

# Strategies for Proactive Engagement:

Expanding PACE Program Utilization by  
Women and Minority Business Enterprises in Minnesota



Saint Paul  
PORT AUTHORITY



HUMPHREY SCHOOL  
OF PUBLIC AFFAIRS  

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## Glossary of Terms:

BIPOC - Black, Indigenous, and People of Color  
BTU - British Thermal Unit  
C&I - Commercial and Industrial  
CCP - Capital City Properties  
CEE - Center for Energy and Environment  
CIP - Conservation Improvement Program  
C-MinnPACE - Commercial Minnesota Property Assessed Clean Energy  
C-PACE - Commercial Property Assessed Clean Energy  
DEI - Diversity, Equity, and Inclusion  
DBE - Disadvantaged Business Enterprise  
EEaaS - Energy Efficiency as a Service  
ESPC - Energy Service Performance Contracts  
JPA - Joint Power Agreement  
MBS - Minnesota Business Snapshot  
MNUCP - Minnesota Unified Certification Program  
PACE - Property Assessed Clean Energy  
POC - Person Of Color  
RMEB - Rural Minnesota Energy Board  
SBA - Small Business Administration  
SRDC - Southwest Regional Development Commission  
SPPA - St. Paul Port Authority  
WMBE - Women and Minority-Owned Businesses and Enterprises  
QGIS - Quantum Geographic Information System

## Executive Summary

The St. Paul Port Authority (SPPA) is a national leader in administering financing for clean energy and energy efficiency projects through MinnPACE, the state's Property Assessed Clean Energy (PACE) program. Since 2021, the SPPA has completed over 355 MinnPACE projects worth over \$225 million. Going forward they identified an opportunity to pursue a more equitable program by advancing additional projects with women and minority-owned business enterprises (WMBEs).

This report represents the culmination of work for a capstone project conducted by five graduate students at the Humphrey School of Public Affairs at the University of Minnesota. The capstone team was tasked with helping the SPPA target their MinnPACE program to WMBEs. To identify the challenges and opportunities of expanding MinnPACE to include more projects with WMBEs, the capstone team conducted background research, a demographic analysis, and interviews with businesses, project participants, and additional stakeholders in the Minneapolis-St. Paul area.

After conducting our stakeholder and WMBE interviews, we arrived at four high-level recommendations for SPPA: 1) increase awareness of the MinnPACE program and build trust with WMBEs; 2) accommodate WMBEs with limited resources; 3) navigate property ownership challenges, common to WMBEs; and 4) expand their internal capacity. From these findings, our team developed a variety of action items for SPPA in order to address these challenges.

Action items for SPPA are presented in the tables below. The capstone team believes that these suggestions would assist SPPA in achieving its goals and anticipates that this strategy template may be useful and replicable by other PACE programs across the county seeking similar program expansion. While this is not meant to be a comprehensive plan for a successful PACE program, it is our hope that these action items serve to advance economic development strategies in the Twin Cities and beyond that promote a more equitable and just energy future for all communities.

Recommendations	Actions
<b>Increase Awareness and Trust</b>	Create a 1-page flyer for distribution
	Celebrate success stories
	Expand partnerships to promote MinnPACE
<b>Accommodate WMBEs with Limited Resources</b>	Contract with WBME's to complete renovations and construction for MinnPACE projects
	Alter the PACE program design by decreasing project minimums and creating a market for emergency projects
<b>Navigate Property Ownership Challenges</b>	Connect WMBEs to other resources more suited to smaller projects
	Support organizations working on promoting property ownership in minority communities
<b>Expand SPPA's Internal Capacity</b>	Facilitate project opportunities between landlords and tenants
	Add additional personnel to serve as project liaisons, reducing the barrier to entry for busy business owners
	Track project data to inform decision making and uncover future opportunities

### Categorical Ranking of Recommendations

<i>Time Horizon</i>	<i>Action Items</i>
Short-term	<ul style="list-style-type: none"> <li>● Celebrate Success Stories</li> <li>● Distribute 1-Page Flyer</li> <li>● Offer an online tool to communicate program eligibility</li> </ul>
Medium-term	<ul style="list-style-type: none"> <li>● Track projects</li> <li>● Expand partnerships to promote the program</li> <li>● Alter the program design</li> <li>● Connect WMBEs to other resources</li> </ul>
Long-term	<ul style="list-style-type: none"> <li>● Contract with WMBEs to complete PACE work</li> <li>● Support organizations working on property ownership</li> <li>● Facilitate between landlords and tenants</li> <li>● Add additional personnel</li> </ul>

# 1 Introduction

The Saint Paul Port Authority is a non-profit economic development agency that is involved with affordable housing, harbor management, and energy-saving programs. Founded by the Minnesota Legislature in 1929, the scope of SPPA's initiatives has increased from focusing on economic activity at the St. Paul harbor to supporting economic development in the Twin Cities Metro area and the state of Minnesota.

One of the energy programs administered by the SPPA is the Commercial Minnesota Property Assessed Clean Energy (C-MinnPACE or MinnPACE) program, which offers financial assistance to commercial property owners seeking energy improvements in their buildings.<sup>1</sup> The SPPA has been a national leader in dispersing funds through the MinnPACE program and has a proven track record of success in providing financing to local property owners. To date, the MinnPACE program has funded \$225 million dollars over the course of 355 projects,<sup>2</sup> making it the second-largest program behind that of the state of California, whose program has funded over \$300 million dollars worth of projects.<sup>3</sup>

The SPPA has recognized an opportunity to improve and expand its MinnPACE program while advancing a more equitable energy future for Minnesota by partnering with more women and minority-owned business enterprises (WMBEs) for MinnPACE projects. The SPPA wants to better understand the WMBE landscape in the Twin Cities and take more action to provide financing opportunities to WMBEs for renewable energy and energy efficiency projects through the MinnPACE program. This capstone project seeks to address these initiatives. The project goal for our capstone team is listed below:

## Project Goal

*Create an evidence-based, actionable engagement and partnership strategy for the SPPA to better connect WMBEs to the MinnPACE program in order to promote energy efficiency and renewable energy projects in Minnesota.*

This report represents the cumulative efforts of the capstone team and includes background information, detailed methodological description, synthesis of results and findings, and a descriptive set of recommendations designed to assist SPPA in achieving its objectives of expanding the MinnPACE program to include more WMBEs.

## 1.1 St. Paul Port Authority Background

### 1.1.1 Structure and Organization

The SPPA oversees a variety of economic development activities.<sup>4</sup> Its major areas of focus include commercial redevelopment, harbor management, administration of finance programs, and port consulting, as described below:

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<sup>1</sup> "About Us." Saint Paul Port Authority, <https://www.sppa.com/about>

<sup>2</sup> "C-PACE Presentation Semi-Annual Call - All States", C-PACE Alliance, Virtual, n.d.

<sup>3</sup> GreenRock Leads \$55 Million in C-PACE Funding, Bringing Tally North of \$150 Million. <https://www.greenrockhc.com/blog/greenrock-leads-55-million-in-c-pace-funding-bringing-tally-north-of-150-million>

<sup>4</sup> "About Us." Saint Paul Port Authority, <https://www.sppa.com/about>

- **Commercial Redevelopment** – SPPA purchases polluted, blighted areas in Saint Paul and cleans them up to be used for industrial purposes.<sup>5</sup>
- **Harbor Management** – SPPA manages four ports along the Mississippi River in Saint Paul, including a majority of the multi-modal Mississippi River Terminal property where commodities are handled on barges.<sup>6</sup>
- **Finance Programs** – SPPA has 3 main financing programs focused on energy and economic development:
  - MinnPACE
  - Trillion BTU
  - The Energy Savings Partnership
- **Port Consulting** – SPPA utilizes its in-house economic development expertise to provide customized services to communities across the state of Minnesota. Such services include, but are not limited to, identifying market opportunities, remediating brownfield properties, and creating achievable economic development goals for specific sites.<sup>7</sup>

SPPA is managed by a board of 7 commissioners, all of whom are appointed by the Mayor of the City of Saint Paul and serve 6-year terms.<sup>8</sup> The SPPA receives funding from multiple sources including grants from their nonprofit arm, Capital City Properties (CCP), interest income from their loan products, fees from providing services, and Saint Paul taxes.<sup>9</sup>

### 1.1.2 Current Outreach Strategies

The Saint Paul Port Authority (SPPA) does not currently practice direct marketing strategies to promote the MinnPACE program due to limited resources. Currently, Pete Klein, the SPPA's Vice President of Finance, presents information about the MinnPACE program to businesses after they have reached out to him with interest in the program. This requires that a business have existing knowledge of the program, which is frequently a result of utility representatives informing businesses about energy-saving programs such as PACE.

Although SPPA does not directly communicate with communities or organizations to find potential participants for the MinnPACE program, they do engage with diverse networks and professionals in the energy field in order to build contacts with individuals and groups who could provide resources to or bring their network of contacts to the MinnPACE program. The SPPA uses connections from different networks such as utilities, environmental organizations, and funders to connect with businesses that have the potential to participate in the MinnPACE program. As described by the SPPA, this is the practice of “direct sales/transaction management” rather than direct marketing. This practice uses presentations to “sell” the program to specific commercial property owners or to other economic or business organizations that approach the SPPA with an interest in PACE. With this direct sales approach, since 2021, the SPPA has helped fund \$225 million dollars over the course of 355 PACE projects, the second largest PACE program in the nation.<sup>10</sup> Despite these successes, SPPA's current network does not abundantly overlap with WMBE networks, meaning that a large share of their projects are not done by WMBE business owners.

<sup>5</sup> “Brownfield Redevelopment.” Saint Paul Port Authority,

<https://www.sppa.com/commercial-redevelopment/brownfield-redevelopment>

<sup>6</sup> “Harbor Overview.” Saint Paul Port Authority, <https://www.sppa.com/harbor-management/harbor-overview>

<sup>7</sup> “Port Consulting Services.” Saint Paul Port Authority, <https://www.sppa.com/consulting-services/overview>

<sup>8</sup> “BBC Financial Allies Resource ESPC vs. EaaS.” Better Buildings, U.S. Department of Energy,

<https://betterbuildingssolutioncenter.energy.gov/sites/default/files/attachments/BB>

<sup>9</sup> “BBC Financial Allies Resource ESPC vs. EaaS.” Better Buildings, U.S. Department of Energy,

<https://betterbuildingssolutioncenter.energy.gov/sites/default/files/attachments/BB>

<sup>10</sup> “C-PACE Presentation Semi-Annual Call - All States”, C-PACE Alliance, Virtual, n.d.

## 1.2 PACE Programming and Energy Financing

SPPA's MinnPACE program is the focus of this report. PACE programs are public energy financing tools that exist across the country. They incentivize renewable energy and energy efficiency improvements on private properties. Implemented at the state and local levels, these programs target commercial property owners to encourage energy improvements that owners may not have otherwise sought. By tying the improvement projects to the property itself, and not the property owner, the PACE programs eliminate the need for a large cash down payment, and instead, allow for the loan to be repaid over 20 years through property tax payments. As a result, property owners are not taking on debt themselves, rather the debt from the energy improvement projects stays with the property.

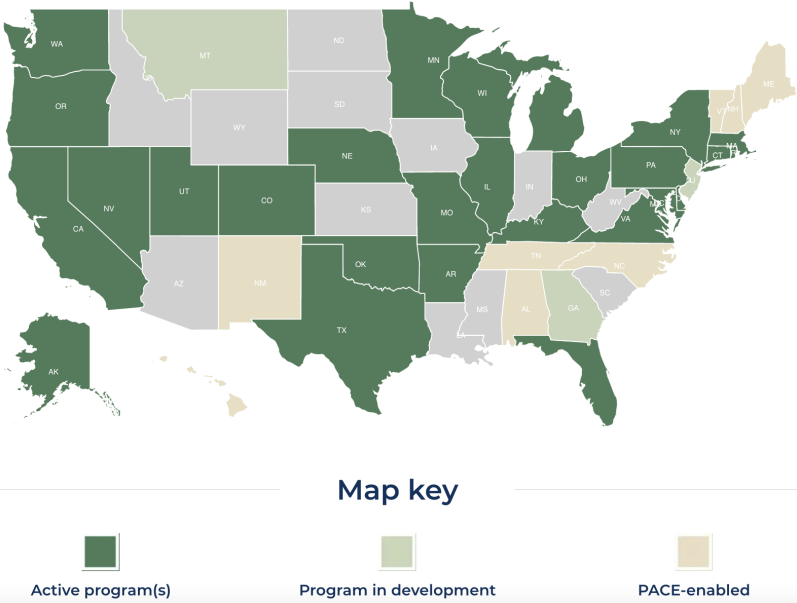


Figure 1: Map of PACE Programs in the U.S. from [pacenation.org](https://www.pacenation.org)

Over 37 states have created a commercial PACE (C-PACE) program and over 2 billion dollars have been invested in energy improvement projects through C-PACE across the country. Figure 1 shows the states in the US that have active programs, programs in development, and states that are PACE-enabled.<sup>11</sup>

PACE involves various stakeholders including lending institutions, utilities, community partners, and landowners. This network provides a robust structure for the program to thrive, but also can be complex and can present challenges. As the SPPA seeks to build upon its history of success in providing \$225 million in MinnPACE loans, it is critical to engage with the various stakeholders in order to optimize program efficiency, maintain a network of resources, and ensure a healthy and sustainable PACE program.

