

# **Great River Energy LEED Certification Commercial Loan Fund Program Guidelines**

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## **Description**

GRE proposes to provide low-interest financing options for new construction and major renovations of commercial and industrial (C&I) building projects as a way to support distribution members' efforts to provide long term, sustainable solutions to their member consumers. Eligibility would be limited to qualified projects in GRE's all-requirements members' service areas that receive certification under the standards established by the Leadership in Energy and Environmental Design (LEED) Green Building Rating System.

## **Background**

GRE is pursuing LEED certification for the new Maple Grove headquarters at the platinum level to reduce building operating expenses and demonstrate how energy efficiency and sustainable construction can be cost effective alternatives for C&I loads located in Minnesota. In response to rising energy costs and statewide legislation requiring increased energy conservation, GRE's distribution members have requested that GRE develop new alternatives for member consumers to implement energy efficient measures. Often, as member-consumers evaluate sustainable building improvements; incremental financing costs can present a barrier to implementation. Therefore, in an effort to facilitate sustainable construction practices, GRE proposes to establish a \$20 million low-interest financing program, the LEED Certification Commercial Loan Fund (LEED Loan Fund), to assist building owners in obtaining LEED certification.

GRE has developed Program Guidelines for the LEED Loan Fund and described the program to a meeting of the Member Managers Group on March 18, 2008. The program is proposed to have an initial capitalization of \$20 million. Projects within the service area and receive retail electric service from any all-requirements member of GRE are eligible to apply for a loan. Qualified expenses include incremental equipment and other capital construction expenses associated with reaching certain LEED standards. The fund will also provide loans for the costs of applying for and documenting LEED certification. The loan application and documentation requirements, approval process, and terms and conditions would be at the discretion of GRE management.

## **Program Goals**

To provide low-interest financing incentives for new construction and major renovations of commercial and industrial projects within Great River Energy service territory. The LEED certification process will provide the appropriate measures for projects to obtain high energy efficient operations. GREAT RIVER ENERGY will provide financial incentives for projects that meet and or exceed the standards established in the LEED certification process.

## **Source of Funds**

Great River Energy will provide the initial capitalization of the loan fund in the amount of \$20,000,000. The fund will be established as a revolving loan fund where repayments will be considered available for future loans. Interest earnings will be calculated separately and measured against the costs of the program.

## **LEED Levels**

All projects achieving the required levels of rating in the US Green Building Council LEED Certification in the designated categories may apply for funds from the Great River Energy LEED Certification Financing Program.

## **Eligibility**

Projects within the service area and receive retail electric service from any all-requirements member of GRE are eligible to apply for a loan.

Eligible applicants include the following:

- Private-for-profit businesses
- Cooperative businesses
- Municipal, County, state or Federal governments
- Non-profit businesses and organizations
- Schools Districts
- Tribal Governments
- Other, TBD

These expenses may include equipment or construction costs for facilities in each of the LEED categories including:

- New Construction (NC)
- Major Renovation on Existing Buildings
- Commercial interiors
- Core and Shell Development
- Schools
- Health Care facilities
- Retail

## **Qualified Expenses**

The expenses eligible for the funding are the incremental equipment and construction capital expenses associated with obtaining a LEED Certification. Expenses include costs that occur during the projected timeframe for construction as specified in the application materials.

The costs associated with obtaining the LEED certification including but not limited to energy audits, consulting services, engineering or architect design, application fees, and permits are eligible to be included in the financing structure. Schools and Municipal entities may also receive financial assistance for the cost of completion of the LEED application process.

