

**California Alternative Energy and Advanced Transportation Financing  
Authority  
California Hub for Energy Efficiency Financing**

Webinar Transcript

**Energizing Energy Efficiency: New Financing Programs for Small Business  
and Affordable Multifamily  
Wednesday, October 9, 2019  
1:30 p.m. – 2:00 p.m. PST**

*[Editor's Note: This transcript has been prepared by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) and is believed to be a fair and accurate reproduction of the comments of the speakers.]*

[Beginning of recorded material]

**0:00      Slide 1 – Title Slide**

**Deana Carrillo:** Good afternoon everyone. My name is Deana Carrillo and I'm the Executive Director of CAEATFA. We are a small financing authority housed in the California State Treasurer's Office, which is focused on helping the state meet its greenhouse emission goals. I have the pleasure of being your host today as we announce the formal launch of the small business and affordable multi-family pilots under the California Hub for Energy Efficiency Financing.

**0:025      Slide 2 – Before We Get Started**

So, welcome! Before we get started, let's cover some housekeeping items. The webinar will be recorded and available on our website as a resource if you have colleagues that missed it. Closed captioning is also available. If you move your cursor to the bottom of your screen, you will be able to see a black bar on the

bottom of the screen to access it. And let's talk about Q&A for a minute. We will be holding questions until the end of the webinar to respect everyone's time. I'm hoping to do my best to stay within 30 minutes. You may post questions in the dialogue box and while we may not be able to get to them, my team will definitely get back to you at a later time.

### **1:03            Slide 3 – Today's Agenda**

So, let's get started.

Today's agenda. The next slide outlines our agenda. I'm going to spend a few minutes highlighting California's climate goals and the California Hub for Energy Efficiency Financing for those new to our efforts. They were formerly called the CHEEF and we are working on re-branding it as the Hub because the CHEEF isn't spelled right and it is a little confusing. So, the Hub it is. We'll also be talking about our new financing programs; the Small Business Financing Programs and our Affordable Multifamily Program. I'll provide a brief update on our other program efforts and highlight how you can get involved and leverage these programs. As I mentioned, if there is time remaining, we'll open it up to Q&A, but if we aren't able to do that, my team will get back to you directly. I should also note that we have provided a few slides that provides some additional detail information about the financing terms, CAEATFA, and the related governing decision by the CPUC. This will be available in an Appendix once the webinar is posted. With that, let's get started.

### **2:06            Slide 5 – California's Ambitious Climate Goals**

Achieving a comprehensive energy efficiency in all existing buildings is state policy, and 1 of 3 primary approaches to meet California's aggressive energy and environmental targets. In 2015, Senate Bill 350 called for the doubling of Energy Efficiency by 2030, which was expanded by SB 32 in 2016.

### **2:25            Slide 6 – EE is Key**

It's estimated that half of California's 13.6 million residential and commercial structures were built before 1978 and the existence of our building codes and emit 20% of our greenhouse gases. The California Public Utilities Commission hired a consultant in 2010, which estimated that \$50 billion was needed to retrofit California's existing buildings. We can't do this with ratepayers and taxpayers' dollars alone, we need to work with private capital...

**2:54            Slide 7 - CHEEF**

which brings us to the Hub for Energy Efficiency Financing.

**2:59            Slide 8 – What is the Hub?**

The Hub was authorized by the PUC, funded with Energy Efficiency funds from IOU ratepayers to test how we can bring more private capital to the Energy Efficiency marketplace and help remove barriers and the upfront financing burden with a focus on the underserved markets, and to test an alternative to the tradition rebate and incentive mechanism. It provided a Credit Enhancement funding to target three markets; the residential with one-third of those funds targeting low and moderate income, small businesses, and affordable multifamily projects. It also authorized the exploration of On-Bill Repayment as a financing tool, in which private capital gets repaid on the utility bill and authorized a fourth pilot for the larger commercial buildings in the MUSH market with OBR functionality only with no Credit Enhancement. The pilots also include a statewide marketing campaign and drives users through GoGreenFinancing.com. If you haven't been there yet, you should definitely go after today.

