



## Administrative Guidelines

### **Port Authority of the City of Saint Paul Property Assessed Clean Energy**

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# MinnPACE Administrative Guidelines

## I. INTRODUCTION

In 2010, the Minnesota State Legislature approved Minnesota Statutes, Sections 216C.435 and 216C.436, as subsequently amended, authorizing cities and counties to establish voluntary contractual assessment programs to fund an array of energy efficiency and renewable energy projects proposed by property owners. The State Legislature declared that a public purpose will be served by such programs, giving local governments the authority to finance the installation of distributed generation renewable energy sources — such as solar electric systems — and energy efficiency improvements that are permanently affixed to residential, commercial, industrial, or other real property. In 2024, the State Legislature expanded the program to additionally include the financing of resiliency improvements and water improvements.

To make energy improvements, resiliency improvements, and water improvements (the **“Eligible Improvements”**) more affordable and to promote their installation, the legislation provides procedures for authorizing voluntary assessments to finance the cost of these improvements. The Property Assessed Clean Energy Program (**“MinnPACE”** or **“Program”**) has been approved by the Board of Commissioners of the Port Authority of the City of Saint Paul (the **“Port Authority”**) and authorizes Port Authority staff to work with the owners of the property on which the Eligible Improvements are to be made and the cities and/or counties in which such property is located.

The Program provides financing (**“MinnPACE Financing”**) to property owners within the State to finance the installation of the Eligible Improvements under contractual assessment agreements. Property owners repay their MinnPACE Financing through an assessment levied against their property which is payable in semi-annual installments on their property tax bills. Payments made by property owners through this assessment mechanism will be pledged to secure financing provided by the Port Authority directly or by one or more lenders (individually a **“Lender”** and collectively the **“Lenders”**).

### A. Goals

MinnPACE will help property owners of improved real property, invest in the long-term health of the economy and the environment by providing a long-term financing mechanism for energy improvements, resiliency improvements, and water improvements.

MinnPACE provides multiple benefits. By enabling property owners to take responsible energy efficiency, resiliency, and water actions, the Program will reduce their utility bills. At the same time, MinnPACE financed projects support the local economy and enables the Port Authority and the State of Minnesota to fulfill energy efficiency, renewable energy, and climate action goals.

### B. Program Benefits

Reduced energy use and increased on-site renewable energy generation translate directly into reduced greenhouse gas emissions and strengthen our nation’s energy security. Resiliency improvements result in improvements to a property’s structural integrity to withstand seismic events, indoor air quality, wind, fire, and flood durability, resistance against power outages, stormwater control, extreme temperature mitigation, and greenhouse gas emission mitigation. And water improvements lead to reduced water consumption, improved water quality, and enhanced water conservation.

For property owners, MinnPACE offers a no-money-down means of financing Eligible Improvements; fixed-rate financing over a number of years; financing without requiring a property appraisal; a streamlined financing and repayment process; and access to financing that may not be readily available through traditional means.

### C. Program Administration

Port Authority responsibilities will include: Community outreach and MinnPACE marketing; responding to property owners’ inquiries; processing applications; submitting requests to applicable cities and counties for

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assessment and joint powers authorizations; submitting projects to one or more lenders for credit funding consideration if the Port Authority determines it will not fund the project; managing and tracking funds available for MinnPACE, including the collection and application of assessments; and reporting MinnPACE data and statistics when required; tracking individual project and collective data relating to energy consumption reduction or greenhouse gas emissions, improved resiliency capabilities, water consumption reduction, or water quality improvement; review of MinnPACE administration activities and performance; and coordinating with participating jurisdictions.

### II. PROGRAM REQUIREMENTS

#### A. Geographic Parameters

All properties located within the corporate limits of a Minnesota city, county or township shall be eligible, provided that the city, county or town (the “**Host Jurisdiction**”) has designated the Port Authority as the provider of administrative services and MinnPACE Financing for Eligible Improvements.

