



2016 Annual Report on Progress and Accomplishments

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”).

Work accomplished in 2016 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 continues to respond to requests about the Corporation membership from dozens of counties and cities throughout NY State. In 2016, EIC approved adding 8 new members, bringing the total number of municipalities that have joined EIC and passed the Local Law to 36 representing 50% of the non-NYC population of NYS. EIC’s Municipal Membership team has segmented the list of potential members into four tiers within all regions of the State and is now actively talking with an additional 22 Counties and 10 Cities representing an additional 30% of the non-New York City population of NY State. EIC is seeing an acceleration in membership activity largely due to the inclusion of PACE into the list of 10 High Impact Actions that NYSERDA is using to qualify municipalities for grants, membership interest has accelerated.

Cumulative Energize NY membership data:

- **8** new EIC members in 2016
- **36** municipalities pass local law
- **5,300,000** NYS residents in municipalities that passed Local Law to offer Energize NY
- **50.1% - percentage of non-NYC population** in municipalities that passed Local Law to offer Energize NY

ENERGIZE NY FINANCE

EIC 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. To offer ENY Finance to their residents, municipalities must pass a template 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. 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 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. In June 2016, EIC and Key Bank (as successor to First Niagara Bank) renegotiated and increased the size of EIC warehouse line to \$4.675 million dollars.

Loan Loss Reserves - As part of the long term financing strategy, and in accordance with the agreement with Key Bank 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: A total of 13 projects were closed since EIC's first project in 2015 for a total of \$1.700,000 in financed projects including upgrades to two affordable housing facilities, a community house, two religious institutions, an elderly housing facility and two small businesses. An additional 31 projects were in process as of early 2017 totaling \$7 million of potential projects. Ten projects totaling over \$5 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 NYSEDA 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. Since late 2013, when EIC hired its first ENY Commercial employee, over 400 projects have been assisted with 13 ENY PACE financed projects and 35 currently considered active. An additional 48 projects were completed w/o ENY PACE. The mix of projects include 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 20 trainings with over 250 energy service firms and over 300 individuals resulting in over 110 ENY Finance Partners that are now enabled to offer ENY Finance to their clients.

Cumulative Energize NY Commercial data:

- **408** properties assisted
- **35** properties actively moving forward with clean energy upgrades worth: \$7,000,000 in activity
- **13** closed and/or approved projects totaling \$1.7 million
- **\$3,178,000** in estimated avoided energy cost savings
- **8750 tons** in estimated avoided CO2 emissions

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 2016, ENY Residential operated within the 13 communities formally members of the Northern Westchester Energy Action Consortium (NWEAC) territory and added one new community, New Rochelle. 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%.

2016 ENY-Residential UPDATES:

- Awarded Behavioral Demonstration Grant to expanded into 3 Central Hudson territory communities in 2016

2016 Energize NY Residential data:

- **222** homes upgraded
- **\$2,811,408** in local economic activity
- **52** jobs created for local economy
- **\$1,265,134** in cumulative annual homeowner energy cost savings
- **4,232** tons of avoided GhGs emitted

Additional 2016 Data:

Web/Email Sign ups for Energize NY: **216**

Home Performance w/ Energy Star Assessments: 483

Avg # of Home Performance Upgrades/ Month: 45

Community Events: 51

E-blast campaigns: 30

E-blast recipients: 11,824

ENY Energy Coach Visits: 7

ENY Articles published: 4

ENY Referrals to RUPCO: 52

Total ENY Facebook likes: 1556 across 15 pages.

Active ENY posts to Facebook: averaged 3 - 4 a week

Cumulative Energize NY Residential data:

- **1,189** homes upgraded
- **\$15,057,496** in local economic activity
- **278** jobs created for local economy
- **\$6,775,873** in homeowner energy cost savings
- **22,665** tons of avoided GhGs emitted

EIC MEMBERSHIP SERVICES - 2016 Review

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. 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.

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.

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. 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.

EIC provided Annual Reports of closed financings to nine Members for the 2016-2017 tax cycle.

In 2016, EIC has partnered with Members to issue press releases, organize events promoting clean energy and PACE finance as well as supporting local trainings of contractors.

City of Beacon hosted a contractor training for the MidHudson region on Jan 12 and collaborated with Energize to invite local HVAC and electrical contractors.

Town of Cortlandt's Supervisor participated in a video created in July for St. Christopher's project. They then re-distributed that video and information to the Westchester Municipal Officials Association.

