



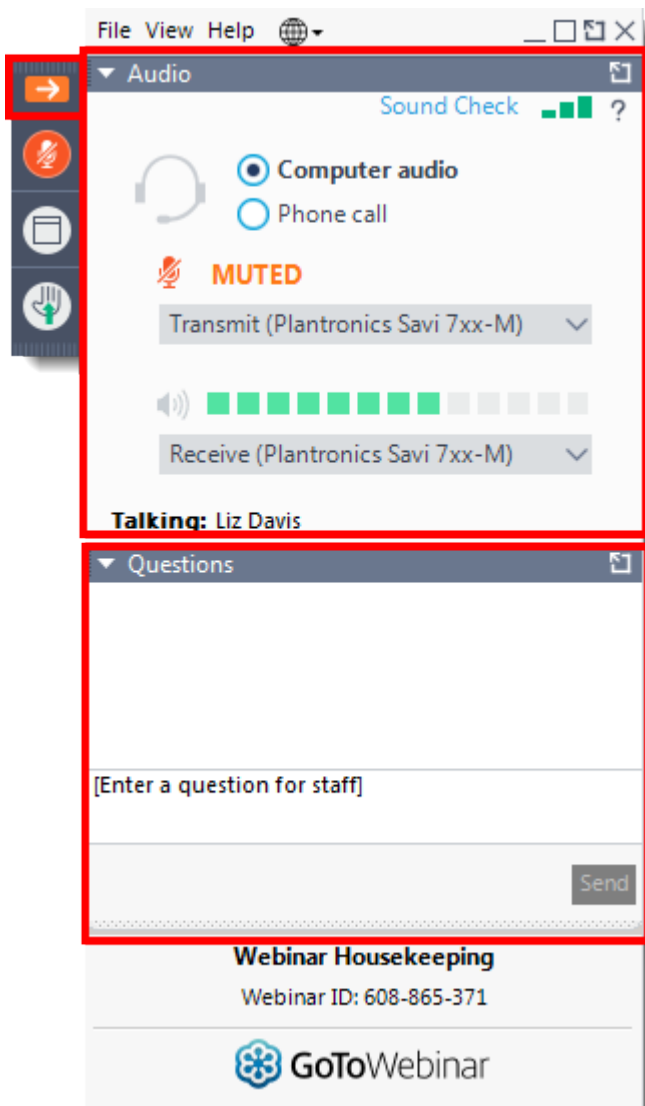
Maximize Multifamily Property Value with Energy Improvement Projects

Webinar

Thursday, February 7, 2019



Questions



- Use the orange arrow to open and close your control panel
- Type in questions/comments via the “Questions” panel
- The webinar is being recorded. Slides and webinar will be posted to ctgreenbank.com.

Presenters



John D'Agostino

Associate Director, Multifamily Housing Programs

Brian Sullivan, Esq.

President, Emerald Consulting, LLC

Definitions



“Multifamily”

- 5+ units
- Income eligible and market rate
- Private and non-profit owners
- Public housing authorities
- Senior / assisted living communities
- Condominiums
- Co-operatives

“Affordable”

- >60% of property’s units must offer rents affordable to tenants earning <80% of area media income (AMI)
- Affordable rents assume <30% of household income is spent on housing costs
- Affordable rent figures include all utility costs
- For condos and co-ops, total housing costs are considered, rather than rents
 - Mortgage
 - Insurance
 - Taxes
 - Utilities
 - Association Fees

Eligible energy efficiency and renewable energy improvements



- Heating and cooling systems
- Hot water systems
- Building envelope
- Lighting and appliances
- Water efficiency
- Renewable energy systems (solar PV, solar thermal and others)
- Conversion from oil or electric to gas
- Qualified health and safety measures



Pre-Development Challenges



- Does my property have an opportunity to make energy and \$-saving improvements?
- How much energy / \$ do I have the potential to save?
- What project scope provides me with an optimal return on investment?
- In the absence of sufficient reserves, how can I afford to pay to do all of this work?

