

“MISSION DRIVEN” FINANCING OPTIONS

HAWAII COMMUNITY REINVESTMENT CORPORATION

Financing for Energy Efficiency Improvements Workshop
Ala Moana Hotel
January 21-22, 2014



WHO IS HAWAII COMMUNITY REINVESTMENT CORPORATION

- ⊙ Hawaii Community Reinvestment Corporation (HCRC) is a community-based non-profit 501(c)3 organization founded in July 1990.
- ⊙ Designated a Community Development Financial Institution (CDFI) and Community Development Entity (CDE) by the U.S. Department of Treasury
- ⊙ Approved Certified Development Company (CDC) by the U.S. Small Business Administration
- ⊙ As a statewide financial intermediary for affordable housing, community development and economic development, HCRC seeks to assist small businesses, community development entities and multi-family affordable housing owners by providing long-term, below market rate financing by leveraging innovative and non-traditional financial resources.





FINANCING PROGRAMS

1. SBA 504 Loans
2. GreenSun Hawaii
3. Energy Financing



SBA 504 LOANS

BELOW MARKET, LONG-TERM FIXED RATE,
2ND LIEN POSITION PERMANENT LOANS FOR
LARGE FIXED ASSET PURCHASES





WHO'S ELIGIBLE

- 👍 For-profit small businesses
- 👍 Located in the State of Hawaii
- 👍 “Small” defined as
 - 👍 Tangible net worth \leq \$15 million
 - 👍 And, Net Profit after taxes \leq \$5 million

(Includes almost all local businesses)





WHO'S NOT ELIGIBLE

- ☹ Nonprofit organizations
- ☹ Real estate development companies
- ☹ Speculative (investment) businesses
- ☹ Government owned entities
- ☹ Previously defaulted on federal or federally-assisted loans





WHAT CAN BE FINANCED?

- ◎ Building Purchase (warehouse, office, etc.)
- ◎ Permanent/take-out financing of interim construction loans
 - ◎ Includes interest on interim loan
 - ◎ New construction, building renovations and/or modernization
- ◎ Large Equipment (including PV)





FINANCING STRUCTURE

50 - 40 - 10

SBA DEFINITION OF "NEW" BUSINESS"

Less than 2 years
old (from date
of first sales
transaction)

OR

-Change of
ownership

- ◎ Primary Lender = at least 50% (1st Lien Position)
- ◎ SBA (HCRC) = up to 40% (2nd Lien Position)
- ◎ Owner's contribution = at least 10%
 - ◎ If business is "new" (SBA definition)
 - Minimum contribution = 15%
 - ◎ If fixed asset is for special or limited use (e.g. Nursing Home; Bowling Alley, etc.)
 - Minimum contribution = 15%
 - ◎ If business is "new" AND property is for special use
 - Minimum contribution = 20%





MAXIMUM LOAN AMOUNT

- ◎ \$5.0 million debenture
 - ◎ Supports total project costs of up to \$12.5 million
- ◎ \$5.5 million if it meets “Green Initiatives”
 - ◎ Supports total project costs of up to \$13.75 million





BENEFITS OF 504 LOAN

- ◎ Below Market Fixed interest rate
 - ◎ Set at time SBA Debenture is sold
- ◎ Fully amortized for term of loan
 - ◎ Real Estate Loans - 20 years
- ◎ No balloon payments
- ◎ Fixed monthly payments
- ◎ Prequalification available





OCCUPANCY REQUIREMENTS

- ◎ Purchase – Existing Building
 - ◎ At least 51% Owner Occupancy
- ◎ Construction - New Building
 - ◎ At least 60% Owner Occupancy immediately upon completion
 - ◎ Total of 80% Owner Occupancy within 10 years of completion
 - ◎ Remaining 20% can be permanently leased to tenants





GUARANTORS

EXEMPTION CALCULATION

- Total project = less than \$250,000
Greater of 2X project amount or \$100,000
- Total project = \$250,001 to \$500,000
Greater of 1.5x project amount or \$500,000
- Total project = \$500,001+
Greater of 1x project amount or \$750,000

- ⊙ Principal Owners with 20% or more ownership interest
 - ⊙ Includes aggregate of spouse's and children ownership interest
- ⊙ Excess Liquid Assets Test
 - ⊙ Liquid Assets minus Exemption Amount = Excess Liquid Assets
 - ⊙ Loan Amount reduced by Excess Liquid Assets
- ⊙ What are Liquid Assets?
 - ⊙ Cash / cash equivalent (savings accounts, CDs, marketable securities, cash value of life insurance)
 - ⊙ Excludes: IRAs, Keogh, 529s, 401k plans, Health Savings Accounts, Education Savings





PREQUALIFICATION

- Most recent business tax return
- Interim business financial statements
- Schedule of existing debts and payments
- Personal financial statement & most recent personal federal tax return of all owners w/20% or more ownership interest
- Purchase price of commercial property or equipment



GreenSun Hawaii

CREDIT ENHANCEMENT FOR
ELIGIBLE ENERGY FINANCING





PROGRAM PURPOSE

- ◎ To assist all property owners (residential, apartment buildings, AOAOs, nonprofit and business) in making energy efficiency and renewable energy retrofits
- ◎ To encourage financial institutions to invest in the energy efficiency improvement market by establishing a loan loss reserve fund to take first losses on eligible energy loans