**3:57            Slide 9 – How Does the Hub Address Barriers?**

As we move forward to develop the pilots and we examine the existing IOU

efficiency marketplace, we worked hard to identify solutions that would work for the private market. So, how do we address challenges to uptake in the Energy Efficiency industry? There are a lot of studies out there that identify the hurdles. There's an upfront cost barrier. The Credit Enhancement helps private lenders provide 100% financing with improved financing terms. And I'll talk about that a little bit more later. We have the owner/tenant split incentives. We work to address this by allowing tenants to borrow and ensure that financing isn't secured by a property, but by the equipment. We often hear that Energy Efficiency is complicated, it's slow, and it takes a long time for rebate approval. So, we tried to make it simple. Private capital lenders can approve loans quickly. They're offering pre-funding and partial payments to Contractors in our Small Business Program. We've provided multiple pathways to measure approval, including a simple, comprehensive measure list. And we're able to allow 30% of the financing to non-efficiency measures, which means that borrowers have flexibility to do other necessary improvements whether it is upgrading an outdoor seating area or drought tolerant measures for their landscaping. Another challenge is complicated debt stacks for borrowers. So, the Program accommodates loans, leases, and Energy Service Agreements to offer multiple approaches to lower operating cost, which can also be off-balance sheet.

**5:22      Slide 10 – How Does the Hub Address Barriers, cont.**

And the barriers continue. There has been a lot of documentation on this. One of them is that customers are too busy to undertake retrofits. This is very true, so we're working with channel partners to help spread the word and make it easy for customers. We created a role for Project Developers because in talking to the industry, these are key stakeholders that simplify projects and help build transaction pipelines. Our Contractors and Project Developers are trained on program requirements and we have a simple user interface where they complete most of the work. We also have a collaboration with the IOUs, Regional Energy Networks, and local governments, which we are still expanding and strengthening,

and a statewide marketing campaign to build awareness. Consumer protection is always a challenge. The Program establishes minimum threshold criteria for lenders, Contractors, and Project Developers. We require a Bill Impact Estimate to help educate borrowers on the potential impact. We've provided a desktop review and a portion of the projects get site visits to assist in Contractor compliance and training. And while our lenders do expand their underwriting terms, they still maintain underwriting standards. And in order to reach the financially underserved markets, we meet the borrowers where they are. We've allowed single measures, as well as expanded to code consistent with state policy, as well as comprehensive projects. The Program design has flexibility to address traditionally under serves, renters, tenants, mobile homes, new businesses, and low-moderate income.

#### **6:57      Slide 11 – How Does it Work?**

This next slide talks about how it works. So, the CHEEF, or the Hub, or our staff here at CAEATFA provides Finance Companies with a Credit Enhancement, which is like an insurance pool. The Finance Companies offer better terms and approve a wider group of customers. The Contractor presents the CHEEF financing options to their customers and the customers are then able to do retrofits. Benefits that exist include low terms, longer tenure or repayment periods, which means lower monthly payments, and larger financing amounts.

#### **7:40      Slide 12 – What Types of Projects are Eligible**

So, what types of projects are eligible? As I mentioned, 70% of the projects are Energy Efficiency Measures and there's three ways that that can happen. We have a comprehensive list of Energy Savings Measures, which include those measures that are anticipated to save energy. And our partnership with the IOUs and any measure eligible for a rebate and incentive program is allowed and that's true for IOUs, RENs, or even if the CCAs start developing programs. And for small business only, we allow more complex projects certified by a qualifying

engineer. As I mentioned, 30% of those measures can be Non-Energy Efficiency. And there's some other opportunities that we have. As I mentioned, we are financing to code and we're also allowing fuel switching to support decarbonization if electricity is provided by an IOU. We're excited to help with the decarbonization effort. And with a 30% of the financing being flexible, we think that we can help create some unique partnerships. For example, we were just talking to the Air Resources Board on whether the 30% could help with a refrigerant on new commercial refrigerators and freezers.

### **8:57            Slide 13 – Statewide Marketing Efforts**

This next slide highlights our consumer marketing campaign. On GoGreen Financing, these are the types co-branding material that's available for local government, utilities, RENs, CCAs, or any of our lenders or Contractors to help co-brand at this website.

### **9:19            Slide 14 – Hub Pilot Programs Overview**

So, in summary, the Hub is four programs, but we're currently only offering three. Unfortunately, we hit some unexpected staffing constraints this year and will not be launching the non-residential program in 2019, which is the time limit the PUC put on the pilots. That said, we'll be adding on-bill payment functionality, which I'll talk about a little bit more to the small business and affordable multi-family pilots next year and PUC may consider to explore this at a future date.

