CLIMATE INNOVATION FINANCE AUTHORITY

Minnesota State Senate
Energy, Utilities, Environment and Climate Committee
March 3, 2025

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MN Climate Innovation Finance Authority

Climate Innovation Finance Authority (SF3035, Article 21, section 2).	$45,000,000

Statutory Direction:

- "To accelerate the deployment of clean energy projects, greenhouse gas emissions reductions projects and other qualified projects through the strategic deployment of public funds in the form of grants, loans, credit enhancements and other financing mechanisms…"
- New independent state agency starting fall 2023 to seek federal (IRA) Greenhouse House Gas Reduction Funds
- Additional focus on service to Disadvantaged, Low-income, or Tribal communities

Board of Directors: Appointed by Governor’s Office

Bali Kumar, Chair	Member with expertise in finance and fund management
Tessa Hageman, Vice Chair	Member representing municipal or c-op utility
Melanie Benjamin	Member representing Indian Affairs
Joe Fowler	Member representing labor and trade unions
Frank Kohlasch	Member representing MN Pollution Control Agency
Kevin McKinnon	Member representing DEED
Marcus Mills	Member representing environmental justice community
Julia Nelmark	Member representing banking and CDFI industry
Kate Perushek	Member representing Labor and Industry
Katherine Teiken	Member representing MN Housing Authority
Axaule Sultanova	Member representing energy conservation
Jenna Warmuth	Member representing LIDAC community
Pete Wyckoff	Member representing Commerce

What is a “green bank”?

- Green banks are “**mission-driven institutions** that use **innovative financing** to **accelerate the transition to clean energy** and **fight climate change**.”[1]
    - Mission > profit
    - Loans > grants
    - Mitigate risk to “crowd-in” private capital
    - Target benefits to disadvantaged communities
- Public, quasi-public or non-profit

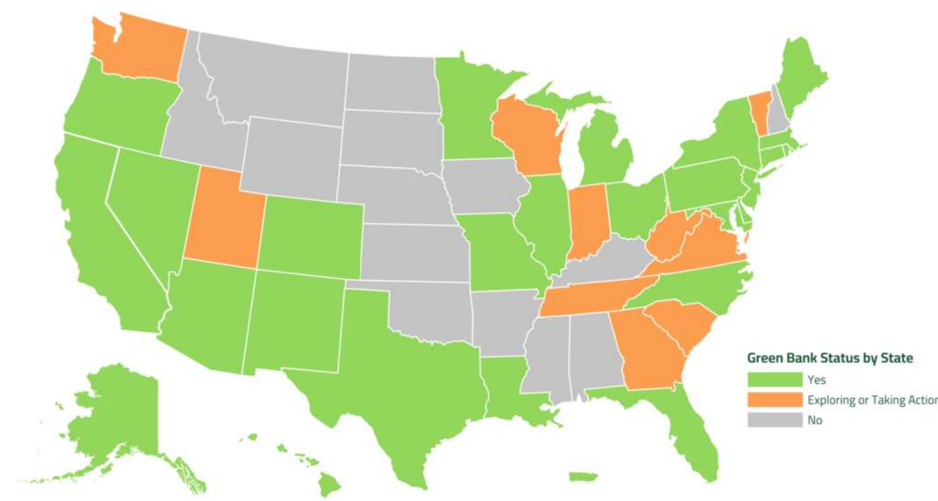

Image Source: Coalition for Green Capital

Connecticut established the 1st state green bank in 2011; currently, > 20 states have some form of green bank.

1 – Source: Coalition for Green Capital

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Update on Strategic Plan

Tessa Haagenson
Vice Chair and Member, Board of Directors, MnCIFA

Strategic Plan Overview

- MnCIFA is required by statute to submit a strategic plan to the legislature by December 15 every even-numbered year.
  - Many components of the plan are also dictated by statute.
- The plan serves as a guiding document for the authority and as information for external partners and the public.
- The plan is intended to be a living document and can be modified as needed with approval by the MnCIFA board.

Strategic Plan Development

- The 2025-2026 plan was informed by a robust stakeholder process.
- MnCIFA gathered input from hundreds of individuals, including members of the public and representatives of the following:
  - Affordable housing groups
  - Electric and gas utilities
  - Energy and environmental non-profits
  - Environmental justice communities
  - Labor organizations
  - Lending authorities
  - Local governments

Strategic Plan Topics – Target Markets

- The plan identifies 11 underserved markets to target.
  - "Markets" include community types (e.g., rural areas) and project types (e.g., projects that decarbonize existing processing industries).
  - Statute requires that **no less than 40%** of project benefits must flow directly to Environmental Justice Communities.
- It also identifies (indirect) societal benefits to be considered in project evaluation, e.g.,
  - Jobs for local workers, small business assistance, low-income housing

Strategic Plan Topics – Financing Programs and Goals

- It establishes 4 planned lending programs and goals for each.

