

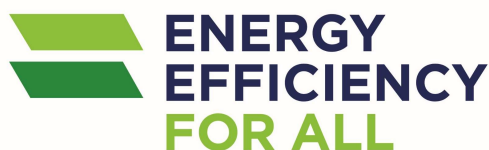
# New Energy Efficiency Financing Options for Improving Multifamily Housing

Tuesday, August 6<sup>th</sup>, 2019



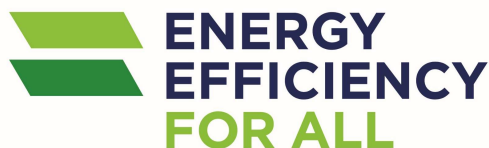
# Presenters

- Brittany Turner, MEEFA / EcoWorks Detroit
- Todd Parker, Michigan Saves
- Kim Stevenson, Inclusive Prosperity Capital
- John D'Agostino, Inclusive Prosperity Capital
- Bettina Bergoo, EEFA / NRDC (Moderator)



Question: What has your experience been with efficiency in MF?

*Answer in the chat box!*





# OUR PROGRAMS



## Residential Education

Residential Education programs empower people to take control of their utility bills to save energy, water, and money. EcoWorks' trainings do not just educate – they provide the knowledge, motivation, and tools for attendees to take action and lower their utility bills.

[LEARN MORE](#)

### CONTACT US:

22400 W. Seven Mile Rd.  
Detroit, Michigan 48219  
Tel: 313.894.1030 ext 122

Alicia Miller  
Residential Education Manager  
amiller@ecoworksdetroit.org



## Youth Energy Squad

Youth Energy Squad grows the next generation of green leaders by engaging youth from diverse backgrounds in hands-on service learning projects that make their homes, schools and communities more sustainable.

[LEARN MORE](#)

### CONTACT US:

22400 W. Seven Mile Rd.  
Detroit, Michigan 48219  
Tel: 248.228.7595

Bryan Lewis  
Program Director  
bryan@youthenergysquad.org



## Strategic Community Initiatives

Strategic Community Initiatives (SCI) serves as a catalyst for green initiatives across Michigan by working with local government, neighborhoods and businesses to build partnerships and provide expertise that bring solutions to life.

[LEARN MORE](#)

### CONTACT US:

22400 W. Seven Mile Rd.  
Detroit, Michigan 48219  
Tel: 248.956.1150

Briana DuBose  
Director  
bdubose@ecoworksdetroit.org



**ENERGY  
EFFICIENCY  
FOR ALL**

# EcoWorks

## Strategic Community Initiatives



### EcoWorks' Services

#### Technical Assistance

- Facilitate stakeholder meetings and training
- Utility bill optimization and benchmarking
- Energy efficiency and renewable energy consultations
- Energy management
- Facility assessments and audits
- Professional development for energy managers and staff

#### Energy Planning

- Integrate energy goals and programs into broader development plans
- Prioritize energy projects according to organizational goals
- Identify sustainable financing methods for energy projects

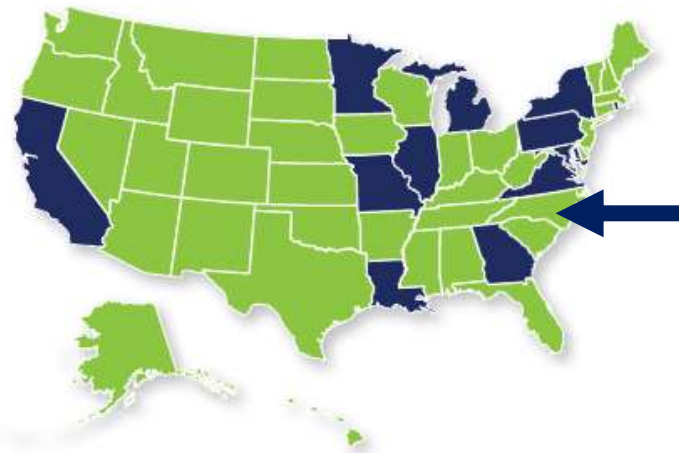
#### Project Management

- Owner's representation
- QA/QC and project evaluation
- RFP development
- Start-to-finish oversight
- Financing recommendations
- Impartial contract review



