

# How to Pay for Your School's Solar System

## PART 2

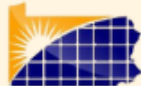
Thursday June 29  
9:30-11:00 AM

*Solar finance experts will describe new and existing options, and how these incentives create opportunities for greater financial savings!*

*Presented in partnership with*



PHILADELPHIA  
SOLAR ENERGY ASSOCIATION



PENNSYLVANIA  
SOLAR CENTER



## 3.c. Other Possible Grants

- Coming soon - PA is developing a comprehensive plan on deploying grant dollars it receives (and can compete for) under the Infrastructure Investment and Jobs Act (“IIJA”) and the Inflation Reduction Act (“IRA”)
- Possible PA legislation - Rep. Elizabeth Fiedler’s Solar for Schools Grant Program bill - HB1032

## 4. Green Banks and Non-profit Lenders

Maryrose Myrtetus  
Executive Director  
Philadelphia Green Capital Corp.

# PHILADELPHIA GREEN CAPITAL CORP



PG  
CC



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CLEAN ENERGY FUTURE



# PHILADELPHIA GREEN CAPITAL CORP

ACCELERATING OUR CLEAN ENERGY FUTURE

**Solar, energy efficiency & resiliency financing tools  
and programs for:**

- ✓ **Businesses (large & small)**
- ✓ **Non-profits**
- ✓ **Multifamily properties**
- ✓ **Homeowners**

*PGCC is the green bank affiliate of  
the Philadelphia Energy Authority*



**PHILADELPHIA  
ENERGY AUTHORITY**



# What Do Green Banks Do?

*PGCC empowers businesses, developers, and everyday residents to build a clean energy future by...*



Leveraging Capital from Multiple Sources



Building Pipeline of Local Projects via Strategic Partnerships



Providing Financing Products



Mitigating Investment Risk & Remove Barriers for Investors



# Green Banks: Proven Models of Success Nationwide

## National Green Bank Impact to Date:

**\$4.2B** Capital Deployed since 2011

**3.54x** Mobilization Ratio

Every dollar invested by a green bank creates **\$3.54** of overall investment in a clean energy economy

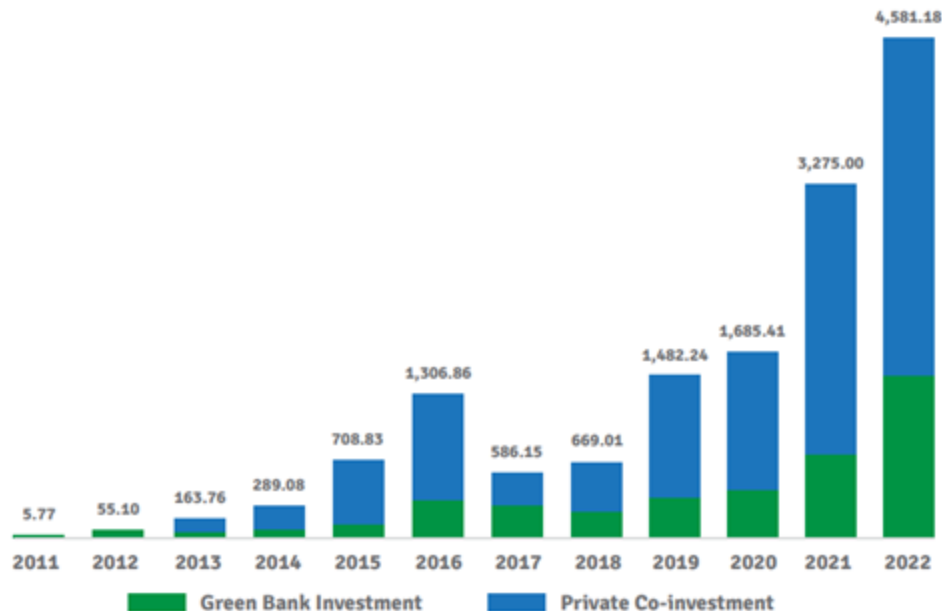
*PGCC uses best practices from 20+ green banks across the county*



Michigan Saves



American Green Bank Consortium Investment by Year  
(\$, in millions)



Tracking Green Bank Investment (2011-2022)  
Source: Coalition for Green Capital

The IRA includes

**\$369 Billion**

in federal climate-related funding

with a focus on equity.





# What's Different About the IRA?

- Capacity and expertise challenge for local and state governments
  - 2/3 of the IRA flows through the tax code, not just competitive grants for public projects
  - Immediately follows a traditional federal spending bill (BIL)
  - Funds available on short timetable and in the midst of state and local leadership change
  - Capacity issues for the federal government too
- Pennsylvania has an existing network of programs and partners to unlock the full potential of the IRA

