
2025-2026 Strategic Plan

Minnesota Climate Innovation Finance Authority

Introduction

Minnesota Climate Innovation Finance Authority’s (MnCIFA) Strategic Plan serves as guidance for the staff and board by defining the lending activities that will be undertaken over a two-year period. MnCIFA is required to submit a strategic plan to the legislature by December 15 on every even numbered year. While MnCIFA’s Investment Strategy is the primary public document MnCIFA uses to state organizational intentions to external partners, the Strategic Plan is intended for audiences internal to the organization. It focuses on operational priorities, specifically the markets MnCIFA targets and what lending activities the organization will focus on during the two-year period.

This plan differs in format and content from a typical strategic plan. Many components of the plan are dictated by Minnesota Statutes, section 216C.441, including identifying target underserved markets, programs to serve those markets, annual targets or goals for lending levels and outcomes for each of those programs, and outreach and marketing strategies to advance those programs. All projects supported by these programs must meet the statute’s definition of a Qualified Project (see Terminology section for this and other definitions relevant to this plan).

The Strategic Plan is intended to be a living document that can be modified at any time with approval of the board. Staff will regularly assess the effectiveness of the program areas and suggest modifications as needed to meet MnCIFA’s goals. MnCIFA will report on progress annually consistent with statutory requirements. This reporting will be organized around the target markets and programs identified in the plan.

Plan development process

[Statutory language: “...must actively seek input regarding activities that should be included in the strategic plan from stakeholders, environmental justice communities, interested members of the public, and participants, including via meetings required under subdivision.”]

MnCIFA established an engagement process to ensure members of the public had opportunities to provide their input into the Investment Strategy and Strategic Plan. As a part of this engagement process, MNCIFA heard from hundreds of individuals and organizations from affordable housing groups, environmental and energy nonprofits, environmental justice communities, labor organizations, lending authorities, local governments, utility groups, and interested members of the public. MnCIFA collected feedback from these individuals through a variety of methods including one-on-one interviews, group interviews, group engagement sessions, public input meetings, public board meetings, and online surveys. Feedback collected from MnCIFA’s engagement process was evaluated and incorporated into this Strategic Plan.

Targeted underserved markets

[Statutory language: “Identify targeted underserved markets for qualified projects in Minnesota.”]

Since its inception, MnCIFA representatives have been analyzing financial needs within various markets that meet MnCIFA’s statutory requirements and are unlikely or unable to tap into private capital. Sources for analysis include but aren’t limited to [A Green Recovery for Minnesota: Job Creation, Environmental Justice, and Clean Energy](#), proposals received in the spring 2024 Request for Information submissions sponsored by MnCIFA, input collected by staff from ongoing engagement with project proposers, and public input gathered intentionally during the development of the investment strategy and strategic plan. The results indicate MnCIFA should focus on the following underserved markets:

- Projects directly benefiting Environmental Justice Communities.
- Projects that have a higher initial cost but that provide for substantially more affordable utility bills.
- Projects that take advantage of the Inflation Reduction Act’s ITC Direct Pay incentives.
- Projects that decarbonize existing processing industries.
- Innovative lending programs that encourage the replacement and electrification of inefficient HVAC equipment and appliances.
- Manufacturing facilities that produce products essential to the decarbonization market.
- Community solar gardens and other projects that serve Environmental Justice communities.
- Publicly owned projects including but not limited to schools, higher education institutions, and housing.
- Multifamily and single-family housing.
- Rural areas and small communities.
- Tribal Nations.

Meeting commitments to Environmental Justice Communities

*[Statutory language: “The authority’s targets and strategies must be designed to **ensure that no less than 40 percent of the direct benefits of authority activities flow to environmental justice communities as defined under subdivision 2, by the United States Department of Energy, or as modified by the department.**” (emphasis added)]*

To comply with the Minnesota Statutes, section 216C.441, subdivision 8, MnCIFA’s targets and strategies must be designed to ensure no less than 40 percent of the authority’s direct benefits flow to Environmental Justice Communities (EJC) as defined under subdivision 2, by the United States Department of Energy. For the first two years, MnCIFA will define “direct benefit” as dollars invested in a specific area such as an EJC. Eventually, MnCIFA will expand its capacity to measure different types of benefits and, in doing so, the definition of “direct benefit” may evolve. This is not to imply other societal benefits of proposed projects will not be an important consideration during the plan’s implementation period. Information and context about each project along with the proposer’s best understanding of additional societal benefits, such as those listed below, will be considered during the review process. Projects that provide additional societal benefits could include but are not limited to:

- Projects that provide housing for low-income populations and individuals experiencing homelessness.
- Projects that could reverse negative trends in communities that have experienced violence and economic challenges.

