

# FINANCING OPTIONS FOR LOCAL GOVERNMENTS

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# KEY QUESTIONS WE WANT TO ANSWER TODAY

- **What are the most effective available financing tools to accelerate market development for energy efficiency?**
- **How can effective financing strategies support local economic development?**
- **How can local governments help to create a robust set of financing strategies?**
- **What is the most appropriate role for local governments?**

\*\*Note – This presentation focuses on the commercial market.

**What are the most effective available financing tools to accelerate market development for energy efficiency?**

1. **PACE** (property assessed clean energy): Project financing repaid through the property tax bill.
2. **On-bill Repayment**; Project financing repaid through the utility bill.
3. **Efficiency Services Agreements (ESAs)**: Project financing repaid through third party billing or utility bill. Total payments are based on estimates of energy saved. This is offered by finance companies e.g. Metrus and SCIEnergy.
4. **Commercial Lease**: Project financing repaid through direct customer payments to a lease company.

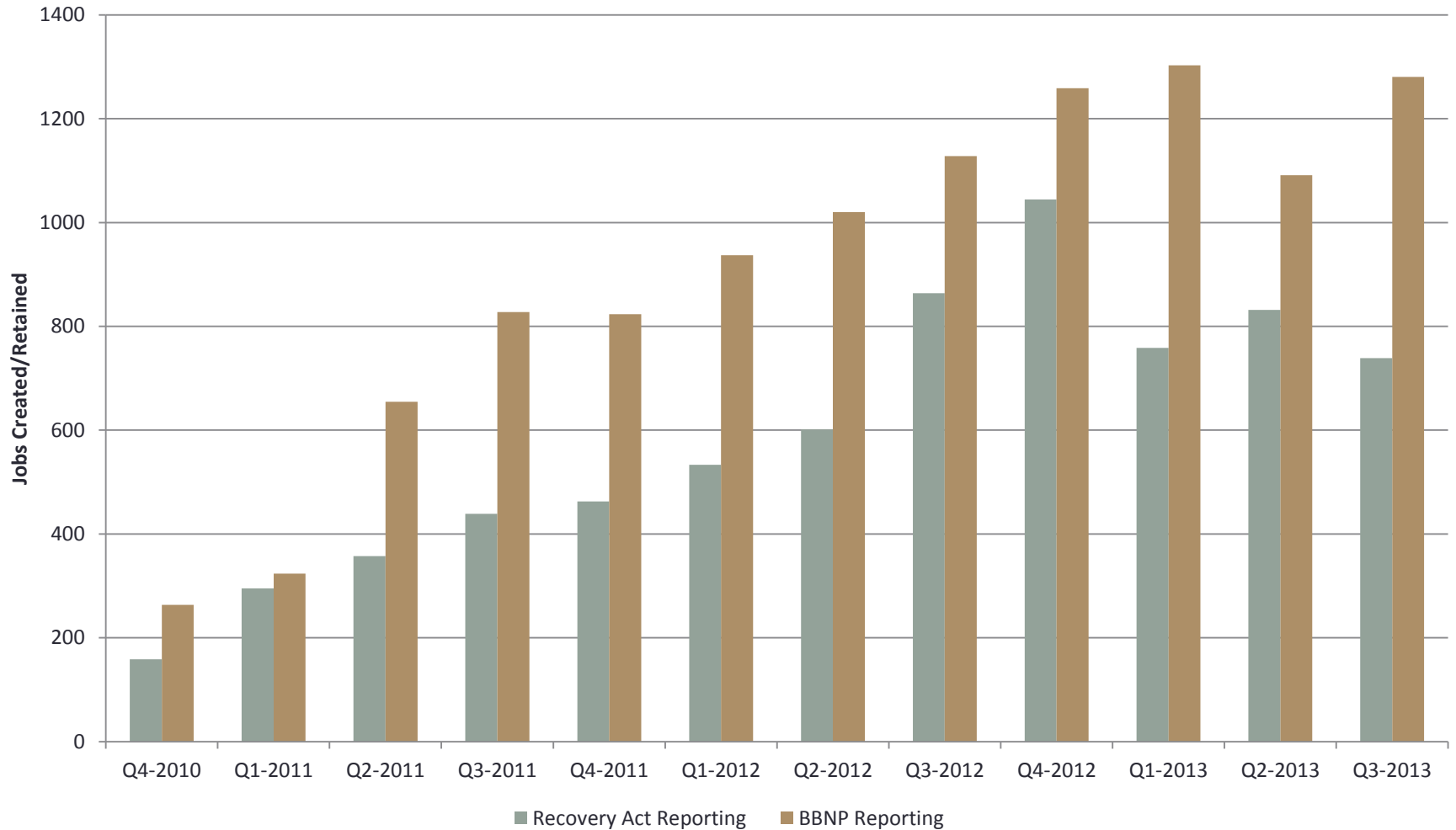
# COMPARISON OF TOOLS

	PACE	On-Bill Repayment	Efficiency Services Agreement	Commercial Lease
<b>Description</b>	Installation cost repaid through property tax bill	Installation cost repaid on utility bill	Clients pays \$x/energy saved	Direct-to-Customer repaid to lease company
<b>Source of Funds</b>	Muni bonds	Private capital	Private Capital	Private capital