# ENERGY EFFICIENCY FOR ALL

**Mission:** making  
multifamily homes  
healthy and  
affordable  
through energy  
efficiency.



**Update:**  
Now  
including  
North  
Carolina

**Working to reach 5 million  
homes in twelve states  
across America**







ENERGY  
EFFICIENCY  
FOR ALL

# Michigan Energy Efficiency for All (MEEFA)



**ELEVATE ENERGY**  
Smarter energy use for all



ENERGY  
EFFICIENCY  
FOR ALL



# Michigan Energy Efficiency for All (MEEFA)

**EEFA Mission:**  
making multifamily  
homes  
healthy and  
affordable  
through energy  
efficiency.

## MEEFA Goals:

- reduce energy consumption
- reduce pollution
- preserve housing affordability
- create healthier and more comfortable living environments





# Energy Characteristics of Affordable Multifamily Housing

“Nearly all **(93%)** very low income households who live in multifamily housing units are renters (AHS 2010).

And in rented multifamily units, energy expenditures run...

- **41%** higher than in **renter**—occupied single family detached units, and
- **76%** higher than in **owner**—occupied single family detached units.”



*Source: EEFA. Program Design Guide for Energy Efficiency Programs in Multifamily Affordable Housing. May 2015.*

# Energy Costs Opportunity

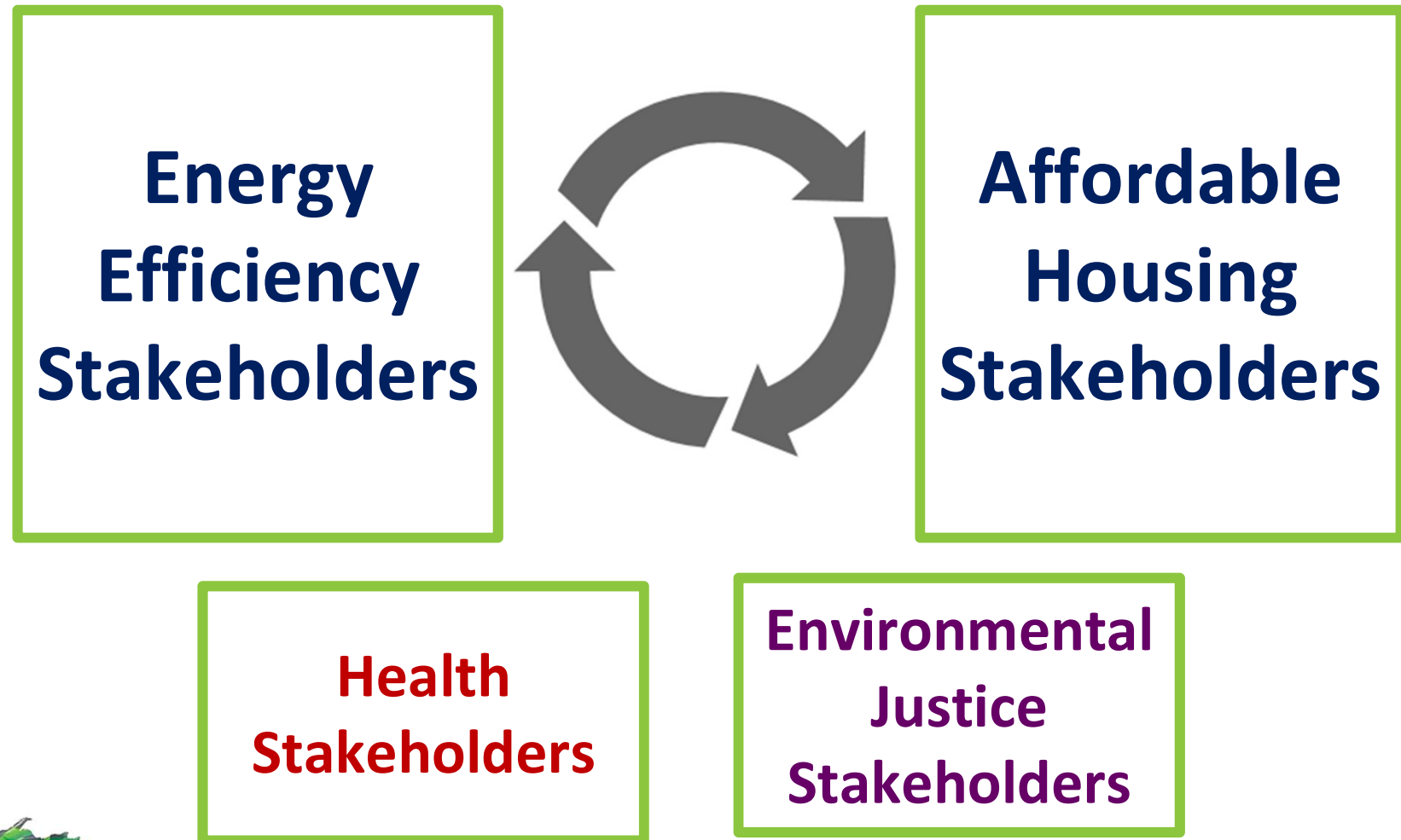
Operating expenses for all subsidized properties operating income and expense data for master metered properties



