Financing Clean Energy
Paying for Projects in Tough Economic Times

SUMMER WEBINAR SERIES

JOHN A. KINCH, PHD
EXECUTIVE DIRECTOR

SEPTEMBER 11th, 2020
UPCOMING WEBINARS

This is the final installment in our summer 2020 series, but we’ll be back with more insightful content soon!

If you have any ideas for what you’d like to see, please contact us at info@michiganenergyoptions.org

Information on future programing will be posted here: www.michiganenergyoptions.org/webinarseries/
Q & A

Post your questions on GoToWebinar

Desktop software:

Instant Join Viewer (browser):
Financing Clean Energy

Presenters:

Kerry O’Neill
CEO
Inclusive Prosperity Capital
Kerry.ONEill@Inclusiveteam.org

John D’Agostino
Director
Clean Energy Transactions
Inclusive Prosperity Capital
John.DAgostino@Inclusiveteam.org
We believe **everyone** should have access to the **benefits** of clean energy:

- A cleaner, more resilient environment in the face of climate change
- Healthier communities & buildings that create positive social externalities
- Sustainable economic value creation: reduced energy burdens, increased household/organization savings, jobs, and enhanced community productivity

We can change the conversation in underinvested neighborhoods and underserved markets, helping to deliver **Inclusive Prosperity**.
EXECUTIVE SUMMARY

The “What”...Investment Focus Areas

▶ Commercial/Community Solar
  ❖ Solar ownership platform – PPAs for distributed and community solar
  ❖ Project term debt – to property owners or project vehicles
  ❖ Solar + storage debt – concessionary PRI debt for urban LMI resilience
  ❖ Bridge loans for incentives – in coordination with incentive provider

▶ Multifamily & Nonprofits
  ❖ Debt facilities and term debt – for project vehicles
  ❖ Pre-development and bridge loans

▶ Single Family LMI Residential
  ❖ Debt facilities for single family LMI originators

▶ Small Scale Infrastructure
  ❖ Bridge and term debt – AD, hydro, fuel cells
The “How”...Partnerships

- **Green Banks like Michigan Saves** – partner to promote products in new markets, leveraging existing relationships, co-invest

- **Technology Developers** – offer developers a financing package that lets them grow a business line or portfolio, e.g. solar, anaerobic digestion, etc.

- **Housing Portfolio Owners** – offer a financing solution that allows them to “green” the properties in their portfolio

- **Non-profits** – partner to promote financing to their constituents

- **CDFIs/Financing Authorities as originators, co-lenders** – IPC brings the capital & products and partner originates, supports process, and, in some cases, participates in capital stack
SOLAR PPAs

Solar Power Purchase Agreement

• Allows property owners to “go solar” with no money down, delivering immediate savings on electricity

• IPC develops, owns, maintains, and warrants system performance

• **System size:** Minimum 50 kW DC, Maximum $4.5M build cost

• **Markets Served:**
  • Nonprofits, including houses of worship
  • Housing authorities & multifamily properties
  • Municipal buildings
  • Small & medium commercial properties
  • Community solar, including LMI subscribers

• **Term:** Owner purchases the electricity generated by the system at an agreed upon rate for up to 25 years
  • Buyout option at end of year 5

• **Income Levels Served:** All, including unconventional credits and LMI
In conjunction with the Connecticut Green Bank, IPC has financed more than 100 solar PPA projects, approximately 28 MW.

### Project Type

<table>
<thead>
<tr>
<th>Project Type</th>
<th># of PPAs</th>
<th>MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipalities / Public Schools / State</td>
<td>53</td>
<td>18.4</td>
</tr>
<tr>
<td>Non-profits, housing authorities</td>
<td>27</td>
<td>4.8</td>
</tr>
<tr>
<td>Commercial</td>
<td>16</td>
<td>4.1</td>
</tr>
<tr>
<td>Houses of Worship</td>
<td>11</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107</strong></td>
<td><strong>27.9</strong></td>
</tr>
</tbody>
</table>
IPC has received a $3M program-related investment from The Kresge Foundation to accelerate the deployment of solar + storage for urban resiliency in low-income communities

- **Eligible Properties:**
  - Multifamily affordable housing
  - Scattered site single family affordable housing
  - Community centers
  - Municipal buildings
  - Other assets critical to community resilience

- **Terms:**
  - Interest rates between 3-4%
  - Term lengths of up to 12 years
  - Loan amounts up to ~$300,000 (can be combined with other financing)
  - 2% closing fee

Preference will be given to projects located in U.S. OMB Metropolitan Statistical Areas

Case study from Kresge Foundation available here: [https://kresge.org/library/case-study-inclusive-prosperity-capital-0](https://kresge.org/library/case-study-inclusive-prosperity-capital-0)
Unlocking Cash Flow From Energy Savings to Stabilize Affordable Housing and Non-profits