### **9:47            Slide 15 – What the Hub isn't**

I want to take a quick minute to talk about what we are not. The state is not a direct lender. This is an open market private capital program. We call it statewide, but it's not quite statewide. As I mentioned, these are funds from the Investor Owned Utilities and their Energy Efficiency funds. The Program does not

support Energy Efficiency improvements for public utility served fuels, and we cannot credit enhance other clean energy measures such as EV charging stations, solar, or storage. While those measures can be financed by our lenders, it is not something that every lender will do, and we cannot credit enhance it.

**10:28      Slide 16 – SBF Program**

So, that summarizes the Hub and I'll spend the next few minutes discussing our Small Business Financing pilots.

**10:32      Slide 17 – Introducing SBF Program**

Our small business pilot is open to all industries and not limited by energy load. There are three different ways a small business can qualify to allow for quick approval and this pilot is also available to market rate multifamily buildings if they meet the definition of small business. In response to the Credit Enhancement, our three participating lenders are lowering the financing costs and lengthening the terms for lower monthly payments. Each Finance Company has increased its approval rate. Of course, there is a spread among the companies, but we see approval rates increasing from as low as 50% up to as high as 95%. But in general, we're seeing more approval rates improve in the low 80s to mid-90s. As I mentioned earlier, we have three ways for a project to be eligible to add flexibility; customers can finance larger measures requiring longer payback periods for those that may never be quote/unquote bill-neutral. We're also recruiting Project Developers, which can range from IOU implementers and non-profits to actual installation firms and Contractors. Once they enroll and customers can find them on the GoGreen Financing website.

**11:40      Slide 18 – Who can benefit from SBF?**

This pilot can have a broad impact from office buildings to agriculture and dairies and corner markets and local grocery stores. Measures include appliances,

building envelope, Demand Response, industrial, agricultural measures, data centers, food service, lighting, pools, refrigeration. We have really worked to be comprehensive. Even updated manufacturing equipment is eligible. The pilot had a soft launch in May and one of the first projects in the door in July was a dairy in the Central Valley that switched out its indoor and outdoor lighting and installed a variable frequency drive well pump, which helps conserve both energy and water. Currently in the pipeline, we have an office building in San Diego. So, again there is a broad range here in the types of projects that we can assist.

## **12:29      Slide 19 – Benefits to SBF Constituents**

Let's talk about some of the benefits to our SBF stakeholders. And I would also say that these are benefits that cross all of our pilots. For customers, we're helping to lower their operating cost or creating a healthier environment, better financing terms, and lower monthly payments. Flexibility with large measures and longer payback periods for those that may not bill-neutral, we're able to offer 100% financing secured by equipment, not the property, and financing options include off-balance sheet mechanisms to accommodate a complicated debt stack. For Contractors and Project Developers, we can provide fast financing and project approval, customers will undertake deeper retrofits with larger scopes of work, we've built an easy user interface to upload data. We're actually entering the 21st century with this pilot. Multiple pathways to project approval. Again, I mentioned the pre-funding and progress payments offered to select Contractors and the statewide marketing campaign where they can be listed, and borrowers can find them. For our lenders and Finance Companies, we're offering the opportunity to enter new markets and explore this new asset class, mitigate their risk through a loss reserve, approve a wider range of borrowers and grow their own market penetration. And again, they're able to leverage the statewide marketing effort with the potential to expand with other investment incentives like the opportunity zones. And for our state and local government allies, this state supported program can be offered in your community, included vetted lenders and project and



Contractor QA/QC. We can help leverage your existing programs and fill the gaps with local programs. There will be more energy saved in your local communities and across the state. And the benefits of energy savings will be extended to those underserved borrowers. This is, in many ways, a community work force investment program. Many of our Contractors are those regional Contractors and it is a collaboration with your main street investments and your work force partnerships.

### **14:33      Slide 20 – SBF Finance Companies**

We currently have three Finance Companies enrolled in our Small Business Program offering financing up to \$5 million with terms up to three years, offering traditional loans, leases, and Energy Service Agreements, financings can be approved within 48 hours. Again, I mentioned the pre-funding and progress payments, that's going to be a huge help to Contractors. And two of our three companies currently enrolled finance solar. We're also expanding our lender partners, so if in your relationships you are working with a Finance Company that is interested in this niche or is community driven, please send them our way.