- Projects with significant local community support.
- Projects that provide small business incubating space and the assistance, support and training needed for positive outcomes with these ventures.
- Projects that help individuals who have been displaced due to the cumulative impacts of pollution, gentrification, or the effects of climate change.
- Projects targeting urban and small rural farming operations that support increased food security.
- Projects that prioritize the employment of local workers.

In the projects that MnCIFA has approved for funding to date and prior to the finalization of this strategic plan, at least one of the above stated factors was associated with the project.

Financing programs and related annual goals

The financing programs below have been developed to deliver project opportunities to targeted underserved markets. The programs were developed based on feedback received from formal and informal comments from members of the public and information culled from the Request for Information process.

The programs are intended to guide the activities of MnCIFA over the next two calendar years. MnCIFA staff will continue to engage with project proposers and assess whether and how well the programs are accomplishing the Authority's goals. Staff will suggest new or modified programs to the board during the next two years as needed to meet MnCIFA's goals.

Each program identified below includes annual goals regarding the level of investment and overall impact of the program. The projected level of greenhouse gas emissions reduction and installed generating capacity (or level of energy savings) will be dependent on the specific project being proposed. MnCIFA staff will develop additional detail for each of these metrics based on individual projects, which will be included as context when the board is considering action on lending. A summary of the high-level estimates of program impact is included below.

As MnCIFA builds its organizational and staff capacity, the Board and its Committees will be engaging in development and review of investment and operational procedures to implement the Investment Policy and Strategic Plan. This will include, but will not be limited to, the process for generating and reviewing investment opportunities, applying investment criteria, weighing the characteristics and impacts of projects based on the priorities listed here and the financing programs listed in the Strategic Plan.

Tax credit lending

A provision in the Inflation Reduction Act made it possible for non-profit entities and governments to directly claim tax credits for clean energy technology for the first time. This means they can receive 30 percent or more of the value of a project from the IRS the year after the project is put into service. However, many of these entities will still be challenged to provide the required up-front capital to complete the project.

MnCIFA will provide short-term bridge lending to enable non-profits and governments to develop projects eligible for federal tax credits. These projects may include any emissions-reducing technology that is eligible for federal tax credits. For example, MnCIFA's first loan supported The Heights project in Saint Paul to bridge federal tax credits for a geothermal district energy system that will provide heating and cooling to a mixed-use

redevelopment project. There may be cases in which for-profit entities would benefit from tax credit bridge lending, especially in communities where access to up front capital is a barrier. MnCIFA will consider these opportunities on a case-by-case basis.

Annual goals

MnCIFA seeks to support 10 of these types of projects each year, for a total of 20 during this planning period. MnCIFA will use \$5 million annually to support tax credit loans. The greenhouse gas reduction goal is 1,000 CO2 metric tons and the energy savings are 2,500,000 kWh. At least 50 percent of tax credit bridge lending in the term will be to projects in environmental justice communities.

Accessing pooled lending

MnCIFA is designated by the United States Department of Energy's Loan Program's Office (LPO) as a State Energy Financing Institution (SEFI). This designation enables MnCIFA to propose portfolios of projects to LPO to attract significant multiples (up to four times) of local financial support for projects in Minnesota. In other words, MnCIFA can finance much larger projects or portfolios than it could only using its own balance sheet by accessing federal lending pools like the LPO loan authority. In addition, new lending opportunities have been created by the Environmental Protection Agency's Greenhouse Gas Reduction Fund program. Nonprofits like Climate United and Coalition for Green Capital indicate that they are interested in co-investing in projects with local lending entities like state green banks.

MnCIFA will be pursuing these leveraging pooled lending opportunities for projects or portfolios of projects that fit the criteria of the partner lender. In the case of SEFI, this means a project or project portfolio size of at least \$130 million.

MnCIFA may pursue SEFI opportunities operating as the borrower, or in a supporting role to other entities that will be borrowing from LPO. In both cases, MnCIFA would provide all or some portion of the meaningful local support that is required by LPO (20 percent or more of the project cost). MnCIFA is currently pursuing SEFI application under both models. The former is a proposal to LPO to assist in financing solar on Minnesota schools, building on the state's successful grant program to help over 800 schools install solar on their buildings or property. MnCIFA will borrow directly from LPO and lease individual solar projects to school district properties. The second is a proposal by a large educational institution for a portfolio of efficiency, electrification, and renewable energy projects across their campuses. In this case, the educational institution would be the borrower, and MnCIFA would provide a portion of the meaningful local support.

