

# Holland

## Energy Fund

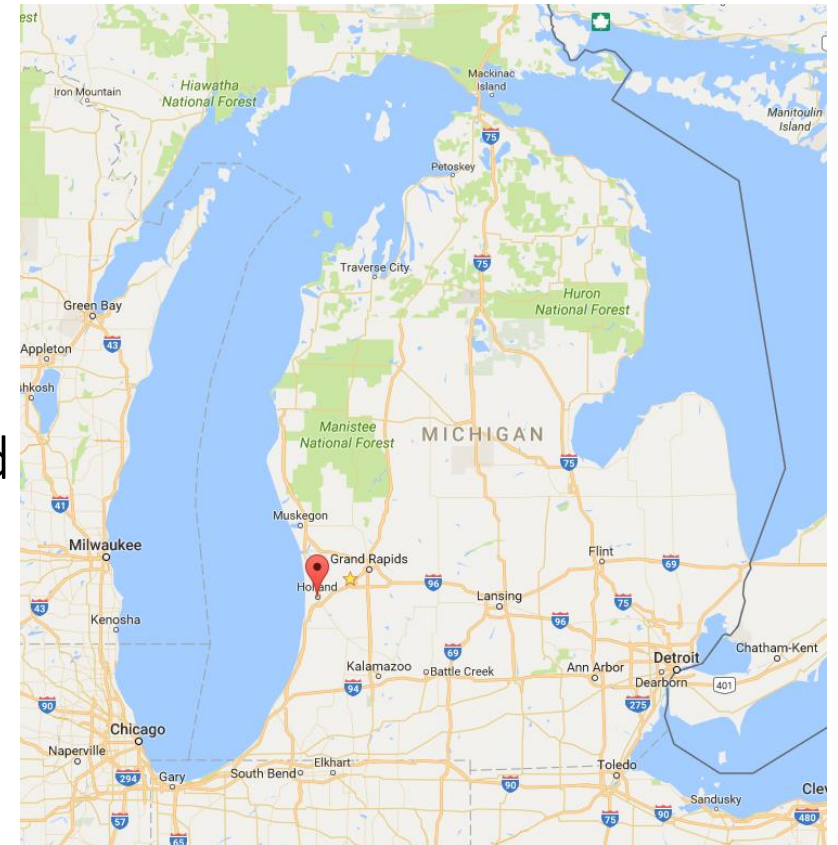
*Making the Case for On-Bill Financing*

Midwest Energy Solutions Conference

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# Who We Are

- City of Holland
  - Lake Michigan lakeshore community
  - Population of 33,481
- Holland Board of Public Works
  - Municipal utility – electric, water, WW, broadband
  - 170 employees
- Holland Energy Fund
  - Non-profit corporation
  - 40-year Community Energy Plan



# Overview

- Why Holland pursued an On-Bill Loan Program
- How it Works
- Successes
- Statistics
- Challenges



# Why an On-Bill Loan Program for Holland?

- Long-range Community Energy Plan
- To become a world-class leader in energy security, affordability, sustainability, and efficiency
- Substantially increase the energy efficiency of Holland's 7,400 single-family homes
- Housing stock older and less efficient than Michigan average



# Why an On-Bill Loan Program for Holland?

- Makes it easier for property owners to pay for energy efficiency improvements
  - Lowers the barrier for financing
  - On a utility bill simplifies payment process



## How it works

- Enabling Legislation – PA 408 of 2014
- Program goals
- Eligible Measures
- Loan Type
- Qualification Criteria
- Source of Capital
- Administrative Partners

# Overview of PA 408 of 2014

- Michigan Municipal Utility Residential Clean Energy Program Act (PA 408 of 2014) signed into law in December 2014
- Enables municipalities that have municipal electric utilities to establish a residential clean energy program
- Allows a municipality to enter into a contract with a residential property owner to finance or refinance one or more energy projects on the property