In this report, we seek to do just that. We identify the challenges and barriers that the MinnPACE program presents for WMBEs in the Twin Cities using a demographic analysis and personal conversations with stakeholders, especially those connected to WMBEs. Based on our analysis, we highlight the opportunities that exist and create a strategy for SPPA to increase financing access to WMBEs.

<sup>11</sup> "PACE Programs." PACENation, <https://www.pacenation.org/pace-programs/>

### 1.3 Minnesota’s PACE Programs

Minnesota Statute 216C.436 provides statutory authority to Minnesotan entities wishing to establish a commercial PACE program. The text denotes 12 requirements any PACE program in Minnesota must have. Statute excerpts that are particularly relevant to this study are presented in Figure 2 with specific portions highlighted in blue. The complete statute is included in this report as Appendix C.

Subd. 1a. **Scope.** Unless otherwise specified, this section applies only to programs established under subdivision 1 that are *offered to an owner of qualifying commercial real property.*

Subd. 2. **Program requirements.** A commercial PACE loan program must:

- (3) require the inspection of all installations and a performance verification of at least ten percent of the cost-effective energy improvements financed by the program;
- (5) require that all cost-effective energy improvements be made to a qualifying commercial real property prior to, or in conjunction with, an applicant's repayment of financing for cost-effective energy improvements for that property;
- (6) have cost-effective energy improvements financed by the program performed by a licensed contractor as required by chapter 326B or other law or ordinance;
- (7) require disclosures to borrowers by the implementing entity of the risks involved in borrowing, including the risk of foreclosure if a tax delinquency results from a default;
- (8) provide financing only to those who demonstrate an ability to repay;
- (9) not provide financing for a qualifying commercial real property in which the owner is not current on mortgage or real property tax payments;

Subd. 4. **Financing terms.** Financing provided under this section must have:

- (1) a cost-weighted average maturity not exceeding the useful life of the energy improvements installed, as determined by the implementing entity, but *in no event may a term exceed 20 years;*
- (2) a principal amount not to exceed the lesser of:
  - (i) the greater of 20 percent of the assessed value of the real property on which the improvements are to be installed or 20 percent of the real property's appraised value, accepted or approved by the mortgage lender; or
  - (ii) the actual cost of installing the energy improvements, including the costs of necessary equipment, materials, and labor, the costs of each related energy audit or renewable energy system feasibility study, and the cost of verification of installation; and

Subd. 5. **Coordination with other programs.** A commercial PACE loan program must include *cooperation and coordination with the conservation improvement activities* of the utility serving the qualifying commercial real property under section 216B.241 and other public and private energy improvement programs.

Figure 2: Excerpts from Minnesota Statute 216C.436 regarding commercial PACE programs. Emphasis added.<sup>12</sup>

As established in the statute, C-PACE programs in Minnesota must adhere to a set of requirements that include property ownership, several measures of project applicant financial health, limits on the duration of the payback period, and cooperation with the Conservation and Improvement Program (CIP).

There are two commercial PACE programs registered in Minnesota: MinnPACE (administered by the SPPA), and a program run by the Southwest Regional Development Commission.<sup>13</sup> The Southwest Regional Development Commission’s mission is to promote economic, social, and physical development. The SRDC’s PACE program is run through the Rural Minnesota Energy

<sup>12</sup> Sec. 216C.436 MN Statutes. <https://www.revisor.mn.gov/statutes/cite/216c.436>  
<sup>13</sup> “PACE Programs.” PACENation, <https://www.pacenation.org/pace-programs/>

Board (RMEB), a joint power agreement (JPA) between 18 counties in Southwest Minnesota. The SRDC typically works with smaller PACE projects compared to the SPPA.<sup>14</sup> Working with SPPA for this report, our project focuses only on Minnesota’s MinnPACE program, which is the primary PACE funding program in the state.

### 1.4 MinnPACE

MinnPACE was established in 2010. The program allows for cities and counties to create JPA’s with MinnPACE, which allows commercial properties in those areas access to the program. As of 2021, MinnPACE has executed JPA’s with 59 counties and 23 cities in Minnesota.<sup>15</sup> Figure 3 shows the counties with JPA’s and the completed MinnPACE projects across the state, and that most completed MinnPACE projects are located in the metro region.

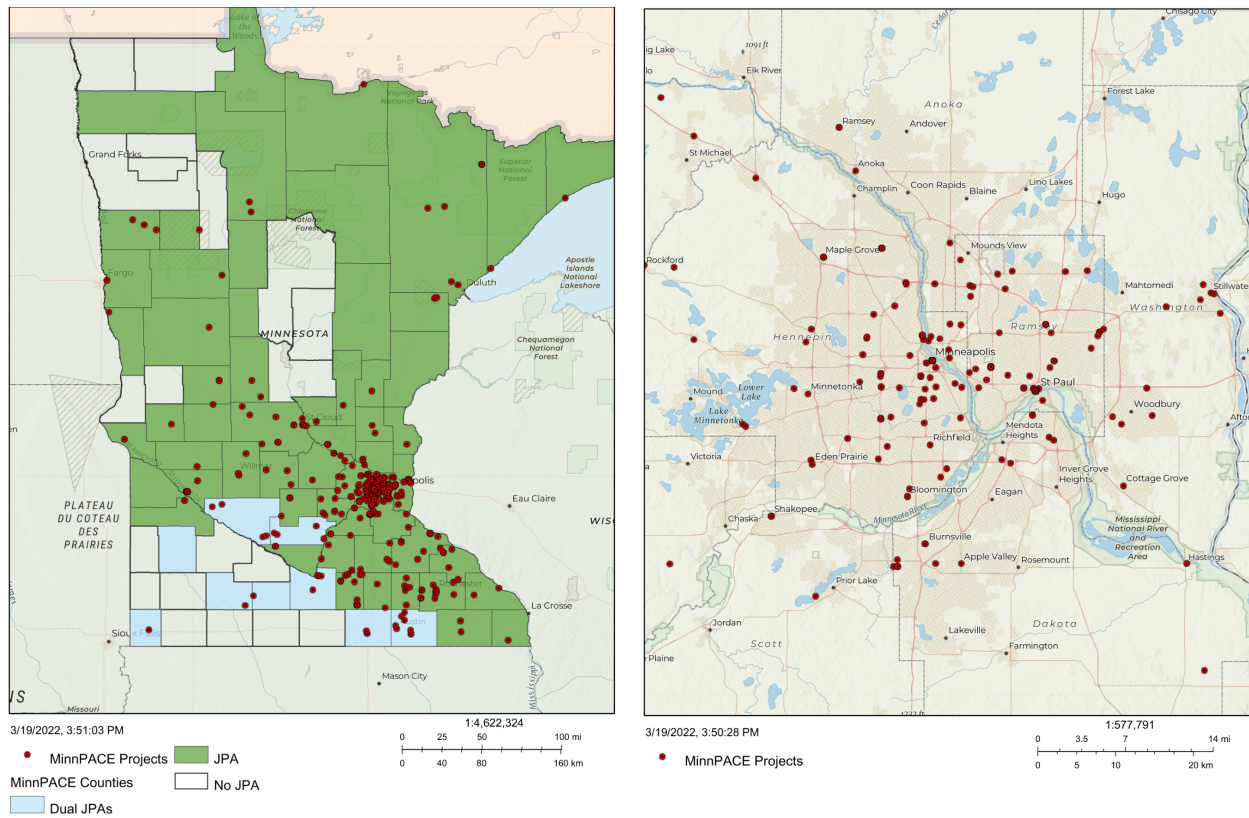


Figure 3: MinnPACE Projects in Minnesota are located across the state and concentrated in the Twin Cities. Counties with Joint Power Agreements (in green) with the SPPA allow MinnPACE projects to proceed in their areas.

<sup>14</sup> Energy – Southwest Regional Development Commission. <http://www.swrdc.org/planning/energy/>

<sup>15</sup> “MinnPACE Joint Powers Agreements.” MinnPACE, <http://3a1u34492tux2i6sgm306d2b-wpengine.netdna-ssl.com/>

### 1.4.1 Benefits of the MinnPACE Program

The MinnPACE program offers several benefits that allow commercial property owners to pursue energy efficiency and renewable energy projects. Advantages include financing attached to a property rather than to an individual, immediate building energy savings, and opportunities for marketing. The utility bill savings from a project are designed to exceed the total cost of the project to decrease the overall maintenance cost of the property. For example, a solar array on a building might reduce the electricity bill by 30%. These savings (in conjunction with tax credit opportunities) will help pay off the loan amount over time, surpassing the initial project cost.

Secondly, the MinnPACE program offers a solution to the hefty down payments normally required for many energy efficiency projects. By attaching the loan to the property taxes, the owner avoids the burden of a large down payment and is able to pay down the project loan over a longer period of time, often between 10 to 20 years, depending on the lender and rate choice, while reaping the benefits and savings of a more energy-efficient building.

Finally, MinnPACE is able to cover 100% of the project costs. Projects are limited to 20% of the assessed value of the property, but the ability to cover all the costs of energy-saving projects allows commercial properties to pursue bold and ambitious projects that will help their bottom line, local government, and the environment.

### 1.4.2 MinnPACE Project Details

#### *Requirements*

- Located in a city or county with JPA
- Commercial property that pays property tax (Non-profits also eligible, multifamily residential with 5 or more units)
- Project value no more than 20% of assessed property value
- No lien on property
- No outstanding taxes or mortgage payments
- No bankruptcy proceedings

#### *Examples of Qualifying Projects and Costs*

- Renewable energy systems (solar, wind, geothermal etc.)
- Equipment costs (HVAC Systems, lighting, energy management systems)
- Project work costs (energy audits, design, installation etc.)

#### *Financing*

MinnPACE is able to provide a long-term fixed-rate loan. They finance some projects themselves through the Trillion BTU program, while other projects are funded by national financial organizations and local credit unions. Funding can come from different areas depending on the revolving loan funds that SPPA currently has at hand, or other factors such as funding requirements. For example, SPPA's Trillion BTU program requires all funded projects to pay prevailing wages, in accordance with the Bacon-Davis Act.<sup>16</sup>

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<sup>16</sup> Trillion BTU - Saint Paul Port Authority. <https://www.sppa.com/portfinancing/trillion-btu>

### 1.4.3 Other Sustainable Funding Programs in Minnesota

#### *Trillion BTU Program*

Trillion BTU is a program, administered by the SPPA and partnered with the Center for Energy and the Environment and Xcel Energy, that complements Xcel Energy's energy-efficiency programs by providing financing for commercial projects that may not otherwise be completed without the assistance of financing measures. Xcel has a number of programs aimed at improving industrial/commercial energy efficiency, including design assistance, training, and rebate programs.<sup>17</sup> The Trillion BTU program helps fill the financing gap that exists for some commercial energy efficiency projects, as well as addressing ownership and capital barriers to energy efficiency improvements.<sup>18</sup>

#### *Conservation Improvement Program (CIP)*

The Conservation Improvement Program establishes and sets energy savings goals for electric and gas utilities operating in Minnesota.<sup>19</sup> The program, which is responsible for improving awareness and adoption of energy-efficient technologies and practices, is overseen by the Minnesota Department of Commerce to ensure effectiveness and accurate reporting.<sup>20</sup> The commercial side benefits provided by the CIP program can include: funding for energy savings studies, rebates for energy efficiency technologies (boilers, chillers, lighting, lighting control), and advice for process improvements.<sup>21</sup>

### 1.4.4 Private Financing for Commercial Energy Savings

The PACE program is one financing solution to help property owners finance energy-savings upgrades, we compare it to two others in Table 1. Other financing options are Energy Service Performance Contracts (ESPC) and Energy Efficiency as a Service (EaaS). Table 1 reflects key comparison points between the programs, indicating possible benefits and challenges. Additional information can be found in 7.3.2 Appendix D.

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<sup>17</sup> Trillion BTU - Saint Paul Port Authority. <https://www.sppa.com/portfinancing/trillion-btu>

<sup>18</sup> "Letter to William Grant re Alternative CIP Proposal." St. Paul Port Authority, <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPop&>

<sup>19</sup> "Conservation Improvement Programs." Minnesota.Gov, <https://mn.gov/commerce/industries/energy/utilities/cip/>

<sup>20</sup> "Conservation Improvement Program Success Story." Minnesota Department of Commerce, Division of Energy Resources, <https://mn.gov/commerce-stat/pdfs/success-story-multifamily-south-minneapolis.pdf>

<sup>21</sup> "Minnesota Conservation Improvement Program, Energizing Minnesota's economy." MNCIP, <https://www.mncip.org>

## Financing Solutions for Commercial Energy Savings

	PACE	ESPC <sup>22</sup>	EaaS <sup>23</sup>
<b>Ownership</b>	Customer-owned	Customer-owned	Service Provider-owned
<b>Contract Complexity</b>	Medium	High	Medium-high
<b>Time to project close</b>	1-8 months	12 months or more	<9 months
<b>Project Size, Contract Length</b>	>\$50,000, up to 20 years	>\$1 million, 10-20 years	>\$25,000, 5-20 years
<b>Markets</b>	Commercial	Government Education Healthcare Commercial (less common)	Commercial Education Healthcare
<b>Funding Source</b>	Government/private	Private	Private

*Table 1. Comparison of PACE, ESPC, and EaaS by the categories of ownership, contract complexity, project close time, project size, contract length, markets, and funding sources.*

Differing eligibility requirements across the loan options in Table 1 were difficult to ascertain. While the PACE program is able to extend additional borrowing capacity on the basis of property liens, the ESPC service typically relies on energy service companies for financing.<sup>24</sup> This option is less advantageous to small businesses due to the high upfront and administrative costs, which are typically less burdensome for projects of larger scales.<sup>25</sup> Additionally, EaaS from private groups typically requires contract lengths and repayment guarantees that exclude businesses without significant resources or established business history.