Annual goals

Once agreements for accessing pooled lending sources are secured, MnCIFA seeks to finance 100 projects in 2025 and 200 projects in 2026 using these sources. MnCIFA funds invested in these years will be \$5 million and \$10 million respectively. The greenhouse gas reduction goal is 50,000 CO2 metric tons and the energy savings are 125,000,000 kWh. MnCIFA will strive for at least 50 percent of lending to projects leveraging pooled funds in the term will be to projects in environmental justice communities.

Debt financing

MnCIFA will provide direct debt financing to emissions-reducing projects. Clean energy technologies that serve underserved markets may need smaller deal sizes, longer loan terms, or lower interest rates than the private market is able to provide. MnCIFA is also able to defer interest payments to ensure projects can come to fruition. MnCIFA may seek to participate with other lenders in debt financing (selling a portion of the debt or co-lending) where appropriate.

Projects that could use debt financing might include projects seeking upfront capital, community or rooftop solar projects, heat pump or ground-source energy installations, or transportation electrification. For example, MnCIFA has approved the financing of a federally approved resiliency hub project in North Minneapolis. This investment, amounting to about 10 percent of the overall capital cost, will enable the minority lead developing organization to retain ownership of the project and to use it in its training program for local individuals.

Annual goals

MnCIFA seeks to support 10 projects annually in the 2025-2026 period with debt financing, utilizing \$5 million in lending capacity annually. The greenhouse gas reduction goal is 1,000 CO2 metric tons and the energy savings 2,500,000 kWh. MnCIFA will strive for at least 50 percent of debt financing projects to be in environmental justice communities.

Loan loss reserves

A loan loss reserve (LLR) is a type of credit enhancement that can act as a guarantee that financing will be repaid and can de-risk the investment for the financier to lend to projects that may not be able to meet more rigorous underwriting criteria. For example, private sector lenders may be unwilling to lend to customers with a low credit score or lack of credit score. An LLR can provide partial risk coverage to lenders—meaning that the reserve will cover a pre-specified amount of loan losses. For example, an LLR might cover a lender's losses up to 10 percent of the total principal of a loan portfolio. The financial institution working with MnCIFA can draw on the LLR to cover losses on defaulted loans according to the terms of the loan loss agreement. MnCIFA will not be a direct lender to most household-level projects given the statutory minimum of \$250,000 for lending, but it can support residential projects by using a loan loss reserve to reduce the perceived risk of lending to under-resourced communities and supporting other lenders in the Minnesota market.

Most requests for a LLR product received by MnCIFA since its inception have related to projects in the residential market. Residential projects that might benefit from a LLR include energy efficiency improvements, HVAC retrofits for electrification, replacement of appliances with electric models, rooftop solar, or electric vehicle charging infrastructure.

Annual goals

MnCIFA seeks to commit \$5 million annually in the 2025-2026 period to loan loss reserves, should it find a partnership that advances these goals. The greenhouse gas reduction goal is 1,000 CO2 metric tons and the

energy savings are 2,500,000 kWh. This LLR might support 1,000 household level projects annually, with at least 50 percent of the project financing occurring in environmental justice communities.

Summary table of program goals and initial estimate of impact

Table 1. Summary table of program goals and initial estimate of impact

Program	2025	2026
1. Tax Credit Financing		
1.1 Number of projects	10	10
1.2 MnCIFA Invested Funds	\$5,000,000	\$5,000,000
1.3 Greenhouse Gas Reductions – CO2 Metric Ton	1,000	1,000
1.4 Energy Savings - kWh	2,500,000	2,500,000
1.5 Direct benefits (dollars) to Environmental Justice Communities	50%	50%
2. Accessed Pooled Lending		
2.1 Number of Projects	100	200
2.2 MnCIFA Invested Funds	\$5,000,000	\$5,000,000
2.3 Greenhouse Gas Reductions – CO2 Metric Ton	50,000	100,000
2.4 Energy Savings - kWh	125,000,000	250,000,000
2.5 Direct benefits (dollars) to Environmental Justice Communities	50%	50%
3. Debt Financing		
3.1 Number of Projects	10	10
3.2 MnCIFA Invested Funds	\$5,000,000	\$5,000,000
3.3 Greenhouse Gas Reductions – CO2 Metric Ton	1,000	1,000
3.4 Energy Savings - kWh	2,500,000	2,500,000
3.5 Direct benefits (dollars) to Environmental Justice Communities	50%	50%
4. Loan Loss Reserves		
4.1 Number of Projects	1,000	1,000
4.2 MnCIFA Invested Funds	\$5,000,000	\$5,000,000
4.3 Greenhouse Gas Reductions – CO2 Metric Ton	1,000	1,000
4.4 Energy Savings - kWh	2,500,000	2,500,000
4.5 Direct benefits (dollars) to Environmental Justice Communities	50%	50%

Outreach and marketing strategies

[Statutory language: “Develop outreach and marketing strategies designed to make potential project developers, participants, and communities aware of financing and technical assistance available from the authority, including the deployment of community navigators.”]

