



Energy Investment Partnerships: Leveraging Private Capital for Public Financing Programs

Wednesday, 2:00 –
3:15 PM

Energy Investment Partnerships

- Today's speakers:
 - Adam Zimmerman, Craft3
 - Toby Rittner, Council of Development Finance Agencies

Craft3 Energy Lending Programs



Lending to people, Investing for resilience

Craft3

- A Community Development Financial Institution (CDFI)
- A nonprofit and charitable corporation
 - Not a bank or credit union and does not take or insure deposits
- 22 years old, \$150 million in assets
- A regional institution serving Washington and Oregon
 - 55 people with *their feet on the ground* in rural and urban communities
- Focused on three bottom lines

Economy

Ecological

Family



Craft3 Energy Lending Goals

RESILIENT COMMUNITIES

- Strengthen Oregon and Washington communities by delivering flexible and inclusive investment products to projects that conserve energy and create future energy resources

OPPORTUNITY CLIMATE ECONOMY

- Increase the number of living wage jobs in renewable energy and energy efficiency industries
- Increase the opportunity for women and people of color to access jobs and business opportunities

EMERGING MARKETS

- Identify emerging energy sectors with a credit need and deliver tailored capital products to accelerate adoption and growth



Craft3 Future Energy Fund: Commercial Loans

State of Washington Clean Energy Fund Investments in Craft3

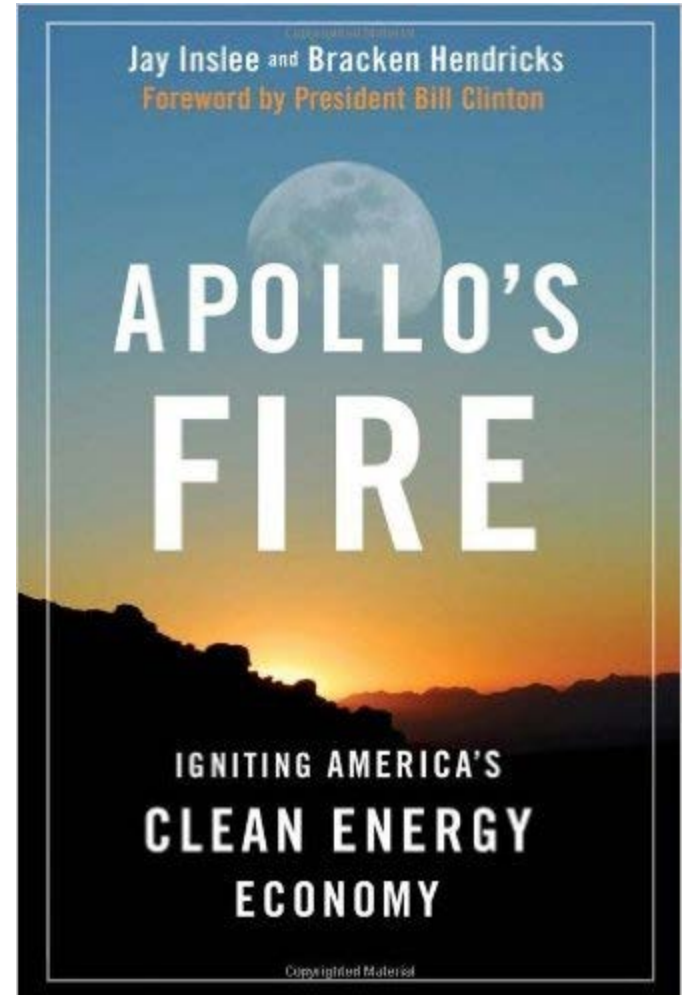
- 2014 \$12 Million
- 2016 \$4.5 Million

Targeted Loan Size

- \$200,000 - \$5 million

Future Energy Fund Goal

- \$55 million in 5 years



Targeted Sectors

Commercial and Industrial Energy Efficiency

- Loans direct to businesses for EE real estate improvements
- Loans to EE project developers entering into energy service contracts

Community-scale Renewable Energy (heat, electricity, or fuel)