### 1.5 WMBEs in City Planning and Economic Development

The Saint Paul Port Authority identified that its methods for connecting and building trust with program participants have been largely reactive, rather than proactive. A significant portion of this approach can be attributed to a lean marketing budget, but there remain potential opportunities for improvement in order to connect and build strong relationships with markets, especially WMBEs. As part of a robust effort to examine possible options for the SPPA to engage and do more projects with WMBEs, we reviewed city planning and efforts made by similar groups to engage and build business relationships with WMBEs. The city of Seattle has a strong history of WMBE engagement and their strategy is outlined in their 2021 WMBE

<sup>22</sup> "ESPC Overview: Cash Flows, Scenarios, and Associated Diagrams for Energy Savings Performance Contracts." National Renewable Energy Laboratory, <https://www.nrel.gov/docs/fy11osti/51398.pdf>

<sup>23</sup> Ibid.

<sup>24</sup> "Energy Savings Performance Contracting (ESPC), How to Finance an ESPC." United States Department of Energy, [https://www.energy.gov/sites/default/files/2014/06/f16/T2\\_ICF\\_FS4\\_HowtoFinance\\_FINAL\\_052311.pdf](https://www.energy.gov/sites/default/files/2014/06/f16/T2_ICF_FS4_HowtoFinance_FINAL_052311.pdf)

<sup>25</sup> "ESCO Financing." United States Department of Energy, <https://betterbuildingssolutioncenter.energy.gov/sites/default/files/attachments/>

Outreach Plan for contracting. We believe that SPPA could adopt a similar approach to WMBE outreach. Highlights from the outreach plan are provided in the section below.

### 1.5.1 WMBE Engagement Strategies

Seattle's WMBE Outreach Plan discusses a variety of strategies for increasing WMBE involvement including education, partnerships, referrals, transparency, and advocacy.<sup>26</sup> Seattle found a strong impact from educating community liaisons, which is a lower-cost activity that can increase community awareness from trusted resources and individuals. One example of better education techniques is from Seattle's Department of Neighborhoods, which, in 2020, garnered WMBE engagement through the usage of engaging storytelling at community events within the city, using informal engagement techniques to connect outside of normal communication channels. This took the form of presences at community meetings or online connection events. In addition to this, Seattle is working to develop a social media presence that engages with larger audiences and builds familiarity for groups not otherwise reached by referral or direct contact methods.

Seattle identified a strong need for maintaining diverse connections. Referrals are another way that Seattle has improved WMBE engagement. Similarly, transparency of the market is another cost-effective trust-building behavior by Seattle. One trust-building strategy used by Seattle is contractor diversity breakdowns. By sharing this result, Seattle was able to remain transparent, sharing areas of success and points of failure. Seattle's plan includes language requiring "transparency with regard to diversity of current and upcoming work."<sup>27</sup> SPPA seeks to build trust and engagement with WMBE communities, and adopting some of Seattle's strategies may help them achieve this goal. By focusing on educating community liaisons, building partnerships, and ensuring transparency in contractor agreements and MinnPACE project lifespan, SPPA can advance its goal of expanding MinnPACE to more WMBEs.

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<sup>26</sup> "WMBE Outreach Plans 2021." Seattle Finance and Administrative Services Purchasing and Contracting, <http://www.seattle.gov/Documents/Departments/FAS/PurchasingAndContracting/WMBE/>

<sup>27</sup> Ibid.

## 2 Methodology

To create an evidence-based, actionable engagement strategy for the SPPA to better connect WMBEs to the MinnPACE program, our team conducted a literature review, assessed the SPPA's current engagement strategies, performed interviews with various stakeholders, and completed a demographic analysis. The below sections outline the specifics for each methodology we used.

### 2.1 Assessment of Current Strategies

#### Assessment of Current Strategies Overview

- **Assessment Bounds:** Strategies to reach both WMBEs and non-WMBEs
- **Data Source:** Email communications with SPPA personnel and SPPA marketing materials
- **Data Analysis Methods:** Qualitative assessment

To get a better understanding of SPPA's strengths as well as potential areas of improvement, our team informally qualitatively assessed SPPA's current operations and marketing strategies, for both WMBEs and non-WMBEs alike. We reviewed SPPA's marketing materials that were used to inform potential MinnPACE participants about the program and also talked with MinnPACE administrators to understand their processes for acquiring new MinnPACE participants.

### 2.2 Partnership Search: Interviews with Stakeholders

#### Stakeholder Partnership Search Overview

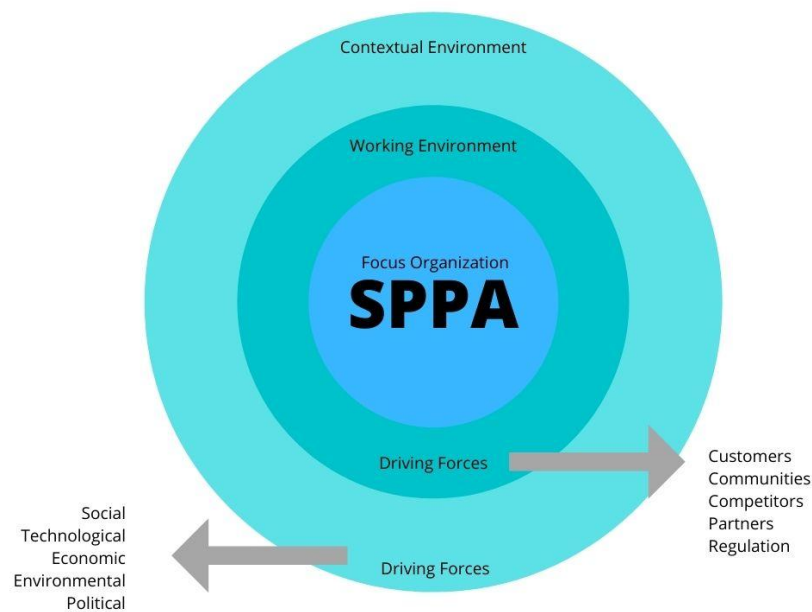
- **Number of Stakeholders Sources Interviewed:** 13
- **Stakeholder Location Boundary:** Twin Cities Metro area organizations
- **Data Analysis Methods:** Qualitative assessment

We interviewed stakeholders to find potential partnership opportunities for SPPA or to provide industry insights that could be useful in crafting the engagement strategy. As demonstrated in Figure 5 below, the team selected potential interviewees that were included in the working environment of SPPA, meaning that they had direct ties or relationships to MinnPACE and SPPA. Additionally, we selected interviewees that were in the contextual environment of SPPA and MinnPACE, meaning that their work could potentially have consequences or interactions that influenced SPPA and MinnPACE on a broader scale. Table 2 shows the groups that were interviewed for our project.

### **Stakeholders Interviewed**

<i>Organization Category</i>	<i>Number Interviewed</i>
<i>Business and economic advancement</i>	<i>2</i>
<i>Experts in PACE or Energy Efficiency</i>	<i>1</i>
<i>Energy and Utilities</i>	<i>1</i>
<i>Real Estate and Property Management</i>	<i>3</i>
<i>Construction</i>	<i>2</i>
<i>Past PACE Participants</i>	<i>2</i>
<i>Government</i>	<i>3</i>
<i>Financial Institutions</i>	<i>1</i>

*Table 2: Stakeholder interviews by organization category. We sought to gather perspectives from a range of stakeholders involved in the MinnPACE program.*



*Figure 5: The Contextual and Working Environment of SPPA*

We focused our questions on how organizations have engaged with WMBEs and/or the MinnPACE program in the past, how they could see themselves working with the program in the future, and if they saw any major barriers to WMBEs who wanted to access and benefit from the MinnPACE program. Stakeholder interview questions are included in this report in Appendix B.

## 2.3 WMBE Interviews

### WMBE Interviewing Overview

- **WMBEs Contacted:** 220
- **WMBE Data Source:** Minnesota Unified Certification Program - 2018 Directory, Minnesota Business Snapshot (MBS) data set, referrals from other interviews
- **Data Analysis Methods:** Qualitative assessment
- **WMBE Demographics:** Native American-owned businesses; Black-owned businesses; (white) woman-owned businesses; Hispanic/Latino-owned businesses; and Asian-owned businesses

We conducted interviews with local WMBEs in the Twin Cities to develop a better sense of the challenges, concerns, and goals of the WMBEs that SPPA hopes to work with to inform specific ways SPPA and WMBEs can work together.

We selected potential WMBE interviewees from the 2018 Minnesota Unified Certification Program's (MNUCP) directory of disadvantaged business enterprises (DBEs) as well as from the Minnesota Business Snapshot (MBS) data set. Additionally, in some interviews, our interviewees referred us to additional individuals or groups that they thought could help us in this research or provide value to SPPA. During our selection process, we selected contacts from each racial and ethnic group in order to obtain a representative sample of perspectives. Such WMBEs that were chosen included: Native American-owned businesses; Black-owned businesses; (white) women-owned businesses; Hispanic/Latino-owned businesses; and Asian-owned businesses.

We initially contacted WMBEs via email. In some cases, follow-up phone calls were used to further engage potential interviewees. The team conducted Interviews over zoom and all participants were ensured their comments would remain anonymous. Our interview questions were reviewed by the University of Minnesota's Institutional Review Board (IRB) for prior approval to ensure that the research that was to be conducted did not involve sensitive information about human subjects. The responses we received were recorded by meeting attendees and then informally qualitatively assessed to determine commonalities amongst responses.

## 2.4 Demographic Analysis

### Demographic Analysis Overview

- **Data Points Used:** 200,000+
- **Data Source:** Minnesota Business Snapshot (MBS) data set
- **Data Analysis Methods:** Spatial (QGIS) & Quantitative (Summary Statistics in Pivot Tables)
- **Data Limitations:** Categories for number of employees, revenue class, building type; no information on energy usage or ownership vs. renters status; QGIS geocoding

The demographic analysis was used to better characterize Minnesota’s WMBE market and inform our interview takeaways and program recommendations. This demographic analysis, however, must be considered alongside historical inequities that have afflicted BIPOC communities in Minnesota, and in particular, minority business owners. The culmination of centuries-long discrimination across homeownership and land ownership, which are crucial components of supporting community wealth generation, has created barriers for WMBE MinnPACE participation. The following examples begin to demonstrate why WMBEs are put at a disadvantage:

- **Native Land** – The PACE program is ill-suited to reach native business owners on tribal land due to regulatory and cultural barriers associated with property tax payments.<sup>28</sup>
  - Note: Many Dakota and Objibwa people were forced to leave Minnesota in the mid-19th century colonizers took land throughout the newly formed state.<sup>29</sup>
- **Redlining** – Many BIPOC communities remain unable to own a home due to redlining, a process through which banks discriminate against certain neighborhoods based on race and class, making it more difficult to receive a mortgage. This leaves WMBE business behind in the accumulation of wealth and property ownership.<sup>30</sup>
- **Homeownership barriers** – Thousands of racial covenants were implemented into Minnesotan neighborhoods between 1910-1950, namely in Hennepin County, restricting where minority communities could live.<sup>31</sup> In 2021, 77% of Minneapolis white residents owned homes compared to just 25% of black residents, the largest gap for any major US city.<sup>32</sup> Prohibiting BIPOC homeownership impacts access to business ownership.
- **Trust** – Subprime mortgages are an example of a financing tool that took advantage of many BIPOC homeowners in the 1990s who could not end up meeting loan terms based on their financial history.<sup>33</sup>
- **Land Loss and Rural Minnesota** – Black landowners were “tricked or intimidated” out of their property; from 15 million acres at the beginning of the 20th century to 1 million acres today.<sup>34</sup> Our interviews revealed that farms are common and high-priority host sites for rural PACE projects. That, combined with the fact that Minnesotan farmers are 99% white,<sup>35</sup> makes reaching WMBEs in rural regions of the state much more difficult.

By unpacking inequities and characterizing the current state of business demographics in Minnesota, the SPPA will be able to develop a program that better reaches the WMBE market.