Orange County arranged for a joint presentation to the USDA to farmers and small business owners in Goshen NY in February, to Orange County Citizens Foundation in May, and arranged numerous meetings with various County staff and legislature to get QECB's approved for OC and introduced and followed up with Cities of Middletown and Port Jervis. In August, OC invited ENY to present at Orange County Large Solar Forum.

City of Peekskill became much more attuned to Energize NY PACE after a summer update meeting with staff, much of whom was part of a new administration in 2016. We subsequently presented to the full City Council about upcoming projects and how PACE works, then had follow up calls with the tax department and business development persons. The Mayor then spoke at a press event in December for Drum Hill, and helped to invite our local County legislators. The speakers at this event included 2 representatives from Con Edison, 2 from Westchester County including Bill Mooney/Econ Dev, 2 County legislators, the Mayor, the 2 contractors, Drum Hill's Finance Director and Energize NY.

City of Schenectady hosted a PACE training for contractors on Mar 29 in anticipation of the City's membership.

Suffolk County participated in and facilitated numerous events and presentations in advance of becoming a member and following, In April Suffolk County Dept. of Economic Development and Planning hosted a contractor training in Hauppauge in conjunction with PSEG-LI. In June, in anticipation of membership, County Sustainability Director held conference call to introduce Town of Huntington Economic Development, IDA and Planning to ENY. County issued press release about EIC membership in August. Arranged for Mark to present PACE at the LI Clean Energy Task Force meeting in September. The County represented Energize at a table at the PSEG expo, and introduced Energize NY at an info session at same event.

Tompkins County and the City of Ithaca held a joint launch event on January 7, 2016. Speakers included the Chair of the County Legislature, Mayor of Ithaca, Energize NY, Kelly Tyler of NYSERDA's Clean Energy Communities Program, Tenant-Landlords Association, Economic Development and the County's Business Council. Attended by 75+ business owners, association representatives and clean energy contractors. Tompkins and Ithaca issued a joint press release. In April, the City of Ithaca set up a PACE presentation to their Downtown Ithaca Alliance.

Ulster County and the City of Kingston held a launch event on January 25, 2016 as part of the Ulster County Economic Development Quarterly Breakfast. Speakers included the Mayor of Kingston, County Executive, Energize NY and Pat Courtney Strong. Ulster and Kingston issued a joint press release.

Westchester County, June 22. Though Westchester County is not eligible to join EIC, they partner with us on QECBs and support our PACE finance program, and our municipal members, through collaborative promotion through their economic development department. On June 22nd, 65 contractors attended a training coordinated in partnership with Con Edison and Westchester County Economic Development. Opening remarks by Deputy County Executive Kevin Plunkett. Econ Dev update from West County Dir of Econ Dev, Bill Mooney. Con Edison's Dir of Commercial Efficiency programs and Program Manager Mick Gilbert gave updates on Con Ed's new programs, followed by the PACE training.

SOLARIZE WESTCHESTER – 2016 Review:

In 2015, EIC was named the prime contractor to implement Solarize Westchester with major duties sub-contracted out to Nina Orville of Abundant Efficiency. 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)*

As of the end of the contract in mid 2016, Solarize Westchester generated over 400 signed contracts totaling over 3.794 MW of capacity representing a direct investment of over \$14.6 million (over \$14 million of which was for systems purchased rather than leased). These installations will provide well over \$17 million of energy savings over their expected lives. 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, seventeen municipalities had adopted changes to aspects of their permitting processes, most with support from the Solarize Westchester team.

BUSINESS ACTIVITIES, OPERATIONS 2016 AND 2017 OUTLOOK

EIC's operating expenses for the year 2016 were funded primarily by grant funds that were awarded to EIC by NYSERDA to fund the expansion of ENY. Throughout 2016, EIC operated in part under the terms of the NYSERDA Existing Facilities Program ("EFP") \$975,000 grant awarded in 2014 and the \$3,000,000 Cleaner Greener Market Transformation Project" (CGC) grant awarded in 2015. This agreement extends until Dec. 31, 2017. The balance of expenses was funded through revenues earned on financing activities

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 was completed in mid 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.

As of December 31, 2016, EIC had incurred \$1,275,397.00 in expenses in accordance with the terms of these grants. In addition to grant revenues, EIC generated \$56,879.00 in internally generated revenue from financings.

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 2017 to allow for internally driven revenue to become the primary source of funding for all ENY programs.