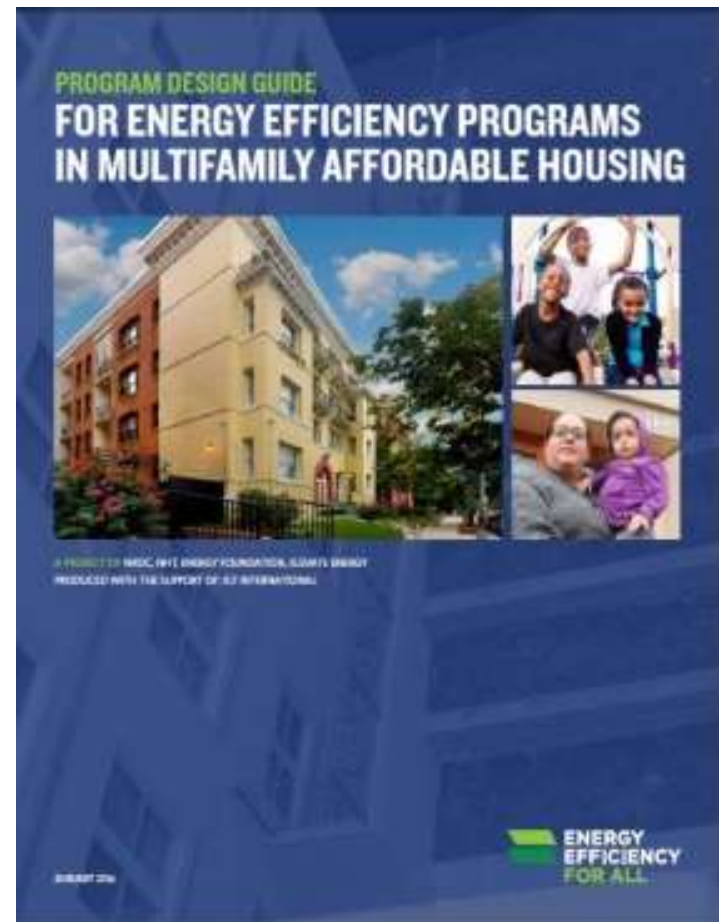
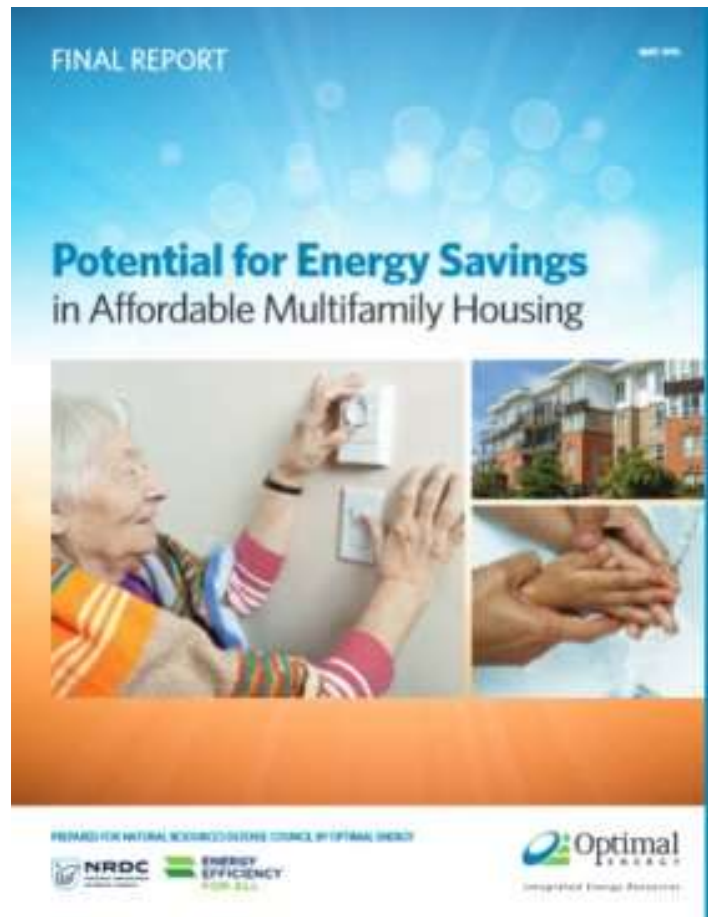
**ENERGY  
EFFICIENCY  
FOR ALL**

