Fundraising Sources & Investment Decisions: How Capital Needs Impact Lending Activity at Clean Energy Finance Organizations

ACEEE Finance Forum, Chicago, IL
Monday May 22, 2017
Discussion with founders and leaders of dedicated clean energy finance organizations

- **Susan Leeds** – CEO, New York City Energy Efficiency Corporation
- **Bert Hunter** – EVP and CIO, Connecticut Green Bank
- **Bonnie Norman** – Vice Chair of Board, Montgomery County, Maryland Green Bank
- **Moderator - Jeffrey Schub** – ED, Coalition for Green Capital
Though different forms and capital sources, all three are mission-driven orgs, investing in clean energy market gaps

- **Focused institutions**, created to maximize clean energy deployment & Investment
- Use **public-purpose** money, often paired with **private capital**
- Provide **financing** in many forms to **underserved market sectors**
- Are **market-oriented and flexible**,
- Seek to be **self-sustaining**, and produce dividends for taxpayers
- Complement **existing actors** and programs, bridging gaps in capital supply chain

*Today’s Question? – How are these organizations capitalized, where do they seek additional capital, and how do capital sources impact the operations and lending activity of the organization?*
NYCEEC’S PATH


- Board formed
- CEO hired
- Developed team
- 11 staff
- Moved to NY Clean Energy Hub
- 12 staff

- Research & planning
- Initial grant fundraising
- 501(c)(3) status
- Governance independence
- Recycling U.S. DOE funds
- 3-year strategic plan

- 1st pilot project: $1.4M
- Product development
- Build pipeline
- Expand marketing
- Partner with NYC Retrofit Accelerator
- $20M projects financed
- 80% of U.S. DOE funds committed
- Capital planning
- Capital raising
- $28M projects financed
- $51M projects financed
- 1st high performance loan
- 1st pre-development loan
- 2013 Citizens Budget Commission Public Service Innovation Award
- $98M+ projects financed
- Roosevelt Landings (multifamily) wins 2014 Novogradac Award for Financial Innovation

*figures are cumulative and represent total project cost.*
OUR IMPACT

As of May 2017

$98 million
Clean Energy Projects Financed

8.2 million
Square Feet Impacted

182 buildings
Upgraded

715,000
MTons of CO₂ Eliminated

4,496
Affordable Housing Units

19.5 million
MMBtus of Energy Saved

1,063 jobs created
NYCEEC PORTFOLIO

Diverse building types (By total project cost)

- 22% Multifamily affordable
- 36% Multifamily market-rate
- 42% Commercial & industrial

EE & CLEAN ENERGY (By total project cost)

- 48% Energy efficiency
- 42% CHP
- 6% Fuel conversion
- 1% Renewables
- 3% Demand response

As of May 2017
Targeted financial solutions (By NYCEEC capital commitment)

- Loans $47M
- Credit enhancement (CE) utilized $1M
- CE committed $7.5M

# of transactions: 59

Size:
- Pre-dev’t: $3k - $8.5k
- Loan: $48k - $7M

Weighted avg interest rate: 6.6%

Weighted avg term: 8.4 years

By product:
- Green construction 10%
- Equipment loans 47%
- ESA & PPAs 44%

By product $48M
OUR TEAM

Susan Leeds, CEO, sleeds@nyceec.com
Connecticut Green Bank
About Us

- **Quasi-public organization** – created 2011 and succeeded the Connecticut Clean Energy Fund (1999-2011) ... with ~$60 MM

- **Focus** – finance clean energy (i.e. renewable energy, energy efficiency, and alternative fuel vehicles and infrastructure)

- **Balance Sheet** – approximately $175 MM in assets (growing)

- **Support** – supported by
  - a $0.001/kWh surcharge on electric bills approx $27-30 MM / year (stable)
  - A “CO₂ Cap & Trade” ... approximately $5 MM / year (stable)
  - Portfolio Income ... approximately $2 - $3 MM / year (growing)
  - Private capital, foundations, US Govt (i.e. SunShot & ARRA) – (varies)

- **Leverage** – raised ~$500 million from capital providers in < 5 years
### Connecticut Green Bank
**Accelerating Green Energy Deployment**

<table>
<thead>
<tr>
<th>Model</th>
<th>FY 2000-FY 2011 (CCEF)</th>
<th>FY 2012-FY 2016+ (CGB)¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>VC and Subsidy</td>
<td></td>
<td>Financing</td>
</tr>
<tr>
<td>Years</td>
<td>11.00</td>
<td>5.25</td>
</tr>
<tr>
<td>Energy (MW)</td>
<td>43.1</td>
<td>208.2</td>
</tr>
<tr>
<td>Investment ($MM)</td>
<td>$349.2</td>
<td>$1 Billion</td>
</tr>
<tr>
<td>Leverage Ratio</td>
<td>1:1</td>
<td>3:1 to 11:1</td>
</tr>
<tr>
<td>% of Funds as Loans</td>
<td>10%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Deploying **more** green energy at a **faster** pace while using ratepayer-taxpayer resources **responsibly**

