

# Reinventing Clean Energy Finance

VAEEC

December 3, 2013

RENEWABLE  FUNDING





## RENEWABLE FUNDING

- ❖ Created the PACE model, Developed the WHEEL model
- ❖ Design, administer, and finance clean energy financing programs across the United States
  - ❖ Contracts with governments and utilities in over a dozen states, from Hawaii to Pennsylvania
  - ❖ Run PACE programs covering over 170 cities and counties
  - ❖ Administer and finance the WHEEL finance program



# The \$40 B Home Energy Improvement Market

*The energy efficiency market spans the reactive replacement market and the proactive performance market*



**HVAC**  
**\$18 B**



**Roofs**  
**\$12.5 B**



**Windows  
& Doors**  
**\$9 B**



**Home  
Performance**  
**\$0.5 B**



# Auto Loans: A Roadmap for EE Finance

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*What can we learn about financing energy efficiency from the auto industry? How to deliver quick and easy financing at scale.*

## Auto Loan Financing

- Access to virtually unlimited, low-cost capital
- Financial product specifically tailored for unique market
- Seamless integration into sales process at dealership
- Pricing specific to auto loan performance



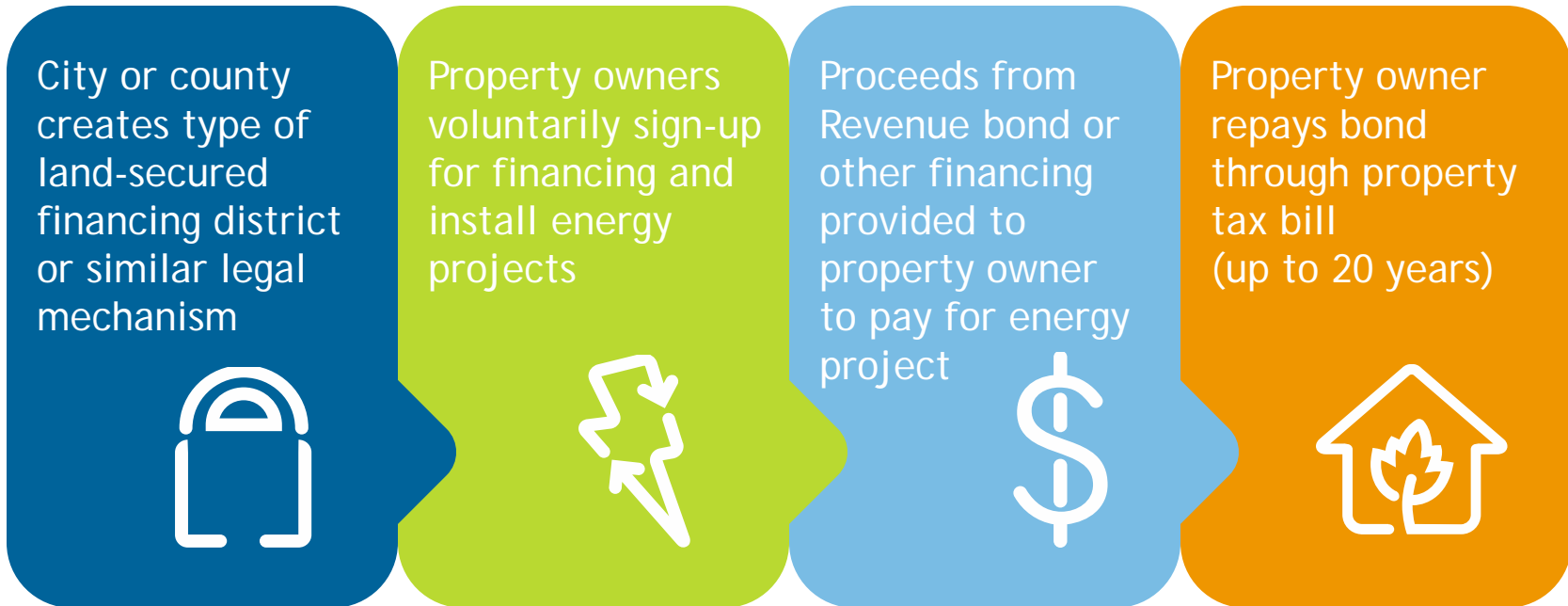
Section I

PACE

# Type of Assessment District

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## PACE = Property Assessed Clean Energy



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## Top 20 World Changing Ideas:

A new innovation in financing, however, has opened up an additional possibility for homeowners who want to reduce their carbon footprint and lower their electric bills: get the panels for free, then pay for the power as you go.