## **Documentation and Measurement Requirements**

### Financial Documentation

- Current financial statements of business entity and its affiliates
- Commitment letter(s) from all financial partners in project
- Projected financial statements
- Completed Project Cost Statement
- Annual Audited Financial Statements as requested

### Energy System Documentation Requirements

- Energy System Commissioning Plan
  - Owner's project requirements
  - Energy efficiency goals
  - Basis of Design (BOD)
- Installation Verification
  - Installation inspection
  - System performance testing
  - Evaluation of results compared to BOD
- Summary Commissioning Report
- Minimum Energy Performance Design Submittal

## **Minimum Energy Performance**

The intent of the program is to establish a minimum level of energy efficiency for the proposed building and systems and to design the building project to comply with both

- The mandatory provisions of ASHRAE/IESNA Standard 90.1-2004(without exceptions); and
- The prescriptive requirements or performance requirements of ASHRAE/IESNA Standard 90.1-2004 (without exceptions)

Projects which optimize energy performance achieving a at least 50 % of the available points in the Optimize Energy Performance category under the Energy and Atmosphere Section will be eligible for an interest rate of 0.0 %. Other projects achieving between zero and 50 % of the points in the Optimize Energy Performance category under the Energy and Atmosphere Section will be eligible for an interest rate of 3.0 %. LEED

certified projects failing to achieve points in the Optimize Energy Performance section will be eligible for financing at a fixed interest rate of 6.0 %.

Personal, corporate or governmental loan guarantees will be required.  
All legal fees associated with the loan closings will be paid by the borrower.  
Projects must provide pre-construction estimates for LEED points and must provide LEED score sheet. GRE will require third party verification of energy savings through an accredited LEED Engineer.

GRE will provide a lender's commitment for the project based upon the project LEED Certification level to calculate the interest rate. Interest rate adjustments may occur as a result of the final LEED Certification designation.

### **Terms and Conditions**

The loan amounts will cover 100 % of the total eligible project costs with a maximum loan amount of \$1,000,000 per project.

The LEED Financing will be established on a ten (10) year maximum maturity. Annual energy efficiency payback calculations will be used to market the term of the loan.

The fixed interest rate charged for each loan will be determined by the GRE Business and Community Financing Committee and will LEED Certification Level according to the minimum energy performance of the building.

### **LEED Application Financing**

Eligible applicants may also receive funding for 100 % of the costs associated with the LEED Certification application. The LEED application financing will be structured as follows:

- Zero percent interest rate (0.0 %)
- Five Year Maturity
- Maximum Loan amount is \$100,000
- Loan may be rolled into permanent LEED financing at the time of loan closing

If the project applicant does not receive financing from Great River Energy for the LEED Certification incremental costs of the project, the LEED Application Loan will remain in place for the full maturity.

### **Loan Process**

Great River Energy will accept applications at any time for the LEED Financing Program. Completed applications will be reviewed by the LEED Financing Committee

throughout the calendar year. Loan decisions will be made on completed applications with 30 days of receipt of complete application.

### **Borrower Qualifications**

Applicants must demonstrate credit worthiness and repayment ability. A complete credit review will be completed for each applicant. Standard commercial lending criteria will be utilized to determine credit worthiness. Application required attachments include:

- Business Description of Applicant
- Description of Project
- Financial presentation
- LEED Application materials
- Energy modeling study completed by an accredited LEED Engineer

### **Reporting Requirements**

All projects must provide detailed updates of the project during the construction process. Final Certification documentation must also be provided. Projects failing to meet the projected LEED certification level may be subject to higher interest rates and or other modifications to the low interest loan.

### **Repayment Options**

Great River Energy will receive loan payment on a monthly or quarterly timeline. Payments will be made directly to Great River Energy through the US mail, electronic funds transfer or other method of payment as approved by the GREAT RIVER ENERGY Accounts Payable Department.

### **Demonstration Project**

The projects receiving financing through this program agree to be a case study (demonstration project) for use by GREAT RIVER ENERGY to promote energy conservation and efficiency. Project demonstration may include but is not limited to project site visits, printed materials, management testimonials, showcase at trade associations and other means as determined.

### **Lending Partners**

An Intercreditor Agreement will be executed between GREAT RIVER ENERGY and all lenders in the project. This agreement will describe the relationship of collateral expectations, lien position, loan and payment distributions, and loan collection provisions in case of default.

