



Better Buildings Neighborhood Program
Financing and Commercial Peer Exchange Call: *Strategies
for Marketing and Driving Demand for Commercial
Financing Products*

Call Slides and Discussion Summary

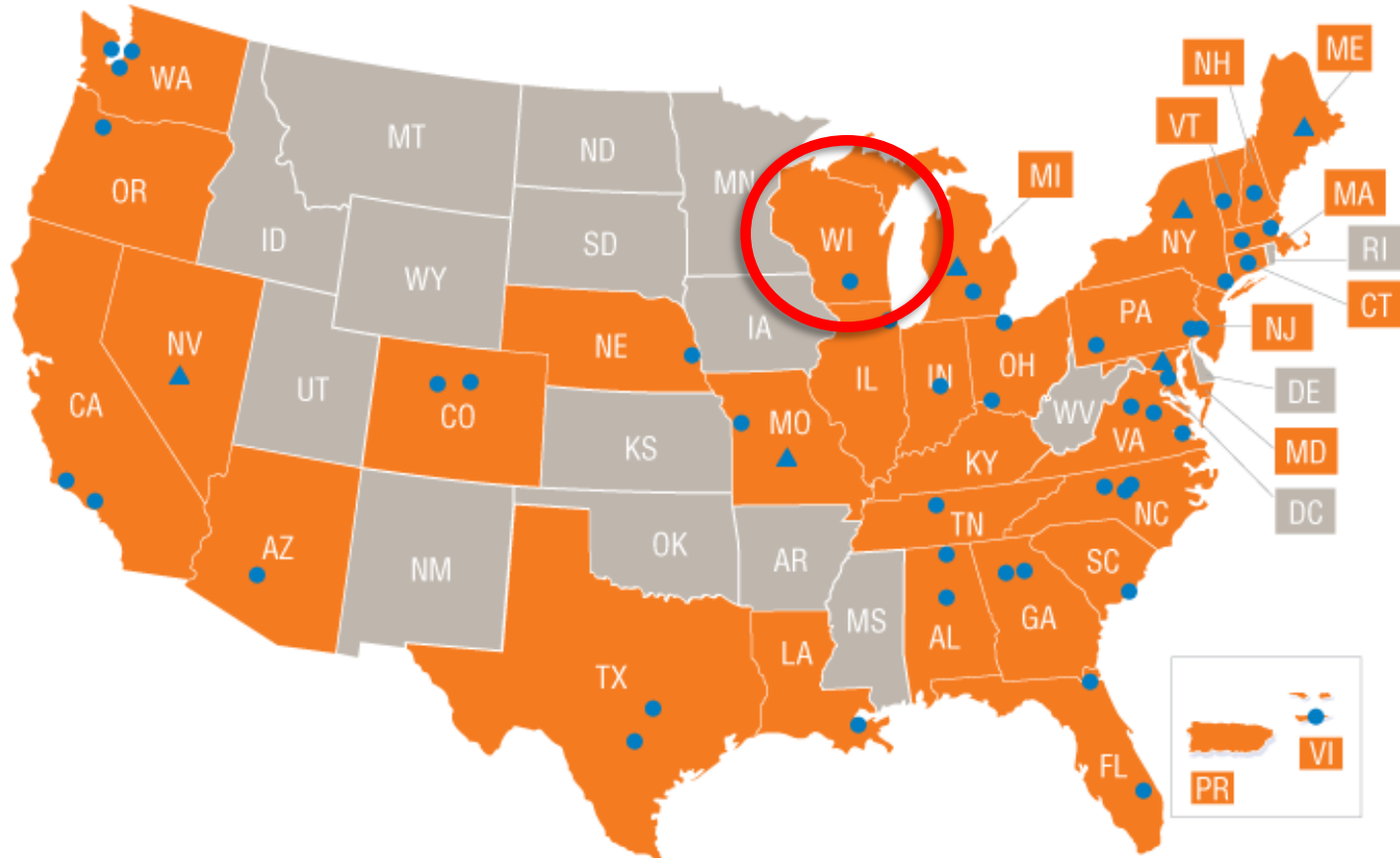
February 2, 2012

- Call Logistics and Attendance
 - What is your target market for commercial financing? How do you market financial products?
- Program Experience and Lessons:
 - Todd Conkey, Wisconsin Energy Efficiency (We2)
 - Al Gaspari, Greater Cincinnati Energy Alliance
 - Julie Metty Bennett, Michigan Saves
 - Mitchell Hayden, Energize Phoenix
- Discussion:
 - What kind of partners can help market commercial financial products?
 - What are challenges and strategies for attracting financial institutions?
 - What are challenges and strategies for encouraging commercial upgrades using programs' financial products?

Participating Programs

- Austin, TX
- Bainbridge Is., WA
- Bedford, NY
- Chicago, IL
- Cincinnati, OH
- Long Island, NY
- Maryland
- Michigan
- Milwaukee, WI
- New York
- Omaha, NE
- Oregon
- Phoenix, AZ
- San Diego, CA
- Seattle, WA
- Southeast Community Consortium
- Virginia

Wisconsin Energy Efficiency (We²)



We² Commercial Program

	Small Business	Commercial
Target	Tenants	Owner occupied, investment RE
Products	Term Loan supported by LLR	Debt Service Reserve, PACE and Interest rate buydown
Amounts	\$5,000-\$20,000	DSRF \$10,000-\$1,000,000 PACE \$20,000-\$5,000,000 IRB up to \$500,000
Bank	Summit Credit Union	Various
Term	3, 5 or 7 year	Various
Interest Rate	5.25%, 5.75 & 6.25% (Prime-indexed)	Various
Requirements	15% usage savings of impacted space	
Marketing Partners	Lenders, city staff, trade ally reps, utility reps, Focus on Energy advisors	

