NEIF
NATIONAL ENERGY IMPROVEMENT FUND
A Certified B Corp™

Finance Toolkit

THE NEIF COMMERCIAL ENERGY FINANCE PRODUCT SUITE

(720) 724-7673 | commercialfinance@neifund.org
www.neifund.org/for-commercial-building-owners/

What is the Finance Toolkit?

NEIF offers a suite of finance products we call our “finance toolkit” to ensure customers end up with the finance product that best suits their needs, including:

- Equipment Finance Agreements
- Municipal Tax-exempt Lease Purchases
- Energy Service Agreements
- Commercial PACE
- Solar Financing (EFA, PPA, PACE)

Our years of experience specializing in clean energy finance, finance program development and policy work mean we have an unparalleled understanding of what works in the marketplace and what it takes to get your project done.

Use this packet to better understand the financial products NEIF keeps in its finance toolkit and which product may work best for your upcoming project.

Any Questions?

We would love to answer them! Contact the NEIF Commercial team using the information below.

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Equipment Finance Agreement (EFA)

An Equipment Finance Agreement (EFA) is the most common and simple financing mechanism used to pay for equipment upgrades. An EFA is very similar to a traditional loan.

Eligible Borrowers

Commercial, Non-Profit and Municipal Borrowers

Customer Payments & Contractor Disbursements

Customer makes fixed monthly payments. 3–6-month deferred payment plans are available to well qualified customers. Customer owns the equipment upfront, upon installation.

Contractor funding disbursed directly upon project completion. NEIF can also arrange a progress payment to the contractor of 50% of the total financed amount to pay for equipment up-front. (100% in some cases).

Collateral

The equipment being financed serves as collateral (no real estate collateral). Personal guarantee from borrower company owner may be required.

Tax Implications

Payment of taxes: Borrower is responsible for paying all property and other taxes related to the equipment. Borrower pays sales tax.

Tax advantages: Borrower receives benefit of all tax advantages, such as federal 179 or 179D.

Loan Amount

$10,000 to multi-million

Loan Term

Up to 7 years
**Longer terms may be available for larger & government projects.*

Interest Rate

Commercial: 8-13%
Non-Profit: 8-13%
Municipal: 5.5-9%
**Please note: final rates are dependent on customer credit review.*

Speed

Instant finance proposals; Credit decision typically in 2-3 days after application

Balance Sheet

On Balance Sheet

Advantages

- ✓ Limited Paperwork (typically 1-2-page application)
- ✓ Credit decisions within 2-3 business days
- ✓ Only collateral required is the financed equipment
- ✓ High approval rates
- ✓ Interest rate buydowns available
- ✓ Eligible upgrades include most equipment and technologies

Disadvantages

- X Appears as a balance sheet item, which may be undesirable for some customers (many do not care).
- X Term generally limited to 7 years.
**Longer terms may be available for larger and government projects.*

Municipal Tax-Exempt Lease Purchase

A Municipal Tax-Exempt Lease Purchase (TELP) is a well-established financing vehicle for energy efficiency and upgrade projects. TELPS offer lower rates terms than are accessible to non-profit and commercial properties.

Eligible Borrowers

Public Borrowers (e.g. municipalities, school districts, etc.)

Customer Payments & Contractor Disbursements

Customer:

Payments made by tax exempt entity to the lender. Cost of issuance is born by the borrower.

Contractor: For smaller projects (approx. <$250,000), funding disbursed directly upon project completion with 50% progress payments available. For larger projects (approx. >$250,000), at closing, proceeds fund into an escrow account, allowing contractors to be paid throughout construction.

Collateral

Secured by the equipment installed. Typically, the Lessor files a UCC-1 to register a 1st position lien on equipment for the duration of the Lease.

Tax Implications

None. Tax-exempt entities do not pay taxes.

Lease Amount

$10,000 to multi-million

Lease Term

2 – 12 years (longer terms may be available for eligible projects)

Interest Rate

5.5-9%

Fixed, tax-exempt rates for term; 30-45-day rate locks (private placement)

Please note: Final rates are dependent on customer credit review.

Speed

Completed in as little as 2 weeks

Balance Sheet

Not relevant, but important if classified as long term debt and could impact the muni's rating.

Advantages

- ✓ Low rates and long terms
- ✓ Designed for public borrowers and is an alternative to issuing bonds. Simple process & low transaction costs.
- ✓ A TELP is not constitutional long-term debt. TELPs are subject to the annual appropriation of funds, which means it is only considered a debt in the fiscal period in which it is budgeted.
- ✓ Secured only by the equipment installed.
- ✓ Does not require a full faith & general obligation municipal credit pledge.
- ✓ Does not require voter approval, only Board approval, allowing a typical transaction time of 2 - 3 weeks.

Disadvantages

- X Only available to tax-exempt entities
- X Could impact long-term debt limitations in some cases (but not all)
- X The "obligation to pay" must be acceptable to the borrower. In the past, "subject to funding" was the most common obligation, however some jurisdictions have challenged this.

Energy Service Agreement (ESA)

An Energy Service Agreement (ESA) is payment mechanism that allows customers to pay for energy upgrades through energy cost savings with no balance sheet debt obligation.

Eligible Borrowers

Most appropriate for commercial and non-profit properties

What type of customer would use an ESA?

Customers who: Cannot or who have difficulty taking on new debt; Would prefer to use their operating budget to pay for energy improvements; and/or face a barrier in accessing capital budgets.

Customer Payments & Contractor Disbursements

ESA payments may vary based on energy savings delivered.
In contrast, an EFA involves a fixed monthly payment regardless of realized energy savings.

Collateral

The ESA provider owns, maintains, insures, and controls operation of the equipment through the life of the ESA. In contrast, the customer performs all those functions in an EFA.

