

MN Climate Innovation Finance Authority (MNCIFA)

Proposal:

Create the MN Climate Innovation Finance Authority (MNCIFA), a publicly-accountable financing authority and fund whose mission is to accelerate the adoption of proven clean energy technology and greenhouse gas reduction projects to expand access to untapped markets and historically underserved communities.

Authors:

Senator Tou Xiong ([SF2301](#))

Representative Emma Greenman ([HF2336](#))

Overall goals:

- MNCIFA will use public dollars to leverage private investment by reducing the perceived risk, pooling projects to create investable opportunities, and demonstrating the performance of clean energy projects in our market.
- MNCIFA will partner with Minnesota's strong ecosystem of clean energy service providers, using additional investment to increase the adoption of existing products and reduce barriers for underserved and low-income populations.
- MNCIFA will create robust consumer protections and support further development of Minnesota's clean energy workforce by requiring that major projects are subject to prevailing wage requirements and that MNCIFA prioritizes activities supporting communities that have previously hosted major energy generating resources.
- MNCIFA's governing board will be comprised of individuals representing all of Minnesota and will be required to provide the legislature with detailed annual updates on progress, communities served, and the level of private investment leveraged.
- MNCIFA will develop a strategic plan and investment strategy based on an analysis of the gaps in the market and input from community and stakeholders.

Appropriation:

\$ 45,000,000

Leveraging funds:

MNCIFA \$45 million state commitment will make Minnesota competitive for at least \$350 million of Federal funds and leverage between \$3 to \$10 of private investment for every \$1 of public funds.

Why MN Needs MNCIFA

Minnesota is setting policy to equitably address the climate crisis. 100% Carbon-Free Electricity by 2040 is the law of the land. Now we need to fund this transition as powerfully as we can. The federal government has stepped up with the IIJA and IRA. Often these federal programs require up-front investment from state and private partners and the know-how to access technology and funds.

There are tens of billions of dollars of projects needed in Minnesota.

However, Minnesota doesn't have a functional and nimble institution to receive and distribute funding with specific focus on climate-friendly projects, energy savings, and solar generation in residential and commercial buildings. Historically, these types of projects struggled to obtain capital from our existing traditional financing institutions.

More than 20 authorities like MNCIFA already operate across the country. Minnesota must act to accelerate our transition to renewable energy through the creation of MNCIFA.

Background on Green Banks

The goal of a Green Bank is to accelerate the growth of renewable energy and energy efficiency markets by focusing on the communities and markets that have been left behind.

Green Banks accomplish this goal by investing in clean energy projects through public-private partnerships that seek to maximize the amount of private investment per public dollar used. And because public dollars are used for loans and not grants, public capital is recycled and preserved, eliminating net long-term costs to taxpayers. **Green Banks address the number one barrier to adoption of clean energy technologies – the upfront cost – by helping consumers and businesses access financing while reducing energy costs**

State and local policymakers use green banks to deliver projects that are not sufficiently met by other financial markets and to achieve desired economic development or public benefit outcomes.

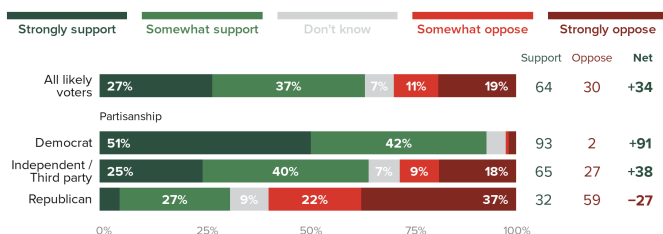
Green banks deploy various financial services such as credit enhancements and co-investments to leverage private capital to achieve its objectives. In some cases, green banks can offer subsidized loans at interest rates lower than typical market offerings, or they can take on risks that the market is not currently accepting by offering loans to customers who do not meet the credit requirements of other lenders. In other cases, green banks provide support to other lenders, which can either be financial or procedural, to lower barriers for these lenders in markets that are currently underserved.

There is broad support in Minnesota for an entity like the MN Climate Innovation Finance Authority:

Minnesota Voters Support Starting a Green Bank

Minnesota legislators are advancing a bill to create a "Minnesota Green Bank". The Green Bank would invest in projects to modernize water infrastructure, build clean energy projects, and prepare communities for extreme weather events. The Green Bank would also invest in statewide clean jobs training.