Source: National Apartment Association. 2018 Survey of Operating Income & Expenses in Rental Apartment Communities.

# Our Approach



# Our Approach



Source: EEFA. <https://www-new.energyefficiencyforall.org/>

# MEEFA 2019 Strategic Approach

1. Energy Cases (DTE Integrated Resource Plan (IRP), Consumers Energy Waste Reduction (EWR), DTE EWR, I&M EWR)
  - Including building owner demand for existing EWR Programs
2. Health & Energy Nexus
3. City Impact
4. Housing and Energy Policy via State Legislature/State Agencies
5. Broadening & Strengthening our Network/Power-Building



# MI Public Service Commission (MPSC) Low Income Energy Waste Reduction Work Group

## **VISION**

- All Michigan residents live in efficient, affordable, safe, and healthy homes.

## **MISSION**

- To coordinate and optimize energy efficiency and clean energy offerings, to improve energy affordability and quality of life for Michigan's low-income residents, and to improve program design, accessibility, and delivery.





# How to get involved/learn more about the LI EWR Work Group?

- The workgroup is scheduled to meet on the first Thursday of every month, unless stated otherwise.
- The next Workgroup meeting to be scheduled in October, 2019
- To join the workgroup or learn more contact – Brad Banks, MPSC Staff,  
[BanksB1@michigan.gov](mailto:BanksB1@michigan.gov)



# Coming Soon!

## Green Affordable Housing Resource Hub

*Sign up for the MEEFA newsletter at [meefa.org](http://meefa.org) to know when it goes live!*

MEEFA – [www.MEEFA.org](http://www.MEEFA.org)

