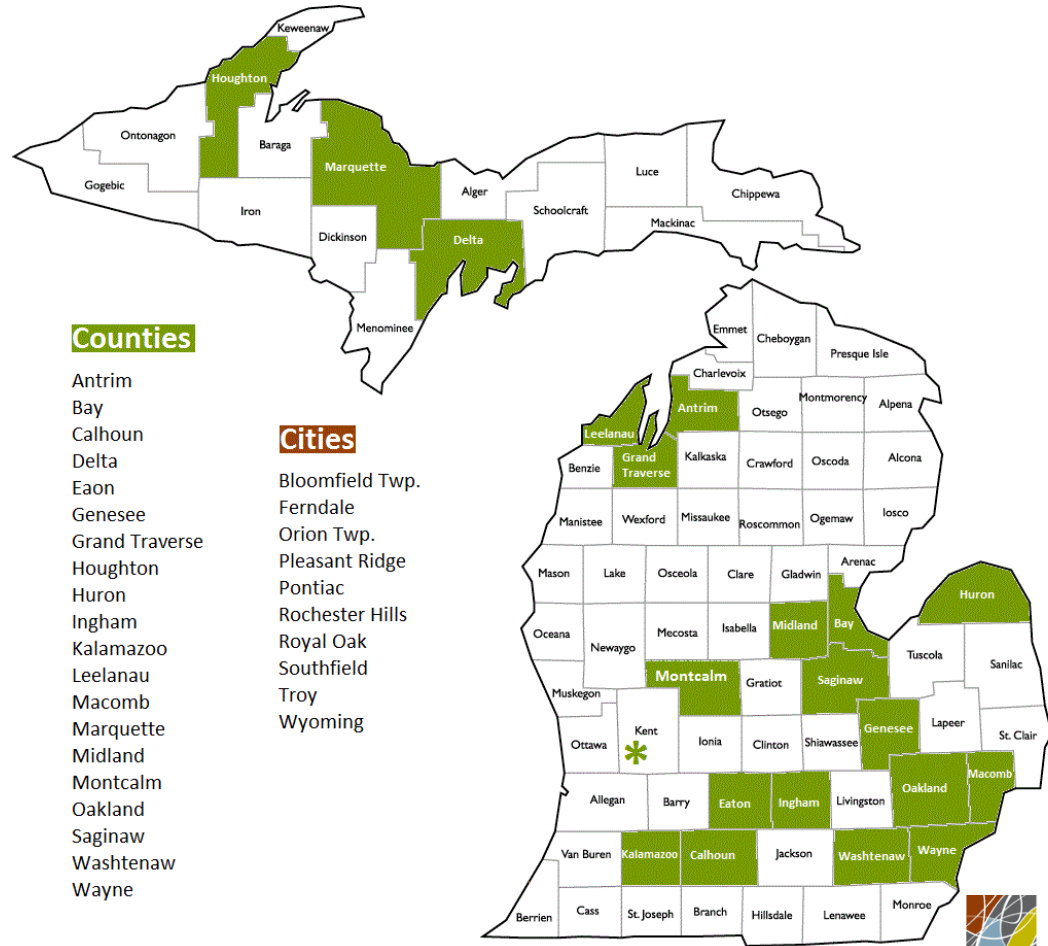
- Contractor training (we've done)
- Partnered with nonprofit partners
 - Charge contractors small fee to participate
- Business education
 - Speak to associations, utility programs, events, etc.
 - Fantastic breadth of opportunity makes targeting . . . interesting!
- Earned media, social media, etc.



Progress to Date

Spreading PACE across a state

- 30 local gov't's have joined
- Covering 63% of population
- Even more of B-to-B economy
- New local gov't's join every quarter
- “Shovel-ready” projects help drive process



Counties

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

Cities

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



Six diverse projects closed to date

- Urban and rural multi-family, commercial office, distribution/warehouse, manufacturing, mixed-use
- Geographically dispersed; urban, suburban and rural
- Deal sizes from \$118,000 to \$1,000,000
- All involved 100% financing and guaranteed positive cash flow for 15-20 years
- Five retrofits; one refinancing of solar & LED's



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Lean & Green Michigan Pipeline

- 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)
- New hotel in West MI (\$1.7M)

**Over \$90M of projects of
astounding variety**



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Key decisions . . . lessons learned

- Statute is key – sweat the details
 - Programmatic flexibility
 - Local gov't collaboration
 - Both public & private funding
 - Clear guidelines for private \$
- Key practical balance in building program:
 - Bring maximum number of partners on board early (non-profits, relevant business associations, legal, etc.)
 - But maintain clear accountability and ability to act
- Close one or more projects early: stories, momentum
- Build your list steadily and include all key players in your outreach efforts:
 - Local governments
 - Property owners and managers
 - Contractors of all kinds
 - Lenders
 - Non-profits who can help
 - Media



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