

# **Financing Energy Efficiency**

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ACEEE

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# The Community Preservation Corporation

- Private non-profit mortgage finance company
- Founded in NYC in 1974
- Provide multifamily construction & perm financing
- Sponsored by 72 banks and insurance companies
- Mission: Stabilize, strengthen and sustain low and moderate income communities
  - Use our financing to preserve existing and develop new affordable housing in the communities we serve



# History and Performance: The CPC Model Works

- Since inception more than 145,000 units of low and moderate income housing have been financed
- Public/private investment of over \$8 billion
- CPC investment has had a dramatic impact in low income neighborhoods across the state
  - Created an opportunity for private investment to return to distressed communities



# Creating the Green Financing Initiative

- 2008 Changes in the Market
  - Properties at risk in fragile economic environment
    - Incomes not rising
    - Important to stabilize and reduce expenses
  - Political emphasis on retrofit
    - Recognized as an effective way to reduce carbon
  - Evaluation of our own Portfolio
    - Energy usage varied widely – opportunity was there



# The CPC Green Financing Initiative

- Launched in September 2009
- Include retrofit in overall mortgage process
  - Occupied cash flowing properties
  - Simplest for owners
  - Not enough public incentives to get to scale
- Hired an Energy Expert
- Train Mortgage Staff – Greening existing jobs
  - Buildings are benchmarked for heat, water and electricity usage as a part of the underwriting process
  - Based on data, retrofit measures are explored at time of inspection
- Audits are required as needed
  - Economics must make sense for the owner



## Retrofit Work Scopes – Simple Approach

- Insulation & Air Sealing
- Energy Management Systems
- Water – toilets, aerators, shower heads
- Lighting retrofits
- Energy Star appliances
- Right sized heat and hot water systems
- Better controls for heat and hot water
- Better ventilation systems



# Mortgage Products Available

- First Mortgage Construction Loans
  - Permanent Loan take out forward committed
  - Occupied, cash flowing properties
- Acquisition and Refinances
  - Escrow holdback for the retrofit work
- Supplemental Financing
  - Open up existing first and add over the remaining term
  - Escrow holdback for retrofit work



## Goals of CPC Green Financing Initiative

- Created a database of before and after data
  - Goal is to underwrite the savings
- Provide a retrofit underwriting and financing model for other lenders
- Increase efficiency 20% in buildings financed
  - Lower greenhouse gases
  - Reduce exp. approximately \$400-600/unit/year
- Create jobs for emerging green economy





# Production to Date

- Construction and Permanent Loans
  - 18 buildings financed: 1,485 units
  - \$3,712,000 - energy retrofit work (\$2,500 per unit)
  - \$39,700,000 in total financing
  - On average buildings are currently saving more than the projected 20% (not all results are in yet)
  - In all cases underwriting savings would have carried added cost to retrofit
- CPC's Weatherization Program
  - 1,200 multifamily units weatherized in upstate New York



## Why is this Opportunity Attractive?

- Works for all properties types seeking a mortgage
  - First mortgage debt has the lowest rates and longest terms available
- No added step to access capital for energy related work
- Considers the entire building holistically
  - Retrofit part of overall physical needs
  - Doesn't pull energy out as a separate unit