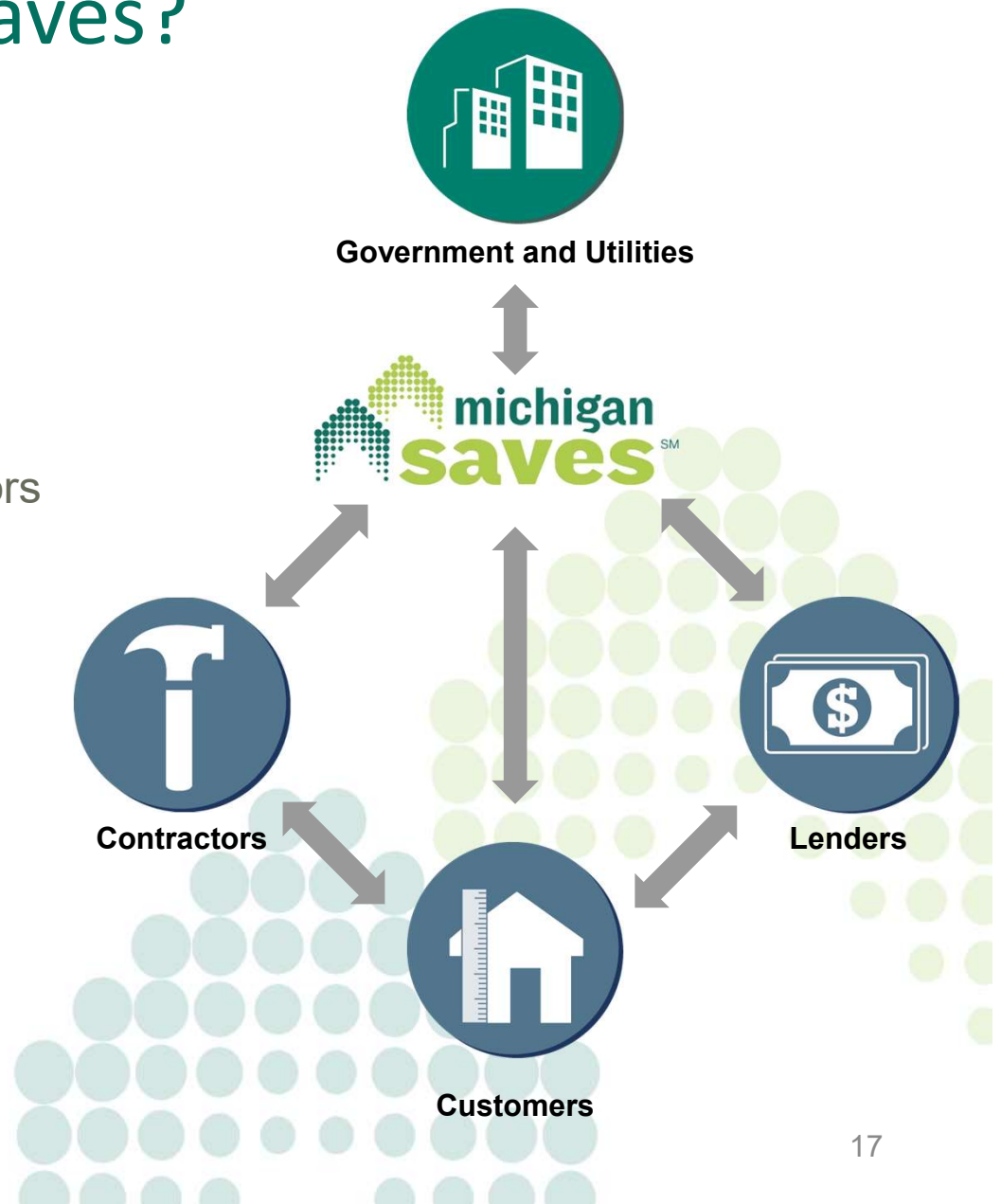
Energy Efficiency for All - [www-new.energyefficiencyforall.org/](http://www-new.energyefficiencyforall.org/)

Network for Energy, Water, and Health in Affordable Buildings (NEWHAB) –  
[www.energyefficiencyforall/NEWHAB](http://www.energyefficiencyforall/NEWHAB)



# What is Michigan Saves?

- Nonprofit, green bank
- Process driven by research and stakeholders
- Loss reserve for lenders
- Oversight of authorized contractors
- Program guidelines and quality control
- Demand for energy efficiency through outreach and incentives



# What is Michigan Saves?



# Results

(Through June 30, 2019)