### **15:14      Slide 22 – The AMF Program**

And that closes the overview of the small business pilot. So, I'm going to turn to our affordable multi-family pilot. Available to multi-family properties of four or more units, 50% of the units are income restricted at low-to-moderate, the property must remain deed restricted for 5 years. And we've really designed this Program to integrate with other programs and help fill the gap. And I'll talk about that a little bit more on the next slide. We're able to finance in-unit and common area measures and we've developed some flexibility with that unique affordable multi-family debt stack supporting Energy Service Agreements, which can help be bill-neutral or cash flow-positive. We're also encouraging a comprehensive portfolio approach enabling energy savings over multiple properties and

facilitating different types of projects with a variety of energy savings. One thing we heard from the Affordable Multifamily is that they wanted to use their own Contractors, so we'll let you. There is no minimum enrollment process, but we do want to train you on the Program.

**16:21      Slide 23 – AMF Program Fills Funding Gaps**

And what we found in our market research, is that there are a lot of Affordable Multifamily Programs out there, whether it's tax credits, or funding from HCD or local housing authorities, and more specific energy-related programs, as well. And they're all designed to hit a specific segment, so we designed this Program to help fill those gaps. Specifically, with LIWP, SOHMA, and the IOU/REN programs. And to make it easy on everyone, we'll actually accept the energy audits and associated scopes of work of those programs to limit the administrative burden. And if you aren't going through one of those programs, we have a comprehensive list of measures that can be installed on our website for both in-unit and common space measures.

**17:04      Slide 24 – AMF Participating FC**

We currently have one lender enrolled in this Program offering financing up to \$15 million. Renew is offering Energy Service Agreements, which allow for both a single project or portfolio approach that is cash flow-positive and does not add to your debt stack. We're really excited about what this project can do for the market and encourage you to reach out. We're also still recruiting lenders into this Program. So, again, if there's mission driven lenders that you're aware of that would like to connect to us with, please let us know. With that I'm going to wrap up the update on our Affordable Multifamily pilot and we'll provide a quick overview of REEL's impact, which is our existing single-family program.

**17:43      Slide 26 - REEL**

Our residential pilot launched in 2016 and is currently being evaluated under the PUC process, but it's available today. Since program launch, we've supported over \$9.2 million in loans, not 9.1, that just went up. And this is unsecured financing for improvements over 539 projects. That number probably went up too. These interest rates can be compared to credit cards. An average of 19% is your average credit card interest rate today, or even PACE, which is secured by the property, which ranges anywhere from 8-11% with fees. We have seven credit unions enrolled and are working on statewide coverage. While this is a small start given the size of the California market, we're proud of the growth in the transaction since we've modified the Program in response to the increased flexibility that PUC provided us in 2017. You'll see here, while we finance a lot of single measures like windows or cool roofs, the majority of our projects have multiple measures. Most common measures are HVAC, building envelope like windows, and water heaters.

**18:55      Slide 27 – REEL Features**

Loans are available up to \$50,000; no liens or secured collateral are required. We have learned that the Credit Enhancement creates tangible benefits for the borrowers. Lowering interest rates from a range of 8.95% - 20.88% without REEL to 3.9% - 9.15% with REEL and longer terms. Our lenders are extending their loan terms from five years to 10 to 15 years from their standard signature loan product that's unsecured. Our Low-to-Moderate Income targets get a 20% Loan Loss Reserve contribution. In this last March, we launched a Credit-Challenged program, which targets FICA scores between 580 and 640. Three of our seven lenders are participating in that program.

**19:54      Slide 28 – REEL is Reaching Underserved Borrowers**

We've also realized that REEL is reaching the underserved. As mentioned, a

third of the funds are targeting low and moderate income. We found that 52% of our projects are in low LMI census tracts. Now, we can't tell you if every borrower falls within that LMI, this was the best way that we were able to get to it with accurate data. Another exciting feature is that five out of our seven lenders are new to the Energy Efficiency market. And 39% of our projects are in the highest half according to a CalEnviro screen.

## **20:28      Slide 29 – Path to Deeper Market Penetration**

We've also learned a lot of lessons. This slide shows our cumulative loan growth. Financing programs take time to mature to build the network and momentum. For context, the first \$1 million of an Enrolled Financing was financed over 425 days. That was a long year. In comparison, over the past 425 days, we've enrolled \$5.4 million in financing. And this was during the evaluation period when I had to choose to focus our resources on launching other pilots. Program flexibility is key to meeting the private market needs. And consumer marketing has been very important. GoGreen Financing launched in April 2018 and we still find that customers consider the IOUs trusted messengers and the IOU marketing makes an impact.