ELIGIBLE FINANCING PURPOSES - RESIDENTIAL

- ◎ ENERGY STAR Refrigerators
- ◎ ENERGY STAR Air Conditioners
- ◎ Solar Thermal Hot Water System
- ◎ Solar Electric (PV) System





ELIGIBLE FINANCING PURPOSES - NONRESIDENTIAL

- ⊙ Lighting Retrofits & Upgrades
- ⊙ Air conditioning retrofits & Upgrades
- ⊙ Solar Thermal Systems
- ⊙ Solar Electric (PV) Systems
- ⊙ Energy Efficiency Windows, Cool Roofs & all other installations eligible for Hawaii Energy/KIUC Rebates
- ⊙ Loan Fees, Documentation Fees





ONLINE LOAN APPLICATION

http://hcrc-hawaii.org/comn

Presentations - Dropbox Microsoft Exchange - O... hcrc-hawaii.org

www.hcrc-hawaii.org

HOME / COMMUNITY DEVELOPMENT

Get a GreenSun Hawaii Loan!

APPLY HERE

GreenSun
H A W A I I
Sustainability Made Affordable

View HCRC's Privacy Policy

Community Development

The mission of Hawaii Community Reinvestment Corporation (HCRC) is to facilitate community development and community development facilities by providing below market rate loans and offering innovative financial resources, consulting/technical assistance, and training.

Financing Programs include our GreenSun Hawaii program, which was created to reduce risks for participating Financial Institutions and thus enable them to extend loan availability to a larger pool of customers and offer them the most aggressive loan terms and interest rates possible.

Another resource available to facilitate community development facilities is New Markets Tax Credits (NMTC), which provides gap funds in the form of equity.

For more detailed information on any of the community development products and services mentioned above, please click on the applicable links, call us at 808-532-3110 or email HCRC.

AMORTIZATION CALCULATOR

PRINCIPAL AND INTEREST

Interest Rate (in full annual rate)

Period (in months)

Principal \$

Monthly Payment **\$ 0.00**

HCRC IN THE NEWS

October 27, 2011 - HPR (Hawaii Public Radio) story

October 27, 2011 - KHON video clip

October 27, 2011 - KITV video clip

October 27, 2011 - Pacific Business News

https://application.hcrc-hawaii.org/

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PARTICIPATING LENDERS

- ◎ Aloha Pacific Federal Credit Union
- ◎ HawaiiUSA Federal Credit Union
- ◎ Hawaii Community Federal Credit Union
- ◎ Hawaii First Federal Credit Union
- ◎ Hawaii National Bank
- ◎ Hotel & Travel Industry Federal Credit Union
- ◎ IEG Federal Credit Union
- ◎ Kauai Community Federal Credit Union
- ◎ Maui County Federal Credit Union
- ◎ NAVFAC Federal Credit Union
- ◎ Wailuku Federal Credit Union
- ◎ Windward Community FCU





AUTHORIZED CONTRACTORS

42 Authorized Energy (Solar Thermal & Solar Electric or PV) Contractors Statewide

Visit www.hcrc-hawaii.org for current listing



Direct Energy Financing Structures

UNCONVENTIONAL FINANCING STRUCTURES
FOR ENERGY EFFICIENCY & RENEWABLE
ENERGY INSTALLATIONS





ENERGY EFFICIENCY RETROFITS

- ◎ Borrower: Church
- ◎ Installed Seven (7) Energy Conservation Measures
- ◎ Total Project Cost: \$315,000
- ◎ Estimated Annual Savings: \$62,000
- ◎ Estimated Annual kWh Savings: 193,000
- ◎ Estimated Hawaii Energy Rebates: \$20,000





ENERGY EFFICIENCY RETROFITS, CONTINUED

◎ Loan Structure

◎ Conventional Lender: \$167,500

◎ HCRC 147,500

◎ Total Loan \$315,000

◎ Annual Combined Loan Payments Required: \$56,700
(as compared to estimated annual energy savings of \$62,000)

◎ Loan Term: 72 Months

◎ Blended Rate: 3.5%





RENEWABLE ENERGY INSTALLATION

- ⊙ Nonprofit Beneficiary: Hospital
- ⊙ Borrower: “Energy” LLC
- ⊙ 100 kW Photovoltaic Solar System
- ⊙ Total Project Cost: \$600,000
- ⊙ Energy Price: \$0.25 kWh (fixed)
- ⊙ Estimated Annual kWh Savings: 160,000
- ⊙ PPA Term: 7 Years





RENEWABLE ENERGY INSTALLATION, CONTINUED

◎ Loan Structure

- ◎ Conventional Lender: \$210,000 (35%)
- ◎ HCRC 210,000 (35%)
- ◎ Equity Investor 180,000 (30%)
- ◎ Total Loan \$600,000

- ◎ Investor provides 30% of capital, however enjoys 100% tax credit and depreciation benefits

- ◎ Loan Term: 90 Months

- ◎ Blended Rate: 3.875%





MAHALO!

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