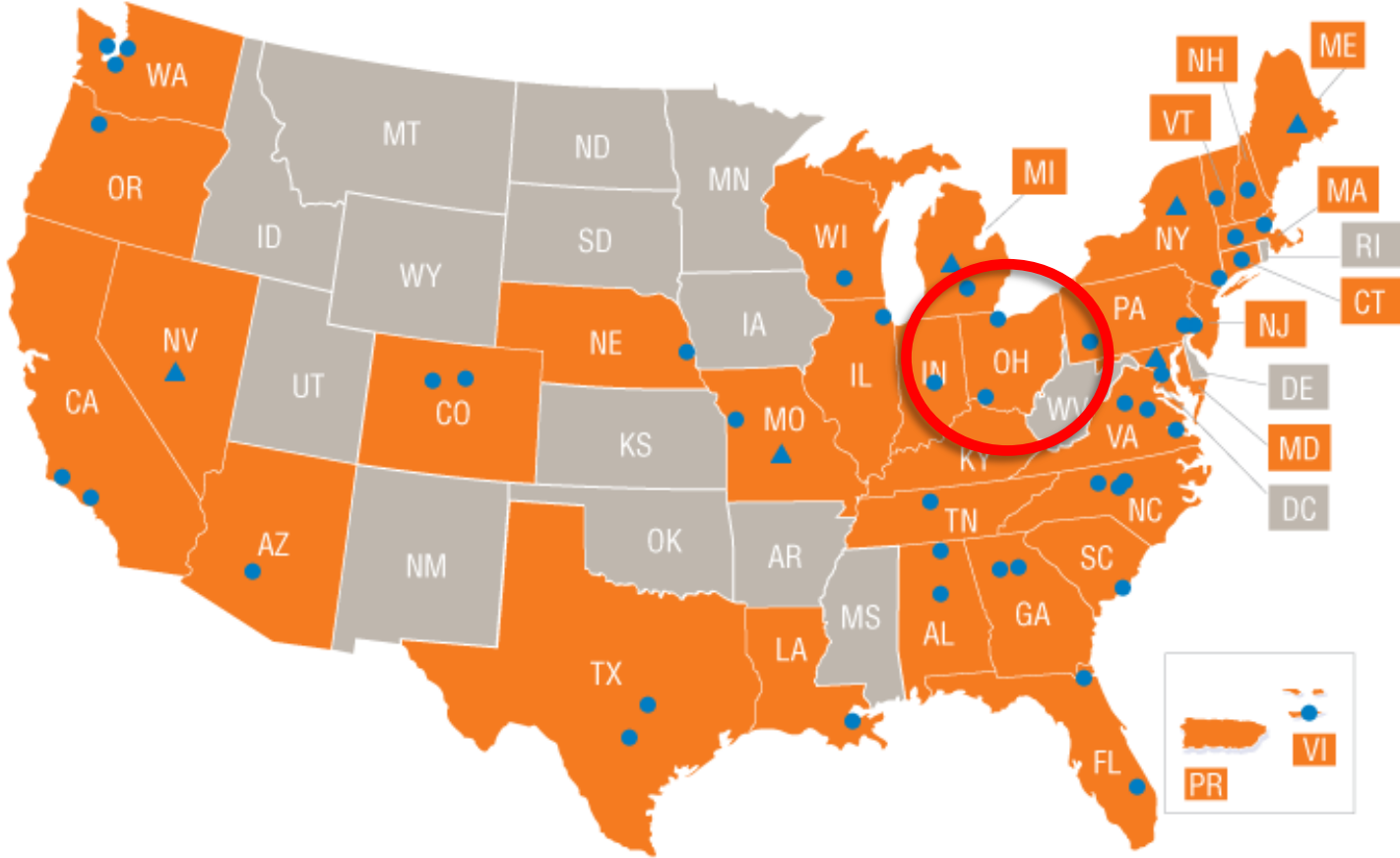


- Use a multi-bank approach to provide financing to a range of types of customers.
- Banks are hesitant to enter into an agreement with activity expectations, so the program moved to a model of establishing arrangements on a project-by-project basis.
- Group outreach to banks does not work; one-on-one outreach produced better dialogue and results.
- The program's interest rate buy-down generated interest, but the program found that a debt service reserve was needed as well.
- Provide escrow deposits to fund a debt service reserve.
- Work through "trade allies" such as contractors, distributors, etc. to market programs.
- ESCOs are great advocates and help with outreach for the program because they are interested in getting projects going.

Wisconsin: Challenges

- The small business portion of the program is more difficult; it is difficult to get the word out to those in this sector.
- Smaller transactions (i.e., \$15,000 or less) often will not get financed; customers have a low willingness to take on debt at this level.
- The relative value of this type of program for some banks is low because the dollar amounts are low compared to their overall portfolio; special agreements, reporting and federal requirements all make it less attractive as well.

Greater Cincinnati Energy Alliance





Greater Cincinnati Building Performance Loan Fund

- Partnership between Energy Alliance and Community Development Finance Institution
- Targeted to non-profit, with expansion to other sectors
- 3 Tiers of underwriting, credit and terms
- Underwriting criteria and process to match loan size
- Pre-screening