Do you support or oppose establishing a Minnesota Green Bank?



January 28–February 1, 2023 survey of 858 likely voters in Minnesota.

MNCIFA Goals

The Coalition for Green Capital surveyed Minnesota project developers and found many opportunities to serve gaps in the market including energy efficiency on farms, low-income energy retrofits, and reducing the upfront costs of clean buses and fleet vehicles, as a few examples.

Leveraging public and private investments to accelerate greenhouse gas emission reduction and reduce energy costs for Minnesotans.

The Minnesota Climate Innovation Finance Authority will be another important tool in our state's economic development toolbox, helping to build our economy and ensuring all of the state's residents benefit from the clean energy transition.

MNCIFA is designed with key elements that are essential to securing the federal resources:

- This authority could offer long-term, low-interest loans that private markets often don't offer.
- This authority will also focus efforts on serving low and moderate-income communities, with the greatest need for energy upgrades but the least able to access financing in the current market.
- This authority is designed to attract greater amounts of private investment, using tools such as a loan loss reserve to lower risks (and therefore interest rates) for traditional lenders. We currently don't have an authority designed to do this in MN.
- This authority can take a limited amount of public money and leverage large private investment. For example The Connecticut Green Bank has used \$322 million, and leveraged \$2 billion on private investments.
- All consumer loans are subject to the Truth in Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act
- Prevailing wage if required for project budgets of \$100,000 or more.
- Financing entities in other states have seen a default rate of less than 0.5% compared with 1.20% in 2022 for all loans and leases, reported by the [Federal Reserve](#).

MNCIFA requires that we use an environmental justice lens when determining priorities for financing, including:

- Communities with lower incomes
- Communities that have been pollution-burdened
- Communities that don't have access to upfront capital
- Farms that need help understanding how to become more efficient
- Towns that need help coordinating networked geothermal, or community solar gardens.

Cumulative Impact and Low-Income/Disadvantaged Impact

Cumulative Green Bank Impact through December 31, 2022

Total Investment Caused	\$14.8 b
Total Green Bank Investment	\$4.20 b
Total Private Co-investment	\$10.66 b
Mobilization Ratio (Overall Project Investment/Green Bank Investment)	3.54

2022 Projects by Similar Finance Authorities

The Colorado Clean Energy Fund partnered with Fort Collins Utilities' EPIC Homes program to provide low interest & long-term loans to residents of low-income & older homes for home improvement projects through on-bill financing. The program covers HVAC upgrades, new windows, and even solar panels. These projects reduce utility bills, improve living conditions, and save customers money.

In November 2021, DC Green Bank, Jonathan Rose Companies, and Somerset Development Corporation closed a \$1.85 million deal to for pre-development financing for an affordable housing development. The development will have 125 housing units, generate 98 MWh of solar production annually and will include 10 electric vehicle charging stations.

In 2022, GEMS Hawaii committed/funded over \$12.0 million in investments for underserved ratepayers. This included a \$7.5 million set-aside for a community-developed, community-owned, community solar project on Molokai. Molokai is an island with the highest utility and poverty rates in the state. It's estimated that the project will generate over 20% of the island's energy needs and serve 1,500 households.

Building upon the success of our Green Liberty Bonds, Connecticut Green Bank launched the Green Liberty Notes. These one-year term verified green bonds allow anyone to invest with as little as \$100. Through four offerings, and two sell-outs, Connecticut Green Bank raised more than \$800,000 from investors across the country who are supporting Connecticut small businesses that are investing in energy efficiency improvements within their buildings

In May 2022, DC Green Bank and PosiGen closed a \$7 million deal to deliver 300 residential solar projects across Washington, DC for low-to-moderate income residents. It is estimated the deal will generate up to 3,000 kW of solar capacity and avoid 2,500 tons of CO₂.

In June 2022, DC Green Bank and Volt Energy closed a \$6 million deal to finance solar installations across the Howard University campus, creating the largest solar capacity at an historically black college and university in the country.

In January 2022, the Energy Storage Solutions (ESS) program was launched with the Connecticut Green Bank as a co-administrator with the electric distribution companies. Through the guidance of the Public Utilities Regulatory Authority (PURA), this upfront and performance-based incentive program will drive the deployment of 580 MW of battery storage for residential and non-residential customers. This will reduce peak demand (lowering electric rates for everyone) while providing an opportunity to increase resiliency in the face of grid disruptions, particularly for those in low-income and distressed communities. This is one of the most ambitious battery deployment programs in the nation.

