Holland Energy Fund

Making the Case for On-Bill Financing

Midwest Energy Solutions Conference
February 27, 2020
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, lienable
- 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

<table>
<thead>
<tr>
<th>Loan Rates</th>
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<tbody>
<tr>
<td>Term</td>
<td>Rate</td>
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<tr>
<td>Up to 10 years</td>
<td>4.99%</td>
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<tr>
<td>Up to 15 years</td>
<td>5.99%</td>
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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
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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