The Minnesota Business Snapshot (MBS) data set from the Minnesota Secretary of State’s Office was used to inform our demographic analysis. The MBS provides geographic specificity, which includes address-, zip code, and city-specific information. In its January 2022 release,

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<sup>28</sup> Anonymous interviewee #1, March 31, 2022

<sup>29</sup> Diamond, Peter. “Behind Minnesota’s Native History.” *Mpls.St.Paul Magazine*, 3 Dec. 2019, <http://mspmaga.com/api/content/98aaf920-15f1-11ea-b488-1244d5f7c7c6/>

<sup>30</sup> Tchourumoff, Ben Horowitz; Kim Eng Ky; Libby Starling; Alene. Systemic Racism Haunts Homeownership Rates in Minnesota | Federal Reserve Bank of Minneapolis. <https://www.minneapolisfed.org/443/article/2021/systemic-racism-haunts-homeownership-rates-in-minnesota>

<sup>31</sup> Tribune, Eric Roper Star. “How Did Minnesota Become One of the Most Racially Inequitable States?” *Star Tribune*, <https://www.startribune.com/how-did-minnesota-become-one-of-the-most-racially-inequitable-states/571562961/>

<sup>32</sup> Why Black Homeownership Lags Badly in Minneapolis - WSJ. <https://www.wsj.com/articles/black-homeownership-lags-minneapolis-covenants-11619821762>

<sup>33</sup> Davies, Dave. “Sum Of Us’ Examines The Hidden Cost Of Racism — For Everyone.” *NPR*, 17 Feb. 2021. *NPR*, <https://www.npr.org/2021/02/17/968638759/sum-of-us-examines-the-hidden-cost-of-racism-for-everyone>

<sup>34</sup> Love, David. “From 15 Million Acres to 1 Million: How Black People Lost Their Land.” *Atlanta Black Star*, <https://atlantablackstar.com/2017/06/30/from-15-million-acres-to-1-million-how-black-people-lose-their-land/>.

<sup>35</sup> Tribune, Patrick Condon Star. “Nearly All Minn. Farmers White, and Change Doesn’t Come Easy.” *Star Tribune*, <https://www.startribune.com/nearly-all-minnesota-farmers-are-white-and-the-obstacles-to-change-are-high/600107204/>

over 500,000 responses were recorded. Just over 200,000 of these businesses were categorized as active with full-time employees. To compare, the Census Bureau also reported just over 500,000 businesses in Minnesota in 2021, 99.5% of which were categorized as small businesses.<sup>36</sup> See 5.4 Appendix E and the Office of the Secretary of State’s website for more information about the Minnesota Business Snapshot data set and survey questions.<sup>37</sup>

### Active MN Businesses with Full-Time Employees

*Business Snapshot Data Set - Office of the MN Secretary of State*

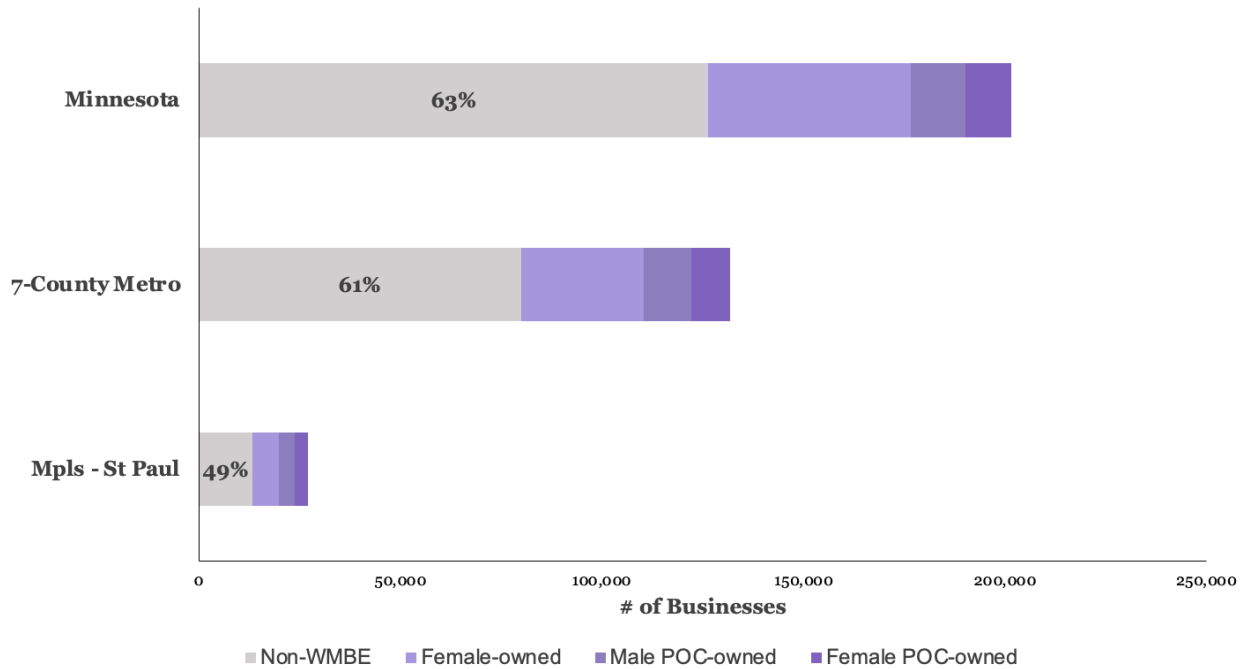


Figure 6: This histogram shows the number of WMBEs in Minnesota, the 7-county metro region, and in the Twin Cities (Minneapolis and St Paul). In Minnesota, 37% of all businesses are WMBEs, whereas in the Twin Cities 51% of businesses are WMBEs. Across the state white women make up a larger share of WMBEs compared to POC-owned businesses.

Our demographic analysis focuses on the metro region and Twin Cities, but we recognize that SPPA’s outreach extends across the state. Figure 6 shows the distribution of WMBEs across the state, in the 7-county metro area, and in the Twin Cities. We constrained our analysis within the metro for the following reasons: the metro represents a substantial portion of all WMBEs (~70%); Xcel is an important partner for MinnPACE and operates predominantly in the metro region; and most MinnPACE projects have been completed in the metro region (see Figure 4). We cleaned the data for the metro region in the MBS by omitting part-time, inactive, and duplicate businesses, and aligning city spellings. We also used Microsoft Excel to create pivot tables to pair with maps created in QGIS, an open-source geographic information system program.

<sup>36</sup> “2021 Small Business Profile, Minnesota.” United States Small Business Administration, Office of Advocacy, <https://cdn.advocacy.sba.gov/wp-content/uploads/2021/08/30142527/Small-Business-Economic-Profile-MN.pdf>

<sup>37</sup> Minnesota Secretary Of State - Minnesota Business Snapshot Data. <https://www.sos.state.mn.us/business-liens/business-liens-data/minnesota-business-snapshot-data/>

### 3 Analysis & Results

Our results from the demographic analysis and interviews are described in the section below. They include a characterization of the WMBE market, identification of challenges and opportunities experienced by WMBEs, and a synthesis of ideas from potential MinnPACE partners and other stakeholders active in this space.

#### 3.1 Characterizing the WMBE Market: Demographic Analysis

The demographic analysis was used to better understand what pool of eligible businesses in the Twin Cities metro region could realistically benefit from the MinnPACE program as it is currently designed. Commercial building ownership and sufficient capital, for example, were identified by interviewees and the SPPA as two major barriers to business participation in MinnPACE. MBS data was particularly useful for this analysis because the survey provides geographic-specific information on the number of employees and revenue for Minnesotan businesses; SPPA identified businesses with more than six employees and with over \$1 million in revenue (using MBS categories) as the most likely to participate in MinnPACE. A business with higher revenue is more likely to have enough capital to participate, and a business with more than a handful of employees would be more likely to operate out of and own a physical commercial business space. Reaching these large WMBEs first was also viewed as a potential strategy to promote the long-term success of the program with smaller WMBEs, which is why our demographic analysis focused on these large (6+ employee, over \$1 million) WMBEs.

Roughly 90% of active Minnesotan businesses reported 0-5 employees, so filtering for businesses with more than six significantly reduced the available pool. The employee and revenue variables are not perfect approximations, and more granular categories (especially for the number of employees) would have been helpful, but they are useful to better characterize WMBE market eligibility under the current program design.

#### Active MN Businesses with 6+ Full-Time Employees

	Business Revenue (\$)				
	< 10,000	10k-50k	50k-250k	250k-1mil	>1mil
<b>State</b>					
Non-WMBE	774	382	986	3,461	10,687
WMBE	567	289	951	2,302	3,786
% WMBE	42%	43%	49%	40%	26%
<b>Metro</b>					
Non-WMBE	596	280	617	1,935	6,888
WMBE	377	229	672	1,438	2,484
%WMBE	39%	45%	52%	43%	27%
<b>Twin Cities</b>					
Non-WMBE	263	115	168	555	2,373
WMBE	209	94	259	484	927
%WMBE	44%	45%	61%	47%	28%

Table 3: Businesses in MN with more than 6 full-time employees, by revenue and geographic scope. Since the vast majority report having 0-5 employees, the pool of 6+ employee businesses becomes much smaller and is concentrated with those reporting higher revenue.

Table 3 shows that across Minnesota, roughly 40-60% of active businesses with more than six employees in revenue categories *below* \$1 million are made up of WMBEs (roughly equal between WMBEs and non-WMBEs). The percentage of WMBEs in the high revenue category (over \$1 million), however, becomes much smaller and highlights the largest disparity between non-WMBEs and WMBEs. In other words, the vast majority of high revenue businesses with more than six employees are owned by white men. This trend remains true for businesses with any number of employees; see the table in appendix F, which shows that the share of WMBEs in Minnesota precipitously drops as you move to higher revenue categories. These results portray that historical inequities have persisted and continue to impact the distribution of wealth and business demographics today.

The map in figure 7 shows the portion of WMBEs that fall within commercial and industrial (C&I) land-use zones;<sup>38</sup> the areas where businesses occupy the buildings that could actually use commercial MinnPACE funding. The majority of businesses in the sample of ~11,000 WMBEs (out of 20,000+) in the Twin Cities fall outside of C&I land-use zones (shown in white). Roughly 3,000 (~30%) of the WMBEs did fall within C&I land-use zones, but just a handful of those reported having more than 6 employees and over \$1 million in revenue (116 in Minneapolis and 172 in St Paul). Expanding a 30% C&I estimate across the seven metro counties suggests that there could be about 15,000 WMBEs in the metro region that fall within C&I land-use zones. But by focusing only on high revenue (over \$1 million) WMBEs with more than six employees narrows that pool down to just under 800. A program that could more consistently and reliably reach smaller businesses would open up the ability for the SPPA to more equitably reach the WMBE market on a much larger scale.

### Estimate of PACE Eligible WMBEs in Minneapolis and St Paul

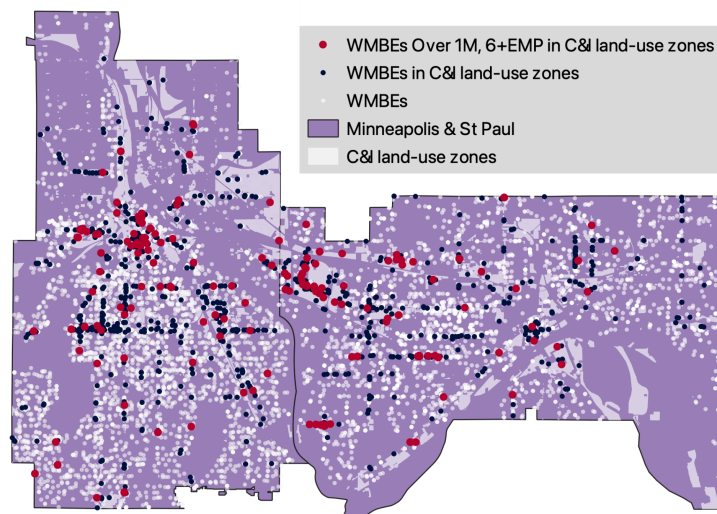


Figure 7: The white dots on this map represent a sample of 11,000 successfully geocoded WMBEs in Minneapolis and St Paul; roughly 61% of all WMBEs in the Twin Cities. The dark blue bold dots represent those WMBEs that fall within commercial and industrial land-use zone categories as defined by the Metropolitan Council. The red dots represent those WMBEs in C&I land-use zones with more than 6 employees and over \$1 million in revenue.

<sup>38</sup> Generalized Land Use 2020 - Minnesota Geospatial Commons. <https://gisdata.mn.gov/dataset/us-mn-state-metc-plan-generl-Induse2020>

The map in Figure 8 below shows the percent comparison between WMBEs and non-WMBEs for high revenue businesses with more than six employees, by city, across the seven-county metro region. Most cities in this map are shown in a blue tone because a small percentage of high revenue businesses with more than six employees are WMBEs. While the highest number of these non-WMBEs and WMBEs (see appendix F) are both centered around Minneapolis and St Paul at the center of the map, there are far fewer WMBEs that fall within this category. Appendix F also shows that the number of these non-WMBEs extend further across the metro region than for WMBEs, showing that a WMBE outreach strategy must be effective centered around the Twin Cities.