”

**SCIENTIFIC  
AMERICAN**

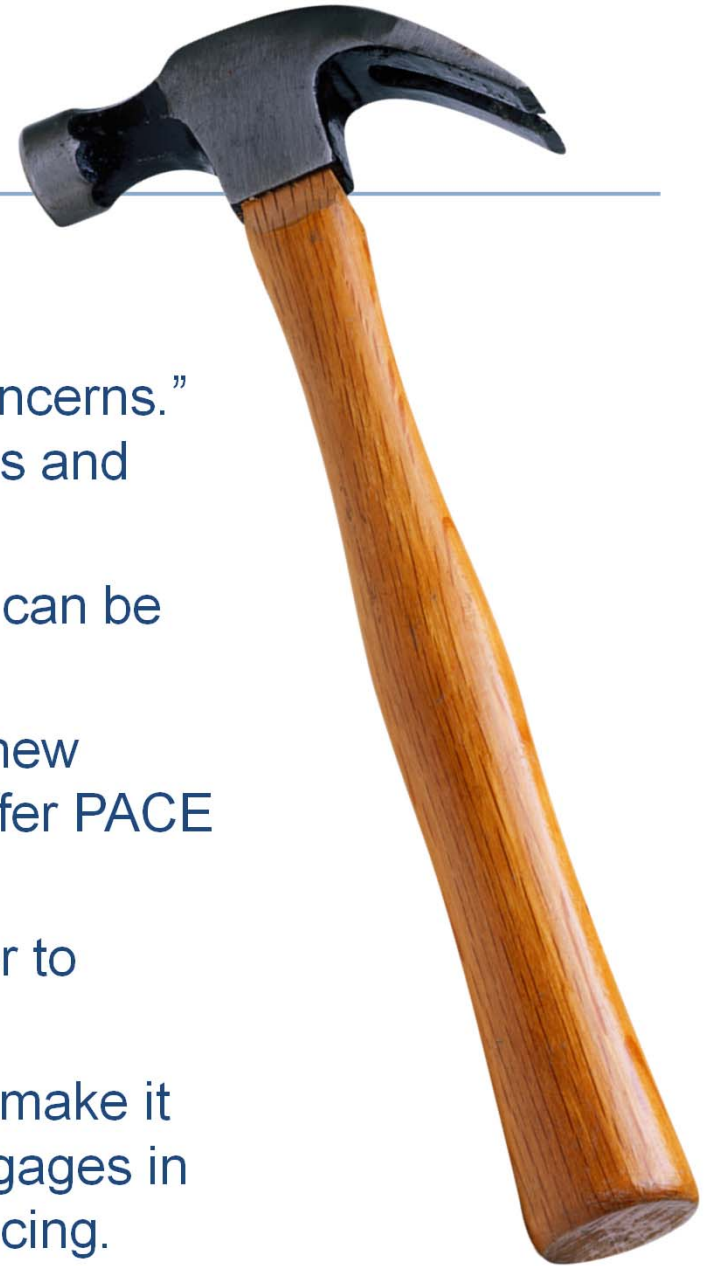
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# The Hammer Falls...