#### B. Eligible Property Owners and Eligible Properties

Property owners may be associations, business entities (both for-profit and non-profit), cooperatives, and nearly any owner which pays secured real property taxes. Only properties classified as commercial/industrial, agricultural, or multifamily housing (5 or more dwelling units) by a City Assessor are eligible for financing under the Program. Certain eligibility criteria must be satisfied. Financing may be approved if the following criteria are met:

- (1) Property title is vested in the applicant(s), without federal or state income tax liens, judgment liens or similar involuntary liens on the property.
- (2) Property owner is current on property taxes.
- (3) Property owner is not in bankruptcy, and the property is not an asset in a bankruptcy proceeding.
- (4) Property owner is current on mortgage(s).
- (5) Property owner has provided all financial information requested by the Port Authority or an applicable Lender.
- (6) By state law, MinnPACE funding is limited to 30 percent of the property’s current assessed value.
- (7) All existing mortgage lien holders have signed a lender acknowledgement notice ensuring that such lenders have notice of the proposed MinnPACE assessment, consenting to its placement on the property, and declaring that the assessment will not constitute a default of the mortgage note.

While MinnPACE Financing may not exceed 30 percent of the property’s current assessed value, other financing tools may be applied to those portions of projects in excess of the 30 percent assessed value limit with the approval of the Port Authority.

These applications are reviewed on a case-by-case basis. If a property owner has been in bankruptcy in the past three years, the bankruptcy must have been concluded at least one year before application was filed. In addition, all mortgage payments due on the property must have been timely paid during the six months preceding the application. If property is subject to loan modification because of default or delinquency, the loan modification must have been completed at least one year before application was filed. In addition, all mortgage payments due on the property must have been timely paid during the six months preceding the application.

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MinnPACE Financing is not currently available for properties that are not subject to secured property taxes, such as governmental entities. Property owners may make more than one application for funding under the program if additional energy improvements are desired by the owner, subject to all other limitations of the program.

### **C. Eligible Improvements**

MinnPACE allows eligible property owners in the State of Minnesota the opportunity to take advantage of a wide range of energy improvements, resiliency improvements, and water improvements, consistent with the following provisions:

- (1) MinnPACE Financing is available both for new construction and for retrofitting and renovation activities to replace outdated inefficient equipment and to install new equipment that reduces energy consumption or greenhouse gas production, produces renewable energy, or reduces energy use.
- (2) MinnPACE provides financing only for energy efficiency improvements that are permanently affixed to real property, and renewable energy improvements attached to, installed within or proximate to a building.
- (3) MinnPACE Financing is also available for resiliency improvements, which include one or more installations or modifications to eligible commercial real property that are designed to improve a property's resiliency by improving the eligible real property's: (1) structural integrity for seismic events; (2) indoor air quality; (3) durability to resist wind, fire, and flooding; (4) ability to withstand an electric power outage; (5) stormwater control measures, including structural and nonstructural measures to mitigate stormwater runoff; (6) ability to mitigate the impacts of extreme temperatures; or (7) ability to mitigate greenhouse gas embodied emissions from the eligible real property.
- (4) MinnPACE Financing is also available for water improvements, which include one or more installations or modifications to qualifying commercial real property that are designed to improve water efficiency or water quality by: (1) reducing water consumption; (2) improving the quality, potability, or safety of water for the qualifying property; or (3) conserving or remediating water, in whole or in part, on qualifying real property.
- (5) Eligible Improvements must have been identified in an energy audit, renewable energy system feasibility study, resiliency improvement study, or water improvement study as having a useful life of 30 years or less.
- (6) MinnPACE provides financing only for the following improvements:
  - (a) Energy efficiency improvements;
  - (b) Renewable energy systems;
  - (c) Electrical circuits and related equipment to enable electric vehicle charging;
  - (d) Solar voltaic or solar thermal energy systems;
  - (e) Custom Measures, such as large-scale commercial or industrial projects requiring engineering design and meeting the financing threshold (\$500,000) requiring approval by the Port Authority or projects involving emerging technologies for improvements that provide new ways to save or generate energy will be evaluated on a case-by-case basis. Applicants for a Custom Measure project should consult with Port Authority staff to determine

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eligibility and will be required in most cases to submit engineering plans and specifications. The Port Authority will approve Custom Measure applications on a case-by-case basis and may request consultation from outside technology experts in making this decision. The applicant would be expected to bear the cost of such consultation. Cost reimbursement would be discussed with the applicant before the project was reviewed;

- (f) Resiliency improvements; and
- (g) Water improvements.

MinnPACE Financing is also available for projects that combine Eligible Improvements, such as bundling of, energy efficiency and renewable energy measures. For instance, a property owner may choose to replace an aging and inefficient furnace, install weather stripping, and install a photovoltaic system.

