



## ANNUAL REPORT ON PROGRESS AND ACCOMPLISHMENTS – 2015 REPORT

### **Operations:**

The Energy Improvement Corporation (EIC) is a NY State not-for-profit local development corporation whose mission is to save money and reduce the energy waste by enabling energy related improvements to existing buildings through innovative community-based outreach and marketing efforts and innovative financing options.

### **BACKGROUND & MISSION**

EIC was formed on July 7, 2011, pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, as a New York State Public Authority, Local Development Corporation.

EIC's purpose and quasi-public objective is to promote the public good and thereby lessen the burdens of government in those municipalities that have joined the Corporation as members (Participating Municipalities), and to act in the public interest. The Corporation achieves this purpose by providing low-cost financing and community-based support for energy efficiency and renewable energy upgrades for New York State residents and businesses in the Participating Municipalities as authorized in Article 5-L of the General Municipal Law ("GML") of New York State.

In furtherance of the State's energy policy to achieve statewide energy efficiency and renewal energy goals, reduce greenhouse gas emissions, mitigate the effect of global climate change, advance a clean energy economy through the deployment of renewable energy systems and energy efficiency measures, EIC is empowered by its member municipalities to provide financing to property owners for the installation of renewable energy systems and energy efficiency measures. EIC has two areas of focus: (1) Energize NY ("ENY") marketing and outreach services through ENY Commercial, ENY Residential and Solarize Westchester, and (2) financing services for qualified properties through ENY Finance.

### **Objective:**

EIC's objective is to increase energy efficiency in buildings to reduce energy use and costs, support and develop the local economy and improve the quality of life (health, safety, comfort, Green House Gas Emissions and air quality) of community participants. EIC seeks a market transformation that dramatically increases adoption of renewable energy and building energy efficiency upgrades from a historically low baseline of less than 1% of New York buildings to a significantly higher concentration in the EIC areas of operation.

EIC will continue to increase the number of energy assessments and clean energy upgrades by:

(1) leveraging the State's Property Assessed Clean Energy ("PACE") law to offer ENY Finance capital to building owners to finance their energy upgrades ("ENY Finance");

(2) engaging with commercial property owners and energy service companies to facilitate clean energy projects (“ENY Commercial”);

(3) engaging with local municipal and community leaders to launch and support clean energy programs (“ENY Member services”);

(4) deploying a tested toolkit that supports residential homeowners with building upgrades and includes a robust community based marketing effort, web services and social media (“ENY Residential”).

### **Significant Accomplishments for 2015:**

Work accomplished in 2015 falls into in three general categories: 1) Increased municipal membership in EIC, 2) build out of ENY Finance, ENY Commercial, ENY Residential and Solarize Westchester and 3) securing and leveraging investments and funding in EIC’s continued development and expansion.

**EIC MEMBERSHIP** -- With the launch of ENY’s Finance Program in late 2014 and additional resources from the New York State Energy Research and Development Authority (“NYSERDA”) in mid-2014 and late 2015, EIC is responding to requests about the Corporation membership from over two-dozen counties and cities throughout NY State. EIC’s Municipal Membership team has segmented the list of potential members into four tiers within all regions of the State including 21 Counties and 10 Cities representing 66% of the non-New York City population of NY State.

In 2015, EIC added 10 new members, bringing the total number of members to 24 as of the end of 2015. Since the beginning of 2013, 29 municipalities have passed the Local Law needed to join EIC and activate ENY programs. EIC launched its Member Services effort in the second quarter of 2014 and increased its efforts in 2015.