Customers served	<b>15,619</b>
Amount financed	<b>Over \$196 million</b>
Leverage ratio	<b>20 to 1</b>
Lifetime electric savings	<b>1.9 million megawatt hours</b>
Lifetime gas savings	<b>60 million therms</b>
Greenhouse gas savings	<b>1.6 million metric tons</b>
Default rates	<b>Less than 2 percent</b>

Five- to seven-year goal:

**Finance \$1 billion of energy improvements**

## **Kim Stevenson**

Director of Strategic Initiatives

[kim.stevenson@inclusiveteam.org](mailto:kim.stevenson@inclusiveteam.org)



## **John D'Agostino**

Director of Financing Programs

[john.dagostino@inclusiveteam.org](mailto:john.dagostino@inclusiveteam.org)





## About Inclusive Prosperity Capital

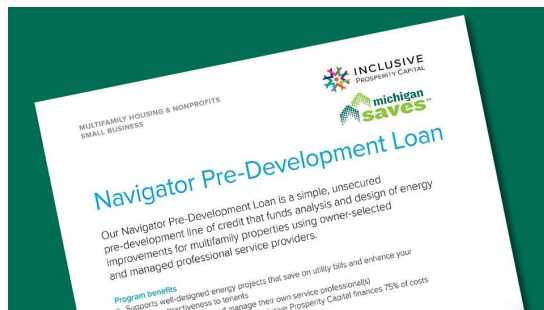


We believe everyone should have access to the **benefits** of clean energy:

- A cleaner, more resilient environment in the face of climate change
- Healthier communities & buildings that create **positive social externalities**
- **Sustainable economic value creation**: reduced energy burdens, increased household/business savings, and enhanced community productivity

**Our multifamily products are designed to help property owners and residents save on energy and operating costs, improve the living environment for residents, improve property values and preserve affordable housing.**

## What IPC Offers Multifamily Housing



**Financing, Strategic Partnerships and  
Guidance to catalyze multifamily  
energy projects**



## How is this accomplished?

- Many older properties are in need of capital improvements that include HVAC systems, energy efficiency improvements, and health and safety challenges
- Smart energy improvements can significantly reduce energy and other operating costs for owners and residents
- H&S issues must often be addressed before energy improvements can be implemented
- Funding is needed to assess, design, and implement
- Financing must often accommodate restrictions and covenants on existing debt



## CASE STUDY 1



### Holistic Approach: Unlocking Cash Flows for Sustainable Building

#### East Meadow Condo Association, Manchester, CT

Description:	Lighting, boilers, roof replacement, insulation
Total Project Costs:	\$654,000
Utility Incentives:	<u>\$34,000</u>
Financed:	\$620,000
Estimated Annual Savings:	\$79,000
Annual Debt Service:	\$53,000, 1.48 DSCR
<b>Estimated Free Cash Flow:</b>	<b>\$26,000</b>
Financing Terms:	20 years, 6.00%
Payback Period:	7.8 years



[www.ctgreenbank.com/our-stories/](http://www.ctgreenbank.com/our-stories/) - multifamily

Energy improvements yield significant savings, unlocking cash flows that cover debt service – often for additional improvements such as needed structural, health or safety work.





## Preservation of Affordable Housing

### Seabury Coop, New Haven, CT

88 units, adj. to Yale campus  
Property in physical and  
financial distress

Annual energy costs: over  
\$226K per year (>  
\$200/unit/ month)

Navigator Pre-Dev Loan:  
Concurrent UHAB Operating  
Loan

\$350K  
\$500K

Energy Upgrades planned:

Electric boiler replacement,  
lighting, windows, roof  
insulation

Health & Safety:

REAC repairs, electrical  
hazards

Term Financing anticipated

HUD insured loan



Energy and health and safety capital improvements, along with other financial resources leveraged using the Navigator Pre-Development Loan are preserving this critical affordable housing resource.