### **D. Eligible Costs and Program Fees**

#### **(1) Project Costs.**

Eligible costs of the Eligible Improvements include the cost of equipment and installation. Installation costs may include, but are not limited to, energy evaluation consultations, labor, design, drafting, engineering, permit fees, and inspection or verification charges. All improvements, including those normally exempt from permit requirements, will require a permit from the applicable Host Jurisdiction. Final inspection or verification by a building inspector will ensure that the Improvements were completed and compliant with all applicable building codes.

The installation of Eligible Improvements can be completed by a qualified contractor of the property owner's choice. Eligible costs do not include labor costs for property owners that elect to do the work themselves.

The value of expected tax credits, rebates, or grants received will not be deducted from MinnPACE Financing.

Port Authority staff will evaluate market conditions and may require the property owner to obtain additional bids to determine whether costs are reasonable. While the property owner may choose the contractor, the amount available for MinnPACE Financing will be limited to an amount determined reasonable by Port Authority staff.

#### **(2) Program Fees.**

The following Program fees will be the responsibility of the property owner. The annual assessment fee will be included on the annual tax statement. The other fees must be paid at the time they are incurred.

- (a) Title costs, including title insurance, where required;
- (b) Recording fee for documents required to be recorded by State law;
- (c) Legal fees and underwriting fees incurred by the Port Authority for the project financing; and
- (d) Escrow fees, if an escrow process is used for disbursement of funds.

### **E. Administrative Costs**

The Program covers all or a portion of its costs through the "spread" between the interest rate charged by the applicable Lender and the MinnPACE Financing interest rate offered to the property owner. MinnPACE does not charge any additional fees for early pay off of the loan. However, one year's interest may be due as determined by

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Minn. Stat. § 429.061, subd. 3. Additionally, the Program charges a closing fee and an ongoing fee as follows:

1. **Closing Fee:** A 1.5% closing fee will be added to all projects.
2. **Ongoing Annual Fee:** The ongoing fee will be 10 basis points on the outstanding principal at the beginning of the year. Smaller projects under \$500,000 will pay a one-time closing fee of 1.5% with no annual fee; all as follows:

Loan Amount	Closing Fee	Ongoing Annual Fee (on outstanding balance at the beginning of the year)
\$25,000-\$499,999	1.5%	No annual fee
\$500,000 and greater	1.5%, capped at \$150,000	10 basis points

### III. ENERGY AUDITS, EVALUATIONS AND SOLAR SITE CHECKS

An energy audit, renewable energy system feasibility study, resiliency improvement study, or water improvement study is required for participation in the Program. Your energy provider may offer an energy audit or evaluation services to help property owners determine the most cost-effective and efficient route to maximize investment and energy savings. Property owners may include the cost of the energy audit, renewable energy system feasibility study, resiliency improvement study, or water improvement study in the application for MinnPACE Financing.

### IV. PROGRAM PARAMETERS

#### A. Minimum Energy Financing Amount and Duration of Assessment

The minimum amount for a MinnPACE Assessment Contract is \$25,000. The term will be determined by the Port Authority to accommodate a wide range of Eligible Improvements after consultation with the property owner and consideration of factors such as cost to value ratio.

#### B. Maximum Energy Financing Amount

The assessment amount must not exceed 30% of the assessed or appraised value of the property.

#### C. Assessment Interest Rate

The Lender will set the interest rate for a MinnPACE Assessment Contract at the time the Program and property owner enter into the contract. The interest rate will be fixed at that point and will not increase during the term of a loan.

#### D. Property Assessment Lien

All property owners must sign and notarize, if applicable, the MinnPACE Application, Petition for Special Assessment, and any other documents reasonably required by Lender (the "Contract Documents"). Upon execution of the Contract Documents, the program will place a lien for the full amount of the assessment on the property that secures the assessment and may include capitalized interest.

#### E. Delinquent Assessment Collections

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Delinquent assessments will be collected using the laws and powers authorized under state statutes for collecting property taxes and assessments. A Lender has no rights to any fees or penalties charged by the City or County.

### **V. CHANGES TO GUIDELINES**

The Port Authority may modify from time to time these Guidelines, or any loan or program document, as the Port Authority reasonable determines necessary to effectuate the purposes of the MinnPACE program, comply with applicable law, or for other reasons in the Port Authority's discretion.