At the end of 2015, the EIC established the Municipal Tax Delinquency Fund (“MTDF”), a service to provide the EIC’s member municipalities with a ready source of funds during the pendency of a delinquent tax charge payment associated with an ENY financing. Because a member is required under its municipal agreement with EIC to pay all tax charges associated with ENY financings regardless of whether or not it collects the charge from the property owner receiving the financing, the member will need to source missing tax revenues from other sources if a property owner does not pay the tax charge when due. Participation in the MTDF is optional at the election of the municipal member and requires the municipality to sign a separate agreement governing the MTDF and pay an annual fee. The MTDF will be funded by a 0.25% fee charged on ENY financings beginning in 2016 and a \$5 million letter of credit from NY Green Bank that EIC closed at the end of 2015.

Cumulative Energize NY membership data:

- **10** new EIC members in 2015
- **1,555,000** NYS residents in EIC members
- **28** municipalities pass local law

- **3,338,000** NYS residents in municipalities that passed Local Law to offer Energize NY
- **29.8% - percentage of non-NYC population** in municipalities that passed Local Law to offer Energize NY

**ENERGIZE NY FINANCE** – ENY Finance created the NY State version of PACE financing, a transformative product that enables eligible not-for-profits and commercially owned buildings access to project financing for deep energy efficiency upgrades and renewable energy projects. In order to offer ENY Finance to their residents, municipalities must pass a local law that activates Article 5-L of the NYS General Municipal Law and enables a property owner to pay for energy improvements through a special tax bill charge to the property for that purpose. This ensures access to low cost capital with up to 20-year loan terms, automatic transferability and other benefits that increase the value of the property while reducing energy costs.

EIC began offering ENY Finance to its member municipalities late in 2014 after securing a \$3 million warehouse capital line from First Niagara Bank. EIC completed its first project financing in March 2015. Five additional financings were completed in 2015 for a total of \$800,000 in financed projects. An additional 40 projects were in process as of early 2016 totaling \$14 million of potential projects.

*Long Term Financing Strategy* – Since energy project financings can extend up to 20 years, EIC has developed a long-term financing strategy of issuing bonds to pay off its First Niagara short-term warehouse line of credit, thereby mitigating the risk of volatile interest rate movements. In 2014, EIC retained the services of the PFM Group, a leading independent municipal financial advisory firm, to help manage these risks and develop a request for proposals (“RFP”) to seek participation by financing services provider(s) to assist EIC with final structuring and the offering of longer term bonds to replace draws made on the First Niagara (or future) lines of credit, and/or directly purchasing EIC obligations secured by the State GML Article 5-L tax charges. In 2015, Bank of America committed to purchase up to \$75 million of EIC’s long-term bonds.

*EIC Lending Capital: \$78,000,000 in capital secured from Bank of America and First Niagara* – In November 2013, EIC entered into a Warehouse Line of Credit agreement with First Niagara Bank. This \$3 million line of credit is used to provide initial capital to ENY Finance to finance projects. Interest costs to the Corporation under this arrangement can fluctuate with general market changes in interest rates.

In April 2015, the EIC completed its agreement with Bank of America to secure an additional \$75 million of capital for projects needing ENY financing. EIC issues longer term bonds to Bank of America and uses the proceeds to pay off its obligations to First Niagara under the Warehouse Line of Credit and to finance projects needing Energize NY Finance support.

*Loan Loss Reserves* - As part of the long term financing strategy, and in accordance with the agreement with First Niagara and Bank of America, EIC has established Reserves totaling over \$1,000,000 originated from federal sources, including a \$500,000 letter of credit from NY Green Bank, which was issued to EIC to provide loan loss reserve support to protect EIC’s creditors and municipal members

from claims or defaults relating to financings made by EIC to property owners in municipalities with a population greater than 30,000. This Letter of Credit is valid through July 31, 2018.

*Westchester Project – Leveraging Qualified Energy Conservation Bonding Authority* – In late 2013, EIC received authority to transfer of a minimum of just under \$4 million in Federal Qualified Energy Conservation Bonding (“QECB”) authority from Westchester County. This favorable federal subsidy substantially reduces the interest costs to the borrower below market rates. Westchester County has instructed EIC to offer this capital to affordable housing and not-for-profits contemplating energy upgrades to their buildings. An additional \$4 million in QECB authority could potentially be awarded to EIC from Westchester County. Additionally, EIC is exploring the transfer of unused QECB bonding authority from other EIC Members throughout New York State.

