



Energy Improvement Corporation

Annual Report on Progress and Accomplishments – 2014 FINAL REPORT

Operations:

The Energy Improvement Corporation (EIC) is a NYS Not for Profit Local Development Corporation whose mission is to save money and reduce the waste of energy by enabling energy related improvements through innovative community-based outreach and marketing efforts and innovative financing options.

BACKGROUND & MISSION

The 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.

The EIC's purpose and quasi-public objective is to promote the public good, and thereby lessen the burdens of government in the Participating Municipalities, and act in the public interest. The Corporation will achieve this purpose by providing low-cost financing and community-based support for energy efficiency and renewable energy generating facilities for residents and businesses in the Participating Municipalities as authorized in Article 5-L of the General Municipal Law of New York.

In pursuit of said purposes, the Corporation has powers in furtherance of the policy of the State 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 throughout the State by municipalities in fulfilling an important public purpose in providing financing to property owners for the installation of renewable energy systems and energy efficiency measures. EIC has two areas of focus: Energize NY (ENY) marketing and outreach services through the ENY Commercial and ENY Residential Programs, Solarize Westchester and financing services for qualified properties through the ENY Finance Program. Services and activities are funded by grants won in 2010 by the Town of Bedford in partnership with the Northern Westchester Energy Action Consortium, the New York State Research and Development Authority (NYSERDA) and the Bedford 2020 Coalition, and in 2014 secured from NYSERDA and the Deutsche Bank Americas Foundation.

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 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.

The program will continue to increase the number of assessments and upgrades through a mix of 1) property owner and energy service company engagement efforts, 2) local municipal engagement and program rollout, 3) the deployment of the ENY toolkit that supports a robust community based marketing effort, web services and social media 4) the rollout of ENY Finance, a Property Assessed Clean Energy (PACE) Benefit Financing program that will help building owners finance their upgrades.

Significant Accomplishments for 2014:

Work accomplished in 2014 are in three general categories: 1) Increased municipal Membership to EIC, 2) buildout of EIC's programs: ENY Finance, ENY Commercial, ENY Residential and Solarize Westchester and 3) securing investments and funding in EIC's continued development and expansion.

EIC MEMBERSHIP - EIC commenced the 2014 calendar year with the launch of a research project to identify Counties and Cities across all regions of the state with the most potential to leverage ENY's Finance Program. Criteria included regional population, estimated area GDP, population density (e.g. existence of mid-size and major cities) along with an institutional knowledge of the state's economic development and commercial property profile to create the priority list. 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-NYC population of NYS. In addition, Energize NY Finance was mentioned as a key element in several of the New York Power Authority 5 Cities sustainability plans.

With the launch of ENY's Finance Program in early 2014 and additional resources from NYSEDA in place since mid 2014, ENY is responding to requests about EIC membership from over two dozen counties and cities throughout NYS. Since the beginning of 2013, 18 municipalities have passed the Local Law needed to activate their Energize NY Finance program, with another two dozen cities and counties in process and 5 municipalities pending membership.

ENERGIZE NY FINANCE - Energize NY Finance created the NY version of Property Assessed Clean or "PACE" financing, a transformative product that enables not-for-profits and eligible commercially owned buildings access to project financing for deep energy upgrades and renewable energy projects. Participating municipalities must authorize Energize NY Finance through legislation that 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 20yr loan terms, automatic transferability and other benefits that increase the value of the property while reducing energy costs. EIC completed all required documentation and legal work in 2012 and began offering ENY Finance in member municipalities late in the fourth quarter 2013 after securing a capital line from First Niagara Bank. EIC's first approved pre-

applications for financing were accepted in the 2nd Qtr. of 2014 and the first financing was finalized in March 2015.

Long Term Financing Strategy - Since financings of commercial projects by EIC can extend up to 20years, EIC has developed a long term financing strategy to protect itself from volatile interest rates. EIC has retained the services of the PFM Group, a leading independent municipal finance advisory firm, to help it manage these risks. EIC anticipates the periodic issuance of bonds to lock in long-term interest rates and concurrently replace borrowings from First Niagara as EIC's portfolio grows. EIC has adopted a 2015 budget targeting gross commercial program financings of \$8,000,000 in 2015.

