

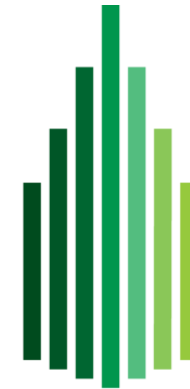


# **Fannie Mae & NYCEEC: On the Road to Market Transformation**

ACEEE - June 2, 2015

## The Partners

- New York City Energy Efficiency Corporation (NYCEEC)
  - Not-for-profit specialty finance company focused solely on clean energy finance
  - Initially funded and supported by the US Department of Energy, City of New York and private philanthropic foundations
- Fannie Mae
  - Leading provider of financing for multifamily properties in the country, providing liquidity, stability, and affordability to the multifamily market
- Fannie Mae and NYCEEC partnered to integrate energy efficiency financing into Fannie Mae's multifamily mortgage business



NYCEEC  
BUILDING FINANCIAL SOLUTIONS

 FannieMae®

## Identifying Common Ground

**NYCEEC:** desire to advance NYC's greenhouse gas reduction goals through engineering and financing expertise and resources

**Fannie Mae:** desire to expand its green lending platform and build on large presence in NYC

**Opportunity:** NYC implementation of clean energy projects and energy audit and benchmarking laws

**Common Goal:** Promote energy efficiency financing in NYC

## M-PIRE: Multifamily Property Improvement to Reduce Energy

- Designed to finance energy efficiency improvements in affordable and market rate multifamily properties in NYC
  - Extra loan proceeds for green improvements
  - NYCEEC provided a top loss credit enhancement
- Two-year pilot program ran from May 2013 to May 2015

### \$9.6m M-PIRE Loan vs. \$9.2m Conventional Loan

M-PIRE UNDERWRITES PROJECTED TENANT AND OWNER ENERGY AND WATER SAVINGS



**\$26,815**

Owner's projected underwritten energy & water cost savings



**\$12,480**

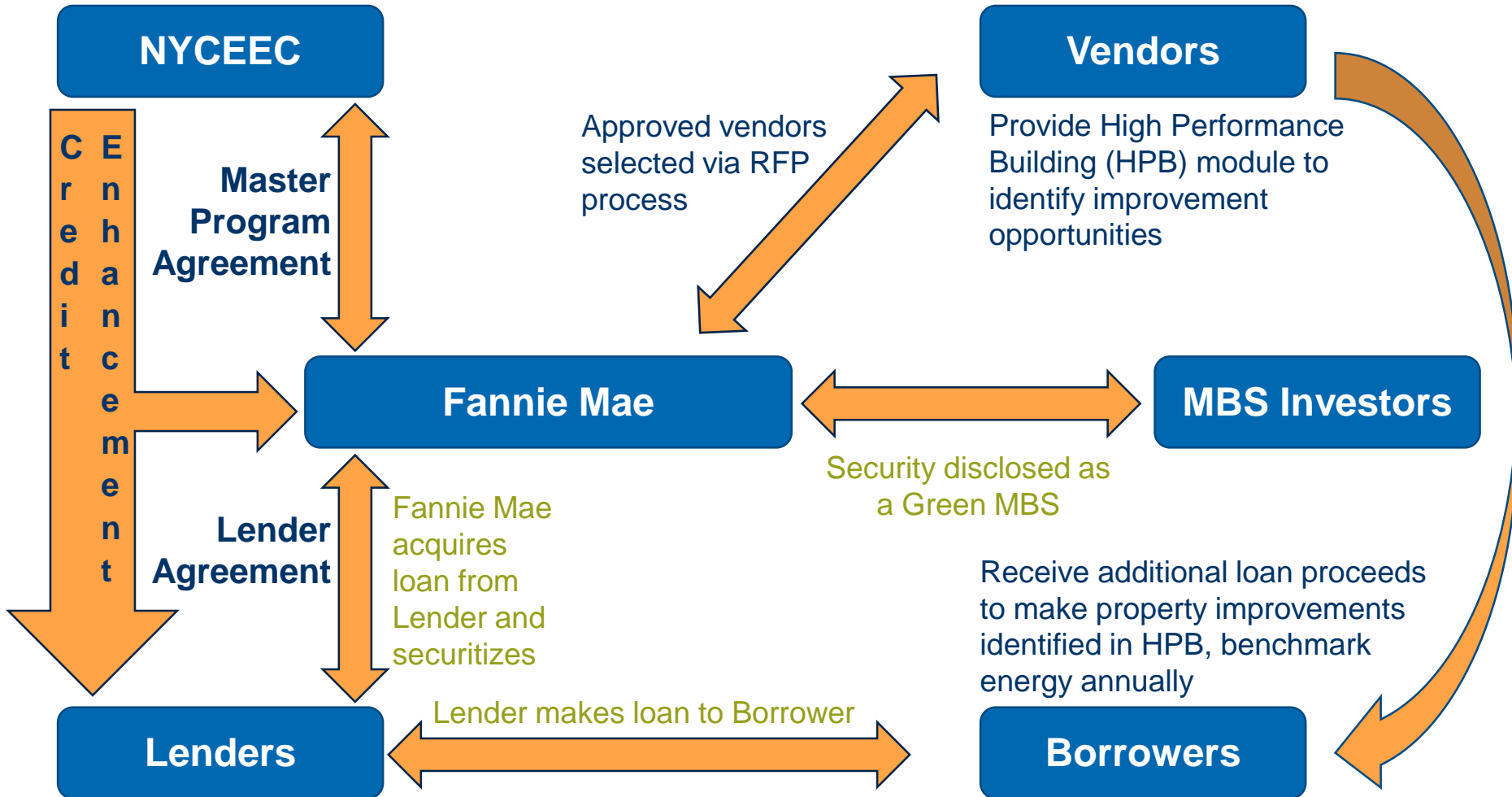
Tenants' projected underwritten electricity cost savings