## Portion of businesses that are WMBEs

*Metro cities (6+ employees, \$1+million in revenue)*

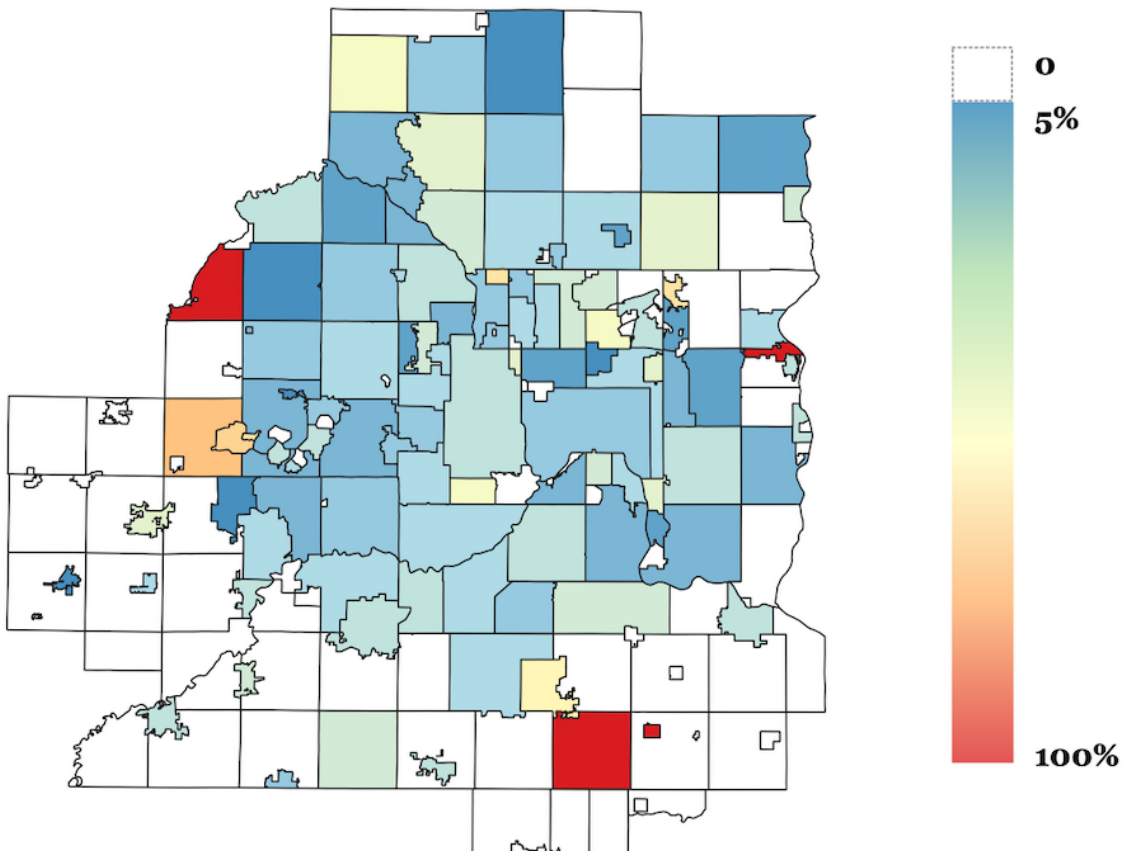


Figure 8: This map shows the same results of the maps in Appendix F, but together as a heat map. The cities shaded in cooler blue tones are cities where there is a smaller percentage of WMBE businesses (with 6+ employees and \$1+ million in revenue). The few cities shaded in red have only one or two businesses that fit the high-priority category, so 100% of those businesses are WMBEs.

## 3.2 WMBEs and the PACE Program: Interviews

The interviews with WMBEs shed light on the general challenges faced by WMBEs, as well as their overall awareness, interests, or concerns about the MinnPACE program. We identified both barriers and opportunities from our interviews.

### 3.2.1 Barriers: Challenges of WMBE Participation in PACE Programs

#### *Knowledge of the PACE Program*

Overall, we found that WMBEs had no prior knowledge of MinnPACE. This was true across demographic groups, revenue classes, and geographical differences. This gap in knowledge suggests that awareness of PACE was not solely an issue for specific groups of WMBEs but rather was a widespread problem for SPPA.

In interviews where our team interviewed past participants of the MinnPACE program, we were informed that one individual was contacted by others to pursue a PACE project - they did not seek out PACE financing themselves. Another participant noted that they were introduced to MinnPACE as an additional financing tool for their project by financing institutions.

#### *Common Challenges of Being a WMBE*

The challenges WMBEs face in accessing PACE reflect a broader history of exclusion from white male business communities. The lack of resources continues today, a message confirmed through our interview conversations. Resources include physical assets such as capital, office space, and machinery, as well as intangible assets such as institutional knowledge, time, and networks/connections. Without both physical and less tangible assets, WMBEs often felt that they were at a disadvantage compared to white male businesses. Our interviews identified two broad categories as barriers to the PACE program: awareness of MinnPACE and building ownership.

#### **Awareness of MinnPACE**

WMBEs spoke about their lack of knowledge surrounding sustainability programs, including MinnPACE. Besides being generally unaware of what programs exist, WMBEs noted that there is often a challenge to find the “one clear expert source” in a specific area of sustainability. Without knowing who that expert is, WMBEs are often “bounced between” different organizations to find who can best help them. Specifically, in sustainable energy programs, SPPA has not differentiated itself as a renewable energy and renewable energy financing program administrator. When WMBEs discussed the Saint Paul Port Authority, they were often confused about what work was under their jurisdiction, since their name implies they only work within the confines of shipping and ports in the Saint Paul area. With these comments from interviewees, our team believes that SPPA can promote a clearer vision and facilitate stronger participation in their programs like MinnPACE if they work to clarify their jurisdiction, what programs they offer, and what businesses are eligible.

#### **Building Ownership**

Even though the Minnesota State Statutes dictate that MinnPACE allows both building owners and building tenants to participate in the MinnPACE program, there was a consensus amongst all WMBEs that being a building owner would make participating in a MinnPACE project much more feasible. WMBE building owners stated that having to work with landlords would add an extra layer of complexity to the planning and

construction processes, which could make the PACE program projects nearly impossible to conduct. Additionally, tenant WMBEs noted that amenable tenant-landlord relationships do not always exist. For example, one WMBE that was contacted provided their landlord's information so we could contact them, but requested that they remain anonymous when talking with them. Without having a foundation of trust, let alone any relationship with a landlord, WMBEs may feel intimidated or powerless in making decisions about energy efficiency and renewable energy for their building space.

#### *PACE Project Logistics*

SPPA noted that the MinnPACE program contact at Xcel provides concierge-type services to businesses going through a PACE project. Services include but are not limited to providing resources for finding contractors and managing the process of finding financing for the project. Since WMBEs identified that they may have either a lack of construction experience and/or limited time to dedicate to a MinnPACE project, this concierge service should be highlighted as a key element of the MinnPACE project. A capable entity to walk businesses through a PACE project is critical to ensure the logistics of a project happen on time and on budget.

WMBEs also noted that a list of the contractors and vendors that participate in the completion of PACE projects would also be helpful to bring a layer of transparency to the program. Additionally, if a contractor list highlighted preferred WMBE contractors, it could appear more trustworthy and transparent to WMBE businesses who may prefer working with contractors that they identify with more closely.

### **3.2.2 Opportunities: Suggestions By WMBEs to Improve the Offering of PACE to WMBE Communities**

WMBEs also provided a wealth of ideas about potential ways to improve the offering of the PACE program to women and minority business communities. Such suggestions received in conversations are categorized and discussed in further detail below.

#### *Utilize WMBE Networks*

In conversations with past MinnPACE participants, interviewees suggested SPPA should continue providing excellent customer service. In ensuring a smooth process for MinnPACE projects, businesses would be more than likely to talk about the MinnPACE program with other businesses in their network. One WMBE who owned their building noted that referrals are like gold - they are a spiderweb of awareness and connections. With one satisfied participant, the approvals of PACE and SPPA can quickly spread to others.

#### *Minimize Bureaucratic Processes*

WMBEs are often faced with a shortage of resources, including time and institutional knowledge. Conversations with WMBEs illuminated they had potential concerns that PACE could be another bureaucratic government program with substantial paperwork. Organizations may feel intimidated by the required work and simply stop their efforts. Alternatively, the risk of incorrectly filling out paperwork, leading to disqualification or a prolonged application process, could outweigh the perceived benefits. In response, it was suggested that SPPA should design their paperwork to be template forms so that documentation processes are less of an obstacle to WMBEs who may face these challenges of lack of education, time, and knowledge.

### *Communicate Logistics of PACE Projects Clearly*

Many WMBEs and non-WMBE businesses do not know about construction processes or logistics, nor are they aware of the concierge-type service that is offered by SPPA in conjunction with Xcel. In response, WMBEs suggested that SPPA focuses on offering additional transparency in the logistics and details of the PACE project itself. Such items that the WMBEs suggested to be more transparent include the list of contractors that SPPA regularly coordinates PACE projects with, additional information about who would help them throughout the project, and further details about energy assessments/audits, as well as descriptions of PACE projects that have been completed. Having this information ready in a handout or PDF on the SPPA website or on the websites of other business advancement groups, was noted as potentially helpful.

### *Educate the WMBE Community - PACE Exists*

Since WMBEs are unaware of SPPA and the PACE program, there is a clear lack of awareness of both topics. In order to reach communities, WMBEs noted that SPPA should be more proactive in their efforts, educating the public, especially WMBEs, on the existence of the program, as well as the potential benefits that it could provide to the WMBEs. Without widespread community knowledge of the PACE program, SPPA is severely limiting potential users of the PACE program.

### *Capitalize on the Trusted Relationships of Cities with WMBEs*

Individuals also noted that they often don't know where to look for resources or assistance, particularly with sustainability efforts. While finding a resource is one step, another is knowing that they, as a WMBE, can trust an organization and its people. For that reason, it was suggested that the SPPA expand its use of cities as additional promotional and connection channels since cities are often seen as more trustworthy than other organizations within a community. This trust is borne out of the fact that city officials are employed by the residents of the community that they are working for, and therefore have an obligation to do the best for the residents and the community at large. While PACE has partner cities within the metro area, our review of present marketing materials found short blurb sentences that may not fully describe the value and target groups of MinnPACE. Interviewees identified this dynamic and therefore viewed city partnership materials as a trustworthy source of information and resources.

## 3.3 Partnerships for a Robust PACE Program: Interviews

Organizations provided great insight during interviews and were mainly concentrated in three distinct areas: general project strategy and guidance; offers to partner with SPPA; or methods to connect with WMBEs and keep diversity, equity, and inclusion at the forefront of the engagement strategy. The below sections will highlight our findings on robust partnerships for the SPPA.

### **3.3.1 General Project Strategies & Guidance**

While interviewing the various stakeholders, the interviewees often gave the team strategies to best approach the project as a whole. Below are summaries of the main overall project approaches that were proposed by interviewees.

- **Know the Main Questions of the Project:** A key strategy that was recommended was to first understand what questions the group needed to answer before creating the engagement strategy. The interviewee outlined that first, the group needed to ask "How

do you find WMBEs?” and secondly “How do you set them up for success?” The engagement strategy cannot simply point SPPA to WMBE communities, but rather must focus on ensuring long-term growth for the WMBEs. SPPA must create a strong commitment with them and partner organizations that have ties to WMBEs so that the relationship with WMBEs is not purely transactional, but rather a trusted, two-way relationship. Others noted that one of the key ways to find additional WMBEs is through the current networks and relationships that exist amongst industries. If WMBEs are excluded from such industries, then they will be more likely to be disconnected from various programs such as PACE.

- **Narrow the Target Market of WMBEs** – While appealing to a large market of WMBEs may be the long-term goal of the SPPA, the group should instead focus on creating an engagement strategy for a specific subsection of WMBEs first. They noted that SPPA may want to first engage with larger WMBEs that own property or have high revenues (e.g. WMBEs with 6+ employees and over \$1 million in revenue), since these firms may have more financial capability to pursue such energy efficiency or renewable energy projects and have the human resources to plan the logistics of PACE projects. In narrowing the scope of potential businesses to this subsector, they noted that the PACE program and SPPA may become more commonplace and accepted. Smaller WMBEs may then be more willing to consider the PACE program.
- **Attain Buy-In from Business Leaders** – Having the power to make the decisions for a business or organization can make implementing changes much easier compared to those with little institutional power. For that reason the engagement strategy should focus on “getting buy-in and engagement from the ‘Big Wigs’, meaning the C-suite, leading employees, or board members within a business. They noted, there “needs to be a “pull-up” from the top, not “push-up” from the bottom”. Without getting the individuals with the power onboard, there will be much more of a struggle in implementing new ideas.
- **Prioritize Partnerships with Lenders** – Since local lenders already have established networks with small businesses, it was recommended that SPPA integrate themselves into these networks so that they too can become a known lender in the small business community. Once a lender is trusted and businesses have worked with them, the businesses often return to the same lenders for future projects. For that reason, SPPA would be able to see repeat projects by creating a name for themselves as a trusted entity in the lending community. While they do currently have a relationship with SPIRE Credit Union, they have not yet made connections within the broader lending community that serve other businesses and individuals.

### 3.3.2 Stakeholder Partnerships with SPPA

Interviews with stakeholders also illuminated what sectors would be more willing or lucrative for SPPA to partner with, as certain stakeholders were either uninterested or not applicable for SPPA and their efforts with the PACE program. Several organizations were open to and even excited about the opportunity to partner with SPPA in the future.

