

Lean & Green Michigan Cutting Companies' Energy Costs

By Andy Levin

Have you ever thought about how much electricity, gas or water your business uses? Odds are, if you have, you found that you are using far more than you need to.

Have you ever thought about how you could cut all the energy waste out of your business? If you have, the odds are even greater that you couldn't find a good way to finance the improvements that would make your business optimally efficient.

That's why I started Lean & Green Michigan, a statewide program that offers 100 percent financing for businesses to undertake comprehensive clean energy retrofits in a way that's cash flow positive from day one – guaranteed.

Back when I was running the Michigan Department of Energy, Labor & Economic Growth, I learned that 30 percent of all the energy we use to heat, cool and light our buildings is unnecessary – it's just waste. And since that's an average for all buildings, many older buildings waste a lot more energy than that. Plus, many of our manufacturing processes and other business operations (like refrigeration in the food industry) are energy-intensive, making energy costs a major drag on the bottom line.

But comprehensive projects that really solve the problem often require extensive capital measures like HVAC systems, geothermal systems, windows, or solar panels – things that take eight, ten or even fifteen years to pay off.

In response, Michigan passed a new law called Property Assessed Clean Energy, or PACE. It allows any business to take on a special property tax assessment to finance clean energy improvements. PACE makes it possible for companies to obtain reasonable, fixed-interest-rate financing for up to 20 years.

That solves the problem of up-front costs and negative cash flow. When you can finance a project out beyond the payback and include all the transaction costs in the financing, you can make major energy upgrades with no money down and pay off the loan

out of the energy savings – and still have some cash left over.

What's more, under Michigan's PACE statute, energy contractors must guarantee the energy savings on all projects over \$250,000. So the property owner can be assured he will come out with a positive cash flow, or the contractor has to write him a check for the difference – every year, for the life of the agreement.

But, as we all know, just because the state passes a law allowing something, it doesn't necessarily happen – or not in a way that makes any sense. That's why I started Lean & Green Michigan. Instead of each local government creating its own PACE program with a labyrinth of bureaucratic rules, I decided to create a statewide, market-oriented program, that all local governments can join for free, with no use of taxpayer money.

My company provides everything the local government needs to set up a PACE program and then serves as the PACE administrator for all the local governments that join. This minimizes government involvement to approve the program and allows a no-hassle sign off on each clean energy project as it is ready to go. Private lenders provide the capital, and we finance the PACE program through modest administrative fees on each deal.

This market-oriented approach clears all the obstacles for governments to join and for businesses to take advantage of PACE.

We are creating a national model for an efficient, statewide market for clean energy financing for large projects. Eight counties and three cities representing 39 percent of Michigan's population have already joined Lean & Green Michigan, just in our first two years. Many more local governments are in the process of joining. And we are on the verge of finalizing our first clean energy project, which will turn a Southfield office building into a showcase of energy efficiency and solar power.

What I like most about Lean & Green Michigan is that it helps all kinds of small businesses win. Literally every kind of business property is eligible, so you can participate whether you own a hotel,

Lean & Green Michigan covers a total population of 3,901,906 or 39 percent of all Michiganders!

CURRENT LIST OF PARTICIPATING JURISDICTIONS:

- Counties: Eaton, Grand Traverse, Huron, Ingham, Macomb, Saginaw, Washtenaw, Wayne
- Cities: Rochester Hills, Southfield, Royal Oak

apartment complex, warehouse, shopping mall, office building, hospital or factory.

All clean energy contractors win too. Since PACE facilitates financing for almost any kind of energy efficiency, water efficiency or renewable energy improvement, it helps many types of companies increase their business with larger projects – HVAC, plumbing, electrical, geothermal, solar, etc.

Virtually every energy contractor has a shelf of perfectly good projects that are gathering dust because the property owner wanted to proceed but didn't have a profitable way to finance it. PACE changes all that.

The outcome for Michigan will be more efficient commercial and industrial buildings across the board. That helps all of us. Because when we cut the cost of doing business, it helps us compete with and beat anyone in the world, and all of Michigan business wins.

For more information about Lean & Green Michigan, visit <http://leanandgreenmi.com> or contact Andy Levin at andy@levinenergypartners.com. — **SBAM**



For 30 years, **Andy Levin** has dreamed up and executed breakthrough strategies at the intersection of public policy, business, labor and social change. He holds degrees from Williams College, U of M and Harvard Law School.

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Award Nominations are Now Being Accepted for the 11th Annual Michigan Celebrates Small Business Event

Nominations are now being accepted for the 2015 Michigan Celebrates Small Business awards program, a prestigious annual competition that recognizes successful growing businesses and their supporters. The winners will be honored at the 11th annual Michigan Celebrates Small Business event on May 7, 2015. Last year, nearly 1,000 people attended the state's premier awards program to honor the awardees.

"Michigan Celebrates Small Business is the premier activity for recognizing the firms that are making an impact on our state's entrepreneurial future," says Miche Suboski, managing director of MiQuest. "We encourage small businesses and supporters of the small business economy to nominate a company today that is growing and making an impact in Michigan."

Award categories for business owners include the Main Street Award, Government Contracting Award, Innovations Award and various SBA awards (categories to be announced).

The Michigan 50 Companies to Watch will also be honored at the awards dinner. It is designed to discover and honor the second-stage companies that make an impact in their markets, in their communities and in the state. Michigan Celebrates is seeking companies known for their marketplace performance, innovation, philanthropy and corporate culture. Nominations can come from service providers (such as attorneys, bankers, accountants, public relations representatives, economic development professionals, etc.) or companies may apply directly.

Nominations for these awards are being accepted now at www.michigancelebrates.biz.

Michigan Celebrates Small Business is a partnership of MiQuest (managing partner), the Michigan Economic Development Corporation, the Edward Lowe Foundation, Small Business Association of Michigan and the Michigan Business Network.

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