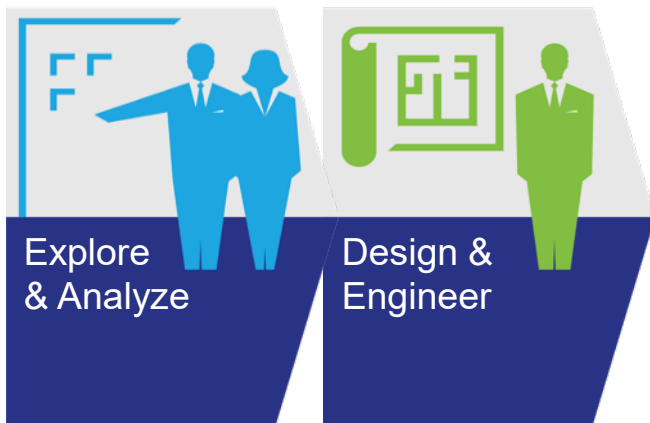
Green Bank Solutions Approach

- De-risk the assessment process
- Decrease the upfront cost of:
 - Assessments
 - Audits
 - Green Design Work
→ Improve Cash Flow
- Provide standardized and customized pathways for different levels of familiarity and sophistication with the energy design process

Pre-Development Loan Programs



Pre-Development Financing



Navigator Loan

- Client managed contractor(s)
- Customized technical services



Sherpa Loan

- Designated service provider
- Standardized process & fee schedule



Pre-development Loan Programs - Details



Navigator Loan Program

Type	Pre-development
Rate	Affordable properties 1.99%; Market-rate properties 3.99%
Loan Process	Client pays 25%; program loans 75% Owners select their own energy professionals



Sherpa Loan Program

Type	Pre-development
Rate	Affordable properties 1.99%; Market-rate properties 3.99%
Loan Process	Client pays 25%; program loans 75% Funds technical assistance by New Ecology, Inc.



To fund **energy-related** assessments, audits, and design.
Passive House → ability to fund more \$\$\$

Project Implementation Challenges



- Insufficient reserves to implement
- Qualifying loan rates too high
- Lender restrictions on additional [secured] debt
- Need to remediate health and safety issues prior to project
- Need for “finish line” / mezzanine debt

Green Bank Solutions Approach

- Unsecured and off-balance sheet term financing products
- Credit enhanced term financing interest rates
- Improvements (& financing) repaid out of energy savings
- Dedicated low interest health & safety financing available
- Term financing available as mezzanine debt for new construction

Energy Project Financing



Project Financing



LIME

- Low Inc. Multifamily Energy
- Affordable
- Unsecured



Solar

- Solar projects only
- Commercial solar lease



C-PACE

- Commercial Property Assessed Clean Energy
- Secured



Catalyst Financing

- Health & Safety Remediation financing



Project financing terms



LIME

Type	Affordable multifamily projects
Rate	6.00-6.75%
Loan term	5-20 years
Criteria	1.3x or greater project energy service coverage ratio



Solar

Type	Solar-only project
Rate	Fixed or escalating price of power
Loan term	20 years



C-PACE

Type	Market-rate projects
Rate	5.75-7.25%
Loan term	5-25 years
Criteria	1.0x or greater savings to investment ratio



Catalyst Financing

Type	Affordable multifamily projects
Rate	3% range
Loan term	Up to 20 years
Criteria	Flexible low-cost financing to address health & safety



Basic Project Flow



Pre-Dev

- Pre-Development Loan Closes
- Energy Audit / Savings Assessment
- Project Scope / Cost Finalized
- Utility Incentives Committed

Term Financing

- Third Party Savings Review (if necessary)
- Term Financing Program Selected
- Project Underwriting
- Loan Terms Established

Installation

- Term Financing Closes
- Installation Period Commences
- Project Completed
- Monitoring / Verification

Case Study: Value Added (Before)



Building Description:

120 Units
 10 Buildings
 2 Stories
 100,000 SF residential

Financing Terms:

- Loan Amount: \$250,000
- Term Length: 12 months installation (interest only)
9 years permanent, fully amortizing
- Interest Rate: 6.00%
- Proj. Savings: \$70,000
- Annual Payment: \$36,012
- Proj. DSCR: 1.94X