Tax Implications

Ownership of equipment remains with ESA Provider, therefore the ESA Provider benefits from any relevant tax deductions, such as accelerated tax depreciation. Sales or other taxes associated with the equipment are embedded in service agreement.

ESA Amount

Most appropriate for large projects, typically $1mil +

ESA Term

2-20 years, depending on project size

Interest Rate

No rate disclosed to customer. Payment based on energy savings to customer, not rate.

Speed

Days to weeks, depending on transaction complexity

Balance Sheet

Generally viewed as an Off-Balance Sheet item (Check with your accountant)

Advantages

- ✓ Typically, is off-balance sheet* and off-credit (obligation does not appear on balance sheet & doesn't appear in financial statement notes) *Please check with your accountant to understand how this applies to your situation
- ✓ An ESA is generally viewed as an operating expense. In contrast, an EFA is viewed as a capital item for acquisition of equipment.
- ✓ Savings begin on day 1
- ✓ Payments generally tied to & reflect savings

Disadvantages

- X ESAs are newer to the market and can therefore be more complex to structure than an EFA.
- X ESA providers take a greater risk than they would for an EFA, therefore underlying cost of capital can be higher for a service agreement.
- X An ESA typically requires measurement of energy and energy costs saved, which may add to project cost. In contrast, an EFA does not require any energy savings measurement.
- X ESAs are more complex and take longer to approve than typical EFAs.

Property Assessed Clean Energy (PACE)

Commercial PACE is an innovative financing tool that makes it possible for owners of commercial, industrial, multifamily, and nonprofit properties to obtain low-cost, long-term financing for energy efficiency, water conservation, renewable energy projects, and resilience measures like stormwater management with no upfront costs. PACE programs are enabled by local and/or state governments, who, in turn, collect PACE payments through annual property taxes. (Go to www.pacenation.org to find out if PACE is available in your jurisdiction).

Eligible Borrowers

Commercial and Non-Profit Borrowers

Customer Payments & Contractor Disbursements

Payments are made through a voluntary assessment line item on the property tax bill and collected by the local jurisdiction (city or county). Those payments are then disbursed to the original lender by the local government or its designee.

The PACE assessment is tied to the property, meaning the repayment obligation transfers to the next owner if the property is sold. PACE offerings require existing senior mortgage lender consent to a property owner assuming a PACE obligation.

Collateral

The underlying property serves as the collateral for C-PACE. Like property taxes and other municipal assessments, PACE assessments are recorded as a lien in a senior position to other property liens, including mortgages. Failure to pay the property tax bill results in foreclosure or other related remedies. C-PACE investors are entitled to some recovery of amounts due to them from the foreclosure sale. Payments are thus very secure for PACE investors.

Tax Implications

Increases property taxes, but increase is generally offset by reduction in energy costs. Owner takes advantage of tax benefits arising from the renewable energy or efficiency equipment. Owner pays any sales or other taxes on equipment.

Transaction Amount

$500,000+

Loan Term

Up to 30 years

Interest Rate

Typically, 6-8%

Speed

Typically 3-6 weeks

Process varies significantly from one jurisdiction to another

Balance Sheet

Generally viewed as an Off-Balance Sheet item (Check with your accountant)

Advantages

- ✓ Long terms, up to 30 years & low payments
- ✓ Generally considered off-balance & off-credit.
- ✓ Burden of payments often passed to tenants
- ✓ Transferable upon sale of property

Disadvantages

- X Requires disclosure if property changes hands. Some buyers may require PACE to be paid off as a term of sale.
- X Longer application, approval, & closing process. Most appropriate for larger projects ($250,000+)
- X Requires mortgage holder consent.
- X Not available in all jurisdictions.

Commercial Solar Financing Options

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National Energy Improvement Fund currently offers **three** commercial solar financing products.

Solar Finance Product Guide	EFA	PPA	C-PACE
Is the system size < 150 kW?	✓		
Is the system size > 150 kW?	✓	✓	–
Is the project cost > $1,000,000	✓	✓	✓
Customer **does have an appetite** for the tax credit.	✓	✓	
Customer **does not have an appetite** for the tax credit.		✓	✓



Equipment Secured Financing (EFA)

A company that has an appetite for the federal investment tax credit agrees to pay a fixed monthly payment for the solar system through the life of the agreement. Simple application and approval process.

Power Purchase Agreement (PPA)*

A company agrees to purchase the power generated by the system at a per-kWh price. Projects are typically cash flow positive from day one.

Commercial PACE (C-PACE)*

Repayment is made through the property tax bill over the useful life of the upgrades (often 20+ years). Projects are typically cash flow positive from day one, as energy savings often cover the cost of repayment.

Any questions?

We would love to answer them! Contact our team today.

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(720) 724-7673

Email:
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Website:
neifund.org/

Application:
commercial.neifund.org/apply

Basic Product Terms

Equipment Lease

- Available to C&I, MUSH and non-profit markets
- Rates: 7.5 – 13%
- Terms:
  - < $150,000 1 – 7 years
  - > $150,000 1 – 10 years
  - Muni customers may be eligible for extended terms and lower rates
- Balloon payments available

PPA

- Available to C&I, MUSH and non-profit markets
- Utility Scale projects welcome
- Payment amount based on kWh generated and kWh rate
- Terms: 15 – 30 years

C-PACE

- Available to C&I and non-profits in C-PACE eligible jurisdictions
- Projects > $1,000,000
- 100% financing and long repayment (20+ years)
- Repayment made through the property tax bill
- Property tax structure keeps funding off corp. balance sheet

**Financing product is not authorized nationwide, and borrower must meet underwriting guidelines. Contact NEIF to learn if your project is eligible to apply. Available terms and rates as of 5/28/24 and are subject to change.*