

Financing Resilient Power

FACT SHEET — JANUARY 2020

Financing Resilient Power is a groundbreaking philanthropic effort—a \$3.3 million initiative of The Kresge Foundation to accelerate the market development of solar PV plus battery storage (solar+storage) technologies in historically underserved communities. The Foundation’s investment—developed with the nonprofit Clean Energy Group (CEG) that will manage the effort—represents the first time a U.S. foundation has committed to use both its grantmaking and endowment resources in a comprehensive strategy to bring these new clean energy technologies to affordable housing and critical community facilities.

New York City Energy Efficiency Corporation (NYCEEC) is the first lender selected to participate in the financing initiative. The new financing partnership consists of three innovative elements:

1. **A \$3 million loan guarantee** to reduce credit risk for solar+storage project investments. The guarantee is booked as a reserve on the foundation’s endowment until such time as a demand for payment is made under a specific guaranteed loan transaction, which then takes the form of a program-related investment (PRI);
2. **\$170,000 in capacity grants** to NYCEEC to accelerate their ability to finance solar+storage projects, build project pipelines, and actively engage in information sharing; and
3. **\$120,000 in technical assistance grants** to enable eligible project owners and developers to assess the technical and financial aspects of new solar+storage projects.

Solar+storage systems provide energy resilience, reduce electric bills, and provide a powerful means of integrating more clean renewable energy into the grid.

Financing Resilient Power should: (1) lead to increased investments in more solar+storage projects in challenging low- and moderate-income (LMI) markets, (2) help build multiple project pipelines of solar+storage projects that expand existing loan portfolios of low-income project lenders, and (3) provide technical assistance and capacity building support to ensure successful solar+storage system installations and program success.

The initiative could become a model for how foundations in the environment and climate space align their grant and investment portfolios to enhance equity in clean energy project development.

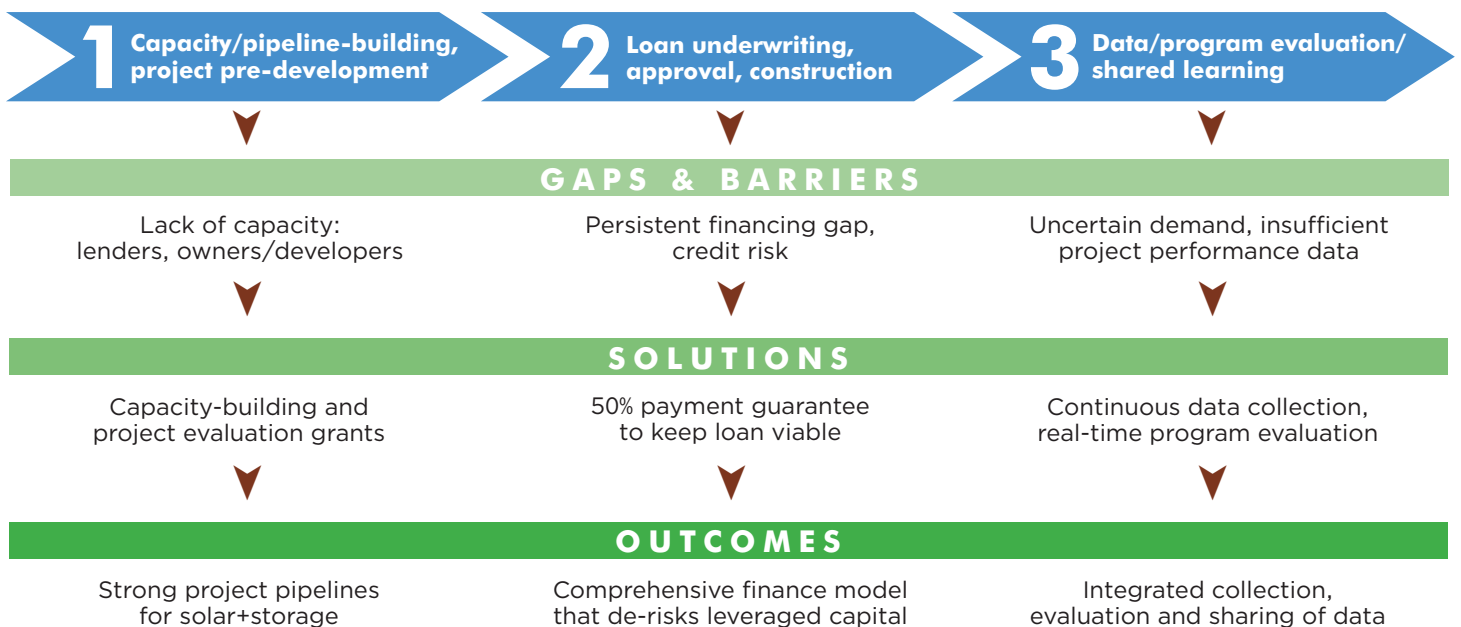
Financing Resilient Power is an outgrowth of a resilient power “capital scan” that The Kresge Foundation and Surdna Foundation (with additional support from The JPB Foundation) commissioned CEG to conduct. In early 2017, CEG published *A Resilient Power Capital Scan: How Foundations Could Use Grants and Investments to Advance Solar and Storage in Low-Income Communities*.