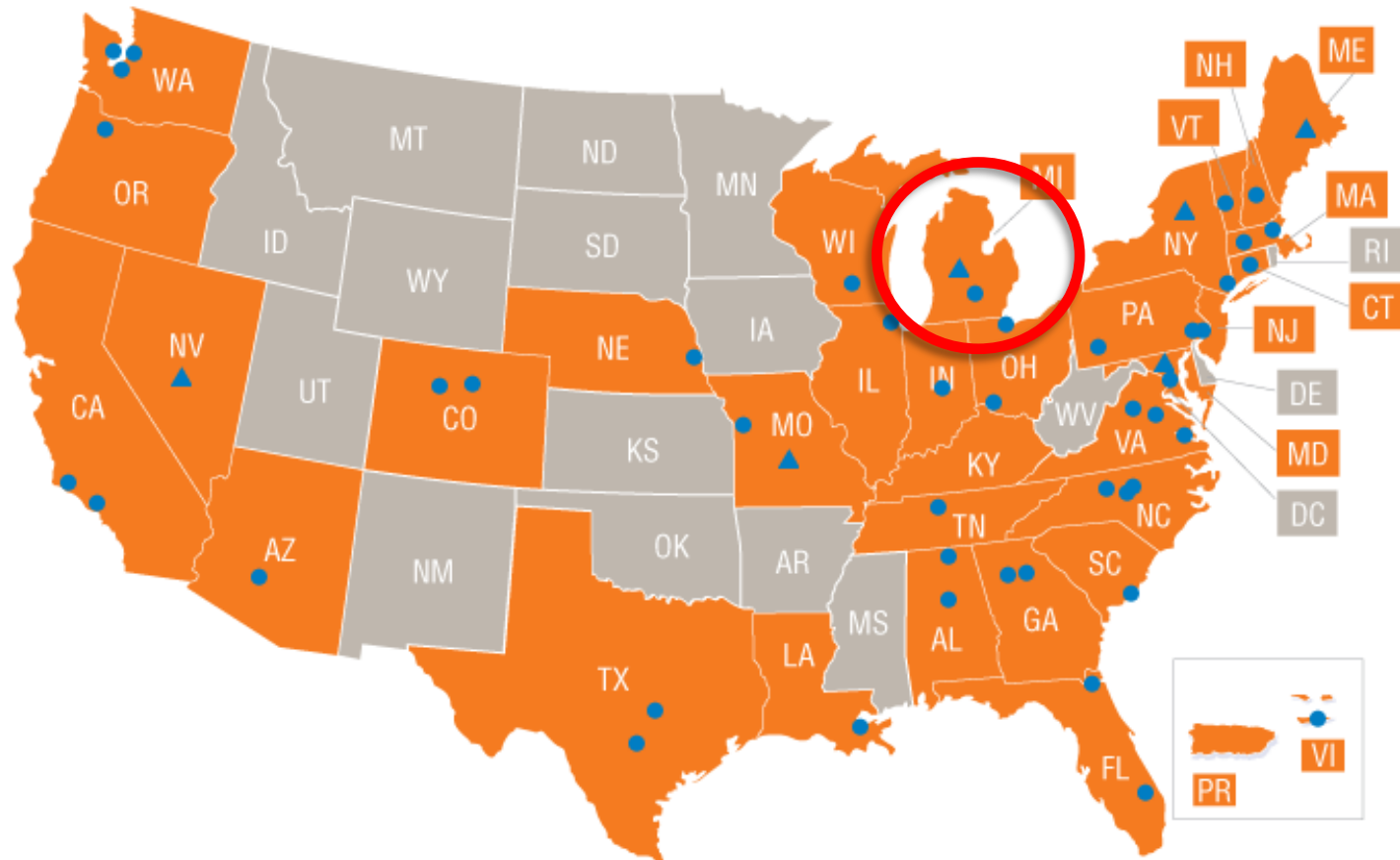
Marketing Strategy

- Multiply outreach efforts
- Increase interaction to participants at moment of need
- Non-Profit Parent bodies (Archdiocese, United Way, Foundations)
 - Marketing and underwriting assistance
- Bankers
 - Another tool for them to offer clients
 - May get project done otherwise
- Contractors
- Advisors – lawyers, accountants

- Use a tiered approach to offer appropriate financing for large, medium, and small institutions.
- Reach participants at the time of need (i.e., when boilers need replacement, when they are going to do renovations, or when they are buying new property).
- Generate a “pipeline” of demand through assessments and identify types of organizations and types of projects.
- Multiply outreach efforts by working with partners who can help to identify potential participants:
 - This includes advisors such as brokers, lawyers, and accountants who have knowledge of who may be in a position to take advantage of the program.
 - Contractors can be a key resource to find projects. They are in the field and know which projects will go forward as a result of additional financing.
 - However, partnerships take time to establish.

