CLIMATE INNOVATION FINANCE AUTHORITY

Meeting Minutes: Minnesota Climate Innovation Finance Authority Board of Directors

Date: 09/18/2024
Minutes prepared by: Parisa Rostamkhani
Location: Minnesota Pollution Control Agency – Conference Room 600 / Hybrid

Attendance:

- The meeting began at approximately 9:32am
- Present: Kumar, Haagenson, Fowler, Kohlasch, Nelmark, Teiken, Warmuth, Wyckoff
- Mills arrived at 9:53am
  Absent: McKinnon, Sultanova, Benjamin

Approval of Agenda:

- Motion: Kumar, Second: Teiken
- Unanimous approval- roll call vote

Approval of Minutes from the August 21st, 2024, Board Meeting:

- Motion: Kumar, Second: Kohlasch
- Unanimous approval - roll call vote.

Management Analysis and Development (MAD):

- Stephanie Klein visited the definition of the investment strategy and strategic plan.
- There is an investment strategy working draft created from the workgroup that all board members have access to.
- Question was made on if it is okay to share working draft if requested in engagement conversations.
- Workgroup decided to present overview of investment strategy at the September public input meeting, that is on Tuesday, September 24th.
- Board was invited and encouraged to review and provided feedback on the investment strategy working draft and presentation draft for public meeting.
- Jenna Warmuth went over what the strategic planning workgroups first meeting involved which occurred on Tuesday, September 17th.
- Katherine Teiken went over feedback given from engagement conversations.
- Lisa Anderson went over a compilation of notes received on financing tools, environmental justice communities, projects to focus on, and other items.
- Lisa Anderson went over the public input meeting agenda on September 24th.
- Lisa Anderson went over the project timeline for the investment strategy, strategic plan, and engagement.

Loan to Avenues for Youth:

- Klein went over the credit memo. He highlighted the organizations mission and strong financial position. He also discussed the significant support that this project has from other state agencies and local governmental units. The DEED grant could be in a superior position to the MnCIFA lien but MnCIFA would still be in a strong collateral position if that was the case.
- Discussion made on creating a scorecard for choosing potential projects.
- Klein requested an authorization to enter a loan agreement for Avenues for Youth and the authorization to fund the project.

Motion to authorize loan not to:

- Motion: Perushek, Second: Fowler
- Unanimous approval – roll call vote
- Motion carries

Executive Director's Report:

- Peter Klein updated the process on the position for executive director position. This has ended and 50 applications have been received.

Open Discussion:

- Kate Perushek made a comment on potentially making a map or tool for a potential applicant see if they fall within a definition of environmental justice community.
- Updated time on website; estimated to be around 3 months.

Motion to Adjourn:

- Motion: Kumar, Second: Teiken
- Unanimous approval – roll call vote
- Meeting ended approximately 11:14am

CLIMATE INNOVATION FINANCE AUTHORITY

Credit Memo

Date: **October 11, 2024**

To: MnCIFA Board – Meeting Date October 16, 2024

From: Peter Klein

RE: Renewable Energy Partners, Inc. - $1,200,000 Financing Request

Action Requested:

Approval of a $1,200,000 loan to Renewable Energy Partners, Inc. for the purchase and installation of a resiliency hub project on four school district buildings in North Minneapolis.

Background:

Renewable Energy Partners (REP) was founded in 2013 and has grown to become one of Minnesota's largest Black-owned solar development companies. REP focuses on clean energy projects with impactful community benefits, such as its community solar gardens serving low-income ratepayers, and its sponsorship of an energy skills training program at its facility in North Minneapolis. REP is a certified Minority Business Enterprise (MBE) and a member of the North Central Supplier Diversity Council. Its current work includes solar project development with Minneapolis Public Schools, Target Corporation, Science Museum of Minnesota and several affordable housing developers.
REP is proposing to construct solar projects, totaling 1,463 kW, on four Minneapolis school district buildings. Each building will also have an energy storage component. These installations are part of Xcel Energy's integrated distribution plan which includes this Resilient Minneapolis Proposal (RMP). On August 6, 2024, the Minnesota Public Utilites Commission approved this Xcel Energy proposed project. The intent of this project, beyond the energy savings that will be seen each day, is to have a source of available energy that can be provided to the local energy grid in case of a disaster that would curtail the delivery of energy from normal operations.