*Project List:* As of January 2016, ENY had closed or approved to finance 8 projects totaling over \$1 million in financings, including upgrades to two affordable housing facilities, a community house, a religious institution and two small businesses. ENY has preliminarily applications for 40 projects totaling \$14 million in potential financings and over 75 projects are prospectively considering financing for upgrades. Twenty projects totaling over \$7 million of energy work have expressed interest in the Westchester QECB Project.

**ENERGIZE NY COMMERCIAL** – Energize NY Commercial supports and provides outreach to commercial and not-for-profit property owners in member communities. The ENY Commercial team assists local property owners with navigating NYSERDA and utility incentive programs, completing the ENY Finance pre-application and application forms, finding a certified building appraiser, securing construction loan financing, accessing qualified contracting and engineering firms and design teams, assembling required documents, obtaining lender consent, and providing third party analysis on the financial impact of the proposed project. In order to further bolster investor and building owner confidence, EIC will also help facilitate Measurement and Verification (M&V) services to track the actual realized energy savings of buildings over time. Since late 2013, when EIC hired its first ENY Commercial employee, over 200 projects have been assisted with 40 currently considered active. The mix of projects includes multi-family and commercial and industrial buildings that have deferred action on energy related upgrades for years. The work being contemplated ranges from lighting and furnace upgrades to solar photovoltaic installations. In addition, ENY has offered training for contractors/energy service companies to encourage and enable better integration of PACE financing’s advantages into their sales efforts. Since mid-2014, the ENY Commercial team has completed 15 trainings with over 130 energy service firms and over 200 individuals resulting in over 90 ENY Finance Partners that are now enabled to offer ENY Finance to their clients.

Cumulative Energize NY Commercial data:

- **220** properties assisted
- **40** properties actively moving forward with clean energy upgrades worth over
- **\$14,000,000** in activity
- **8** closed and/or approved projects totaling \$1 million
- **\$1,394,000** in estimated avoided energy cost savings

**ENERGIZE NY RESIDENTIAL** - ENY Residential provides direct support to communities looking to reduce energy wasted in homes. An average New York home wastes about 30% of the energy used to heat and cool it. Methods to fix this issue are well understood, but homeowners don't know where to start and are confused by the choices of contractors, programs, and energy options. ENY Residential staff and local trusted sources help homeowners take advantage of the state's "comprehensive energy assessment" to identify where the home is wasting energy, help identify state certified energy efficiency contractors, state incentives and financing options and offers homeowners free energy coach consultations. Ultimately, homeowners throughout the community make their homes more comfortable while significantly reducing energy costs. Throughout 2015, ENY Residential operated within the 13 communities formally members of the Northern Westchester Energy Action Consortium (NWEAC) territory. Since 2012 when the program launched in every community, ENY Residential has outperformed the regional and state in completing per capita home upgrades by almost 300%.

2015 Energize NY Residential data:

- **320** homes upgraded
- **\$4,433,600** in local economic activity
- **75** jobs created for local economy
- **\$2,007,590** in cumulative annual homeowner energy cost savings
- **1,932** tons of avoided GhGs emitted
- **470** Home Performance w/ Energy Star Assessments

Cumulative Energize NY Residential data:

- **966** homes upgraded
- **\$13,383,000** in local economic activity
- **226** jobs created for local economy
- **\$5,018,000** in homeowner energy cost savings
- **4,830** tons of avoided GhGs emitted