The Residential Solar Investment Program (RSIP) in Connecticut officially achieved its 350 public policy deployment target, reaching over 45,000 households, mobilizing over \$1.4 billion of public and private investment, and helping create over 16,000 jobs in our communities. RSIP made Connecticut the most successful residential solar PV deployment market in the entire Northeast on a watts per capita basis, and most likely at the lowest level of ratepayer incentives – setting the state up for success as the market transitions from RSIP and net metering to a tariff based form of compensation.

Colorado Clean Energy Fund (CCEF) funded two, large affordable housing projects that included energy efficiency measures and upgrades. Between the two projects, 264 affordable housing units will be created. One of the projects is based in Brush, Colorado, a rural community of 5,400 Coloradoans. It involves renovating a historic school building that is special to the community of Brush into an energy efficient, affordable housing space. The other project is located in the economically disadvantaged neighborhood of Globeville in Denver. According to the Environmental Risk Index report from ATTOM Data Solutions, Globeville is the most polluted zip code in the entire country. This project provides for both an energy efficient affordable housing complex, but also ample community space including a library.

In July 2022 NYCEEC signed loan documents for a community solar + battery storage system post-construction loan at First Baptist Church in Staten Island, NY. The project is located within an LMI community. The solar PV installation has been completed, while the battery storage installation is expected to be complete at the end of 2022. A portion of the labor for the solar installation was sourced through NYSERDA's Clean Energy Workforce Development program. The solar generation will be sold under community solar subscriptions, where 40% of the output will be available to the Church itself, and the remainder will be sold to individual households that are patrons of the Church. Subscribers are expected to benefit from a 5–10% discount to grid-supplied energy on the generation they purchase.

In 2022, Michigan Saves launched the Detroit Loan Fund, an innovative loan program for Detroit residents that does not use credit scoring for underwriting, considering only a customer's ability to pay. In its first 5 months, the program has deployed more than \$500,000. This program, which is supported by the Kresge Foundation, allows Michigan Saves to serve disadvantaged communities more effectively, ensuring that the benefits of clean energy are reaped by those with the highest energy burdens. Detroit residents are approved for energy improvement loans at a 40% rate, far lower than the 70% statewide average. This program narrows that gap.

Broad Coalition Supports MNCIFA

Julia Nerbonne, Executive Director, Minnesota Interfaith Power & Light	Bob Blake, Executive Director, Native Sun and CEO of Solar Bear LLC	Nazir Khan, Campaign Director & Co-Founder, MN Environmental Justice Table
Susan Phillips, Executive Director, Climate Generation	Aurora Vautrin, Policy Director, 100% Campaign	Jenna Warmuth, Midwest Regional Director, Vote Solar
Timothy DenHerder-Thomas, General Manager, Cooperative Energy Futures	Tee McClenty, Executive Director, MN350 & MN350 Action	Andrea Lovoll, Legislative Director, MN Center for Environmental Advocacy
Beth Gendler, Executive Director, Jewish Community Action	Karen Willis, Executive Director, Minnesota Unitarian Universalist Social Justice Alliance (MUUSJA)	Alice Madden, Program Director, Community Power
Margaret Levin, State Director, Sierra Club North Star Chapter	Kyle Samejima, Minneapolis Climate Action	Duane Ninneman, Executive Director, Clean Up the River Environment (CURE)

Deborah Nelson, Lakeville Friends of the Environment	Tamela K. Walhof, Director, Lutheran Advocacy - Minnesota	Bobby King, State Director, Solar United Neighbors
Kathryn Milun, President, Solar Commons	Mary Hernandez, Director, Mi CASA MN	Simon Eddy, Technical Sales, Real Solar
Jack Hurbanis, EcoFaith Network of the Minneapolis Area Synod ELCA	Kevin Whelan, Deputy Director, Honor the Earth	W.J. McCabe Chapter of the Izaak Walton League of America
Sam Streukens, League of Women Voters of Minnesota	Michael Noble, Executive Director, Fresh Energy	John Farrell, Co-Director, Institute for Local Self Reliance

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