<b>Eligible Scope</b>	All improvements	All improvements	All improvements	All improvements
<b>Rate</b>	7%	5-12% dependent on credit and project size	NA	5-12% dependent on credit and project size
<b>Term</b>	20 years	3-10 years fro Commercial and 7-20 for gov't	5 – 10 years	3-10 years fro Commercial and 7-20 for gov't
<b>Security</b>	Property lien	Varies	None	Equipment Installed
<b>Off Balance Sheet</b>	Maybe – It Depends			
<b>Non-payment</b>	Foreclosure	Utility disconnect	No action	Depends on Program Rules
<b>Examples</b>	CO	California	SciEnergy	Xcel Energy

# How can effective financing strategies support local economic development?

# LOCAL ECONOMIC DEVELOPMENT: JOB CREATION

## Program Summary Jobs Created/Retained



## Better Building Neighborhood Program

### *3 Years of Data*

- **10,912** jobs created
- Average **990** a Quarter – **3900** a Year
- Based on estimated **\$167 million** in loans provided for commercial and residential
- **23** jobs for every **\$1 million**



**How can local governments help to create a  
robust set of financing strategies?**

# STEPS TO ACHIEVE A ROBUST SET OF FINANCING STRATEGIES

- **Characterize the Market**
- **Choose the Right Finance Tool**

## STEP 1 –CHARACTERIZE THE MARKET

### 1. Characterize the Size of the Market

- a. What are Typical Project Sizes (MAX and MIN)?
- b. What Project Size do you Want to Serve?

### 2. Characterize the Competition in the Market

- a. What Finance Products are Currently Being Used in the Market?
- b. What Competitive Advantage Might your Finance Product Bring to the Market?