- Pre-development loans
- Construction and mini-perm post-construction loans

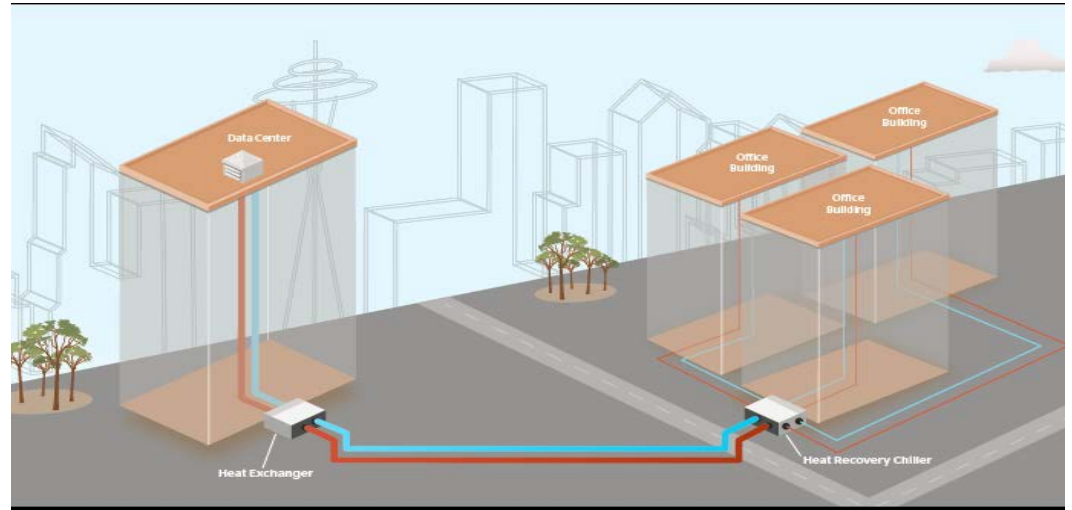
Future Energy Manufacturing

- Construction and/or working capital loans for component manufacturing
- Construction and/or working capital loans for processes involving recycled or waste materials



Commercial/Industrial Energy Efficiency: McKinstry Eco District Seattle 1, LLC

- Craft3 provided project financing for a waste heat exchange system that will produce space heat and hot water for a large new office complex in downtown Seattle
- The project had limited collateral which made it more difficult to finance with traditional debt



Economic Resilience

- 26 construction jobs created
- \$2,400,000 of investment leveraged

Ecological Resilience

- 5,516 metric tons of CO2 averted



Lighting and Solar Investments

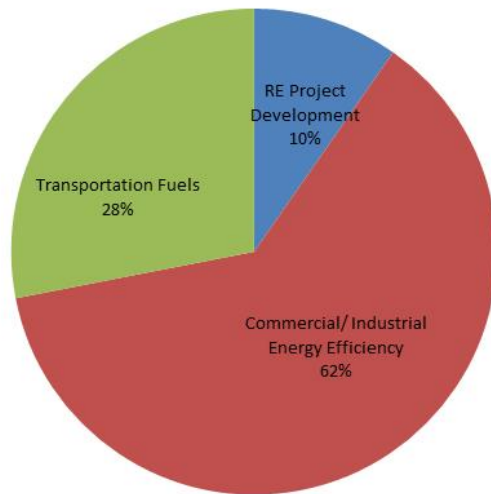
- Allumia
 - Start up ESCO focused on LED lighting for small-medium sized commercial
 - Limited balance sheet and track record but management with experience
 - Revolving \$450,000 line of credit for installation to do installation
 - Craft3 takes partial assignment of incentive, 40-60% of total advance with remainder paid off by non Bank investor.
 - Exploring options to provide term 3-5 yrs whole sale loan to Allumia to support longer term leases
- One Energy
 - Small solar developer focused on site control, engineering, selling projects before they reach construction
 - Craft3 provided pre-development funding \$220K to move two small projects (5 & 2 MW)
 - Craft3 funding got the projects through development phase and PPA
 - The purchaser of the project brought packaged financing (tax equity and debt)



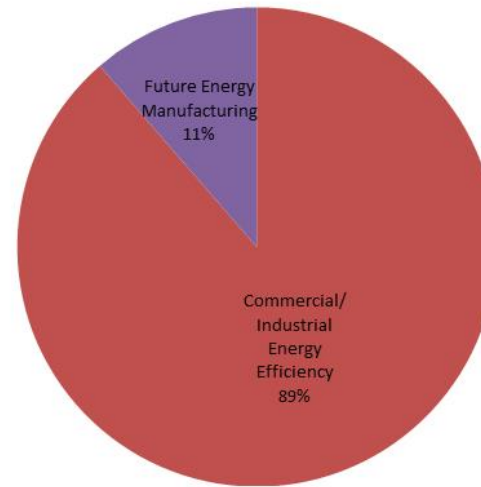
Future Energy Fund: Production and Pipeline by Sector