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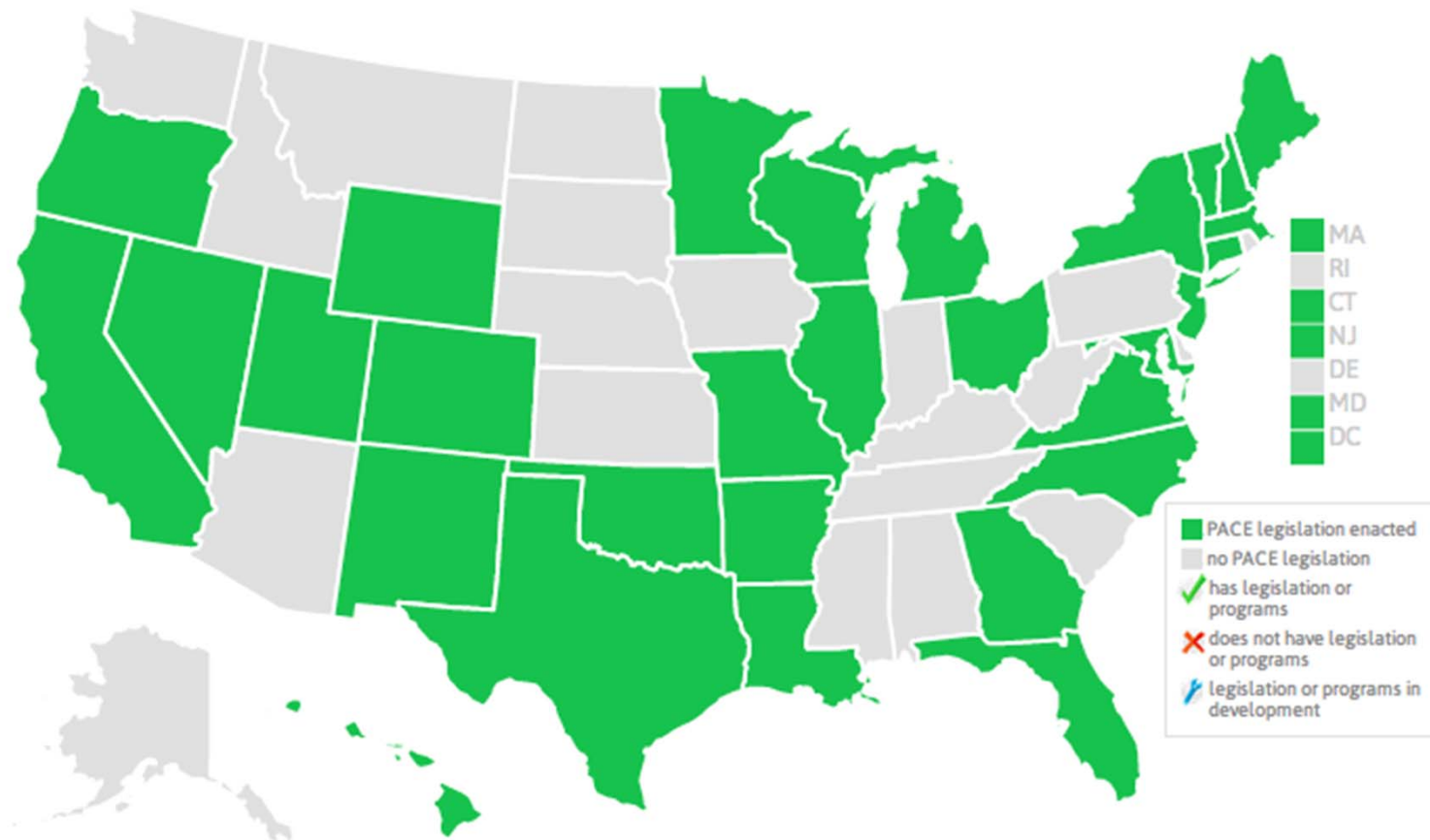
- **FHFA guidance letter**

- PACE creates “safety and soundness concerns.” Authorize punishment of PACE properties and communities:
- **PACE violates mortgage contract** and can be considered an act of default.
- **Require larger down payments** for all new mortgages issued in communities that offer PACE financing.
- **Require mortgage holder consent** prior to homeowners receiving PACE financing.
- **Tighten underwriting requirements** to make it harder for buyers to qualify for new mortgages in entire communities that offer PACE financing.