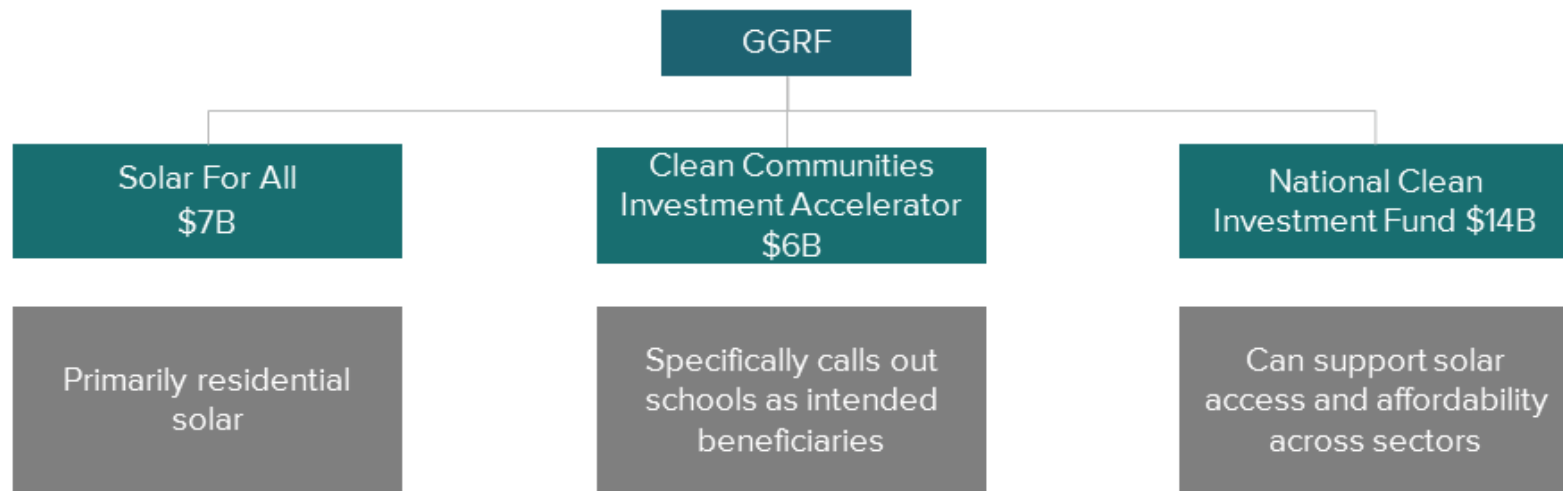


*Under the IRA, schools became eligible for solar tax credits via direct payment!*

**IRA gives schools the opportunity to scale their clean energy efforts**



# Greenhouse Gas Reduction Fund (GGRF)

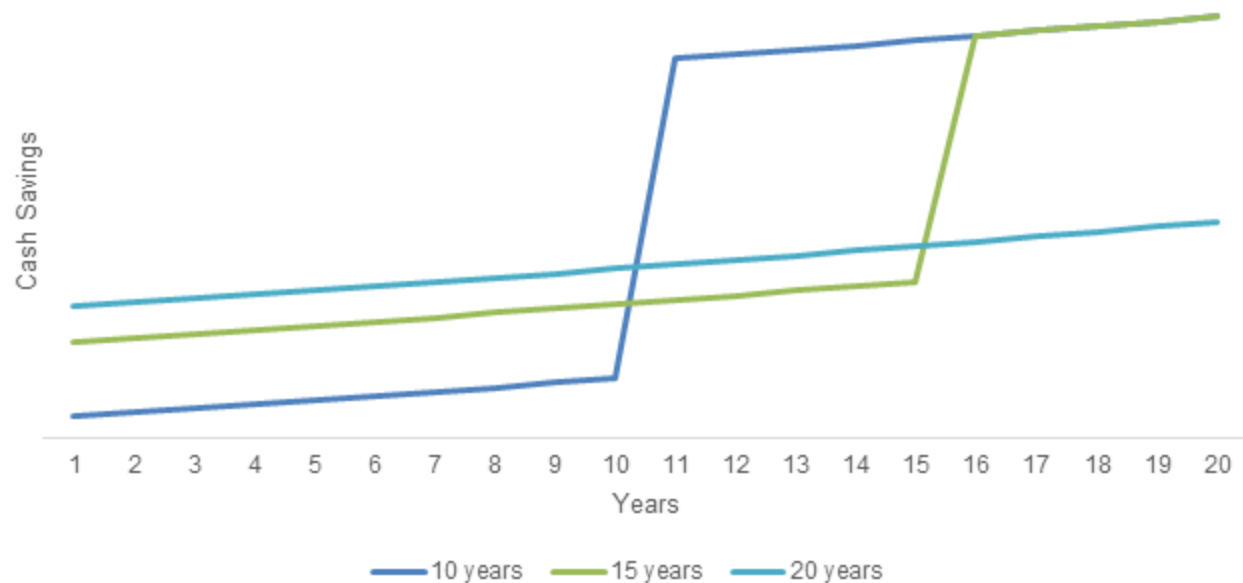


*All provide the opportunity to make solar more affordable and accessible across sectors, and to provide capital to organizations like PGCC and PEDDA*



# Key to Unlocking Near-Term Cash Flow: Term Length!

Cash Savings Net of Debt Service by Term Length



**Other key levers you can use to optimize your financing:**

- Interest rate
- Debt service coverage ratio
- Amount financed



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## Get In Touch

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# 5. Private Capital Lending

Matthew Brown  
Co-Chair and Co-Founder  
National Energy Improvement Fund



# Using Financing to Boost Efficiency & Electrification Markets

June 29, 2023

Go Greener. Affordably.