## *Stakeholders Willing to Partner with SPPA & Specific Opportunities*

- **Small Business Administration (SBA) - Minnesota**

The SBA is a cabinet-level federal agency that is designed to help small businesses start, grow, expand or recover such that they can be successful.<sup>39</sup> The SBA provides counseling, capital, and contracting expertise as their main services. The below list is a few of the ways that the local SBA chapter suggested that they could partner with SPPA.

- **Join a Weekly Call with SBA Lenders** – The SBA of Minnesota holds a weekly “Lender Training and Q&A Session” call every Wednesday at 10 AM CST to help those in the lending community.<sup>40</sup> By calling in, the SPPA could make the program more well-known within the lending community.
- **Attend the Annual Lender’s Conference on September 15th** – SPPA should become an exhibitor or host a workshop to help spread the word about PACE in the lending community at this sizeable and important SBA event.
- **Act as a Guest Speaker for SBA Events** – SPPA should provide a special interest topic presentation to the SBA to get people in the SBA community aware of PACE.
- **Work with SBA Ecosystem Partners that also offer direct training** – In partnering with SBA and their ecosystem partners, SPPA could educate SBA members and partners about PACE.
- **Partner with the Northland Foundation** – The SBA has ties with the Northland Foundation, a public foundation serving 7 Northeastern Minnesotan counties through offering a variety of services including business lending and technical assistance, as well as special initiatives.<sup>41</sup> In partnering with SBA and the Northland Foundation, SPPA may gain access to additional business lending communities.
- **Present to the Small Business Development Center at their monthly meetings** – Through these presentations, SPPA could have another outlet to advertise the PACE program to the SBA members and leaders.

- **Minnesota Department of Administration Purchasing and Contracting**

This department of the State of Minnesota purchases more than \$2 billion in goods and services for the state and other government groups each year.<sup>42</sup> Additionally, they are responsible for certifying small businesses as TG (Targeted Groups), ED (Economically Disadvantaged), or VO (Veteran Owned). Two other equity contracting programs that they oversee are ‘Equity Select’, which gives the state the authority to directly negotiate with small businesses, as well as ‘Shelter Market’, which shelters the procurement for a contract to only 3 interested, certified businesses.

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<sup>39</sup> “About SBA.” About SBA, <https://www.sba.gov/about-sba>

<sup>40</sup> “SBA Minnesota Weekly Lender Call TODAY.” Small Business Administration (SBA), <https://content.govdelivery.com/accounts/USSBA/bulletins/310c861>

<sup>41</sup> About Us | Mission and Core Values | Program Areas. <https://northlandfdn.org/about-us/index.php>

<sup>42</sup> “Purchasing and Contracting.” Minnesota.Gov, <https://mn.gov/admin/government/purchasing-contracting/>

Due to their work in promoting equity and growth for their certified contractors and vendors, they noted that they are interested in partnering with SPPA in the future; however, specific details as to what this potential partnership could look like were not discussed. Further conversations would need to be had to discuss what types of partnership the group would be interested in.

- **MEDA - Metropolitan Economic Development Association**

MEDA is an organization with the goal of helping BIPOC entrepreneurs to succeed. Their main focus is to assist with creating wealth in these communities by generating racial economic equity and supporting BIPOC entrepreneurship. MEDA provides business counseling, commercial lending, and contracting opportunities for its member businesses.<sup>43</sup>

Upon hearing about the benefits of the PACE program, MEDA was interested in setting up further conversations to partner with SPPA in the future. A partnership could include integrating PACE into MEDA's existing loan and lending programs as well as providing a list of contact information of businesses who would be prime candidates for the PACE program (i.e. businesses who owned their own buildings and had significant revenues). MEDA very clearly viewed PACE as another outlet for their business members to expand and grow and was excited about the future collaboration with SPPA.

### **3.3.3 Advice on Interacting with WMBEs & Ensuring Equity in the Engagement Strategy**

The final category of information we collected from stakeholder interviews included suggestions for working and connecting with WMBEs, as well as general tips to enhance the DEI of the engagement strategy to be created. The following points highlight these types of findings collected from the stakeholder interviews.

- **WMBEs Face Three Main Barriers**

Women and minority businesses often face challenges that white or male-owned businesses typically do not have to think about. Due to historical inequities and subsequent challenges, women and minority businesses are often now classified as DBEs (disadvantaged business owners), this impacts include access to financial capital, lack of confidence, and limited social capital.

- **Certification Challenges to WMBEs**

While it may be the easiest option for SPPA to simply utilize various lists of certified WMBEs, not all WMBEs may be certified; therefore, outreach may be more complicated than using a list of organizations. The certification process can include considerable amounts of paperwork, which may be intimidating for potential WMBEs to fill out. Alternatively, a lengthy process may require too much time or resources for it to seem like a worthwhile endeavor. Finally, WMBEs may also be inadvertently excluded if they are not certified simply because they are unaware of the certification processes themselves. Even if they are aware of certification programs, finding which program is best for their business can also be tedious.

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<sup>43</sup> "Meda Event." Meda Event, <https://meda.net>

## 4 Recommendations

We offer recommendations in four broad categories of action: 1) Increasing awareness and building trust; 2) Accommodating WMBEs with limited resources; 3) Navigating property ownership challenges; and 4) Expanding SPPA's internal capacity.

### 4.1 Increase Awareness and Build Trust

Knowledge of the PACE program is limited among WMBEs, and SPPA must be deliberate about promoting the program and building trust in WMBE communities. We detail five ideas to increase awareness and build trust.

#### 4.1.1 Create a 1-page flyer for distribution

While web pages with information about the MinnPACE program and phone conversations with knowledgeable personnel at SPPA are important methods of communication, we believe a succinct 1-page flier about the MinnPACE program would be a versatile and valuable tool in promoting participation. A flier would allow for easy distribution by partner organizations at info sessions, in offices, and at other in-person meetings. It would also serve to simplify the benefits, risks, and eligibility of the MinnPACE program, allowing potential participants the ability to understand the program at a glance. An example 1-page flier of the MinnPACE program is provided in Appendix G.

#### 4.1.2 Celebrate success stories

SPPA can be deliberate about showcasing successful PACE projects with WMBEs. SPPA expressed a hesitation to claim the project success for themselves, putting their name on every project and displaying it publicly. However, we believe SPPA can remain a quiet leader while allowing the program participants to celebrate their success, promoting the program through word of mouth and social media within their communities.

Specific ideas include window signs (Appendix K), a framed PACE certificate of completion, and pre-made content of organized PACE participant groups on social media. SPPA could create these materials and make them available, encouraging participants to celebrate their own projects and increasing the visibility of the PACE program to others.

#### 4.1.3 Expand partnerships to promote the program

Pursuing partnerships with strategic community and business organizations would strengthen connections, build trust in the community, and allow for additional info sessions and outreach. As SPPA builds toward a robust portfolio of projects with WMBEs, these partnerships would assist in promoting the program, expanding awareness among WMBEs, and serving as a trusted connection between SPPA and potential MinnPACE program participants. Our group identified three key partnerships to pursue: SBA, MEDA, and the Minnesota Department of Administration Purchasing and Contracting. Details on each partner are provided in the Results and Analysis section of this report.

#### 4.1.4 Contract with WMBEs to complete PACE work

One way to build trust in a community is by showing a strong commitment to their interests. Using a preferred vendor list of WMBEs or ensuring WMBEs would be used may help SPPA

establish itself and the PACE program in a new community as a successful and trustworthy partner.

#### 4.1.5 Offer an online tool to communicate program eligibility

Building awareness of the MinnPACE program may be aided by an online tool designed to help potential project partners determine if they are eligible. This could take the form of a series of three or five questions that serve to sift through candidates allowing business owners to understand if they qualify to proceed, or why they may not qualify for the MinnPACE program at that time. Questions could include “Do you own a commercial property?”; “Where is your business located?”; “Have you had an energy audit conducted on your property?”, among others.

### 4.2 Accommodate WMBEs with Limited Resources

At the end of the day, the PACE program is designed for property owners with positive cash flow, and the SPPA pursues projects that are typically over \$100,000. These benchmarks can be difficult for WMBEs, many of which are small businesses. Altering the program design to accommodate businesses with limited resources would help lower the barrier to entry for many potential clients.

#### 4.2.1 Alter the PACE program design

Making changes to the MinnPACE program requirements would help attract WMBEs that may otherwise be organized out of participation due to being unqualified for any given requirement. Specifically, the SPPA could pursue three design changes:

- **Decrease the project minimum** – While it may be less financially beneficial for SPPA to accommodate smaller projects, many WMBEs may be unable to consider projects worth over \$100,000. Working with WMBEs on smaller projects between \$25,000 and \$100,000 may increase the number of potential projects.
- **Provide more application support** – Limited resources may include financial capital, institutional knowledge, and time. Small business owners wear many hats and have their attention pulled in several directions at any given time. Reducing the time commitment needed to understand and apply for the PACE program may help to increase interest and uptake. This support could be providing an example of a PACE application that has already been filled out and/or instructions for where to find the needed documentation for the application.
- **Create a new market for emergency projects** – Some energy efficiency upgrade opportunities arise on short notice, particularly when hot water heaters or HVAC equipment fails and needs to be replaced quickly. The Southwestern Regional Development Commission (SRDC) has had success acquiring new PACE projects using this strategy, serving as a resource in these pseudo-emergency situations. SPPA could pursue a similar tactic, expanding its sphere of influence to attract new PACE projects.

#### 4.2.2 Connect WMBEs to other resources

While it would not directly support WMBEs as PACE participants, SPPA could refer potential clients to other organizations and programs that are more equipped to handle smaller projects.

- **Center for Energy and Environment** – has historically taken on smaller projects (under \$75,000). Their PACE program alternatives for energy efficiency financing are sometimes better suited to these smaller projects.
- **Southwestern Regional Development Commission (SRDC)** – SPPA and SRDC already have a good relationship, promoting each other's PACE programs by sharing information and referring projects. SPPA can continue referring projects located in southwest Minnesota to SRDC

### 4.3 Navigate Property Ownership Challenges

The PACE program can often be ill-suited to WMBEs that rent their storefronts and commercial spaces. Working as a community leader, SPPA can engage with several initiatives to promote property ownership among WMBEs. This would help grow the number of quality candidates for the MinnPACE program while also addressing historical inequities and working towards building generational wealth within BIPOC communities.

#### 4.3.1 Support organizations working on this issue

SPPA could provide financial and institutional support to organizations such as MEDA, the Women's Business Development Center, and other charitable or economic development organizations that promote minority building ownership. Establishing these connections would not only advance the important work they are doing, but it would also benefit SPPA to build connections in these communities, in line with Recommendation 6.1.3.

#### 4.3.2 Facilitation between landlords and tenants

In cases where a WMBE tenant would like to pursue a PACE project, but their landlord remains unwilling, unconvinced, or unaware, SPPA could serve as a communicator and facilitator between tenants and landlords.

By appealing to both parties through financial savings on utility bills (tenant) and property value increases (property owner), SPPA could use their facilitation role to navigate the complicated tenant-landlord dynamics and develop a solution where the MinnPACE program allows everyone to benefit. With many WMBEs unable to own their property, this barrier is significant, and WMBEs that rent may often be the businesses facing the highest energy burden and require energy efficiency upgrades.<sup>44</sup> Finding a way to work with tenants and landlords could greatly increase the number of opportunities for WMBE projects in the PACE program.

### 4.4 Expand SPPA's Internal Capacity

#### 4.4.1 Add additional personnel

Some of the barriers our group identified could be overcome with the addition of MinnPACE program assistants at SPPA. Since many WMBEs lack the institutional knowledge or time to pursue the MinnPACE program, an SPPA assistant could serve as an information source, connector, and liaison for potential program participants, guiding them through the process more actively. This would reduce the burden of running the program by spreading out the responsibilities and making SPPA more approachable to new businesses. Adding personnel

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<sup>44</sup> Chen, Chien-fei, et al. "Localized Energy Burden, Concentrated Disadvantage, and the Feminization of Energy Poverty." *IScience*, Elsevier, 24 Mar. 2022, <https://www.sciencedirect.com/science/article/pii/S2589004222004096>.

would also foster deeper relationships between SPPA and project participants, as SPPA would have more time to devote to each project.

#### **4.4.2 Track projects**

As SPPA pursues more projects with WMBEs, we believe it will be critical to closely track these projects. Having accurate data about historical projects will only improve SPPA's ability to adapt and change its programs and outreach strategies in the future. Important data to include would be the demographics of MinnPACE participating businesses, project cost, project work, location, and duration of work. Having these data in an accessible format would allow for future analytical insights as SPPA continues to improve its process.

# Appendices

## Appendix A: WMBE Interview Questions

### Introduction

- Thank you
- Introduce ourselves and our project
- You have the option to remain anonymous, if you'd like.
- Outline the plan for the interview (types of questions, time commitment etc.)

### Demographic Data

- How many employees does your company have?
- Does your company have a storefront, or operate exclusively online?
- How long has your business been operating?
- Who makes the financial decisions for your business?

### Priorities

- What are the most important priorities for you as a business owner?
- What business challenges do you face most often?
- Are you concerned about high energy bills?
- How do you think about climate change, carbon emissions, and renewable energy?

### PACE

- Would you be interested in doing projects that reduce your energy bill?
- Have you heard of or worked with the PACE program? SPPA?
- Do you have any questions, concerns, hesitations about participating in the PACE program?