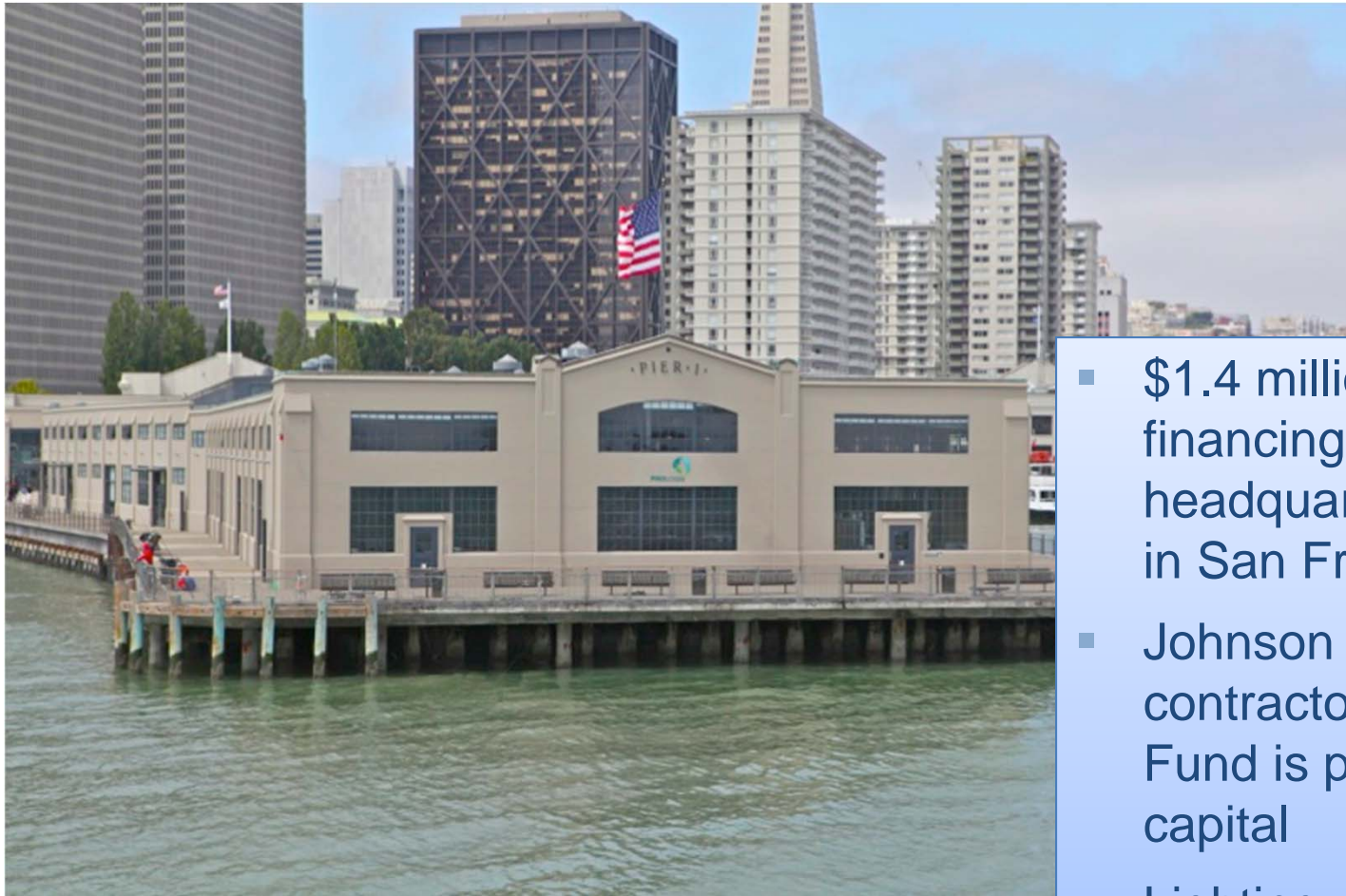
# States With PACE Legislation



[PACE programs and legislation at a glance](#)

## PACE Success: ProLogis Headquarters

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- \$1.4 million PACE financing for corporate headquarters of Prologis in San Francisco
- Johnson Controls is the contractor and Clean Fund is providing the capital
- Lighting, HVAC, Solar

# U.S. Commercial PACE Data

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**Completed Commercial PACE Projects**

	<b># of projects</b>	<b>\$ completed</b>	<b>Financings as % of total</b>
<b>open market/owner arranged financing structures</b>	28	\$ 7,928,607	18%
<b>publicly supported credit facilities</b>	162	\$ 33,241,986	75%
<b>private third party "turnkey" facilities</b>	3	\$ 3,245,558	7%
<b>Total:</b>	<b>193</b>	<b>\$ 44,416,151</b>	<b>100%</b>

*Source: PACENOW.org*

# Restoring Residential PACE

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- Some Programs Moved Forward with Residential PACE
  - Sonoma County, CA; Western Riverside County, CA; Placer County, CA
  - Over \$150 million in residential projects, no defaults, no FHFA actions
- Fannie Mae and Freddie Mac have mostly recovered from financial crisis
- State of California is creating a PACE insurance reserve
  - Renewable Funding involved with Governor's office in negotiations with FHFA; development of insurance program
  - Insurance would cover losses to mortgage lenders if PACE lien results in loss at foreclosure sale
- Programs across California preparing to restart residential PACE in 2014



Section II

WHEEL

# WHEEL: Transforming EE Financing

*WHEEL is designed to deliver sustainable, low-cost capital to energy loan programs*

## WHEEL Financing

- Access to virtually unlimited, low-cost capital for unsecured residential loans
- Allows contractors to seamlessly integrate financing into sales process & close “at the kitchen table”
- Pricing specific to EE loan performance
- Financing to 640 FICO score



