



## Energy Efficiency Program Summary

### *ClimateSmart Loan Program*

<b>Program Sponsor:</b> Boulder County	<b>Program Administrator:</b> Boulder County
<b>Program Location:</b> Colorado	<b>Eligibility:</b> Residential & Commercial
<b>Program Start:</b> 2008	<b>Program Type:</b> Municipally Sponsored/Bonding/On-bill

**Program Description:**

In 2008 Boulder County voters approved a ballot measure, which established a “Clean Energy Options Local Improvement District” and gave permission to Boulder County to issue up to a maximum of \$40 million in special assessment bonds. The ClimateSmart Loan Program is Boulder County’s program to administer the loans made possible through this special assessment.

The ClimateSmart Loan Program provides a voluntary mechanism for commercial and residential property owners to obtain financing for renewable energy and/or energy efficiency improvements to properties in Boulder County. Each property owner who receives financing through the program will be responsible for repaying the loan via a special assessment on the improved property. Loans obtained through the ClimateSmart Loan Program are not funded through a countywide tax increase. Property owners opt into the special assessment district on an individual basis.

A special assessment bond is a bond (debt) sold by a government to lenders to provide funds for special development projects. In this case, Boulder County will obtain funding from lenders in order to establish a funding pool to provide financing to individual property owners to implement energy efficiency and renewable energy improvements to their properties.

The “special assessment” refers to the fact that the individual property owners who obtain financing through the ClimateSmart Loan Program will repay their debt via a special assessment on their individual properties that will be included with their annual property tax bills.

In spring 2009, Boulder County launched the ClimateSmart Loan Program, funding 394 energy efficiency and renewable energy projects, totaling \$6.6 million. A total of \$2.86 million was spent on renewable energy projects, while \$3.74 million was used for energy efficiency projects.

**Financing & Financial Products:**

The county has apportioned \$28 million for residential properties and \$12 million for commercial properties. Assuming an average loan size of \$10k, the program can provide 2,800 residential loans.

County pre-screens financial institutions for loan origination.

Interest rates set at the time of bond sale. Assessment rates (rate paid by property owner) will be up to 1% higher than the bond interest rates.

The bond interest rate is locked at the time the county finalizes the bond sale.

**Loan Products**

Open Loans (*taxable bonds*) - \$3,000 minimum, up to 20% of actual home value or \$50,000 whichever is less – apply to owner-occupied or rental properties. Interest rate not-to-exceed 8.75% for 15-year term.

Income Qualified Loans (*tax-exempt bonds*) - \$15,000 maximum – apply to owner-occupied properties. Interest rate not-to-exceed 6.75% for 15-year term. May be combined with open loan up to open loan maximum.

**Administrative Costs**

For the second round of funding, applicants will pay a \$75 application fee to cover the cost of county-related staff and administration of the program, plus a loan processing fee (including capitalized interest and a debt service reserve fund), which is expected to be in the range of 16 percent to 20 percent of the total loan value. The high up-front costs create lower interest rates that are fixed over the life of the bonds. It is important to note that each bond sale may be structured differently, so these upfront costs may change during subsequent rounds of funding.

A breakdown of program fees:

**Cost of issuance of bond: 4%**

This 4% is made up of closing costs & origination fees.

**Pre-paid interest (to cover until taxes are due): 4%**

Pre-paid interest is money set aside at closing to pay the initial interest payment on the bonds due January 1, 2010. The bonds begin accruing interest at closing (date when proceeds are delivered), whereas the majority of property tax payments will be received in April thru June. Essentially the borrower agrees to set funds aside at closing to provide for the initial interest payment, and is necessary due to the lag between when interest is due and when payments are received.

**Debt service reserve fund: 12%**

A standard form of investor security for the bonds that achieves a better bond rating and interest rate. This money is set aside at closing and held in escrow to secure the bonds in the event of nonpayment, thereby reducing the overall interest cost to the borrower. These funds may be used to payoff the bond before the end of its term and may release borrowers from any remaining payments at that time.

**Marketing:**

Boulder County performs all the marketing.

**Enrollment Process:**

Homeowner/Business attends a required workshop.

Homeowner/Business seeks bids for proposed work.

Homeowner/Business applies for funding through ClimateSmart.

Boulder County prequalifies homeowner/business.

Homeowner/Business meets with Loan Originator to finalize loan.  
 Boulder County sells bonds in an amount equal to what is prequalified.  
 Homeowner/Business receives notice to proceed.  
 Work completed and contractors paid by the county.  
 County places special assessment on property tax bill.  
 Homeowner/Business begins repayment.

**Audits:** Energy audits with blower door tests are optional. However, if audits with blower door tests are implemented, the homeowner/business qualifies for priority status if demand for loans exceeds supply of cash.

<b>Implementation Criteria:</b>	<b><u>Eligible Efficiency Measures</u></b>	<b><u>Renewable Efficiency Measures</u></b>
	Air Sealing and Ventilation	Solar Hot Water
	Insulation	Solar Photovoltaic
	Space Heating & Cooling	Small Wind
	Water Heating	Wood/Pellet Stoves
	Lighting	
	Daylighting	
	Windows, Doors & Skylights	
	Reflective Roof	
	Pool Equipment	
	Landscaping	

**Contractors, Training & Accreditation:** Any contractor, licensed or certified in their trade, may install renewable energy/efficiency measures.  
 More than 63 contractors participated in first round of funding.

**Contracts:** Homeowner solicits bids and hires a contractor for installation.  
 Participants will be required to sign a utility bill waiver so county can monitor the impact of the program.  
 Loan agreement between homeowner and the county, not the loan originator.

**Repayment, Collection & Flow of Funds:** Homeowner/Business should obtain multiple, “not-to-exceed” bids for work. If actual project costs come in over estimate, participant is responsible for paying full loan amount plus any additional costs.

Loan originator pays contractors directly upon completion of work and homeowner acknowledgement.

**Repayment Options**

Annual amount due, same options as with property taxes. If property is subject to an escrow account, assessment will most likely be included in adjusted escrow payments.

Full remaining balance on loan.

No partial prepayment (Colorado law as applied to County Treasurers Offices).

**Program Sustainability:** Debt is tied to property, not to borrower – lien remains on house, even in foreclosure.

Longer repayment period (lower annual payments).

Easier to obtain than private loans in current market.

In the event that demand in the first application round exceeds \$28 million:

- Priority for homes that have had audits with blower-door
- Priority for applications that include efficiency measures
- Then sorted by time/date stamp based on application submission

Boulder County had difficulty getting a good credit rating from bond-rating agencies. This type of bonding program is very unusual and unfamiliar to bond-rating agencies.

There is language in federal legislation to provide federal loan guarantees for this type of financing mechanism.

County opened bond sale to local investors one day prior to national sale – approximately 80% of bonds were purchased by local investors.