### Financial Institutions

- What financial institutions have you worked with in the past?
- What institutions do you trust?
- What barriers exist to your business (or others like yours) pursuing financing for energy efficiency/renewable energy projects? (trust, time, knowledge, resources, interest etc.)

### Snowball probes

- Are there other businesses you think we should talk to? Community leaders? Economic development groups?
- Would you be interested in learning more about these opportunities?

## Appendix B: Stakeholder Interview Questions

### Intro

- Thank you
- Introduce ourselves and our project
- You have the option to remain anonymous if you'd like.
- Plan for the interview (types of questions, time commitment etc.)

### Demographic Data

- Could you describe your role at your institution?
  - How long have you been there, responsibilities etc.

### Historic Projects

- Have you or your institution worked with WMBEs before? On what types projects?
  - Probe: Any renewable energy or energy efficiency projects?
- Who has led these initiatives (department, individual etc.)?
- What has worked well to complete successful projects with WMBEs? What has not worked well?
  - Who do you talk to? How do you build trust? How do you get interest, build a relationship?
- What barriers exist to connecting WMBEs to financing opportunities for energy projects? (trust, time, knowledge, resources, interest etc.)
  - How do you think we could overcome those barriers?

### Priorities

- What are the most important priorities for you and your institution?
  - Do WMBE projects fit into those goals?
- How do you think about climate change, carbon emissions, and renewable energy?
  - Do you have a personal mission, or does your institution have a mission? How have you sought to achieve these missions?

### PACE

- Have you heard of or worked with the PACE program? SPPA?
  - What is your experience with them?
- Would you consider working with various stakeholders to deliver financing opportunities for energy projects to WMBEs?
  - What would that look like? Who would lead those projects at your organization?
  - What resources/materials/commitments would your organization need to commit to a collaborative initiative like this?

### Snowball probes

- Are there businesses or organizations you think we should talk to? Community leaders? Economic development groups?
- Would you be interested in working with various stakeholders to promote PACE funding access for WMBEs?

## Appendix C: Minnesota Statute for C-PACE Program

### **216C.436 Commercial PACE Loan Program**

Subdivision 1. **Program purpose and authority.** An implementing entity may establish a commercial PACE loan program to finance cost-effective energy improvements to enable owners of qualifying commercial real property to pay for the cost-effective energy improvements to the qualifying real property with the net proceeds and interest earnings of revenue bonds authorized in this section. An implementing entity may limit the number of qualifying commercial real properties for which a property owner may receive program financing.

Subd. 1a. **Scope.** Unless otherwise specified, this section applies only to programs established under subdivision 1 that are offered to an owner of qualifying commercial real property.

Subd. 2. **Program requirements.** A commercial PACE loan program must:

(1) impose requirements and conditions on financing arrangements to ensure timely repayment;

(2) require an energy audit or renewable energy system feasibility study to be conducted on the qualifying commercial real property and reviewed by the implementing entity prior to approval of the financing;

(3) require the inspection of all installations and a performance verification of at least ten percent of the cost-effective energy improvements financed by the program;

(4) not prohibit the financing of all cost-effective energy improvements not otherwise prohibited by this section;

(5) require that all cost-effective energy improvements be made to a qualifying commercial real property prior to, or in conjunction with, an applicant's repayment of financing for cost-effective energy improvements for that property;

(6) have cost-effective energy improvements financed by the program performed by a licensed contractor as required by chapter 326B or other law or ordinance;

(7) require disclosures to borrowers by the implementing entity of the risks involved in borrowing, including the risk of foreclosure if a tax delinquency results from a default;

(8) provide financing only to those who demonstrate an ability to repay;

(9) not provide financing for a qualifying commercial real property in which the owner is not current on mortgage or real property tax payments;

(10) require a petition to the implementing entity by all owners of the qualifying commercial real property requesting collections of repayments as a special assessment under section 429.101;

(11) provide that payments and assessments are not accelerated due to a default and that a tax delinquency exists only for assessments not paid when due; and

(12) require that liability for special assessments related to the financing runs with the qualifying commercial real property.

Subd. 3. **Retail and end use prohibited.** Energy generated by an energy improvement may not be sold, transmitted, or distributed at retail and may not provide for end use of the electrical energy from an off-site facility. On-site generation is allowed to the extent provided for in section 216B.1611.

This section does not modify the exclusive service territories or exclusive right to serve as provided in sections 216B.37 to 216B.43.

Subd. 4. **Financing terms.** Financing provided under this section must have:

(1) a cost-weighted average maturity not exceeding the useful life of the energy improvements installed, as determined by the implementing entity, but in no event may a term exceed 20 years;

(2) a principal amount not to exceed the lesser of:

(i) the greater of 20 percent of the assessed value of the real property on which the improvements are to be installed or 20 percent of the real property's appraised value, accepted or approved by the mortgage lender; or

(ii) the actual cost of installing the energy improvements, including the costs of necessary equipment, materials, and labor, the costs of each related energy audit or renewable energy system feasibility study, and the cost of verification of installation; and

(3) an interest rate sufficient to pay the financing costs of the program, including the issuance of bonds and any financing delinquencies.

Subd. 5. **Coordination with other programs.** A commercial PACE loan program must include cooperation and coordination with the conservation improvement activities of the utility serving the qualifying commercial real property under section 216B.241 and other public and private energy improvement programs.

Subd. 6. **Certificate of participation.** Upon completion of a project, an implementing entity shall provide a borrower with a certificate stating participation in the program and what energy improvements have been made with financing program proceeds.

Subd. 7. **Repayment.** An implementing entity that finances an energy improvement under this section must:

(1) secure payment with a lien against the qualifying commercial real property; and

(2) collect repayments as a special assessment as provided for in section 429.101 or by charter, provided that special assessments may be made payable in up to 20 equal annual installments.

If the implementing entity is an authority, the local government that authorized the authority to act as implementing entity shall impose and collect special assessments necessary to pay debt service on bonds issued by the implementing entity under subdivision 8, and shall transfer all collections of the assessments upon receipt to the authority.

Subd. 8. **Bond issuance; repayment.** (a) An implementing entity may issue revenue bonds as provided in chapter 475 for the purposes of this section and section 216C.437, provided the revenue bond must not be payable more than 20 years from the date of issuance.

(b) The bonds must be payable as to both principal and interest solely from the revenues from the assessments established in subdivision 7 and section 216C.437, subdivision 28.

(c) No holder of bonds issued under this subdivision may compel any exercise of the taxing power of the implementing entity that issued the bonds to pay principal or interest on the bonds, and if the implementing entity is an authority, no holder of the bonds may compel any exercise of the taxing power of the local government. Bonds issued under this subdivision are not a debt or obligation of the issuer or any local government that issued them, nor is the payment of the bonds enforceable out of any money other than the revenue pledged to the payment of the bonds.

Subd. 9. **Supplemental funding sources.** (a) An implementing entity is authorized to establish, acquire, and use additional or alternative funding sources for the purposes of this section and section 216C.437.

(b) For the purposes of this subdivision and section 216C.437, additional or alternative funding sources do not include issuance of general obligation bonds.

Subd. 10. **Improvements; real property or fixture.** A cost-effective energy improvement financed under a PACE loan program, including all equipment purchased in whole or in part with loan proceeds under a loan program, is deemed real property or a fixture attached to the real property.

**History:** 2010 c 216 s 4; 2010 c 389 art 7 s 14-19; 2013 c 85 art 8 s 3-5; 2013 c 143 art 12 s 3; 2014 c 254 s 15,16; 2018 c 155 s 25-31; 1Sp2019 c 7 art 11 s 9,10

## Appendix D: Private Financing for Commercial Energy-Savings

### *Energy Service Performance Contracts (ESPC)*

An ESPC is an agreement between building owners and energy service companies to finance capital improvements to buildings that have guaranteed savings from the energy efficiency upgrades they provide.<sup>45</sup> This form of financing agreement serves the advantage of having little upfront costs for property owners, while also shifting the performance risk burden onto the energy services company. Some limitations of these types of agreements are the building types supported (primarily cities, educational institutions, and healthcare), project sizes (typically more than \$1 million), and high project complexity.

### *Energy Efficiency as a Service (EEaaS)*

An EEaaS financing agreement is a solution for financing that allows customers to implement efficiency upgrades without an upfront cost, and their payments are tied to the performance of the efficiency measures in maintaining energy savings.<sup>46</sup> This form of financing agreement serves the advantage of having little upfront costs for property owners, while also shifting the performance risk burden onto the energy services company. Some limitations on these types of agreements are the building types supported (primarily educational institutions, commercial, and healthcare), lengthier project close times, and medium-to-high project complexity.

## Appendix E: Minnesota Business Snapshot Survey Questions

- How many Minnesota-based full-time employees does the entity currently employ?
  - 0-5, 6-50, 51-200, 201-500, Over 500
- Does the owner or a member of the ownership group identify as any of the following communities?
  - Woman, POC, Veteran, Disabled, Immigrant
- Using NAICS [North American Industry Classification System] codes, what code best describes the entity?
- Is the entity a full-time or part-time effort for those who operate it?
- What were the entity's gross revenues for the past year?
  - Up to 10,000, 10,001-50,000, 50,001-250,000, 250,001-1M, Over 1M

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<sup>45</sup> "ESPC Overview: Cash Flows, Scenarios, and Associated Diagrams for Energy Savings Performance Contracts." National Renewable Energy Laboratory, <https://www.nrel.gov/docs/fy11osti/51398.pdf>

<sup>46</sup> Efficiency-As-A-Service | Better Buildings Initiative. <https://betterbuildingssolutioncenter.energy.gov/financing-navigator/option/efficiency-a-service>

## Appendix F: Other Demographic Analysis Information

Table of Active MN Businesses with Full-Time Employees, by revenue

### Active MN Businesses with Full-Time Employees

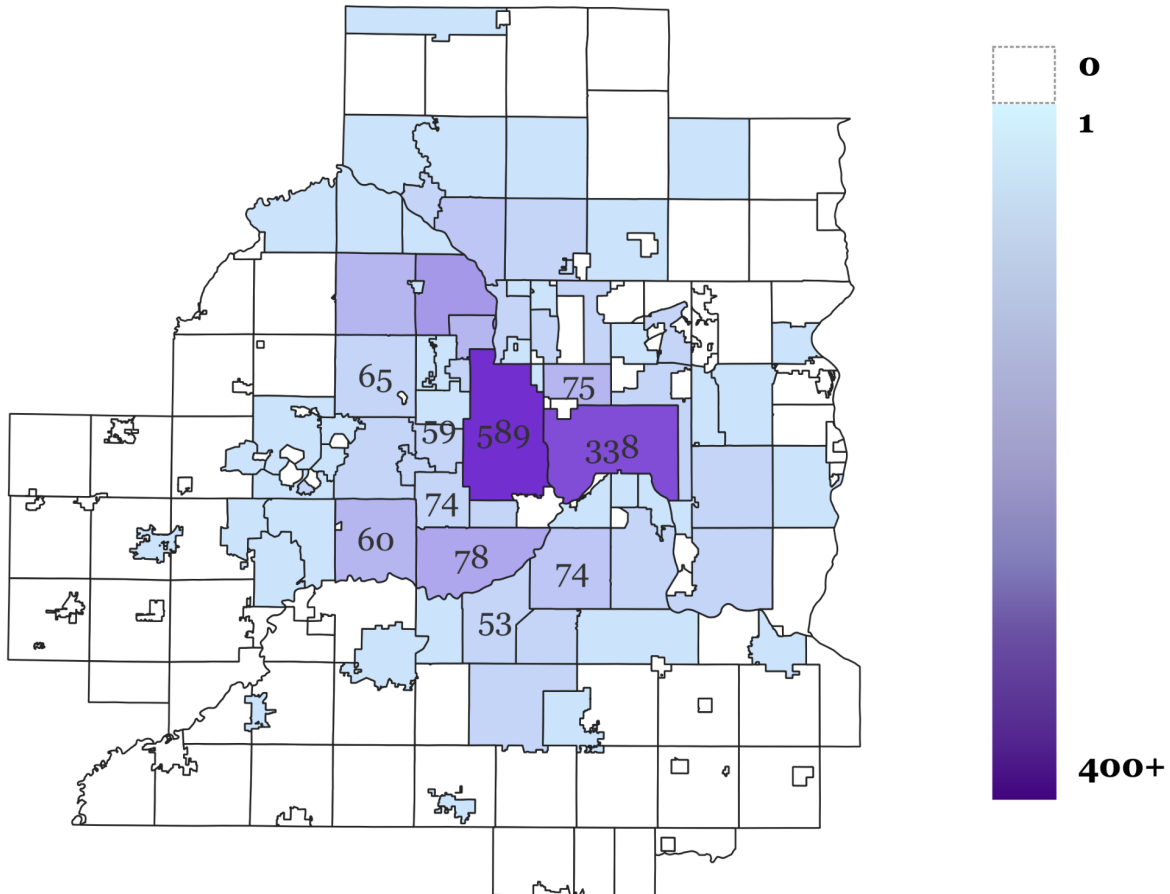
State	Business Revenue (\$)				
	< 10,000	10k-50k	50k-250k	250k-1mil	>1mil
Non-WMBE	23,022	14,042	26,874	16,194	19,609
WMBE	21,498	10,134	15,251	7,771	5,674
% WMBE	48%	42%	36%	32%	22%
<b>Metro</b>					
Non-WMBE	15,844	9,037	15,650	9,209	13,203
WMBE	16,951	7,072	10,349	4,866	3,773
%WMBE	52%	44%	40%	35%	22%
<b>Twin Cities</b>					
Non-WMBE	5,215	2,694	4,024	2,525	5,153
WMBE	6,424	2,567	3,464	1,549	1,437
%WMBE	55%	49%	46%	38%	22%

This table replicates table 3 on page 21, but for businesses with any number of full-time employees. This broader look across all MN businesses shows that given any geographic scope (across the state, metro region, or Twin Cities), the share of businesses that are WMBEs consistently drops as you move to higher revenue classes. Looking at just the Twin Cities, for example, shows that even though the number of businesses are similar across the lower revenue classes between WMBEs and non-WMBEs, that dramatically changes at higher revenue categories; the over \$1 million category has the second highest number of businesses for non-WMBEs (5,153), whereas that category represents the lowest number of businesses for WMBEs (1,437).