- Lightly loans that fund the implementation of energy and energy-related health & safety improvements
- Loans are repaid through energy, maintenance, other cost savings
- **Eligible Project Costs:**
  - Energy efficiency upgrades
  - Renewable energy systems
  - Performance monitoring & verification
  - Project-related health and safety remediation
- **Loan Amount:** Minimum $50K, maximum $2M
- **Markets Served:**
  - Affordable multifamily (incl. housing authorities) props (5+ units)
  - Community-based non-profit organizations
- **Income Levels Served:** Low- and moderate-incomes
- **Terms:**
  - 7 years – 5.79%
  - 10-20 years – 5.99% - 6.99%
  - Origination fee: 3% (may be rolled into loan)

Case study and video available here on East Meadows in CT:
Fleet Development was seeking a long-term financing partner for solar projects on a portfolio of USDA-RD and HUD-supported affordable housing properties. Fleet had developed a model to overcome regulatory barriers that traditionally inhibit such opportunities.

- IPC structured a term debt solution that can be scaled across their footprint.

**First project:**
- 323 kW of solar on 3 HUD and USDA multifamily properties, 128 units, in eastern OR serving deeply low-income residents (~20% of AMI)
- Expected production of 5.6 MWh of clean electricity over 15-year customer lease term

**Terms:**
- $834K project cost, $348K loan
- 6.19% loan for 12 years
- First-priority asset lien on installed equipment
- 3% closing fee
IPC structured a $5M credit facility for BlocPower to launch its first financing product in their target market

- **Markets Served:**
  - Nonprofits, including houses of worship, multifamily properties, small & medium commercial properties

- **Product:** Equipment lease for heat pumps and other energy efficiency improvements

- **Case Study — St. Bart’s Episcopal Church:**
  - Installation of a 74-ton Daikin heat pump system to replace an aging oil boiler system
  - $514K project cost, $258K loan
  - Forecasted lifetime savings of 8,166 MMBTU
  - Forecasted annual customer savings of $8,500
  - Forecasted 70% reduction of GHG emissions

Case study on St. Bart’s in White Plains, NY available here: https://www.blocpower.io/projects/saint-bartholomews-church
SINGLE FAMILY SOLAR + EFFICIENCY

Solar for All for Low-to-Moderate Income Homeowners

From Surviving to Thriving
## Moving the Needle on Inclusive Prosperity

### Equity for Rooftop Solar in Connecticut

<table>
<thead>
<tr>
<th>AMI Band</th>
<th># of Solar PV Projects</th>
<th>% of Owner Occupied Households (1-4 Units) with Solar</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;60%</td>
<td>2,759</td>
<td>4.5%</td>
</tr>
<tr>
<td>60-80%</td>
<td>4,007</td>
<td>4.0%</td>
</tr>
<tr>
<td>80-100%</td>
<td>5,931</td>
<td>3.6%</td>
</tr>
<tr>
<td>100-120%</td>
<td>6,934</td>
<td>3.7%</td>
</tr>
<tr>
<td>&gt;120%</td>
<td>11,347</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,978</strong></td>
<td><strong>3.6%</strong></td>
</tr>
</tbody>
</table>

### Table 2: Households by Majority Race and AMI Band

<table>
<thead>
<tr>
<th>AMI Band</th>
<th># Owner Occupied Households (1-4 units)</th>
<th>% Owner Occupied Households (1-4 units)</th>
<th>% of RSIP Installations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority Hispanic</td>
<td>31,152</td>
<td>3.6%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Majority Black</td>
<td>18,163</td>
<td>2.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Majority White</td>
<td>731,901</td>
<td>85.3%</td>
<td>81.8%</td>
</tr>
<tr>
<td>No Majority Race</td>
<td>76,878</td>
<td>9.0%</td>
<td>10.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>858,094</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Households that were previously underrepresented in solar adoption responded favorably to market focus. CT residential rooftop solar is now “beyond parity” in LMI and communities of color.

Trends

- Even when energy economics are tough, demand is high – lower cost capital, higher incentives, or both are needed; otherwise whole market segments are off the table

- Bridge financing is in increasing demand – but requires shorter term capital; trend has accelerated post Covid-19

- Solar on housing portfolios – an increasing number of portfolio owners are seeking debt/ownership solutions to put solar on portfolio properties

- Covid-19 presents opportunity to re-frame value prop – recovery/jobs, linkages between energy and health
Q & A

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THANK YOU

John A. Kinch, PhD
Michigan Energy Options
jkinch@michganenergyoptions.org
517.337.0422 x305

Kerry O’Neill
Inclusive Prosperity Capital
Kerry.ONeill@Inclusiveteam.org

John D’Agostino
Inclusive Prosperity Capital
John.DAgostino@Inclusiveteam.org

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