Status	Loans	Amount
Closed	11	\$9,909,560
Pipeline	7	\$17,462,000

Closed Loans



Pipeline



Single Family Residential Loan Product

- **Low Touch Underwriting**
 - **Non-Traditional**: Utility payment history, FICO >590
 - **On-bill Repayment**: 4 participating utilities
 - **IT Platform**: Linked to utilities and loan management
- **Product Specifications**
 - **Rate**: 3.49-5.99% (income-tested)
 - **Term**: up to 15 years
 - **Security**: Current: UCC, Past: subordinated lien on property
 - **Servicing**: on bill of utility providing energy for heat
 - **Risk**: Cash funded loan loss reserve: 10%
 - **Affordable**: Goal is net zero impact on the family budget



Craft3 Residential Strategies

- **Deliver inclusive credit** - Preserve and expand on-bill repayment, and the inclusive credit it delivers – new IOU and COU partners
- **Embed Workforce Benefits** – Primary marketing partners require contractors to embrace a community workforce agreement
- **Prove up on-bill at scale** – Create streamlined on-bill products for a single market with standardization and liquidity
- **Enhance return and lower risk for lenders/investors** – Build an operational, replicable secondary market for loans
- **Expand access** – provide access to lending platform in other regions of Oregon and Washington
- **Implement policies that drive demand** – state and local efforts to build demand for energy efficiency upgrades



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Energy Investment Partnerships (EIPs)



Toby Rittner, DFCP
President & CEO

Council of Development Finance Agencies
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About CDFA

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- 35 year old trade association dedicated to development finance industry
- Members include state/local development finance agencies (DFAs) and private sector stakeholders (underwriters, lenders, counsel, etc.)
- 16 training courses – bonds, TIF, tax credits, RLFs, Energy, PACE, P3, seed & venture, incentives, brownfields, food, water, etc.
- Three federal engagements – EPA, USDA, DOE
- Online Resource Database – largest database in the world dedicated to development finance





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What is Development Finance?

- Development finance is the efforts of local communities to support, encourage and catalyze expansion through public/private investment in physical development/redevelopment and/or business/industry.
- It is the act of contributing to a project/deal that causes that project/deal to materialize in a manner that benefits the long term health of the community.
- Development finance requires programs and solutions to challenges that the local environment creates.





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What Does DF Include?

- Debt, equity, credits, liabilities, remediation, guarantees, collateral, credit enhancement, venture/seed capital, early stage, workforce, technical assistance, planning, short-term, long-term, incentives, gap, etc.
- Proactive approaches that leverage public resources to solve the needs of business, industry, developers and investors.





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Why is DF Important to Clean Energy Development?

- Industry participants need working capital and the ability to invest in themselves
- Developers need assistance to achieve an acceptable ROI
- Communities need infrastructure and amenities and affordable energy options
- Citizens need opportunities for advancement – jobs, small business, education, etc.
- Regions need energy economic prosperity
- Markets need to move away from subsidy into financing model
- Introducing...

Energy Investment Partnerships!



Who is Development Finance?

- Development finance agencies (generally speaking)
- Community development corporations
- Industrial development authorities
- Authorities (general) – ports, joint powers, airport, transit, stadium, housing, health
- Educational entities – colleges, universities, etc.
- Economic development corporation
- Community development financial institutions
- Dozens of other examples – air, power, water, energy, etc.

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What is the Market?

- 55,000 bond issuers in the US with over 100 years of formal bond financing expertise
- 25,000+ revolving loan funds in the US
- 700 regional EB-5 centers
- Over 700 CDFIs
- 35,000+ public/private economic development entities (not all financing)
- Thousands of banks, institutions, foundations, non-profits and supporting agencies
- The infrastructure for supporting energy development is already in place.....

Energy Investment Partnerships!



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Landscape of Tools – 100s of Them

Tax-Exempt Bonds

504 Loans

Impact Investing

EB-5

Historic Tax Credits

Industrial Development Bonds

Tax Abatements

Microlending

Linked Deposit Programs

CRA Requirements

Seed & Venture Capital

501(c)3 Bonds

Mezzanine Funds

New Markets Tax Credits

Grants

Tax Increment Finance

Collateral Support

Revolving Loan Funds

Special Assessment

Credit Enhancement



The Toolbox & Financing Spectrum

5 Practice Areas

Practice Area 1: Bedrock Tools

Bonds and the Basics of Public Finance

Practice Area 2: Targeted Tools

Tax Increment Finance, Special Assessment Districts, Government Districts, Project Specific District Financing & Tax Abatements

Practice Area 3: Investment Tools

Tax Credits, EB-5

Practice Area 4: Access to Capital Lending Tools

Revolving Loan Funds, Mezzanine Funds, Loan Guarantees and Microenterprise Finance, Seed & Venture Capital