- a. *\$78,000,000 in capital secured from Bank of America and First Niagara* - In November of 2013, EIC entered into a Warehouse Line of Credit agreement with First Niagara Bank and in July of 2014, EIC signed a letter of intent with Bank of America Public Capital Corporation to secure \$75million of capital for projects needing Energize NY Finance support. This line of credit will be used to provide initial capital to EIC's ENY Finance Program. Interest costs to EIC under this arrangement can fluctuate with general market changes in interest rates. In accordance with the terms of this agreement, EIC also established over \$1mm in Reserves from Dept. of Energy grant funds and NYS Green Bank sources. See further discussion under Notes To The Financial Statements.
- b. *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 NY State Green Bank Letter of Credit issued to EIC which will 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.
- c. *Westchester Project - Qualified Energy Conservation Bonding Authority* – In late 2013, EIC received a transfer from Westchester County of a minimum of just under \$4,000,000 in Federal Qualified Energy Conservation Bonding (“QECB”) authority. Due to a favorable federal subsidy, which 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.
- d. *Project List: A/O January 2015*, ENY had over 70 projects totaling over \$22mm in potential financings that have expressed interest in moving forward. 45 projects totaling over \$10mm of energy work have expressed interest in the Westchester QECB Project. An additional \$4,000,000 in QECB authority could potentially be awarded to EIC from Westchester County later in 2015. Additionally, EIC is exploring the transfer of unused QECB bonding authority from other EIC Members throughout New York State.

ENERGIZE NY COMMERCIAL – Energize NY Commercial is the marketing, support and outreach program affiliated with the Energize NY Finance program. 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 3rd party analysis on the financial impact of the proposed project. In order to further bolster investor and building owner confidence we 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 165 projects have been assisted with 70 currently considered active and interested in pursuing ENY Finance. The mix of projects include Multi Family, 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.

ENERGIZE NY RESIDENTIAL PROGRAM - Energize NY 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. Energize NY 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, helps identify state certified energy efficiency contractors, state incentives and financing options and offers free energy coach consultations. Ultimately, homeowners throughout the community make their homes more comfortable while significantly reducing energy costs. Throughout 2014, 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 home upgrades by a factor of four.

2014 ENY-Residential UPDATES:

- Continued inbound support services to homeowners in the NWEAC footprint through phone and email communication.
- Continued homeowner lead forwarding and referrals to RUPCO in lower Westchester and surrounding counties and to NYSERDA elsewhere.
- Continued social media messaging and marketing on the Energize NY Facebook, Twitter and other platforms.
- Working in concert with library staff and other "trusted sources" provided up to 20 hours a month of ENY Residential staffed "application assistance" hours to help homeowners complete Green Jobs Green New York (GJGNY) comprehensive home energy efficiency assessment applications
- Offered, scheduled and completed regular Energy Coach homeowner visits in the NWEAC geographic footprint

- Co-hosted and attended EE and building science information events for homeowners in the NWEAC geographic footprint
- Development and publication of 15 ENY Residential case studies. Each case study included a project narrative, project data, a photograph of the home and homeowner(s), projected savings and actual savings with at least 12 months of energy use data.

2014 Energize NY Residential data:

- **202** homes upgraded
- **\$2,558,128** in local economic activity
- **31** jobs created for local economy
- **\$383,719** in annual homeowner cost savings
- **404** tons (84 cars) in CO₂ emission's reductions

Additional 2014 Data:

Signed up for Energize 620

Total Referrals to RUPCO: 115

Homeowners contacted (leads): 587

Signups converted to projects: 173

Total Comprehensive Assessments in Northern Westchester Energy Action Consortium (NWEAC) geography: 935

Energy Coach

- Homeowner Visits: 18
- Energy Coach Talks: 4

Social Media

- Total Facebook fans: 1,332 across 15 pages.
- Active posts: averaged 3 - 5 a week

Email Messaging

- 13 campaigns
- 3,772 homeowner emails sent
- Approximately 6,000+ emails sent via trusted source and community e-blasts to homeowners in various communities

Overall 2011-14 performance:

1. **646** homes upgraded
2. **\$8,180,944** in local economic activity
3. **99** jobs created for local economy
4. **\$1,227,142** in annual homeowner cost savings
5. **1,292** tons (190 cars) in CO₂ emission's reductions

EIC MEMBERSHIP SERVICES - EIC launched its member services effort in the second quarter of 2014. 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. 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, the 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.