Program (Below) / Goals →	# of Projects / total $ to be invested by MnCIFA	Metric Tons CO_2 Reduced / kWh saved
Tax credit lending	20 / $10M	2,000 / 5M kWh
Pooled lending	300 / $10M	150,000 / 375M kWh
Direct Debt financing	20 / $10M	2,000 / 5M kWh
Loan loss reserve	2,000 / $10M	2,000 / 5M kWh

Strategic Plan Topics – Outreach and Marketing

- Finally, the strategic plan offers recommendations to the authority's executive director on outreach and marketing.
- These include addition of staff dedicated to outreach, creation of a streamlined website, outreach-focused board committees, etc.
- It also specifically recommends strengthening relationships with organizations that can help reach target markets, e.g.,
    - Minnesota Technical Assistance Collaborative
    - Clean Energy Resource Teams (CERTS)

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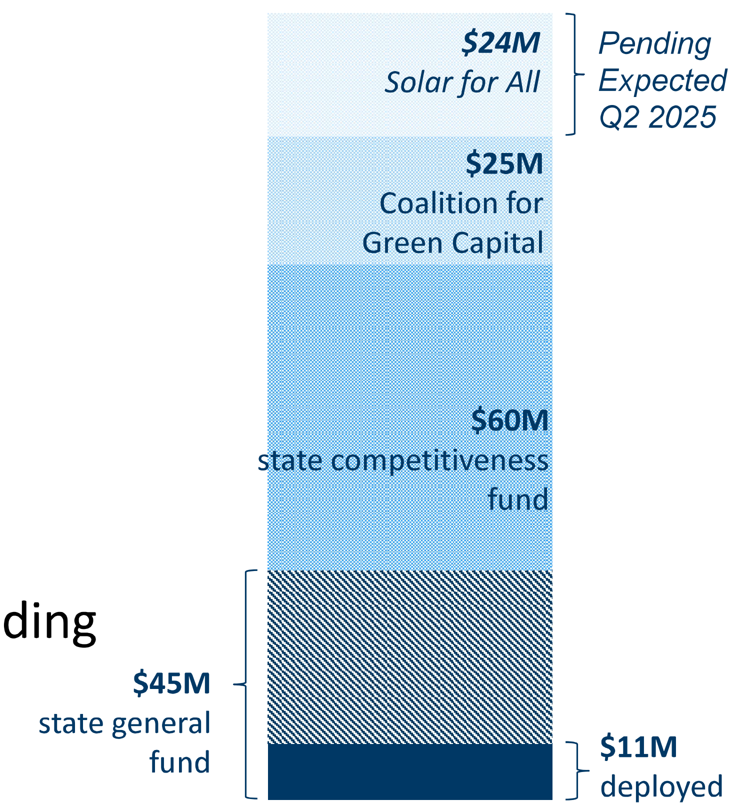
Update on Investment Strategy

Bali Kumar

Chair and Member Board of Directors, MnCIFA

MnCIFA – Sources of Funding

- State funding sources: $105M to-date
  - 2024 Legislative allocation: $45M
  - $60M transfer from state competitiveness fund
- Federal funding sources:
  - $24M Solar for All
  - $25M Coalition for Green Capital
  - DOE lending: pursuing multiple projects
- $25M is still frozen by federal action, additional lending sources are at risk



State Competitiveness Fund

- As authorized by Statute, the Commissioners of DEED, MMB and Commerce transferred $60 million to MnCIFA.
- This funding supports initiatives to pursue federal funds through the Department of Energy Loan Program Office LPO, and bridge loans to projects eligible for tax credits, including Direct Pay. Both at risk via repeal or reconciliation by the end of 2025.
- MnCIFA is the state institution best positioned to deploy these funds on a timely basis because we have a track record of success to facilitate access to tax credits. These resources allow Minnesota projects to move forward and provide a channel for continued clean energy deployment.
- Representative projects could include solar and storage on public buildings, or HVAC and refrigeration upgrades.