Practice Area 5: Support Tools

Federal Funding

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Economy, Environment & Equity

- Many roadblocks to supporting energy development including
 - **Credit quality** – borrowers, project, community
 - **Disinvestment** – crumbling infrastructure, stressed workforce
 - **Environmental challenges** – blight, contamination
 - **Costs** – sustainability is expensive
 - **Resistance** – equitable development is threatening to many
 - **Rebounding economy** – easier paths to success (short lived as they may be)





Economy, Environment & Equity

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- How do we address these roadblocks?
 - **Analytics** – What is the cost of supporting energy development in the old manner and how can we monetize the savings if we move to a new model to be sustainable?
 - **Scope** – What problem are we trying to solve and can that problem be solved with a wider scope? One-offs hurt progress.
 - **Local Initiative, Wide Support** – How do we engage the local community to not only support equitable development but to also invest in it? And, how do we get larger players (private entities) to invest long term?
 - **Leverage** – Using small public dollars to leverage large private investment





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In the End...

- All economic and industry development comes down to the access to financial resources for completing a given project or deal.
- Nearly all projects/deals hinge on the ability to leverage inexpensive sources of financing.
- As they say, cash is king, money makes the world go around and show me the money!





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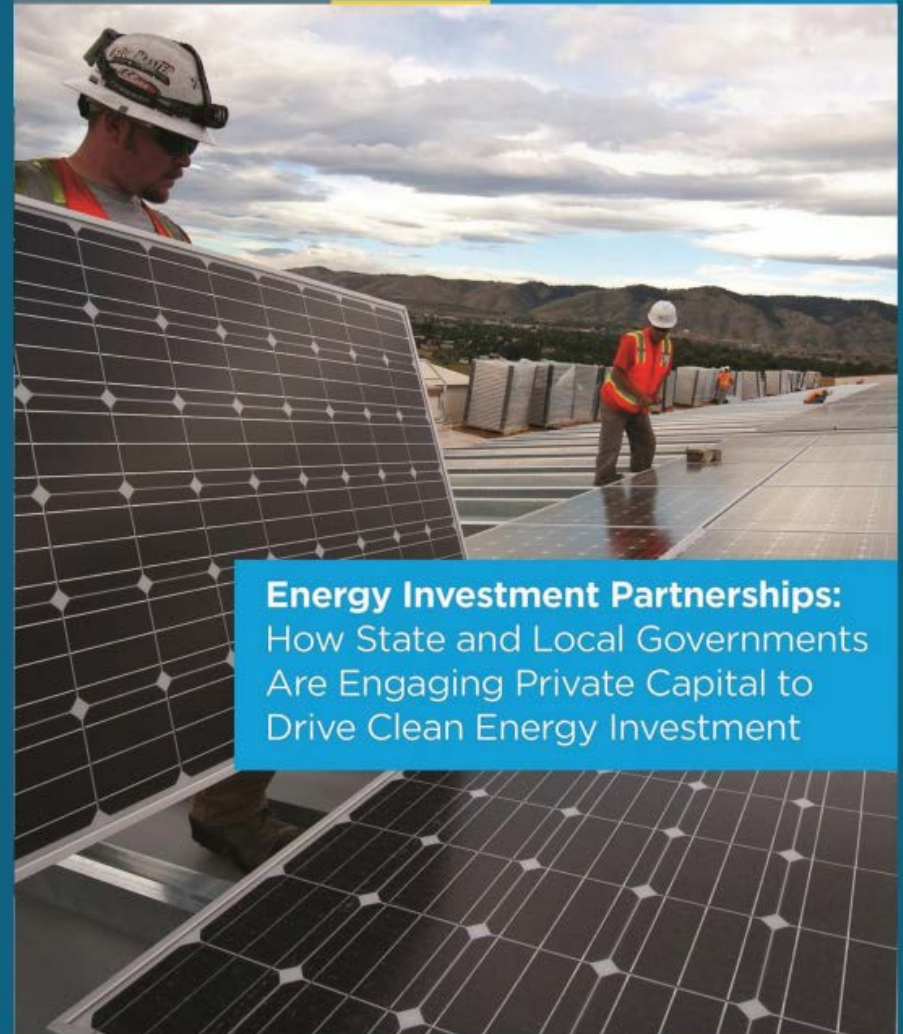
- Public private partnerships between development finance agencies and the energy sector to use existing financing models to support clean energy development.
- Examples – bond financing, special assessment, on-bill, revolving loan funds, credit enhancements, guarantees, etc.
- DOE supported EIP effort over past three years resulting in publication and series of webinars and fact sheets.
- EIP Guide available online at:
<http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=201512-cdfaDOE-EIP.html>



Who's Doing it Well?