# About the National Energy Improvement Fund

- With a management and lending heritage dating to 1947, NEIF is organized as a for-profit Benefit Corporation.
- Providing fair, transparent financing for essential energy resilience improvements like HVAC, roofing, lighting & battery storage.
- Led by a seasoned team of energy financing innovators responsible for over \$900 million in financing.
- Delivered through partnerships with contractors, distributors, manufacturers, utilities, and governments.

# About the National Energy Improvement Fund

- Supervised as a consumer lender and servicer in 22 states and operating a commercial financing platform (including government and commercial finance) nationally in partnership with multiple utilities.
- Offers commercial, residential and contractor advance funding.
- Earned Certified B Corporation® status and was named a Home Improvement Expert Partner by the U.S, Department of Energy in 2019.



# Solar for Schools: Underwriting and Product Considerations

# The Finance Product



## Tax Exempt Lease Purchase

- Standard tax exempt financing
- Viewed as debt, but because it is re-authorized each year, is viewed as single-year, short term debt (not long term).
- Provided at tax exempt rates
  - Typically 20% lower than commercial finance
- Terms typically to 20 years
- Potential reduced direct pay amount

## Commercial Taxable Financing

- At commercial, taxable rates (higher than tax exempt)
- Terms can still be long
- Unusual for schools, and may be relevant only if the direct pay amount is reduced



# The Finance Product



Financing generally structured as:

- Long term amortization (15-20 years is common)
- Funded in to an escrow account
- Draws from that escrow account based on consent of the borrower, with payments made to contractor
- Payments begin upon loan funding in to that escrow account
- Generally, advance payments of loan can be accommodated but far preferable to know about such advance payments at time of loan documentation Exempt Lease Purchase



# Data Needed

- Financials for the borrower entity, typically publicly available
  - In some cases, data may be sparse if school district has not taken out debt in recent years
- Project equipment description (panel type, inverters, size, output, degradation assumptions)
- Installing contractor information
  - Experience in industry and with similar installations
  - Proper licensing



# Primary Underwriting Questions

- **Borrower Credit Quality**

- In most cases, school credit quality is good to excellent
- Concerns may arise in cases where enrollment is steadily declining, local governments have experienced major credit issues etc.
- In some cases, credit quality may not be publicly available if, for instance, school has no recent debt issuances.
- Credit information is generally publicly available

- **Contractor Quality**

- Does the contractor have experience in installing solar (just electrical license is not typically sufficient)
- Does contractor have proper licensing
- Are there credit issues with the contractor (NEIF will pull contractor credit)
  - Tax liens, other liens
  - Bankruptcy



# Underwriting Questions (cont.)



- **Project Information**

- Is equipment that is to be installed manufactured by a reputable installer
- Are warranties to industry standard
- Are project pro-formas reasonable, given equipment efficiencies, degradation, etc.

# Stumbling Blocks and Other Considerations



- Overall, school financing for solar is available at long terms and non-taxable rates.
- If the direct pay subsidy is reduced for tax exempt financing, then schools will have to consider the economics of tax exempt vs. taxable rate financing, with a different subsidy level.
  - Taxable financing for schools would be unusual.
- The direct pay subsidy may come in substantially after project construction, and therefore schools may need some type of capital to bridge that gap.
  - NEIF is able to provide that short-term bridge capital.

# Working with NEIF



**For More Information: [www.neifund.org](http://www.neifund.org)**

or contact Matthew Brown:

**[mbrown@neifund.org](mailto:mbrown@neifund.org)**







# NEIF

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A Certified B Corp™

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[neifund.org](https://neifund.org)

# Contracting and Procurement

- Direct ownership of solar projects by public K-12 schools is not as simple as we once thought. The IRA is a game changer for school solar projects, but PPAs will continue to be an important option.
  - Direct ownership may feel like a big, unnecessary risk, especially in light of other school challenges, staff shortages, lack of familiarity with solar, etc.
  - PA law and other budget priorities limits how much debt a school district can take on, even for projects that have a cash-positive return.
  - PA law (Separations Act, PA Procurement Code and PA School Code) make procuring capital projects like solar quite complicated.

# Procurement

- But procurement solutions are feasible:
  - Your RFP-selected solar contractor can do the system design work but must secure separate bids for different trades - electrical and general construction (of the racking systems).
  - Use the PA **Guaranteed Energy Savings Act (“GESA”)** as an alternative procurement approach. Follow the GESA rules for RFPs and competitive sealed proposals to select your “qualified provider”; require an audit showing project payback is 20 years or less; include the energy savings guarantee, the performance bond, the reporting requirements and the other GESA terms in the contract.

# Financing Recommendations

- Work with your CFO to understand school district's capacity to take on additional debt.
- Work with your solicitor to ensure comfort with your procurement plan in light of the Separations Act, the PA Procurement Code and the PA School Code.
- Request bidders quote pricing for both a PPA and Direct Ownership so you can see cost of both ownership models.

# Questions and Discussion