Actions taken in Q2-Q42014:

- Orange County: Energize NY Commercial launch (OC Chamber with County Executive Steve Neuhaus)
 - 4 Orange County outreach & contractor training events
- Advance meetings with Ulster County to plan launch and other events for 2015
- Town of Greenburgh: Energize NY Commercial launch
- Town of Cortlandt: Non-profit property owner targeted mailing from QECB
- Town-Village of Mount Kisco: Initial organizing meeting for future Energize NY Commercial launch
- Village of Croton: Initial outreach meeting to discuss future Energize NY Commercial launch
- City of White Plains: Commercial property owner event hosted by Mayor's office

Prospective in 2015:

- Ossining-Briarcliff: Solarize-Energize Commercial dual launch
- Cortlandt-Croton: Solarize-Energize Commercial dual launch
- Orange County: Presentation to Alliance for Balanced Growth (program of the Orange County Partnership)
- Bedford-Mount Kisco: Solarize-Energize Commercial dual launch
- Ulster County: Energize Commercial Launch
- City of Cortland: Energize Commercial Launch
- City of Mount Vernon: Energize Commercial Launch
- City of New Rochelle: Energize Commercial Launch
- City of Beacon: Energize Commercial Launch
- Dutchess County: Energize Commercial Launch
- Additional new member launches as necessary

BUSINESS ACTIVITIES, OPERATIONS 2014 AND 2015 OUTLOOK

EIC's operating expenses for the year 2014 were \$834,959 of which \$533,006 was paid for by EIC and \$301,953 was paid for by the Town of Bedford on behalf of EIC using federal and state grant funds that were awarded to the Town of Bedford to start and fund the ENY Program. The Town of Bedford created EIC on 7/15/2011 to be the vehicle through which to operate the ENY Program through the end of the Department of Energy grant period. During the first half of 2014, EIC utilized all funds remaining from the original \$2,535,728 Department of Energy grant \$500,000 of which was used to establish Reserve accounts, to benefit creditors and municipalities that experience a loss on collection.

In Q2 of 2014, EIC signed an agreement with NYSERDA whereby NYSERDA would fund EIC's efforts to expand EIC's Finance & Commercial programs beyond northern Westchester throughout New York State. Under this agreement, EIC is being reimbursed for program operating expenses up to \$975,000. Deliverables to NYSERDA include a program to add municipalities and counties to EIC's membership, the final build-out of ENY Finance, and financing of industrial and commercial projects, including affordable housing while helping to drive demand for NYSERDA's Existing Facilities Program ("EFP") and related services. This grant is projected to continue through Q3 of 2015.

EIC also received \$50,000 in 2014 from the Deutsche Bank Americas Foundation and the Open Space Institute to further EIC's efforts to provide financing for multi unit affordable housing through the issuance of Qualified Energy Conservation Bonds ("QECCB") and other financing programs.

EIC also received \$50,000 from NYSERDA to continue the Energize NY Residential program operating in NWEAC communities.

See O'Connor Davies certified financial statements for the year ending December 31, 2014 for EIC's Balance Sheet, Income Statement, Statement of Cash Flows and Statement of Net Position.

Additional Anticipated Funding Sources

EIC is aggressively pursuing additional grant funding from both government entities and private foundations. In Q4 of 2014, New York State announced (as part of its Economic Development Program) a \$3,000,000 award to EIC to further the expansion of Energize NY's suite of programs relating to both Residential and Commercial structures in the Mid-Hudson and Central regions of New York State. It is anticipated that this new program will compliment the current EFP funding and work will begin in the 2nd qtr. of 2015.

In addition, NYSERDA has won PON 2646, NYSERDA Behavioral Demonstrations Program, where Energize NY Residential will be launching programs in three communities in the Central Hudson Utility territory demonstrating how the social norming components of the Energize NY Model effect behavior and allow for economic choices to be made related to Home Performance Energy improvements.

Outlook

EIC's mission and ultimate success will hinge on moving past the current focus on the grant deliverables and leveraging EIC's proprietary methods and processes to delivering a superior ENY product that is determined to be essential to the goals of EIC's 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 Region and in the Central Region, significantly expanding the ENY Commercial Program and ENY Finance Program will be the highest priority to allow for internally driven revenue to become the primary source of funding for all ENY programs.