

PACE Drives a Flourishing Solar Revolution in Rural Minnesota

MinnPACE closes more than 100 deals in Farm Country.



Skaurud Farm in Gary, Minnesota

A few years ago, Vicki Skaurud learned from a solar developer that her family's sprawling northwestern Minnesota farm could take advantage of clean energy to manage utility costs and continue their tradition of environmental stewardship.

Located in the tiny town of Gary, about 30 miles from Detroit Lakes, the 20,000-acre farm grows soybeans, corn, sugar beets, dry beans, wheat and other grains. Twin Cities-based developer Blue Horizon Energy LLC reached out to the Skauruds and other area farmers to discuss the financial advantages of solar, including a hefty 30% tax credit, accelerated depreciation and the ability to pay back a loan on their property taxes.

Vicki Skaurud had not heard of Property Assessed Clean Energy (PACE) but loved the idea of paying the bank loan twice annually rather than in monthly installments. PACE "would rank up there" as a reason to install solar, Skaurud says. "Knowing that program was a possibility was very much a plus for doing it."

Today Skaurud Grain Farms boasts three solar installations, each producing around 40 kilowatts. Blue Horizon installed tracking solar photo-voltaic panels that follow the sun to optimize electrical generation for sale to a local cooperative, Wild Rice Electric Cooperative. Under the state's net metering the farm receives bill credit for the electricity generation. "It's been great," she said.

MinnPACE assisted the Skauruds and dozens of other Minnesota farms in installing solar panels through a collaborative partnership with solar companies and financial providers. The Skauruds received a PACE loan from the Spire Credit Union, which has provided financing to several solar farm projects.

The MinnPACE Solution

Loan officer Michael Linder said MinnPACE managed more than 100 PACE loans for solar installations on farms or a third of its PACE portfolio. Solar represents 70% of all MinnPACE loans.

Except for 2020, PACE loans to farmers for solar "has seen a steady growth because of the continued tax benefits to farmers and the depreciation," Linder said. "They like the environmental benefits and realizing the huge potential government incentives for installing solar."

MinnPACE has joint powers' agreements with 65 counties to allow for PACE financing. The Skauruds' project led Norman County to approve PACE, Linder says.

The MinnPACE Advantage

PACE loans hold several advantages for farmers. Generally, they pay no upfront cost because the program does not require a loan-to-value ratio. The first PACE assessment comes the following year after solar has been installed and tax credits taken at the end of the year.

Solar Partners

Several solar firms and lenders participate in farm projects. Among the most active companies include solar developer Blue Horizon and Spire Credit Union. Along with MinnPACE, they form part of the three-legged stool for PACE and solar in rural Minnesota.

The Solar Firm: Blue Horizon

Farmers have seen the light of solar, and they like it. Blue Horizon owner Griffin Dooling is “seeing a lot of interest from agribusinesses across the whole upper Midwest, obviously, in Minnesota, especially, but across our whole five-state area.”

Blue Horizon has many farming clients who spend from \$100,000 to \$300,000 a system, with \$200,000 being the rough average. Driving the appeal is locally produced energy production and a host of incentives that significantly drive down the cost for what amounts to free energy.

First, the federal government offers a 26% federal investment tax credit. Second, solar has a 100% “bonus” depreciation, meaning farmers can take 100% depreciation in the first year. Dooling explains that a \$100,000 solar investment could yield \$26,000 in tax credits and \$30,500 in depreciation for a farmer in the 35% tax bracket. Farmers can also take advantage of utility incentive programs and the United States Department of Agriculture’s *Rural Energy For America*.

The Lender: Spire Credit Union

Matt Meyers, PACE lender and senior commercial credit analyst at SPIRE Credit Union, says many farmers embrace MinnPACE because the loans do not involve any upfront investment. Commercial loans, in contrast, typically demand 25% upfront cash for similar projects. PACE loans provide long-term, fixed-rate financing “that’s another nice benefit,” he says, for 10-to-15-year term loans.



“They’re locking up your payment, and its going to be a consistent affordable payment for (farmers) for the life of the PACE assessment.”

—Matt Meyer, SPIRE Credit Union



Skaurud Farm

At Skaurud Farm, Vicki believes solar panels have been a wise investment. By tracking the sun and weather conditions, the solar panels respond nimbly to the shifting patterns of light and the presence of snow and wind. They move horizontally on windy days, vertically during and after snowfalls. “Why not invest, especially in northern Minnesota, in technology that captures as much light as you can?”

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