

Innovative Financing Strategies For New Buildings



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Models for Financing New Green Building

- Public Endowed Funds (TAF)
- Private Sector Financed (Verdant)
- Utility Model (Pomaria)
- Public Loan Guarantee Concept



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Toronto Atmospheric Fund

- Endowed Public Fund
- Started in 1991 with \$23 million from the City of Toronto
- Mandate - 'to finance Toronto-based initiatives that combat global climate change and improve air quality.'
- Provides grants and loans

Grants are available only to non profits and the City



Toronto Atmospheric Fund

What it funds

[FleetWise](#) - accelerating hybrid & electric vehicle solutions

[LightSavers](#) - advancing low-carbon lighting

[SolarCity](#) - building local solar generation capacity

[TowerWise](#) - improving energy efficiency in high-rise homes



TowerWise

- focused on improving the energy efficiency of Toronto's high-rise condominium and rental apartment buildings

Through -

Green Condo Loans for new construction

Building Retrofit Loans



Green Condo Loans

- target market – developers of new buildings
- developer secures the loan during construction
- owners pay the loan back through utility savings
- win – no extra cost for developer, none for the owner





Successful projects

Tridel developments

Largest Toronto developer

- Financed incremental costs to achieve 25% energy savings (2005) \$475,000
- Paid back by the condo owners through savings
- First private developer to work with the fund (proof of concept phase)
- Repeat client, new clients
- Now working on loan guarantee model





Verdant

- Similar Model to TAF
- Critical differences
 - more conventional lender, venture capital fund (Vanity Capital)
 - more aggressive energy efficiency measures and more significant energy savings
 - Details –
 - 5 year term, 25 year amortization
 - Loan is not secured
 - Based on cashflow revenue from strata



VERDANT
@ U N I V E R C I T Y



Verdant

- Like TAF, the loan was taken out by the developer
- Loan is transferred to the strata on the sale of the building
- Loan covers the cost of the 'premium green elements'
 - geothermal, radiant flooring and solar hot water system
 - total cost of premium over convention \$360,000





Verdant – Bankers Process

- Initial scoping of system and basic building parameters (# of units, owner profile, overall costs and incremental costs)
- Modeling of energy consumption and costs (how much is available to make payments – per unit, per month?)
- Structuring / Discussion Paper – pricing, terms, conditions





Verdant – Bankers Process

- Disclosure Statements – important to consider early
- Construction Mortgage (2nd charge, developer as borrower)
- Completion and Strata Incorporation
- Assignment Agreement – eventual recourse to unit owners