- California
- Ohio
- Hawaii
- Florida
- New York
- New Jersey
- Connecticut
- Oregon

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Energy Investment Partnerships:
How State and Local Governments
Are Engaging Private Capital to
Drive Clean Energy Investment

December 2015



How they are doing it

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1.1. Summary Table of Energy Investment Partnerships and Programs

State	Entity	Programs (in report)	Legal Structure	Capitalization	Market Sectors
CA	CA Alternative Energy & Advanced Transportation Financing Authority	PACE Loss Reserve; CA Hub for Energy Efficiency Financing	State agency	State allocation + CA Public Utility Commission allocation	Residential & commercial; efficiency & renewables
CA	CA Infrastructure and Economic Development Bank	CA Lending for Energy and Environmental Needs Center	State agency	Self-capitalized	State and local govt.; efficiency, renewable, water conservation, & distribution
CT	CT Green Bank	CT Solar Lease; Energize Connecticut Smart E-Loan; Commercial PACE; CT Solar Loan	State agency	Systems Benefits Charge + Regional Greenhouse Gas Initiative funds + U.S. Dept. of Energy grant + private investments + fees	Residential & commercial; efficiency & renewables
FL	Solar & Energy Loan Fund	Clean Energy Loan Fund	Nonprofit, CDFI	U.S. Dept. of Energy grant + private investments	Residential & commercial; efficiency & renewables
HI	Hawaii Green Infrastructure Authority	Green Energy Market Securitization	State agency	Bonds + utility fees	Resident & commercial; efficiency & renewables
NJ	NJ Board of Public Utilities	NJ Clean Energy	State agency	Self-capitalized	Residential & commercial; efficiency & renewables
	NJ Energy Resilience Bank	Wastewater and Water Treatment Plant Funding	State agency	U.S. Dept. of Housing & Urban Development grant	Utilities; renewables
NY	NY State Energy Research & Development Authority	Green Jobs – Green NY	State agency	Systems Benefits Charge + Regional Greenhouse Gas Initiative funds + U.S. Dept. of Energy grant + Qualified Energy Conservation Bonds	Residential & commercial; efficiency
	NY Green Bank	Clean energy financial products and advisory services	Division of a state agency, NYSERDA	Allocation of uncommitted Efficiency & Renewable Portfolio Standard & System Benefits Charge funds	Residential & commercial; efficiency & renewables
OH	Toledo-Lucas County Port Authority	BetterBuildings Northwest OH	Local agency	Fees + U.S. Dept. of Energy grant + tax levy	Residential & commercial; efficiency & renewables
	Greater Cincinnati Energy Alliance	Greater Cincinnati Home Energy Loan; Building Communities Loan	Nonprofit	U.S. Dept. of Energy grant + private impact investment + fees	Residential & nonprofit; efficiency & renewables
	Port of Greater Cincinnati Development Authority	Greater Cincinnati PACE	Local agency	Fees + county & city allocation	Commercial; efficiency & renewables
OR	Energy Trust of OR	General efficiency incentives	Nonprofit	System Benefits Charge	Residential & commercial; efficiency
	Enhabit	General efficiency incentives	Nonprofit	Fees + U.S. Dept. of Energy grant	Residential; renewables
	Craft3	Home Energy Efficiency Loan	Nonprofit, CDFI	Private investments + private contributions + grants	Residential; efficiency



EIP Webinars

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The banner features a background image of wind turbines. On the left is the CDFA logo. To its right, the text reads 'in partnership with' followed by the U.S. Department of Energy logo and the word 'ENERGY' in large green letters. A dark blue button on the right says 'Click Here to Register'. Below this, the main title 'Energy Investment Partnerships Webinar Series' is displayed in a large, dark blue font, followed by the subtitle 'How State and Local Governments Are Engaging Private Capital to Drive Clean Energy Investment' in a smaller, italicized font. At the bottom, the dates and times are listed: 'February 23, March 22, April 26, May 19 | 1:00-4:00pm Eastern'.

- Free four-part webinar series from DOE and CDFA
- Next webinar May 19 at 1:00pm
- Register online at www.cdfa.net



CDFFA Resources

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- Energy Finance Update – free monthly newsletter focused on energy finance
- Intro Energy Finance Course
- Intro Property Assessed Clean Energy Finance Course
- Over 500 online resources
- Network of 28,000 development finance experts
- Get engaged at www.cdfa.net

