



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: August 11, 2015

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Subject: Public Hearing and Approval of property assessment for Encaustic LLC, 1401 Marshall Street NE using PACE financing for energy improvements.

Recommendations:

Public Hearing and approval of the attached resolution placing a special assessment against the following property:

Encaustic LLC, 1401 Marshall Street NE, Minneapolis 55413, \$114,695.
PID 15-029-24-14-0094 and 15-029-24-14-0046.

Previous Directives:

City Council on December 6, 2013 authorized the action to enter into a Joint Powers Agreement designating St Paul Port Authority to implement and administer PACE program on behalf of the City of Minneapolis. City Council on July 10, 2015 authorized the amended and restated Joint Powers Agreement with the St Paul Port Authority.

Prepared by: Becky Shaw, Sr. Economic Development Specialist, 612-673-5066
Approved by: D. Craig Taylor, Executive Director CPED _____
Charles T. Lutz, Deputy Director CPED _____
David Frank, Director of Economic Policy and Development _____
Presenters in Committee: Becky Shaw

Financial Impact

This is a special assessment above and beyond the property taxes requested by the property owner as a mechanism to ensure payment over time for energy improvements.

Community Impact

- Neighborhood Notification: Public hearing notices to be mailed to benefited property owners.
- City Goals: Great Places where natural and built spaces work together and our environment is protected.
- Sustainability Targets: The assessments will allow for projects that assist with the City's efforts on climate change and renewable energy.
- Comprehensive Plan: Projects will be in compliance with the City's Comprehensive Plan.
- Zoning Code: Projects will comply with zoning.
- Living Wage/Business Subsidy Agreement Yes _____ No X The Program is not subject to the State Business Subsidy Act in that the financial assistance is less than \$150,000 and assistance for energy conservation is not a business subsidy under the Act.
- Job Linkage Yes _____ No X

Supporting Information

The Property Assessed Clean Energy (PACE) program is a financing tool allowing for up-front, private capital to pay for building upgrades that facilitate clean energy improvements. Clean energy improvements can include building-related energy systems, mechanical systems, and renewable energy systems such as solar thermal and photovoltaic systems. The amount borrowed is repaid using a special assessment on the property over a period of years. The special assessment is requested and agreed to by the property owner.

The Saint Paul Port Authority (SPPA) has created a program to administer PACE financing in the state of Minnesota, called PACEMN. The SPPA has authorized the issuance of up to \$10 million in taxable revenue bonds to jumpstart the PACEMN program to provide capital for up-front financing for energy investments to be repaid by PACE special assessments.

On December 6, 2013 City Council authorized entering into a Joint Powers Agreement with the Port Authority of the City of Saint Paul to administer the PACEMN program within the City of Minneapolis. The City of Minneapolis entered a Joint Powers Agreement with SPPA on December 20, 2013. Per the Agreement, the SPPA has been designated the "implementing entity" to administer the program on behalf of the City of Minneapolis. Under the terms of the Agreement, the SPPA is solely responsible for the implementation and administration of PACEMN and the financing of the improvements. The City of Minneapolis is responsible for collecting special assessments necessary to pay debt service on the financed improvements within the City limits. The City's responsibilities are limited to assessments approved by the City Council and within the City limits.

On July 10, 2015, City Council authorized the amended and restated Joint Powers Agreement. The terms of the new agreement allow for SPPA to work with additional lenders for the upfront financing of PACE projects.

In a typical PACEMN project, a client will apply directly to the SPPA. SPPA determines if the project is eligible for PACEMN and collects applicable financial and project documentation. At the time SPPA determines a project is a good candidate for PACEMN, they submit a request to the City of Minneapolis for an assessment to be placed on the property. The City of Minneapolis arranges for a public hearing notice, certified notification to the applicant of the assessment to be placed, and Council authorization to place the assessment. When requested by City staff, assessments are assigned a levy number by Hennepin County. In November of each calendar year, the City of Minneapolis will package approved PACEMN assessment documentation for Hennepin County including the previously mentioned actions and documents, and an amortization schedule. Hennepin County places assessments in the

amount determined in the amortization schedule each May and October of the following year until the project is paid in full.

Encaustic LLC (1401 Marshall St NE) has submitted an application requesting \$113,000 of property assessed financing for energy improvements. This improvement includes the installation of a 31-Kilowatt Photovoltaic Solar System. The total project cost is estimated at \$165,000 with an Xcel rebate of \$52,000 reducing the project cost to \$113,000. The project will be financed by the Saint Paul Port Authority at a 4.5% interest rate over a term of 10 years. The energy produced by the system will save approximately 130 MMBTUs, or the equivalent of \$8,500 in utility bills per year. The applicant has requested assessment to be paid in 20 payments over a period of 10 years starting in 2016. The project will be Levy #19106.

The following documents related to this assessment are on file with CPED Business Development:

- Signed application and waiver requesting assessment on property.
- Bids and/or estimates of work to be performed.
- Acknowledgement form signed by mortgage lien holder on the property.
- Acknowledgement of eligibility by the Port Authority of the City of St Paul.

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Council Member Goodman

Adopting the assessments, levying the assessments and adopting the assessment roll for Property Assessed Clean Energy (PACE) charges for the property set forth in Levy No 19106.

Whereas, a public hearing was held on August 11, 2015 in accordance with Minnesota Statutes, Chapter 429 and Article IX, Section 9.6(c) of the Charter of the City of Minneapolis, by authority of Minnesota Statutes, section 216C.435 and section 216C.436 to consider the proposed assessments as shown on the proposed assessment roll and to consider all written and oral objections and statements regarding this matter;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the proposed assessment against the property generally described as 1401 Marshall Street NE, Minneapolis, MN 55413, set forth in Levy No 19106 in the total amount of \$114,695 as shown on the proposed assessment roll is hereby adopted and levied.

Be It Further Resolved that the property owner and its successors and assigns have waived the right to challenge or contest the actual assignment amount or term.

Be It Further Resolved that the assessments be collected in semiannual installments commencing in May 2016 and concluding in October 2026 based upon the amortization schedule attached to Levy No 19106.

Be It Further Resolved that the assessment roll as prepared by the City Department of Community Planning and Economic Development be and hereby is adopted and is hereby directed to transmit certified copies of said assessment roll to the Hennepin County Auditor.

RECORD OF COMMISSIONER VOTE													
COMMISSIONER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN	COMMISSIONER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN
Bender							Palmisano						
Cano							Quincy						
Frey							Reich						
Glidden							Warsame						
Gordon							Yang						
Johnson, A							Chair						
Johnson, B							Goodman						

**PASSED
VETOED**

_____ DATE

APPROVED NOT APPROVED

_____ CHAIRPERSON DATE

_____ MAYOR DATE