MnCIFA engaged in significant outreach efforts specific to the development of the Investment Strategy and Strategic Plan between August and November 2024. Besides quarterly public input sessions, staff made presentations to over two dozen interest groups and numerous conferences. These activities will be expanded upon with the hiring of at least one person whose primary function will be public engagement, education, and project assistance. Staff will work closely with the board members to develop additional strategies and connections that assure robust and broad engagement.

MnCIFA will enhance relationships with organizations such as the Minnesota Technical Assistance Collaborative and Clean Energy Resources Teams (CERTs) so their members understand what MnCIFA has to offer and to help ensure geographic balance in our financing programs. These organizations and others could act as MnCIFA's community navigators as they accomplish their missions while assisting MnCIFA with its related work. MnCIFA's executive director can also consider these potential strategies for outreach:

- Hiring at least one outreach position.
- Contracting with a communications agency to assist with messaging.
- Creating a website that will provide examples of projects that have received MnCIFA support and that makes applying for assistance easier.
- Working closely, perhaps contractually, with organizations that align with MnCIFA's strategic initiatives to create greater community awareness.
- Working with board members representing specific target groups to establish relevant subcommittees of the board or develop programming.
- Holding regular meetings with the board member representing EJs.

Terminology

The statute, 216C.441 Minnesota Climate Innovation Finance Authority, provides several definitions in subdivision 2 and subdivision 6(d). These terms may be relevant to the Investment Strategy and the Strategic Plan. Those of particular use to this strategic plan are:

- **Community navigator.** An organization that works to facilitate access to clean energy project financing by individuals and community groups.
- **Credit enhancement.** A pool of capital set aside to cover potential losses on loans and other investments made by financing entities, including a pool for multistate projects provided that benefits to Minnesota outweigh any contribution from the authority at least two to one. Credit enhancement includes but is not limited to loan loss reserves and loan guarantees.
- **Energy storage system.** Comprehensively defined here in Minnesota Statutes, section 216B.2422, subdivision 1.
- **Environmental justice.** Defined as follows:
 - communities of color, Indigenous communities, and low-income communities have a healthy environment and are treated fairly when environmental statutes, rules, and policies are developed, adopted, implemented, and enforced; and
 - in all decisions that have the potential to affect the environment of an environmental justice community or the public health of an environmental justice community's residents, due consideration is given to the history of the area's and the area's residents' cumulative exposure to pollutants and to any current socioeconomic conditions that increase the physical sensitivity of the area's residents to additional exposure to pollutants.

- **Environmental justice community** means a community in Minnesota that:
 - Is defined as a disadvantaged community by the federal source of funding accessed by the authority under this section; or
 - based on the most recent data published by the United States Census Bureau and meets one or more of the following criteria:
 - 40 percent or more of the community's total population is nonwhite;
 - 35 percent or more of households in the community have an income that is at or below 200 percent of the federal poverty level;
 - 40 percent or more of the community's residents over the age of five have limited English proficiency; or
 - the community is located within Indian country, as defined in United States Code, title 18, section 1151.
- **Loan loss reserve.** A pool of capital set aside to reimburse a private lender if a customer defaults on a loan, up to an agreed-upon percentage of loans originated by the private lender.
- **Securitization.** The conversion of an asset composed of individual loans into marketable securities.
- **Qualified projects.** a project, technology, product, service, or measure promoting energy efficiency, clean energy, electrification, or water conservation and quality that:
 - substantially reduces greenhouse gas emissions;
 - reduces energy use without diminishing the level of service;
 - increases the deployment of renewable energy projects, energy storage systems, district heating, smart grid technologies, or microgrid systems;
 - replaces existing fossil-fuel-based technology with an end-use electric technology;
 - supports the development and deployment of electric vehicle charging stations and associated infrastructure, electric buses, and electric fleet vehicles;
 - reduces water use or protects, restores, or preserves the quality of surface waters; or
 - incentivizes customers to shift demand in response to changes in the price of electricity or when system reliability is not jeopardized.
- **Local workers.** Minnesota residents who permanently reside within 150 miles of the location of a proposed project in which the authority is considering to participate.

Additional terms defined by MnCIFA

- **Program.** A category of greenhouse gas reducing technologies or services that will be the focus of distinct lending approaches.
- **Greenhouse gas emissions.** Emissions of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride emitted by anthropogenic sources.
- **Justice 40 Communities.** See above definition for Environmental Justice Community.