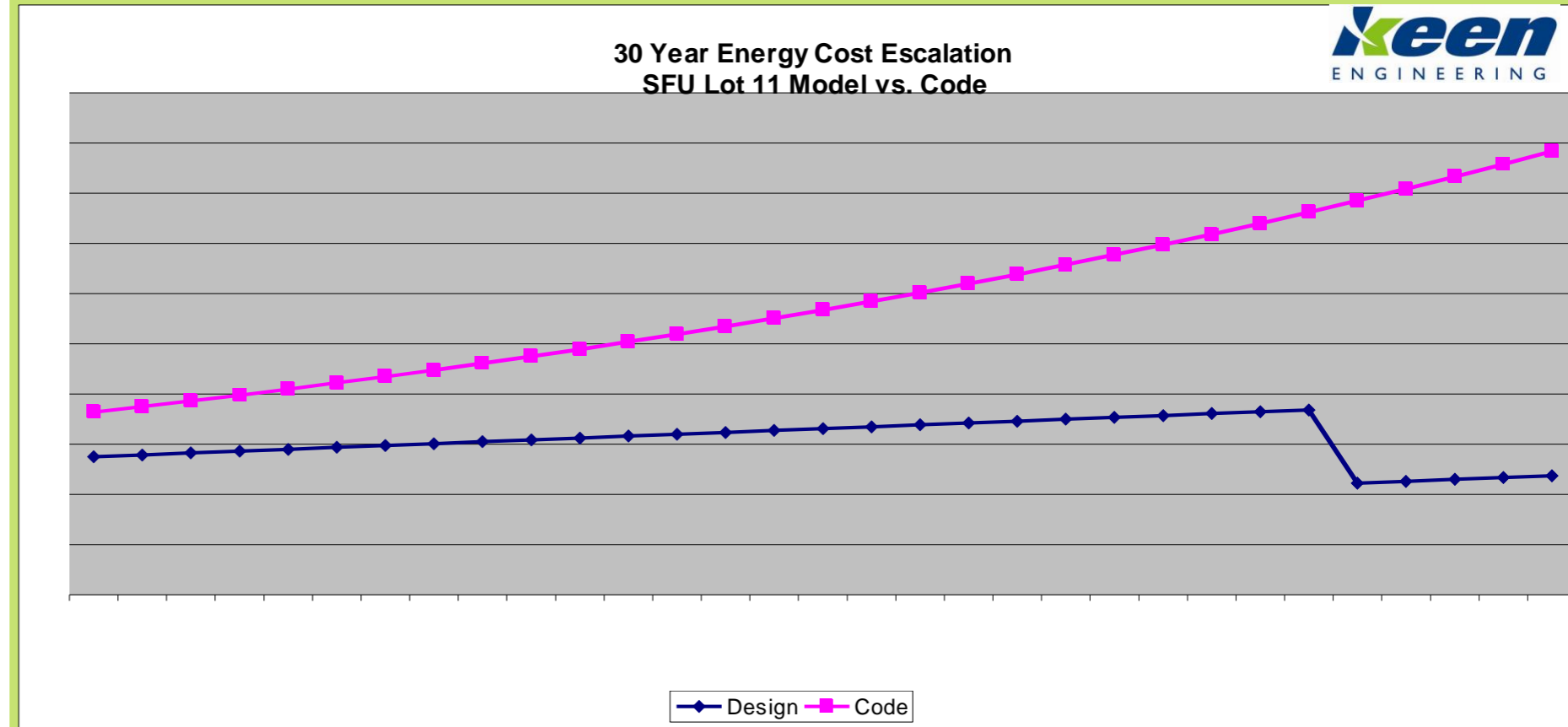




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Verdant Numbers

Inflation Index: 3%

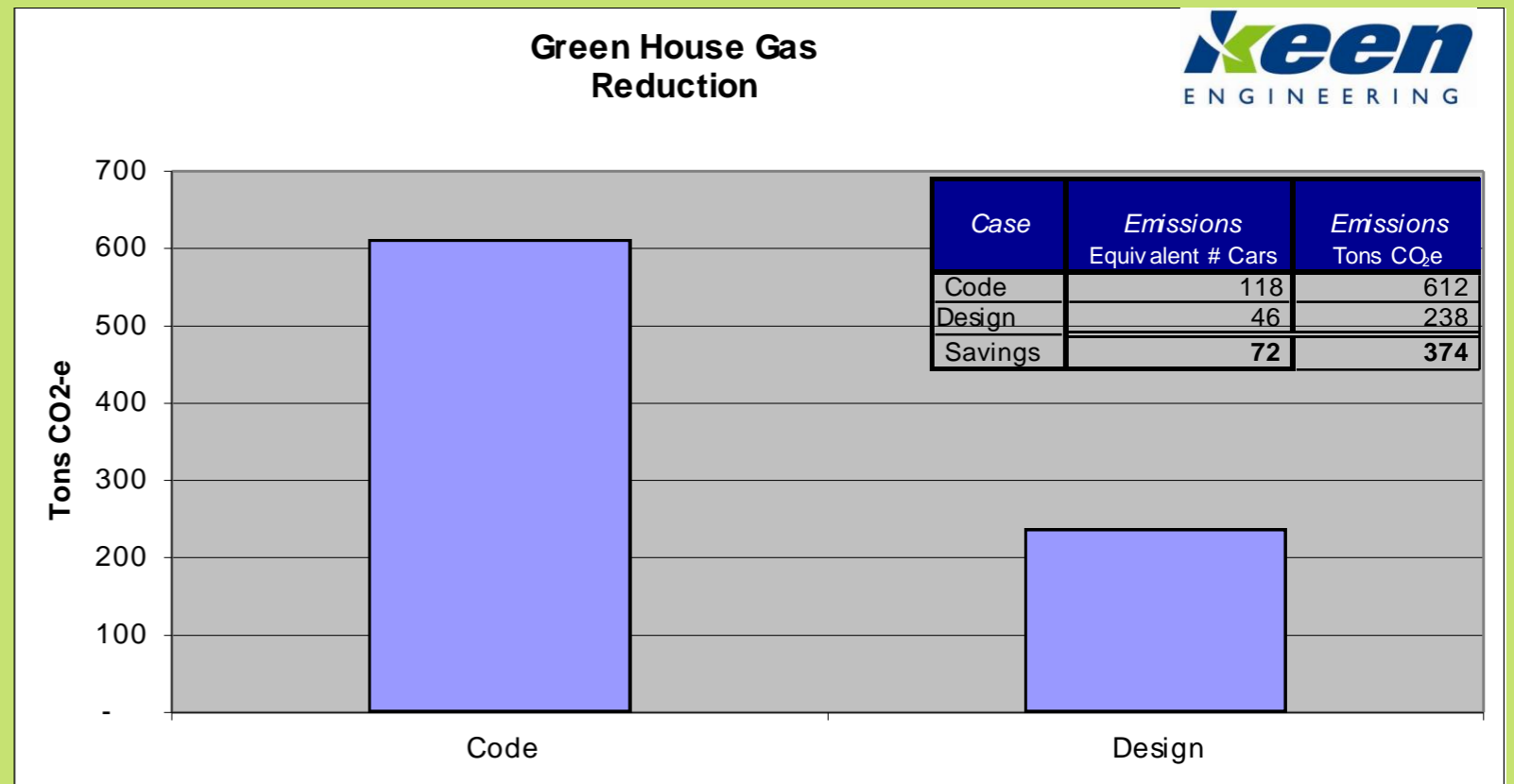




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Verdant

- environmental impact of higher efficiency system
- 374 tonnes of CO₂ or 6 tonnes per unit



Utility Model – Pomaria

- Developer wanted to deliver very energy efficient building
- Modeling done and system being selected
- Terasen Utility Service agreed to finance the system
- Terasen owns the system and is leasing back to the strata
- Higher rate of return than loan
- Servicing handled by Terasen





Loan Guarantee Fund

- Operates in conjunction with bank lending
- Also called a 'First Loss' Fund
- Often a Pool of Capital created and held by a public body (Province, BC Hydro, TAF etc)
- The fund is not accessed for lending or grants.
- If there is a default on a loan lenders are able to draw from the fund for repayment
- Typically on guarantees part of the loan

Loan Guarantee Fund

- Used in to support lending for social issues – disabled entrepreneurs, community economic development, First Nations lending
- Offsets the risk of a conventional lender – where there is social or environmental benefit that can be gained from the lending





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