**EIC MEMBERSHIP SERVICES** - EIC launched its member services effort in the second quarter of 2014 and increased its efforts in 2015. EIC's mission is to increase demand for energy efficiency and renewable energy projects, align with EIC's Members across New York State and provide community wide benefits including improved air quality, good local jobs, improved building stock and lower energy costs. Subject to sufficient funding, municipal members have access to EIC tools and staff to design a range of marketing, outreach and training programs that best match the goals and characteristics of each member community. Beyond those basic services, EIC staff can provide strategic advice on accessing and developing additional assets that further leverage ENY services (eg: leveraging unused QECB Bonding Authority). While at the broadest level, EIC provides ENY Finance, ENY Commercial and ENY Residential services, the specific services offered to property owners in each community will be driven by local economic development, energy and sustainability goals and by the availability of targeted funding streams.

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*Actions taken in 2015:*

**Orange County:** Press event and celebration of ENY's first financing provided for 5 Spoke Creamery solar installation. Over 100 attendees from local and state government, agriculture and other businesses, and energy service contractors. Speakers included County Executive Steve Neuhaus, Greg Hale, Senior Advisor to the Chairman of Energy & Finance, Governor Cuomo's Office, and Jeff Pitkin, Treasurer of NYSERDA.

Orange County Department of Planning coordinated as series of opportunities for ENY spokespersons and Orange County's Planning Director to speak about the ENY Finance opportunity to the Town of Goshen's Chamber, the County's Economic Development Advisory board, Alliance for Balanced Growth (program of the Orange County Partnership) and the County's Agribusiness Development Council. Orange County also hosted 2 contractor trainings.

**Town of North Salem:** Press event and celebration of first ENY financed affordable housing project, speakers included Kevin Plunkett, Deputy Westchester County Executive; Warren Lucas, Supervisor of North Salem; and A-HOME Executive Director Debbie Haglund. Attendees included the Supervisors of Bedford, Croton-on-Hudson and Lewisboro and Westchester County Legislators.

**Town of Ossining:** Press event and celebration of ENY financing of solar installation on a small business warehouse and showroom. Speakers included Ossining Town Supervisor Susanne Donnelly; NYS Assemblywoman Sandra Galef; Nina Orville of Solarize Westchester; and Justin Strachan of Sustainable CUNY.

**Dutchess County and City of Beacon:** Press event to launch ENY Finance in Dutchess and Beacon. A 45 minute press event and photo opportunity was held to highlight ENY Finance and put it into context of the county and city's business development and sustainability goals. Speakers included County Executive Marc Molinaro and Beacon's Mayor, Randy Casale. Key local leaders attended including utility representatives, town and county board members, business and economic development leaders and media. The video and photos from this event were used to populate a page about the program on the County website as well as a dedicated page on Energize NY's site.

**New Rochelle:** Planning outreach to multifamily building sector. Mayor Roach will integrate messages with existing communications capacity.

**Ulster County:** In preparation for their January 2016 launch, Ulster County collaborated with the ENY commercial team to identify target building sizes and use categories. Ulster's team pulled building data based on that criteria, then cross referenced to confirm that the properties were current on taxes. List served as a basis for a mailing sent out by Ulster's Economic Development Alliance to let property

owners to let them know about the program and invite to an information session. This list will serve as basis for future outreach.

**Town of Bedford's** sustainability group, Bedford 2020, Town Supervisor Chris Burdick and Westchester Green Business Challenge hosted a press event at Atlantic Westchester's business to celebrate a solar installation financed by ENY Finance. Town of Bedford and B2020 are planning local info sessions for commercial building owners in industry targeted zones for mid-2016, to be hosted by local contractors or business owners who already have solar or have super-efficient buildings.

**Tompkins County** and **City of Ithaca** hosted a contractor training, began series of meetings to prepare for the January 2016 launch of their ENY Finance program, together with key partners: Tompkins Economic Development, Tompkins Chamber of Commerce, and the Tompkins Landlord-Tenant Association.