MnCIFA has been requested to fund a portion ($1,200,000) of the solar and storage system. The estimated cost for this system is $10,100,000. This funding would come from MnCIFA's current funds provided by the Legislature. Once we receive the $25,000,000 of expected funding from the Inflation Reduction Act (IRA) through the Coalition for Green Capital (CGC), $600,000 will reimburse MnCIFA for half of the financed amount. The intent of the remaining MnCIFA portion of this financing ($600,000) is for it to be a bridge loan, and for it to be repaid once the investment tax credit (ITC) has been received or other funding sources are secured. If the ITC received is not sufficient to repay this portion of the loan, the loan will amortize over a ten-year period with a balloon at the end of the fifth year.

Although MnCIFA has not established its Strategic Plan and Investment Strategy, I believe that this financing is what those documents will call on us to fund. Until those documents have been finalized, MnCIFA is limited to deploying $11,250,000 of the $45,000,000 provided by the Legislature. The Heights

($4,700,000) and Avenues For Youth ($4,500,000) are the only other projects that we have funded, so this will bring the total deployed funding for loans to $10,400,000. This will be the last project brought forward before December.

Proposed Project:

The loan funds will be used to purchase and install solar renewable energy systems on four Minneapolis school district buildings. Each building will have a storage component as well. The overall construction project sources and uses is outlined below:

Sources of Funds:		Uses of Funds:	
• Xcel Energy DOE Grant	$ 4,800,000	Solar and Storage	$ 6,000,000
• Tax Equity Investor	3,100,000	Labor and Engineering	2,100,000
• Minneapolis GGRF Gran	300,000	Contingency & Interest	2,000,000
• Solar For Schools Grant	600,000		
• Minneapolis Public Schools	100,000		
• MnCIFA - Legislation	1,200,000		
• Total	$10,100,000	Total	$10,100,000

Financial Analysis:

The unaudited financial statements, for the calendar year end of 2023, show that REP was profitable and that it had a $100,000 SBA loan outstanding. All other debt was with an affiliated company and the owner. The following ratios are for the year end 2023:

- Debt-to-Equity 1.64
- Debt Coverage Ratio 1.01

Collateral:

MnCIFA will file a UCC lien on all of the equipment financed. All contracts with the School District and Xcel Energy will be assumable by MnCIFA should REP not be able to complete its loan obligation. The equipment will be installed on school property so neither a mortgage, or PACE assessment is available.

Risk:

Construction Risk:

- This is a complicated project, with four separate buildings being involved, but there appears to be a sufficient contingency at 17% of the overall budget.

Loan Terms:

The following are the proposed terms of the financing:

- Five-year term with a 10-year amortization, payments deferred for one year with interest accruing January 1, 2025.
- The interest rate will be set at the 10-year Treasury Bill rate one week before to the closing.
    - Interest will start to accrue on January 1, 2025. The accrued interest for 2025 will be added to the principal amount.
- Monthly interest and principal payments, with a 10-year amortization, will begin on 1/1/26.
- The loan documents will require REP to remit all of the investment tax credit received in excess of the tax equity provider's investment within 30 days of its receipt. The tax equity investment is currently projected at the 30% ITC rate and this project should be eligible for a 40% ITC.

Workforce:

- Prevailing wages will need to be paid and reported.
- Approximately 100 FTEs construction jobs.

Energy Savings:

- 1,824,000 kWh annually

Recommendation:

- It is recommended that the Board of MnCIFA authorize the execution of loan documents for a loan not to exceed $1,200,000 with Renewable Energy Partners, Inc., and to authorize the transfer of funds if all covenants are met.