## Program Goals

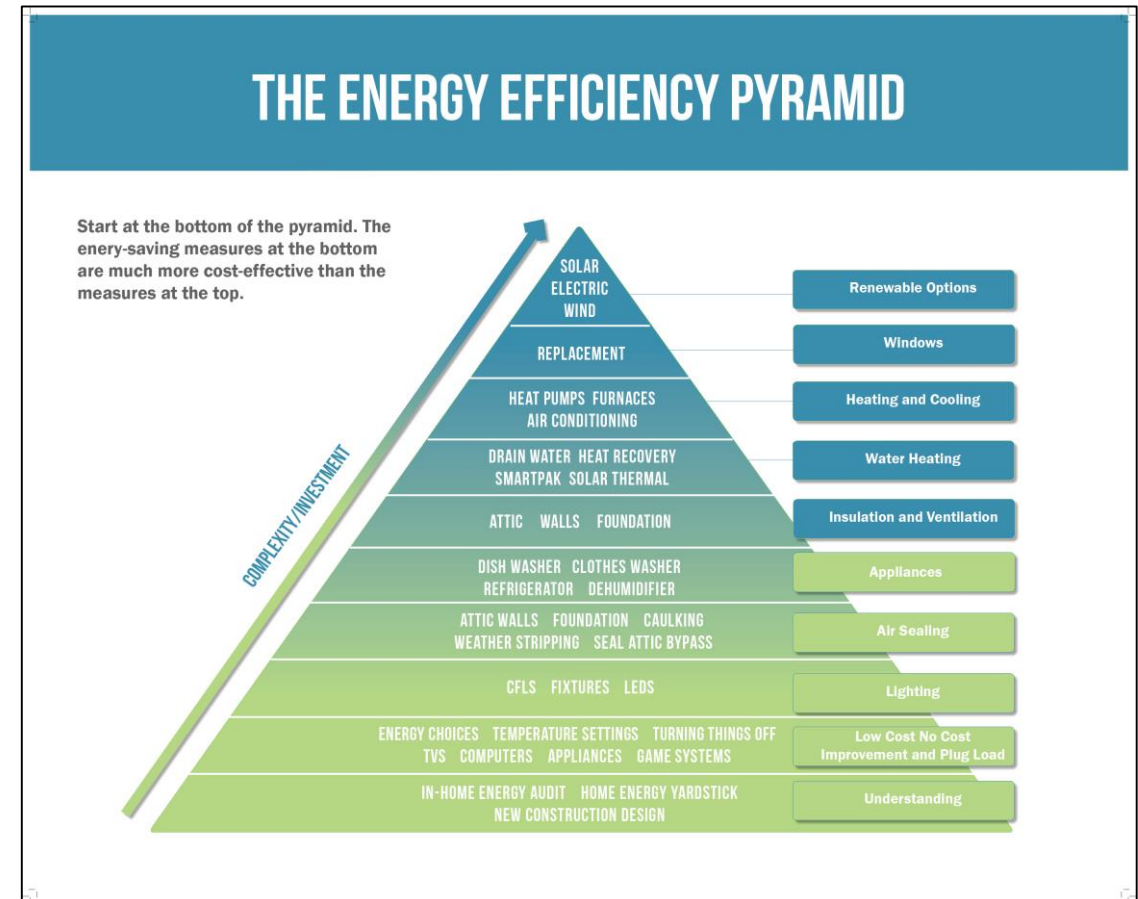
### *“Strengthen Community and Neighborhood”*

- Encouraging deep energy savings (environment)
- Increasing access (equity)
- Administratively operating in a cost effective manner (economic)



# Eligible Measures

- Anything in the Michigan Energy Measures Database (MEMD)
- Health, life, safety measures needed to do EE
  - Knob and tube wiring
  - Asbestos abatement
- Renewables
  - Minimum 8 DOE Home Energy Score
  - Pearl Gold Status



# Loan Type

- Unsecured consumer loan
- Tied to the property – subject to shut-offs, lien-able
- Transferable – loan can stay with the property
- \$5,000 - \$30,000
- Up to 15 years or the life of the measure, whichever is less
- Fixed interest rate <7%
  - Determined by HEF Board periodically
  - Includes servicing and administration fees
- Loan closing after projects are completed
- Payments made directly to contractors

<i>Loan Rates</i>	
Term	Interest Rate
Up to 10 years	4.99%
Up to 15 years	5.99%

# Qualification Criteria

- Residential property owners of single-family homes
  - Up to 4 units per building
  - Rental properties included if loan is submitted by property owner and electric account is in landlord's name
- 12 months consecutive on-time bill payment history
- Current on property taxes
- No bankruptcies, money judgements or repossessions in last 3 years
- Must have comprehensive, building science energy assessment by a certified professional



# Source of Capital

- Up to \$3 million line of credit from utility reserves
- Borrowed at 10-year T-bill rate (updated annually)
- Interest rate objectives
  - Competitive to customers
  - Cover administrative costs
  - Appeal to investors

# Administration/Partners

- Holland Energy Fund
  - Custodian of loan agreements and documents
  - Files notice with the county
  - Pays contractors
- Holland Board of Public Works
  - Payment history
  - Billing and payment collection
- Contracted services
  - Loan origination – Slipstream
  - Loan servicing – Concord
  - Program administration – Michigan Saves
    - Contractor recruiting, vetting, training
    - Quality assurance
    - Evaluation and reporting

Holland  
Energy Fund



## Successes to Date

- Enabling Legislation – PA 408 of 2014
- Creating Holland Energy Fund – IRS 501(c)3 status
- Finding experts to help – EESI, PSC, Harcourt, Brown & Carey
- Pairing and launching On-Bill Loan Program and Home Energy Retrofit Program
- Hiring a Residential Energy Advisor

## Successes to Date

- Using *Michigan Saves* contractors (saved time recruiting, vetting, training)
- Having *Michigan Saves* loans as fallback loan option
- Loan application and loan servicing firms (*Slipstream/Concord*)
- \$3 million source of capital
- Annual Holland Energy Fund program budget source
- Governor's Energy Excellence Award 2017 (Innovator of the Year)

# Statistics

- 130 loans approved since November 2016 rollout
  - \$2,082,452 total project cost
  - \$15,773 average loan
  - 7 average number of measures
- Of 59 loan applications denied, 24 approved by Michigan Saves
- 118 current loans with payments on utility bills
  - 12 loans paid off
  - No defaults to date
- Interest rates 4.99% up to 10 years, 5.99% 10-15 years
  - 39 – 10 year term
  - 79 – 15 year term



## Statistics

- Over 200 Home Energy Retrofit Rebate program participants
- 53% of Energy Rebate Program participants utilize On-Bill Loans
- \$3,600,000 total homeowner investments

# Challenges

- Managing the critical path – many different players and functions
- Technology – getting systems to talk to each other, identifying what-if scenarios and file transfers
- Dedicated resources – staffing and institutional commitment
- Being the Michigan pioneer – no path to follow
- Marketing Strategies- maintaining momentum

# Thank You and Questions

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