In 2018, CEG collaborated with lenders, foundations and owner/developers to design a loan guarantee model and draft term sheet, which became the initial blueprint for *Financing Resilient Power*.

Financing Resilient Power launched in the winter of 2020. CEG will monitor the progress of the program and issue a report on its results. Learn more about CEG’s efforts to expand resilient power at www.resilient-power.org.

Overcoming LMI Market Barriers in Solar+Storage Deployment

LOAN GUARANTEE PROGRAM PROCESS



Key Terms

Financing Resilient Power is unprecedented in several ways:

- It provides the participating lender with a *50 percent payment guarantee* for loans made to solar+storage projects. If the project can't cover its portion of borrower's debt service, then the guarantor foundation pays up to 50 percent of the project debt service to keep borrower's loan payments current, substantially reducing the risk of a payment default to the lender's investor(s) who provided capital for the loan.
- The cumulative payments made by the guarantor will not exceed 50 percent of the original amount of the solar+storage portion of the project loan. The guarantor foundation assumes the first-loss position for these loans.
- The loan guarantee appears as a reserve liability against the guarantor foundation's endowment, but no funds are transferred until such time as a demand for payment is made under the loan guarantee, which then takes the form of a program-related investment (PRI).
- The foundation endowment continues to earn market rate returns on the reserved funds until demand for payment is made under a specific guaranteed loan transaction.
- The term of the loan guarantee is 14 years, which includes an initial four-year origination period. There is no minimum or maximum guaranteed loan amount.
- *Financing Resilient Power* is available for construction and permanent financing when originated by an approved participating lender for low- and moderate-income solar+storage projects for the following:

- » Multifamily affordable housing
- » Elderly and other supportive housing
- » Unsubsidized workforce rental housing
- » Commercial and mixed-use projects
- » Community facilities

Financing Resilient Power has been designed to be responsive to a range of loan types and ownership structures:

Loan types

- » Construction
- » Permanent

Ownership types

- » Direct Immediate Ownership
 - » Third-Party Ownership
 - » Special Purpose Entities
 - » For-Profit and Nonprofit Ownership
 - » Co-operative/Community Ownership
- With NYCEEC, *Financing Resilient Power* is initially available to support solar+storage projects in the Northeast, with the intention of expanding efforts nationally over time.

Capacity Grants and Technical Assistance Awards

Recognizing that credit enhancement alone will be insufficient to change behavior in this nascent market, *Financing Resilient Power* includes two important new grant resources:

First, the participating lender will have access to new *capacity* grants to help them build additional in-house capacity to finance solar+storage projects, strengthen project pipelines, and share information.

Second, the initiative will offer new *technical assistance grants* to help project developers and community groups verify project feasibility, as well as economic and resiliency benefits.

The *technical assistance grants* are limited to supporting those projects that are likely to be financed by the approved participating lender.

Open to Other Foundations

While this is an important and groundbreaking initiative by The Kresge Foundation, it alone will not move the market in all low-income communities. It is hoped that *Financing Resilient Power* will encourage other philanthropies interested in clean energy and equity to join this initiative. They could bring new grant support to the capacity and technical assistance programs, as well as direct other endowment investments to expand the existing loan guarantee beyond the current \$3 million level.

From NYCEEC

"Availability of a loan guarantee for a project would reduce lender risk, and it could also provide NYCEEC access to more efficient funding structures for the guaranteed loan."

\$3.3 Million Investment in Solar+Storage

\$3 million

loan guarantee to reduce credit risk for solar+storage project investments in low-income areas

\$170,000 in capacity grants

for NYCEEC to accelerate solar+storage projects

\$120,000 in technical assistance grants

to assess the technical and financial aspects of solar+storage projects

50% payment guarantee

for eligible solar+storage project loans

14 Years

the term of the guarantee, including initial four-year origination period



THE KRESGE FOUNDATION



For more information about the Resilient Power Loan Guarantee Program, please contact:

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