### 3. Characterize the Market Delivery Channels

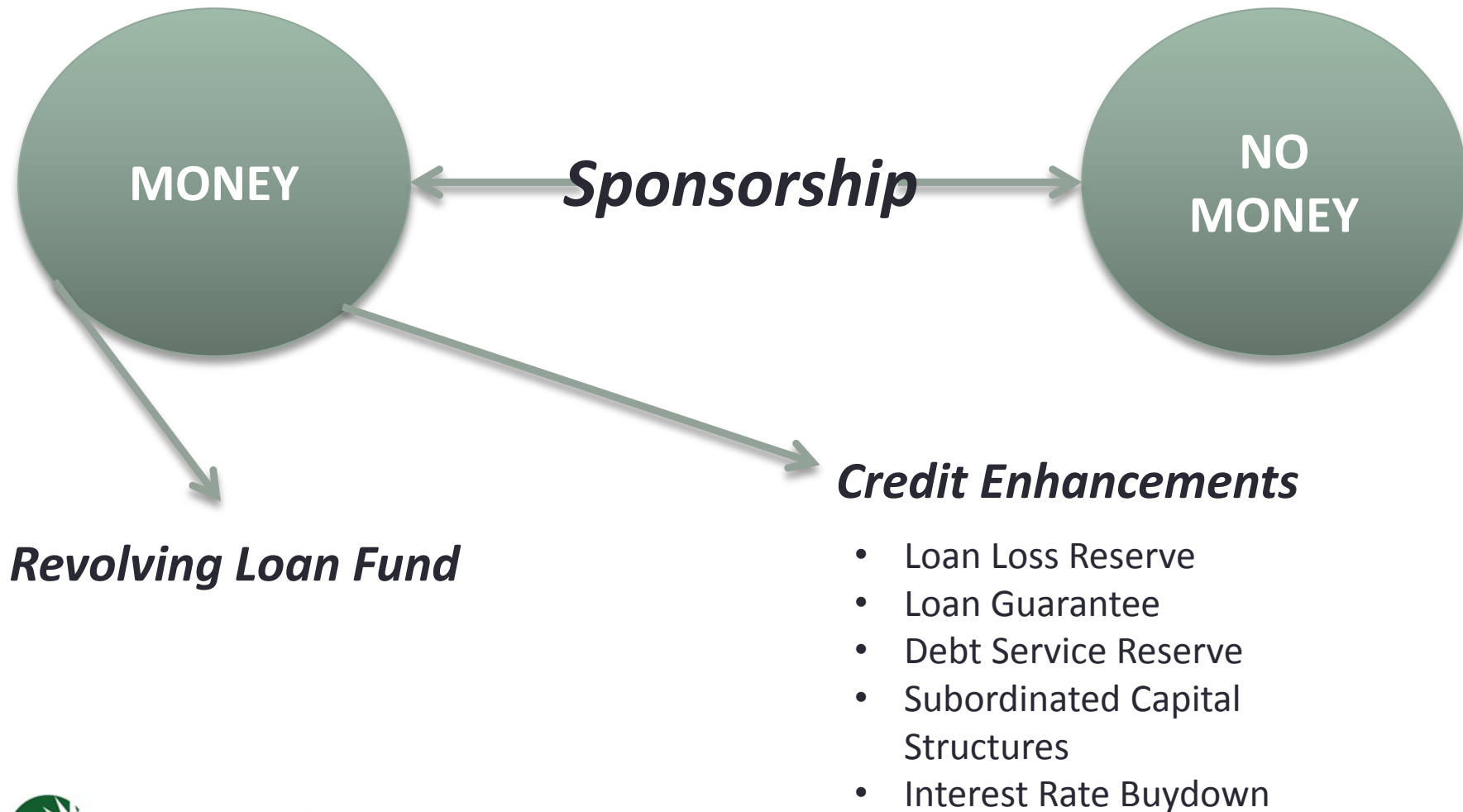
- a. Identify Contractor Types that Deliver EE Products to Customers

## STEP 2 – CHOOSE THE RIGHT FINANCE TOOL

	<b>PACE</b>	<b>On-Bill Repayment</b>	<b>Efficiency Services Agreement</b>	<b>Commercial Lease</b>
<b>Ideal Project Size (dollars)</b>	Excess of \$1 million and Workable for Smaller Projects	All Project Sizes	Excess of \$1 million	\$3,000 and Up

**What is the most appropriate role for local governments?**

# Deciding Your Role



## Three C's Approach

**Confidence:** Do borrowers and contractors know about and trust the finance offerings?

**Capital:** Does the program provide access to financing (capital) with attractive rates, minimal fees, and good terms?

**Convenience:** Is the process for obtaining financing simple and quick for both the contractor and the customer?

***Thank You!***

**Harcourt Brown & Carey: Energy and Finance**

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