# Number of WMBE businesses

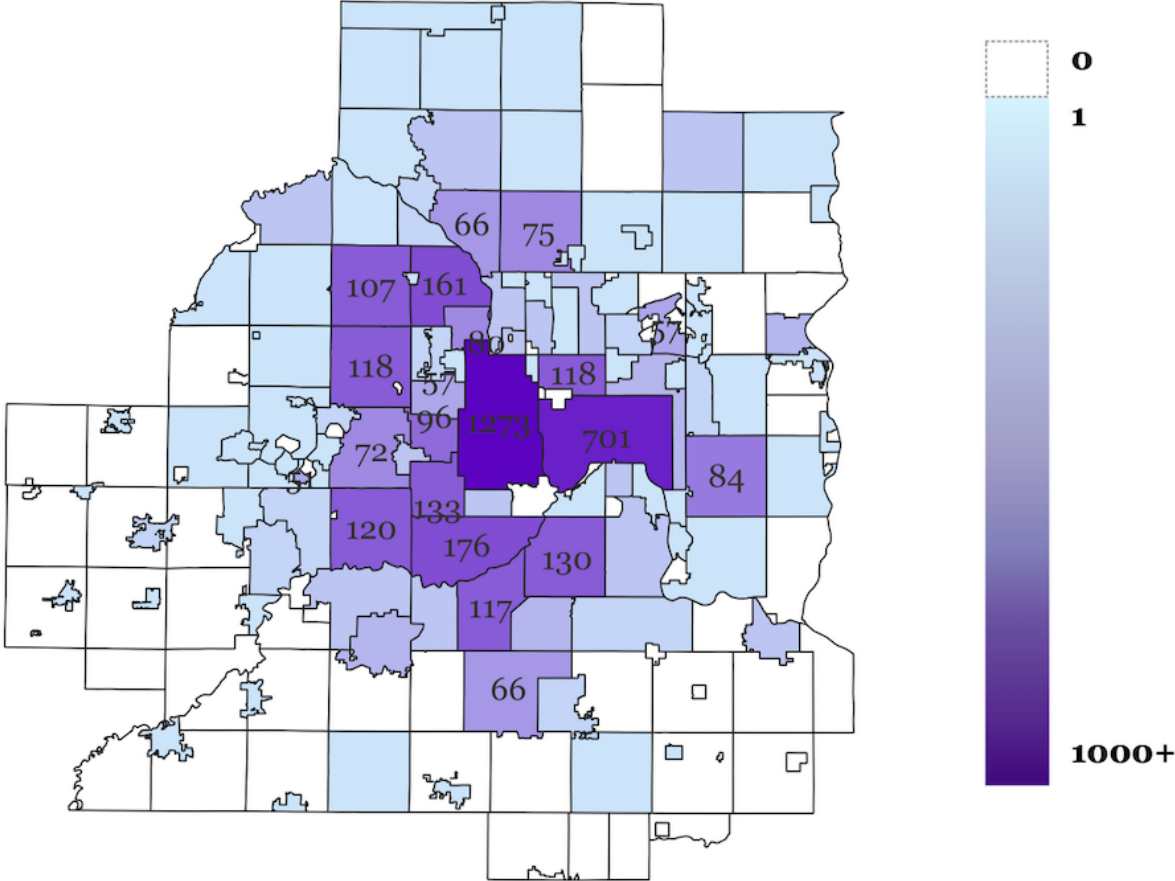
*Metro cities (6+ employees, \$1+ million in revenue)*



*This map depicts the number of WMBE businesses with 6 or more employees and over \$1 million in revenue across each of the cities in the 7-county metro area. Non-WMBE businesses concentrate around Minneapolis (589) and St Paul (338); see the total of 927 in Table 3. There are far fewer WMBE businesses in this category compared to non-WMBEs despite the fact that 51% of Twin Cities businesses are WMBEs (see Figure 6). Also note that the number of WMBEs are concentrated around the Twin Cities; many rural cities of the metro region have no WMBEs that fit this category of businesses.*

# Number of WMBE businesses

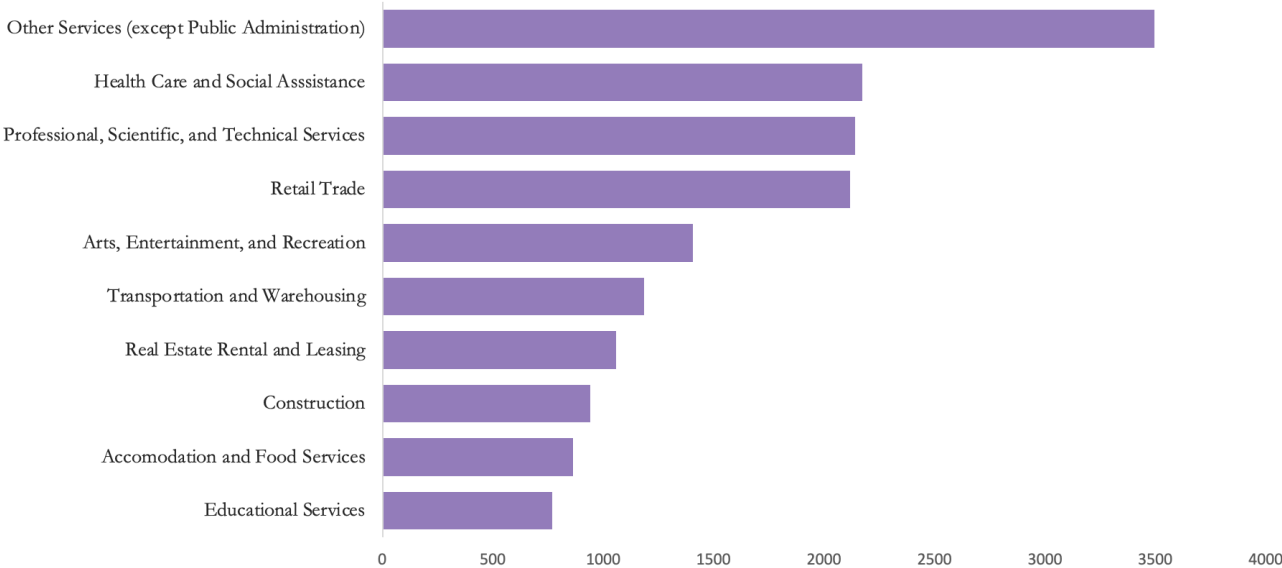
*Metro cities (6+ employees)*



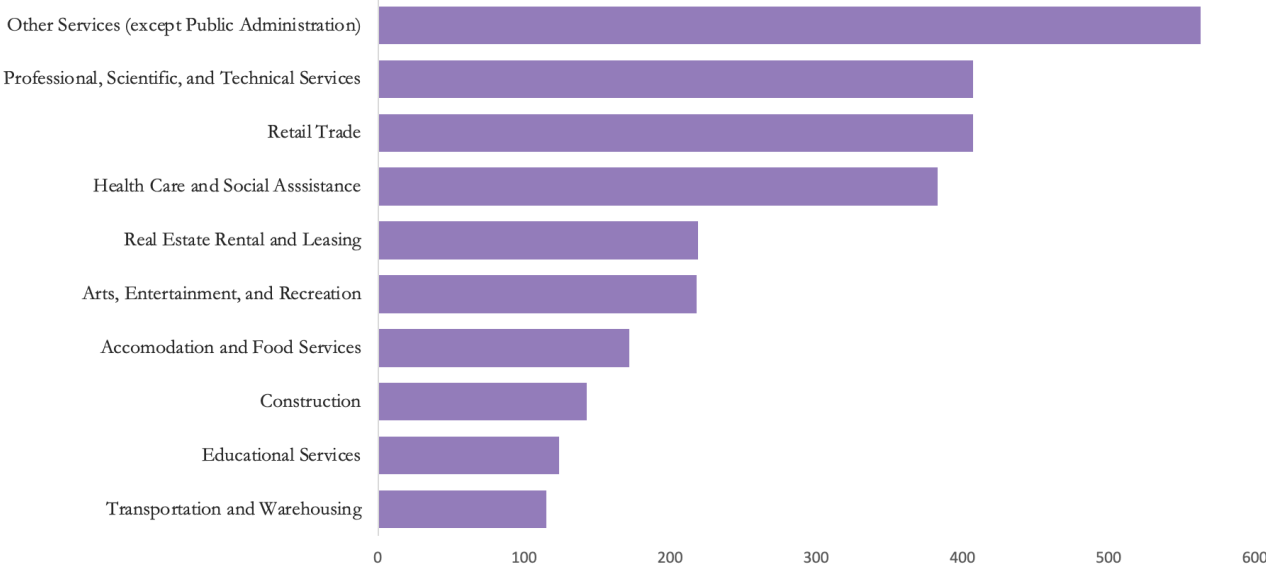
*This map shows the distribution of WMBEs with more than 6 employees across all revenue categories. While there are more WMBEs across the entire metro if you include businesses of all revenue categories, WMBEs are still concentrated in Minneapolis (1273) and St Paul (701).*

Twin Cities Business-Types, by NAICS Code

**Twin Cities WMBEs by NAICS Code**



**Twin Cities WMBEs (in C&I land-use zones) by NAICS Code**



These histograms show the top 10 WMBE business-types (using NAICS codes from the MBS data set) in the Twin Cities and for just those WMBEs that fall within C&I land-use zones in the Twin Cities. Even though the same 10 categories overlap, understanding which business-types are more common in C&I land-use zones could be useful for the SPPA for things like outreach and marketing. Business-types that use more energy could potentially benefit more from participating in PACE

## Appendix G: One-Page Promotional Material for C-MinnPACE



With MinnPACE financing, businesses are reducing their carbon footprint and improving their bottom line. It's a win-win solution for all.

### **MinnPACE Covers**

- ✓ **Energy Efficiency Upgrades**  
HVAC systems, lighting, & more
- ✓ **Renewable Energy Investments**  
Solar panels, Electric vehicle charging infrastructure

### **How Does it Work?**

1. Building owners choose projects that reduce energy costs.
2. MinnPACE provides financing directly to the building owner.
3. The county adds an assessment to the building's property tax.
4. The building owner pays the assessment off for up to 20 years as part of their property taxes.

### **Eligible Properties**

- Office buildings, including multi-tenant buildings
- Industrial/manufacturing buildings
- Multi-family housing (5+ units)
- Buildings under nonprofit ownership
- Places of worship

### **Interested?**

Contact Pete Klein  
(651) 204-6211  
pmk@sppa.com  
<https://www.minnpace.com/>

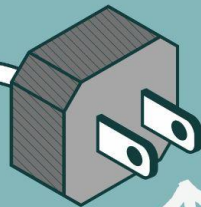
No construction experience? No problem!  
Let the Saint Paul Port Authority guide you in this process!



# **MinnPACE**

# LET'S OUT-PACE THE NATION

WMBE PACE PROJECTS



## RECOMMENDATIONS

- Increase Awareness & Build Trust
- Accommodate WMBEs with Limited Resources
- Navigate Property Ownership Challenges
- Expand SPPA's Internal Capacity

STRATEGIES TO EXPAND THE  
UTILIZATION OF THE C-MINNPACE  
PROGRAM



## Appendix I: List of Additional Suggested Contacts

***(Redacted for the general use of this report.  
Recommended contacts are specific to SPPA.)***

## Appendix J: Summary Statistics: WMBE Demographics

Total Number of WMBEs Interviewed: 8

### Racial Demographics

Race	Count
Asian	1
Black	4
Latino	1
Native American	1
White	1

### Business Sizes

Number of Employees	Count
0 - 5	5
6 - 50	2
51 - 200	1
201 - 500	0
> 500	0

### Business Revenue Classes

Revenue Class	Count
< \$10,000	1
\$10K - \$50K	0
\$50K - \$250K	1
\$250K - \$1M	3
> \$1M	2
Unknown	1

Appendix K: Celebrate Success Stories, Example of Window-cling sign



Note: This example window sign is adapted from an image from the Clean Energy Resource Teams.<sup>47</sup>

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<sup>47</sup> Clean Energy Resource Teams. "Financing for Businesses & Organizations." Clean Energy Resource Teams, <https://www.cleanenergyresourceteams.org/pace>.