Project Scope:

- Replacement of 10 inefficient oil-fired boilers with 95% efficient gas boilers
- Replacement of indirect, oil-fired hot water heaters with efficient gas models

SOURCES		USES	
Utility Company Rebates	\$ 43,937	Boiler and HWH Replacements	\$ 338,872
C4C Loan	\$ 250,000	Removal of Existing Oil Tanks	\$ 31,400
Borrower Reserves	\$ 125,818	Demolition of Steel Boilers	\$ 7,500
		General Contractor	\$ 28,333
		C4C Fees and Closing Costs	\$ 4,650
		C4C Debt Service Reserve	\$ 9,000
Total	\$ 419,755	Total	\$ 419,755

Case Study: Value Added (After)



Financial Projections:

- \$70,000 increase to project NOI in Year 1
- Free cash flows of \$34,000 in Year 1; \$300,000 over 9-year term

Actual Savings:

- \$75,000 in energy savings in Year 1 post-conversion
- \$7,500 in maintenance savings from average of last two years pre-conversion
- \$82,500 total project NOI increase
- \$46,388 in free cash flow to property, net of debt service

Sale of Property:

- The property was sold two years after the conversion.
- The income-based valuation of the property used for the sale used a capitalization rate of 5.7%.
- The value that the oil-to-gas conversion contributed to the increased value of the property was $\$82,500 / 5.7\% = \1.45 million .

Case Study: Takeaways



Takeaways:

- This loan served as the pilot for what would become the Low-Income Multifamily Energy (LIME) loan, offered by C4C in conjunction with Connecticut Green Bank.
- This product is an unsecured loan, which uses projected savings as the payback mechanism for debt service on the term financing, with a minimum DSCR of 1.30X.
- In addition to projected energy savings, we can also incorporate any tangible operations/maintenance projections into our calculations. (Eliminated maintenance, reduced insurance premiums, etc.)
- For this project, a debt and equity investment of less than \$400,000 for an oil-to-gas conversion resulted in first-year positive cash flows of more than \$45,000 net of debt payments and a subsequent realized profit at the time of sale of over \$1 million.
- In general, an investment in energy efficiency for your property can generate short-term net revenues and a long-term property valuation increase.

Belfonti Companies: Multifamily Energy Efficiency Projects

Over past 5 years Belfonti Companies has completed nearly \$6 million of energy efficiency projects for its multifamily portfolio

Types of Completed Projects

- Oil to HE Gas conversion
- Electric heat pumps
- LED Lighting
- Insulation
- Energy Star appliances
- Low flush toilets
- Windows & Sliders

Funding Sources

- Reserves / Capital Contributions by owners
- Utility incentives
- Energy Loans: C4C / CHFA

Case Study: Heritage Commons

Building Description:

89 Units

4 Stories

92,500 SF residential

Financing Terms:

- Loan Amount: \$960,000
- Term Length: 20 years
- Interest Rate: 5.5%
- Proj. DSCR: 1.36X

Project Scope:

Boiler replacements (oil to gas), heat pump replacements, rooftop unit replacements, variable frequency drives, and lighting upgrades.

Line Item	Before (2014-15)	After (2017-18)	Savings
Electric	\$ 145,773	\$ 128,138	\$ 17,635
Natural Gas	\$ 6,155	\$ 23,338	\$ (17,183)
Oil	\$ 57,822	\$ -	\$ 57,822
Contracted Maintenance (Energy)	\$ 46,146	\$ 23,842	\$ 22,304
In-House Maintenance (Energy)	\$ 33,435	\$ 17,274	\$ 16,160
Total	\$ 289,331	\$ 192,593	\$ 96,738

Questions?



Contact Us:

Brian Sullivan, Esq.

Emerald Consulting, LLC

(860) 214-6927

bsullivan@emeraldconsultingfirm.com

www.emeraldconsultingfirm.com

John D'Agostino

*Connecticut Green Bank/Inclusive
Prosperity Capital*

860-257-2333

John.dagostino@ctgreenbank.com

www.ctgreenbank.com