	Standard	M-PIRE
<b>Resulting Pro Forma NOI</b>	\$765,000	\$801,175
<b>Total Loan Proceeds</b>	\$9,200,000	\$9,680,000
<b>DCSR</b>	1.25	1.25

**M-PIRE** provides \$480k in additional loan proceeds while maintaining DSCR.

**M-PIRE** increases pro forma NOI by including a portion of the owner's and tenants' projected energy and water savings.

# Complexities of the Partnership Process



# M-PIRE Loan Example



2705 Colden Avenue  
Bronx NY

## Loan & Credit Enhancement Structure

Base Loan	\$762,000
Retrofit Amount	\$103,000
Total UPB	\$865,000
Retrofit Amount as a percent of total UPB	11.9%
NYCEEC Credit Enhancement (\$)	\$51,500

## Underwritten Green Retrofits

Item	Allocated Cost
Boiler Conversion	\$75,000
Boiler Service	\$12,000
DHW Pipe Insulation	\$4,500
Steam and Condensate Insulation	\$11,500
<b>TOTAL</b>	<b>\$103,000</b>

# Market Transformational Progress

- NYCEEC
  - Developed EfficienSEE™, a tool that provides multifamily building owners and property managers a high quality, rapid projection of energy savings associated with cost effective efficiency measures
  - Developed technical guideline manual for mortgage lenders that integrates energy efficiency best practices with lending process
- Fannie Mae
  - M-PIRE provided the foundation for a model to integrate traditional multifamily financing with energy efficiency, and normalized that model within the lending community
  - The evolution of M-PIRE: Green Rewards

**Fannie Mae's Green Rewards** multifamily financing option helps owners make their properties **more environmentally friendly** and gives them **extra loan proceeds** and a **lower all-in interest rate**.

### For Example:



A multifamily property seeking to refinance a \$10 million loan



**could receive an additional \$250,000 in loan proceeds**



to make energy and water saving improvements



that will **reduce its annual \$140,000 energy and water costs by 30%**



# Thank you!

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