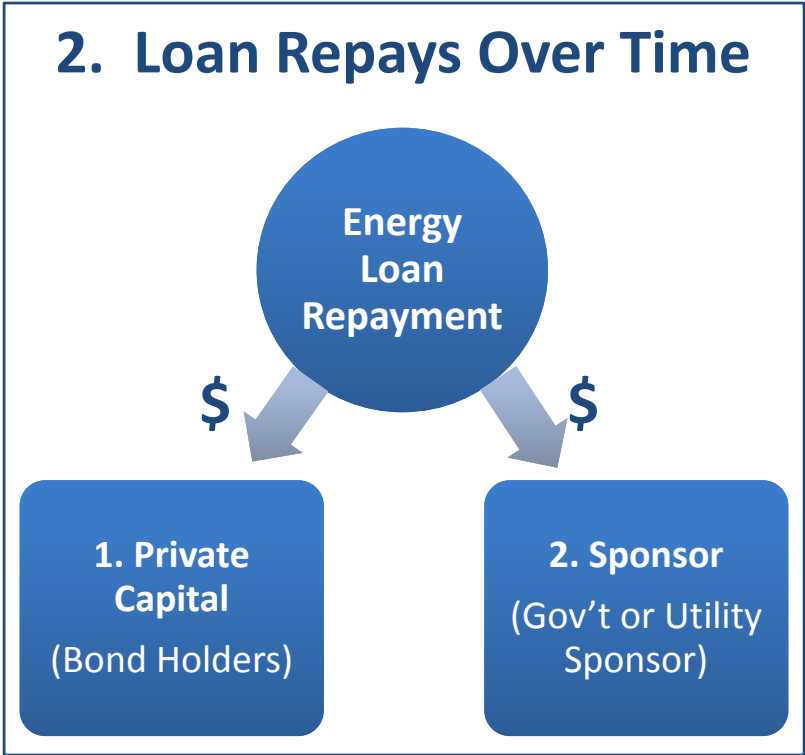
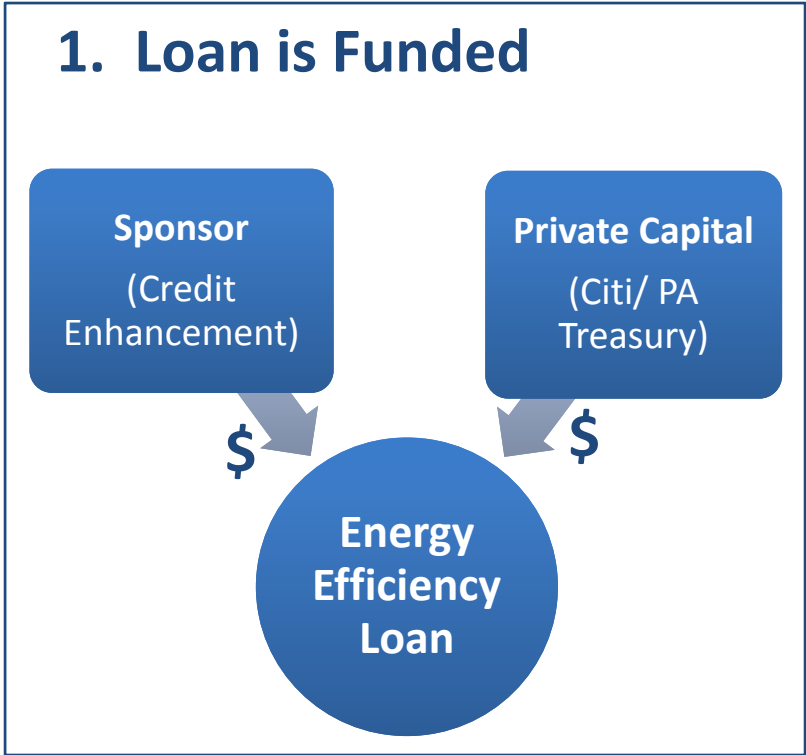
# WHEEL Overview

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- A collaboration between EPC, Pennsylvania Treasury Department, Renewable Funding and Citigroup Global Markets
  - Supported by the National Association of State Energy Officials (NASEO)
- Energy efficiency financing programs require two sources of funding:
  - Credit enhancement funds to mitigate risk and support attractive financing
  - Private capital to fund the majority of the loan principal
- WHEEL provides low-cost, large-scale private capital to state and local government and utility-sponsored residential energy efficiency loan programs
  - WHEEL facilitates this by purchasing & aggregating loans to support the issuance of investment grade-rated securities
  - A robust secondary market supports more attractive financing with less dependence on public subsidy
  - Opportunity for “zero net subsidy” financing as sponsor revenue can exceed initial contribution

# The WHEEL Basics

*The sponsor provides credit enhancement to allow for low-cost private capital to fund energy efficiency loans. As loans repay, the private investors are repaid first, with all remaining loan repayments provided back to the sponsor.*







RENEWABLE  FUNDING

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