## **21:22      Slide 30 – What people are saying about REEL**

I'm closing our discussion of REEL with an overview of what people are saying. We're getting great feedback from Customers, Contractors, and Lenders. Which brings us to the non-residential -- oh, and I should note that the pictures that I have here of these two families are actual participants of REEL. This family here, the Flores family in El Cajon, one of the things they appreciated about REEL was the lower monthly payments. The family that I had identified on the earlier page live in Ridgecrest, they worked with a local contractor and a local credit union and they were really impressed with the low interest rates, how easy it was to use, and the fact that there weren't any fees if they paid their loan off early. So,

I'm going to leave you with these warm fuzzies on REEL because we feel like we have really made an impact. This is what folks are saying.

In turn, to give you an update on our On-Bill Repayment and the non-residential pilot.

**22:19      Slide 32 – Update: Nonresidential Program**

As I mentioned, the Pilot was authorized but the PUC did provide OBR functionality to larger commercial and public buildings to test if this would increase private capital investment in these markets. CAEATFA experienced some unexpected staffing resource caps this last year. Well, at this point, they shouldn't be unexpected, and we weren't able to get this pilot launched. The PUC may consider moving forward at a later date.

**22:46      Slide 33 – Hub seeks to offer first Open Market OBR Platform in Country**

We are still working on On-Bill Repayment with our master servicer and expect to offer that functionality to lenders in the Small Business and Affordable Multifamily pilots in 2020. This is where private capital is repaid on the utility bill.

**23:01      Slide 35 – But First... Thank you!**

So, what's next? First, thank you to our partners and stakeholders. We've been working diligently with our partners. For many, it was a new working relationship and appreciate all of their support as we have addressed various challenges. It has been a built of a windy road and we're really excited to get these programs into the market. And I should say, there's no man behind the curtain at Oz.

**23:30      Slide 36 – Get Involved!**

It's up to us and all of you to get involved. So, if you are a policy leader, a local government, a community-based organization, a non-profit reach out to us. We're eager to collaborate with state, regional, local agencies and non-profits. Give us a call or email and we'll see how our Program can leverage or integrate with yours. If you are a Contractor or a Project Developer seeking (Indiscernible) a Finance Company looking to enter the Energy Efficiency market in California, reach out. We're currently enrolling lenders and we'd love to talk to you. And if you're a small business owner, non-profit executive, or an affordable multi-family property owner looking to save energy and expenses, we encourage you to go to [GoGreenFinancing.com](http://GoGreenFinancing.com). This next slide has how you can contact the Hub.

**24:29      Slide 37 – Keep in Touch!**

We have some amazing staff and participating on our different stakeholder groups. So, you can write down this information, but we'll also have it available online on the website. And with that, I think I did pretty well with our 30 minutes, and we'll have some time to open to questions.

**24:44      Slide 38 – Q&A**

To ask a question, raise your hand, you can type it in, or you can raise your hand and you can join me on the webinar. All right. It looks like a lot of our questions are being written, so we'll go ahead and handle that directly. I'm getting motions inside the room that we have some black screens. And while we might not be affected by the power outage, others may be. So, with that, I think we're going to end the webinar. Oh, we have one hand up. Okay, let's see if we can make the technology work, folks.

**25:58      Slide 37 – Keep in Touch!**

**David Gibbs:** It looks like you've raised your hand and have a question. We've unmuted you, so if you go ahead and ask your question, hopefully, we have allowed you to speak to the whole group.

**Deana Carrillo:** Hang tight with us while we just figure out this technical issue.

**David Gibbs:** Chris, if you've asked your question, we didn't hear it. We'll give you one more try. Okay, it looks like we weren't able to hear you, Chris. Go ahead and feel free to ask your question through the Q&A button.

**Deana Carrillo:** So, it looks like our verbal questions, we're having some technical details. So, what we'll do, we will leave the webinar on this screen. Please feel free to pose your question in writing in the Q&A and my team will get back to you with answers to the questions.

We're really excited to work with you in the coming months as we launch these two pilots and look forward to your collaboration. Thanks so much. Have a wonderful day!

[End of recorded material]