**REFERENCES**
1. Approved, closed, and completed transactions
IMPACT! Connecticut Green Bank
Delivering Results for Connecticut

- **Investment** – mobilized over $1 billion of investment into Connecticut’s clean energy economy so far

- **Jobs** – created ~5,000 direct jobs and up to an estimated 12,500 total jobs, translating to an estimated 7.5% to 20% of total job creation in CT over the Green Bank’s first 5 years.*

- **Energy Burden** – reduced the energy burden on over 20,000 households and businesses

- **Clean Energy** – deployed more than 200 MW of clean renewable energy helping to reduce 2.5 million tons of greenhouse gas emissions that cause climate change

REFERENCES

*62,500 private non-farm jobs created in the state over 5 years since Green Bank creation mid-2011. Green Bank statistics are in job-years; “total jobs” include direct, indirect and induced. CT DOL statistics are aggregated from monthly point-in-time estimates. CT Department of Labor - [http://www1.ctdol.state.ct.us/lmi/privatesectoremployment.asp](http://www1.ctdol.state.ct.us/lmi/privatesectoremployment.asp)
Key Programs

- **Smart-E** – Residential EE/RE loans – Network of local lenders
- **LMI Solar** – Posigen / Solar Lease EE/ESAs – alt underwrite
- **Multifamily** – Tech Assistance / Pre-Dev & Term Loans
  MacArthur & Kresge
- **C-PACE** – $100 MM Partnership with Hannon Armstrong
- **Solar Lease 2 & 3** – >$150 MM in facilities (US Bank, KeyBank, Onyx Renewable Partners / Blackstone)
- **Small Business** – $30 MM Partnership with utilities & global bank
- **Project Finance** – >$100 MM in Fuel Cells, Wind, Hydro
- **State & Municipal Finance** – LBE – EV infrastructure & transport
Montgomery County (Maryland) Green Bank

The Nation’s First County Green Bank

May 22, 2017
ACEEE Energy Efficiency Finance Forum--Chicago, Illinois
Fundraising Sources and Investment Decisions
Statement of Purpose

The Montgomery County Green Bank is a publicly-chartered nonprofit dedicated to accelerating affordable clean energy and energy efficiency investment in Montgomery County, Maryland.

We partner with the private sector to *inclusively* build a more prosperous, resilient, sustainable, and healthy community.
Montgomery County Green Bank Goals

- Environmental quality, health outcomes, and economic resilience
- Inclusive prosperity through private sector engagement
- Montgomery County CO2 commitment and national leadership

Jobs↑  CO₂↓
About Us

- Publicly-chartered by Montgomery County, MD--June, 2015 with 9 month pre-launch County work group process
- 11 members on the Board of Directors—2 County
- Designated as the County’s Green Bank--July, 2016– an incorporated nonprofit (pursuing 501c3 status)
- Highly engaged board and partners (DEP, CGC), pro bono, in kind, and small gift support, Governance and Operations established--ED starts 6/17
- Set to receive ~$14m in funding over 3 fiscal years ($6M by 3Q, 2017) from the County via the Pepco-Exelon utility merger settlement agreement (Customer Investment Fund)
Market Focus and Operating Model

- **Nonprofit start up** with initial funding from merger, no regularly recurring capital infusion

- **Priorities**—
  LMI and Affordable Housing Mandate, Scaling Markets/Sectors Broadly—Gap Focus, Deeper Retrofits and Resilience, Leverage and Sustainability

- **Single Family**—loan loss reserve planned

- **Multi-Family**—”additionality”-focused direct lending with affordable housing partners, technical assistance and/or credit enhance PACE

- **Commercial**—non REIT; loan loss reserve planned
Capitalization and Fundraising

- Initial $14.1M capitalization from utility merger:
  $3M in FY17 (5/17), $3M in 1QFY18 (9/17), $8M in FY19

- Secured first 6-figure philanthropic gift—April, 2017
  for communications and replicability (Maryland+)

- Partner Compendium and Sources of Funds docs—
  fundraising and media strategy development underway

- CDFI (-like) subsidiary to be explored FY18

- Standardization to enable future securitization a priority
Thank you

Comments and Questions:

Bonnie Norman, Board Vice Chair, MCGB
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www.mcggreenbank.com
Panel Discussion

- Operating Model
- Capital Sources
- Lending Activity
Thank You

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