EFFICIENCY FINANCING TOOLS FOR PRIVATE BUILDINGS

THE ROLE OF CITIES IN CREATING ACCESS TO FINANCING

Many building owners do not have the up-front capital to invest in energy efficiency upgrades without access to additional financing. Traditional lenders have historically been reluctant to make loans for energy efficiency, due to perceived risks which include lack of technical knowledge about building energy systems and difficulty securing such a loan when the building is already covered by a mortgage. Energy efficiency financing tools are designed to help property owners finance the up-front costs of energy efficiency upgrades and to demonstrate to banks and other financial institutions the possible returns from these programs so that they will increase lending to this segment. Cities can play an important role in helping to expand the options available to private sector buildings. There are several additional options that cities can help to make accessible for private sector buildings.

PITTSBURGH

GETTING STARTED ON FINANCING OPTIONS FOR PRIVATE BUILDINGS IN YOUR CITY

Property Assessed Clean Energy (PACE) Programs

PACE is a legal structure that allows a private lender to extend a loan for energy efficiency to a property owner with repayment tied to the local property tax system. The loan stays with the building if it is subsequently sold. More than 30 states have enabled PACE financing for clean energy projects.

- Question: Does your city offer any PACE programs to participate in?

Revolving Loan Fund (RLF) Programs

An RLF is a pool of capital from which loans are made and to which the loan repayments are returned and lent out again, usually at a discounted rate.

- Question: Is a Revolving Loan Fund offered by the city or state?

Utility Financing Programs

There are usually two types of financing programs: loan buy-down programs that reduce the cost of debt to finance energy efficiency and on-bill financing programs are where the borrower is billed for the loan as part of the utility bill.

- Question: Can you ask utility providers if they offer any of financing programs within your city?

THE ROLE OF CITIES IN ENABLING AND SUPPORTING THESE FINANCING TOOLS

EDUCATING LENDERS AND BUILDING OWNERS

- Cities can collect and disseminate information about energy efficiency financing programs on their website or at relevant stakeholder events
- Cities can offer workshops on energy efficiency financing
- Cities can document successful case studies to encourage action by other building owners

REVOLVING LOAN FUND PROGRAMS

- Cities can lobby state regulatory agencies to authorize a statewide revolving loan fund supporting energy efficiency
- With access to seed capital, cities can create their own revolving loan fund, focused on private sector buildings in the city

PACE PROGRAMS

- Cities can lobby state government to pass state legislation that enables PACE
- Once passed, cities can opt into PACE by authorizing it locally
- Cities can also provide support by providing start-up capital, administrative assistance, or help with consumer outreach

UTILITY LOAN PROGRAMS

- Cities can advocate for energy efficiency loan programs to state regulatory agencies and utilities or energy efficiency program administrators

FOR MORE INFORMATION

PACE

- LESSONS IN COMMERCIAL PACE LEADERSHIP: THE PATH FROM LEGISLATION TO LAUNCH
- PROPERTY ASSESSED CLEAN ENERGY (PACE)

REVOLVING LOAN FUNDS

- REVOLVING LOAN FUNDS (RLF): AN OVERVIEW
- REVOLVING LOAN FUND OPTIONS FOR INTERNAL AND EXTERNAL SOURCE

UTILITY LOAN PROGRAMS

- ON-BILL FINANCING AND REPAYMENT PROGRAMS
- ON-BILL ENERGY EFFICIENCY: AN OVERVIEW

WHAT OTHER EFFICIENCY FINANCING OPTIONS EXIST FOR PRIVATE BUILDINGS?

PERFORMANCE CONTRACTING	ENERGY SAVINGS AGREEMENTS
Energy Savings Performance Contracts or Guaranteed Energy Savings Contracts enable energy efficiency projects where the costs are paid for by the guaranteed savings realized from the efficiency upgrade. An energy efficiency service company (ESCO) identifies a portfolio of cost-saving investments, guarantees the savings, and finances and manages the project. The project is repaid from the savings.	Efficiency Savings Agreements are a pay-for-performance, off-balance sheet financing solution that allows customers to implement efficiency projects with no up-front capital expenditure. The provider pays for project development, construction, and maintenance costs. Once a project is operational, the customer makes service payments that are based on actual energy savings or other equipment performance metrics, resulting in immediately reduced operating expenses.
General Information About How Performance Contracting Works • ENERGY SAVINGS PERFORMANCE CONTRACTING • HOW ENERGY SAVINGS PERFORMANCE CONTRACTING CAN SUPPORT STATE ENERGY PLANNING • WHAT IS AN ENERGY SAVINGS PERFORMANCE CONTRACT? • ENERGY SAVINGS PERFORMANCE CONTRACTING (ESPC) TOOLKIT	**General Information About How Energy Savings Agreements Work** • WHAT IS EFFICIENCY-AS-A-SERVICE? • ENERGY SERVICE AGREEMENTS (ESAS)
Case Studies • ENERGY PERFORMANCE CONTRACTING • ARIZONA STATE UNIVERSITY • EMPIRE STATE BUILDING: NEW YORK, NEW YORK	**Case Studies** • CITI RIVERDALE DATA CENTER ENERGY SERVICE AGREEMENT (ESA) • KUAKINI MEDICAL CENTER • EFFICIENCY SERVICES AGREEMENT (ESA) IN BAR FACILITIES NATIONWIDE
Pros • Provides access to up-front capital for energy efficiency investments • Usually attractive for government and institutional buildings	**Pros** • Offers access to up-front capital for energy efficiency investments • Provides an incentive to pursue deeper, more innovative energy efficiency projects and can overcome split incentive challenges, especially if structured with on-bill repayment
Con • More limited appeal for commercial buildings • Does not address split incentive because owners can not easily pass on costs to tenants • Does not address issue, where building owners seeking to sell in coming years are reluctant to take on long-term debt	**Con** • Still a relatively niche and small market after 10 years of experience • Does not address issue, where building owners seeking to sell in coming years are reluctant to take on long term debt