## Financing Project Pre-Development

- Energy Benchmarking
- Opportunity assessments and audits – holistic look at all fuel and technology options
- Design, engineering and bidding work
- Assessments of energy-related health and safety barriers
- Green physical needs assessments
- Green Design & Charrettes (for new construction)
- Financial packaging



Pre-Dev financing can be used for assessment & design of energy and health & safety measures.





## Financing Implementation

- Any measure incented by utility EE programs
- Renewable energy systems (solar PV, ST, etc.)
- Efficient fuel conversions (oil or electric to gas)
- Combined heat & power systems
- Energy storage & EV fueling stations
- Qualified health and safety measures
- Performance monitoring



# **Loan Products & Application Process**

## Navigator Pre-Development Loan

- A simple, unsecured pre-development line of credit that funds analysis and design of energy and health & safety improvements for multifamily properties using owner-selected and managed professional service providers.

Financing Terms	
Rate	Affordable properties: 1.99% Market rate properties: 3.99%
Term	Up to 24 months or upon project funding
Loan Details	No fees, unsecured Borrower pays 25% of approved costs, IPC funds remaining 75%
Underwriting	Simple process – borrowers must demonstrate ability to repay

## Catalyst Term Loan

- Loan supports energy improvement projects for low- and moderate-income multifamily properties and community-based non-profit organizations. It provides unsecured financing for new construction and renovation projects, including:


Financing Terms	
Rate	5.79-6.99%
Term	7-20, not including construction period
Security	Unsecured (not a mortgage, but other security may be sought)
Origination Fee	3.00% upfront (may be rolled into loan)
Underwriting	Project Energy Savings Coverage Ratio 1.20x+ for solar-only projects, 1.30x+ for efficiency projects Positive NOI, including savings from energy improvements Total DSCR of at least 1.10x based on trailing 18 months. Capital/replacement reserves 25% of loan amount

## Solar Power Purchase Agreement (PPA)


- Provides multifamily owners the opportunity to go solar with no money down and lock-in PPA electric rates (fixed or escalating options) for up to 25 years.
- A great option for housing authorities and non-profits who want to go solar, but are unable to monetize solar and other tax credits.

PPA Terms	
Price of Electricity	Must be lower than current price; negotiated for each property
Term	Standard 20-year term. 25-year terms available
Details	<ul style="list-style-type: none"> <li>• Third-party solar system owner maintains the system and manages all equipment and warranty issues</li> <li>• Technical and financial review of project so owners have confidence the system will meet electricity production targets</li> <li>• Purchase options available</li> </ul>

# Loan Application Process




[Contractor Center](#)
[Find a Contractor](#)
[About](#)
[News](#)
[Contact](#)




Catalyst Term Loan

**APPLY NOW**




Solar Power Purchase Agreement

**APPLY NOW**



Navigator Predevelopment Line of Credit

**APPLY NOW**



"The partnership between Michigan Saves and Inclusive Prosperity Capital brings the benefits of clean energy to traditionally underserved communities," said John D'Agostino, Inclusive Prosperity Capital's associate director. "Our suite of financing options allows us to work together to find the best financing solution for each building owner and project."

<https://michigansaves.org/inclusive-prosperity-capital/>



# Partnerships



*The Key To Affordable Housing*

# Reminder! How to get involved/learn more about the LI EWR Work Group?

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# Get in touch!

**Brittany Turner**

Energy Analyst

EcoWorks

[bturner@ecoworksdetroit.org](mailto:bturner@ecoworksdetroit.org)

[www.ecoworksdetroit.org](http://www.ecoworksdetroit.org)

**Briana Parker**

Project Policy Manager/MEEFA State Lead

Elevate Energy

[Briana.Parker@elevateenergy.org](mailto:Briana.Parker@elevateenergy.org)

[www.elevateenergy.org](http://www.elevateenergy.org)

**Kim Stevenson**

Director of Strategic Initiatives

[kim.stevenson@inclusiveteam.org](mailto:kim.stevenson@inclusiveteam.org)

**John D'Agostino**

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[john.dagostino@inclusiveteam.org](mailto:john.dagostino@inclusiveteam.org)