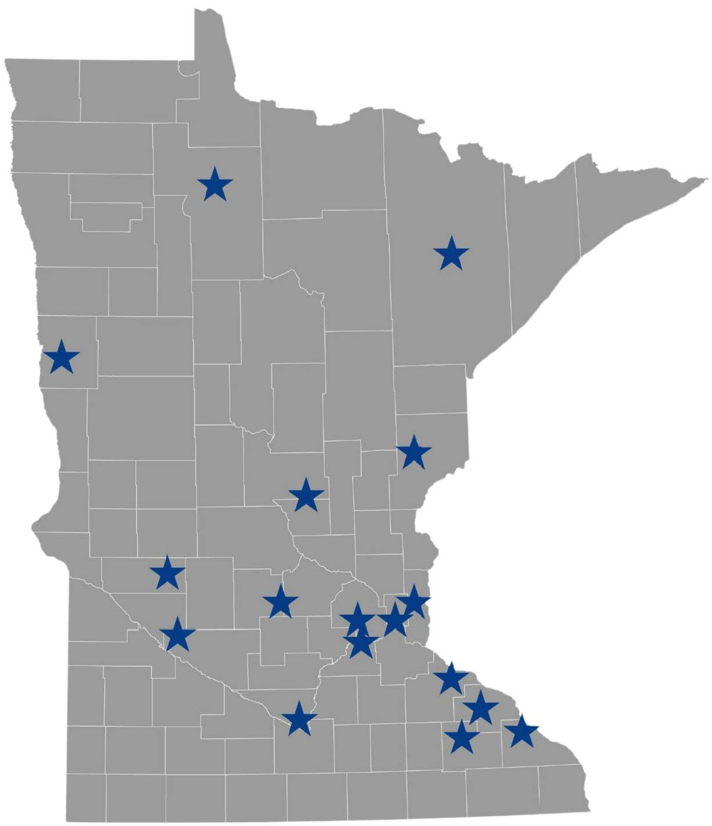
Solar for All

- Funding: $23.85M
- One year planning effort: define opportunities to align with municipal and cooperative utilities

How MnCIFA supports projects

- Financing options include:
  - Supporting non-profit entities (churches, schools) that need to "bridge" to receipt of federal tax credits
  - Direct debt
  - Pooling public, private, philanthropic capital to create new lending structures
  - Creating loan loss reserves (MnCIFA funds could "de-risk" private lending)
- Offering favorable rates and terms
  - Lower rates, longer terms, deferred payments
- Crowding capital from private sector and other entities
  - Leverage typically 10:1

Demand for project finance is statewide



Representative sample of projects

- 600+ Solar for Schools projects
- Minnesota State campus improvements
- City ice arena upgrades

What are MnCIFA projects?

- Projects which create jobs and support economic development
- Projects that reduce pollution
- Projects which ensure energy reliability
- Projects -- private and public entities
- Projects which benefit all Minnesotans and tax-payers

Success To-Date

- Request for Information issued Feb. 2024: solicited 40+ projects and concepts
- 3 projects financed in 2024, $11M total capital
  - Renewable Energy Partners – resilience hub / solar + storage
  - Avenues for Youth – transitional housing / geothermal
  - The Heights – mixed-use development / geothermal

THE HEIGHTS COMMUNITY ENERGY

Image Source: The Heights Community Energy presentation to the MnCIFA board, 3/26/24

Example of a project: Avenues for Youth

- $4.5M in MnCIFA financing will support the purchase and installation of a geothermal renewable energy system and associated HVAC components at its proposed facility located in Minneapolis.
- MnCIFA financing will help Avenues "bridge" to receipt of tax credits
- 5-year loan term with a 10-year amortization with interest at Treasury rate
- 1,739 MMBTU annual energy savings
- 100 construction jobs, 8 new jobs at Avenues

AVENUES FOR YOUTH

Project Pipeline Stats

- At least 15+ projects may be ready for funding in 2025
- 100+ actionable projects in the pipeline
- Total pipeline exceeds $5B
- Greater Minnesota projects make up 60% of near-term project pipeline
- Primary technologies in proposed projects: energy efficiency, hydrothermal/HVAC, rooftop solar, solar gardens
- Near-term, MnCIFA will use $21M of our own funds (and $34M in federal funds) to enable $266M in projects (12x leverage)
- MnCIFA will be seeking additional private and philanthropic support to continue to build our balance sheet

Lending Standards, Policies and Controls

- The Board of Directors approved our Lending Policy Manual which incorporates traditional lending standards from commercial banks and CDFIs. Scorecard also includes metrics from state agency grant management in-take forms. +30 page document.
- These delineate the process for review of project readiness, risk, credit worthiness, alignment with MnCIFA goals, and reporting.
- Staff, Credit Committee, and Board undertake quantitative and qualitative review of projects to make investment decisions.
- Both state and federal conflict of interest regulations apply to MnCIFA decisions – board members must recuse themselves based on real or perceived conflicts.

SCORING FRAMEWORK

All projects must meet basic screening criteria to be considering for financing

Category	Subcategory	Criteria	SCORE
Applicant Eligibility			MUST BE Y
	Essential Criteria	Located in Minnesota	
		Meets statutory definition of Qualified Project in MN 216C.441	
		Ability and commitment to comply with BABAA & DBRA	
		Substantial reduction in Greenhouse Gas (GHG) Emissions	
		At least $250k	
		Is project in an EJ Community based on MPCA map? (40% portfolio req)	
Financial Viability		Section Score:	0
	Financial Status	appropriate creditworthiness	
		collateral / guarantees	
		D/E and/or DSC ratio	
		audited financials	
	Legal Standing	confirmation of ability to receive funds	
		free of legal / regulatory conflicts with potential to jeopardize project	
	Experience & Expertise	ability of entity to execute on project	
		team qualifications and leadership capacity	

Application Process

Applying for MnCIFA financing:

- Staff are engaging with project proposers daily to vet applications
- Lending standards follow traditional bank-type lending criteria
- Approved by Credit Committee and Board of Directors
- Full transparency: Open meetings and webpage
- Loan portfolio and projects reviewed annually

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Thank You!
Questions?

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