- Larger banks are more interested in the relationship with the customer than any one transaction. The program can be a way for the bank to initiate work with an organization and establish a relationship for the future.
- It is difficult to secure financing for smaller programs; they often cannot provide the necessary capital, and the projects are not attractive to traditional underwriters.
- Minimize under-writing costs for small commercial customers to reduce the up-front burden of financing.

Michigan Saves—Pilot Detroit



Commercial Energy Financing Program Pilot Detroit Overview



- Pilot Detroit launched last August (currently developing statewide program to launch Q2 2012)
- Focus on independent grocery stores
- Loan product details
 - Loans offered by Detroit Development Fund (CDFI)
 - Amounts up to \$150k, 5% rate, up to 7 year term
 - \$1,500 audit rebate and 1.99% rate for 20% energy savings
 - 50% loss reserve, claim 80% of loss
- Major marketing partners
 - Associated Food and Petroleum Dealers
 - DTE Energy
 - Authorized contractor network
 - SmartBuildings Detroit

Commercial Energy Financing Program Pilot Detroit Results



- 15 applications in two weeks
 - All pre-qualified, one closed
 - At least 6 commissioned energy audits
 - Driven by AFRPD
 - Demand exceeded available loan capital
- Larger loans (\$100k to \$150k) to achieve 20% energy savings
 - Motivated by the 1.99% rate

- Use partners to generate leads:
 - To drive demand, Michigan Saves has a lead generation agreement with the Associated Food and Petroleum Dealers. The program provides money to develop marketing materials and pays the association on a per-loan basis when the loan closes (flat fee). In a two-week period, the program received 15 loan applications as a result of this agreement. The trade association has been vital in driving demand for the program and accessing participants.
 - Previously, the program trained and authorized contractors to be “ambassadors” for the program but they did not see much uptake with this model.
- More participants are pursuing the audit track (vs. list of eligible measures) because it allows participants to get a 1.99% interest rate (instead of 5%).

Michigan: Challenges

- Loan underwriting can be an administrative burden. Michigan Saves is looking to purchase an IT solution to help with intake and make this more streamlined.
- It is more difficult to capture a business owner's attention than a home owner's.



City of Phoenix

ASU GLOBAL INSTITUTE
of SUSTAINABILITY
ARIZONA STATE UNIVERSITY



Commercial Finance Program



- Structure and Terms
 - \$ 15M Loan Fund (\$4M City and \$11 M bank)
 - City participates in each loan (30% - City, 70% bank)
 - Loans supported by \$2.25M loan loss reserve (Capped at 15% of total loan pool)

 - Loan size - \$50,000 minimum
 - Loan term – 12 months to 120 Months (max)
 - Loan type – collateral generally required based on loan size, term and underwriting
 - Interest rate – low fixed rate

Phoenix: Lessons Learned

- Energize Phoenix has had success with their rebate program. They are partnering with a local utility, and partnership allows Energize Phoenix to match the utility rebates and increase the incentive.
- There is good uptake on smaller commercial projects (i.e., lighting retrofits, small refrigeration, etc.). Larger projects take more time to develop because they require approval up the chain at the company, may require modifications to the capital improvement plan, etc.
- It is a lengthy process to pull together contracts with the lender; it is best to do this as soon as possible.
- Word of mouth is important. Highlight successes through social media venues such as Facebook, Twitter, and LinkedIn.
- Create flexibility in the loan program. Energize Phoenix allows parties to negotiate different terms of the loan program.
- Utility bill records are one way to assess credit-worthiness.
- It is easier to market rebates than loan products.

Phoenix: Challenges

- Getting uptake in the loan program. The Phoenix economy makes many people hesitant to take on debt right now. The program is hoping to generate more activity in the summer months when energy is in greater demand.

Suggested Future Call Topics

- Experience and data on the performance of loans
- Success stories on projects, including the type of enhancements and financing
- How to make commercial energy efficiency financing programs sustainable
- Effective strategies for working with lenders