**Ossining-Briarcliff:** Solarize-Energize Commercial dual launch

**Cortlandt-Croton:** Solarize-Energize Commercial dual launch

**Bedford-Mount Kisco:** Solarize-Energize Commercial dual launch

**City of Mount Vernon:** Energize Commercial Launch

#### ***SOLARIZE WESTCHESTER:***

Solarize Westchester is designed to dramatically accelerate the adoption of solar energy systems by making it easier and more affordable for homeowners and commercial property owners to install solar electric systems through two program components:

- Solar-friendly permitting and zoning (all Westchester municipalities)
- Solarize campaigns (two rounds of four campaigns with competitively selected municipalities, solar installers and volume pricing with a focus on both commercial and residential installations)

2015 was a big year for solar energy in Westchester County. As of the end of 2015, over 2,000 property owners had inquired about whether their properties were good candidates for solar power and 248 had signed contracts to install the technology, totaling over 2 MW of clean energy. These installations will provide well over \$17 million of energy savings over their expected lives. Total installations will rise substantially in the first quarter of 2016 when the second round of Solarize campaigns concludes.

Solarize Westchester also includes outreach to municipalities to encourage adoption of solar-friendly permitting and zoning for roof-mounted solar photovoltaics. As of the end of 2015, sixteen municipalities had adopted changes to aspects of their permitting processes, most with support from the Solarize Westchester team, and seven more have changes under active review.

## **BUSINESS ACTIVITIES, OPERATIONS 2015 AND 2016 OUTLOOK**

EIC's operating expenses for the year 2015 were funded primarily by grant funds that were awarded to EIC by NYSERDA to fund the expansion of ENY. The balance of expenses was funded through revenues earned on financing activities.

Throughout 2015, EIC continued to operate in part under the terms of the NYSERDA Existing Facilities Program ("EFP") \$975,000 grant awarded in 2014. As of December 31, 2015, EIC had incurred \$889,582 in expenses in accordance with the terms of this grant.

In the third quarter of 2015, EIC finalized an agreement ("the Cleaner Greener Market Transformation Project") with NYSERDA, whereby NYSERDA would fund the EIC's efforts to continue to expand ENY Finance, Commercial and Residential efforts beyond Northern Westchester throughout the Mid-Hudson and Central Regions of New York State. Under this agreement, effective May 1, 2015, EIC is being reimbursed for program operating expenses up to \$3 million. This agreement extends until Dec. 31, 2017.

During 2015, the Corporation continued to serve as the general contractor for the NYSERDA sponsored "Westchester Solarize Initiative". This initiative with an original contract value of \$485,000 commenced in 2014 and is scheduled to be completed in 2016.

In addition, in the first quarter of 2016, EIC signed another three-year agreement with NYSERDA known as "PON 2646, the NYSERDA Behavioral Demonstrations Program", whereby ENY Residential will be launching programs in three communities in the Central Hudson Utility territory demonstrating how the social norming components of the ENY Residential model affect behavior and allow for economic choices to be made related to home performance energy efficiency improvements. This contract has a value of \$497,000.

Deliverables to NYSERDA under the various grants include adding municipalities and counties to EIC's membership; the build-out of ENY Finance; supporting property owners and energy service providers; financing of multi-family, industrial and commercial projects, including affordable housing facilities, and expanding ENY Residential in the Mid-Hudson and Central Regions of the State.

EIC's mission and ultimate success will hinge on successfully moving past the current focus on grant deliverables and leveraging EIC's infrastructure, legal framework and processes to deliver finance and support services determined to be essential to the goals of EIC's members, building owner clients and stakeholders.

While the ENY Residential Program will continue to provide a high level of direct homeowner support within certain NWEAC communities and to a limited number of other, member-based communities throughout the Mid-Hudson and Central Regions of the State, significantly expanding the ENY Commercial Program and ENY Finance Program will be the highest priority in 2016 to allow for internally driven revenue to become the primary source of funding for all ENY programs.