

Submitted Proposal

Organization: Hawaii Community Reinvestment Corporation

Requested Amount: \$100,000.00

Proposal Title: GreenSun Hawaii Energy Financing Program

1. Describe your organization. What is your mission and who do you serve? Highlight some of the most notable successes your organization has had in the last several years.

The GreenSun Hawaii Energy Financing Program (“Financing Program”) is a collaboration of the Hawaii Community Reinvestment Corporation (“HCRC”), Blue Planet Foundation (“Blue Planet”) and the Hawaii Alliance of Nonprofit Organizations (“HANO”).

HCRC is a 501(c)3 nonprofit organization designated as a Community Development Financial Institution (“CDFI”) by the U.S. Department of Treasury. Organized 22 years ago with a mission to create and preserve affordable housing, HCRC has made available over \$198.0 million to finance 63 affordable rental projects state-wide containing over 3,300 residential units.

Notable successes enjoyed over the last two years with the expansion of its mission in 2010 to also include facilitating community and economic development include (1) the development, launch and administration of the GreenSun Hawaii Loan Loss Reserve (“LLR”) program, a contract with the state of Hawaii’s Department of Business, Economic Development and Tourism (DBEDT); (2) obtaining approval from the U.S. Small Business Administration as a Certified Development Company authorized to provide SBA 504 loans to businesses statewide; and (3) partnering with the County of Kauai to provide low-cost, long-term financing for low-moderate income homeowners on Kauai.

Blue Planet’s mission is to end the use of fossil fuels beginning with making Hawai‘i a model for energy independence. Through educational outreach, policy advocacy, and developing programs that connect island communities with effective solutions, Blue Planet is committed to Hawaii’s clean energy.

Working with school and community groups state-wide, Blue Planet has implemented highly successful energy efficiency projects such as (1) its C.F.L. program, replacing nearly 300,000 incandescent light bulbs with CFLS, saving residents more than \$40 million and displacing 190,000 barrels of oil over the lifetime of the bulbs; (2) helping to procure \$250,000 in USDA grants to help rural businesses fund small-scale renewable energy projects; (3) partnering with the Council for Native Hawaiian Advancement (CNHA) to help foster increased adoption of solar on Hawaiian Homesteads. CNHA presented Blue Planet with the 2010 Native Hawaiian Community Champion award; and (4) for its outstanding contributions toward Hawaii’s clean energy goals, Blue Planet received commendation from the Hawaii State House and the Hawaii State Senate in 2011.

HANO strengthens and unites the nonprofit sector as a collective force to improve the quality of life in Hawaii. HANO achieves this through training and consulting on nonprofit issues, products and services, convenings and advocacy at the sector level. HANO will tap its vast nonprofit network to share information about this money saving member benefit.

2. Please describe your innovation. Include the practical steps involved to take the innovation from the idea phase to implementation.

The Financing Program will combine capital from Tax Credit Investors (“Investors”), grants, and crowd-funders (“Crowd”) into a financing structure that will provide a fair return on investment to the Investors and the return of capital to the Crowd, while providing an affordable financing model for the nonprofit organization.

HCRC is in the process of re-positioning some \$2.5 million in DBEDT grant funds that has already been awarded for its GreenSun Hawaii LLR program to capitalize a Revolving Loan Fund (“RLF”) to launch this Financing Program. The RLF, coupled with an investor group we have secured, will be able to initially support some \$8.0 to \$10.0 million in nonprofit energy projects.

The Crowd will be a critical piece of the financing structure with their support coming either from the nonprofit’s “community of stakeholders” and/or unrelated socially minded individuals. The Crowd will further leverage funds already available, decreasing the cost of capital for the nonprofit and enabling more projects to be financed.

As we plan to launch this program in 4Q12, the Crowd will not be able to earn an initial return (in the form of interest or dividend) on its investment, however, they will get their investment back over time. This project, however, shall also focus on being able to provide the Crowd an ability earn a return on their investment in early 2013. We expect the Securities and Exchange Commission to publish its newly established policies, guidance, rules and regulations based on recently passed Crowd-funding legislation in late 2012. Attorneys specializing in SEC/Investment law will work on interpreting SEC rules to enable a return for Crowd investments.

The following is a high level overview of the steps involved in implementing this innovation. Please refer to the attached Work plan for details:

- Market Research & Education – conduct market analytics on energy usage to identify high priority/high potential properties/nonprofits; conduct nonprofit surveys for buy-in and interest and Crowd surveys to determine level of support; and create and deliver educational Solar Smart Seminars
- Repositioning LLR Funds to RLF – prepare request to U.S. DOE through DBEDT to obtain approval to reposition funds in compliance with ARRA and EECBG requirements and provisions.
- Crowd Related – conduct Crowdfunding research; create roadmap to implement Crowdfunding strategies; work with attorneys to create required disclosures, offering statements and other investment related documents. Create back office reporting system for Crowd investments.
- Loan Related – Source loan prospects, underwrite nonprofits for loan and equity capital; document, fund and service loans.

3. Please explain how your innovation is a clear improvement over what already exists or what is currently meeting the needs of your clients, constituents, members, or customers.

The Financing Program is a comprehensive approach to energy financing for nonprofits and will include energy education with a focus on energy efficiency measures as well as provide an affordable debt and equity financing option. The nonprofit will not be required to participate in the crowd funding aspect in financing, however, the Crowd model provides the nonprofit an opportunity to further improve its cash flow should it be successful in engaging its community of support for its energy project.

We are working with Hawaii Energy, a ratepayer-funded conservation and efficiency program administered by SAIC under contract with the Public Utilities Commission, to develop energy education content, which will be delivered in the form of our “Solar Smart Seminar Series” and include (1) the Value Proposition (benefits of going green; importance of installing energy efficiency measures before purchasing renewable energy equipment); (2) Choosing Your Contactor; and (3) Owning Versus Leasing (responsibilities and benefits of owning your PV system), etc.

Incorporated into the Financing Program may also be an Energy Audit, prepared by a Hawaii Energy approved energy consultant, to provide the nonprofit and its Board relevant, cost-benefit information on recommended energy efficiency retrofits and renewable energy installations, which they will be able to use when selecting a Contractor.

The RLF will finance the energy efficiency portion of the project and leverage equity funds, mitigating investor risk. During the 6th year (or the earliest allowable by the IRS without recapture), the initial financing structure will collapse and the nonprofit will own its energy system with a low-cost, flexible loan from the RLF for a fraction of the initial project cost. Depending on its cash flow, the nonprofit may be able pay off the loan(s) within the next 2 to 5 year, providing substantial savings over the long-term—funds that can instead be redeployed into its programs.

4. What impact do you expect the innovation to have on your field or on other fields? Provide specific examples of how your innovation will benefit the public.

Nonprofits are particularly vulnerable to the rising costs of electricity. Further aggravating the situation is the nonprofit's inability to take advantage of energy tax credits, making the purchase of solar systems even less financially feasible. As such, there are currently a number of investor groups (both local and mainland) who are financing nonprofit PV installations, through a Power Purchase Agreement (PPA) earning a substantial ("venture capital" type) return on its investment. While a number of nonprofits have accepted these terms, we have been approached by nonprofits who have "walked away" from these types of proposals, instead seeking a more equitable arrangement.

Additionally, the existing PPA financing structure only finances PV systems, excluding energy efficiency retrofits. The "solution" provided to most nonprofits unable to obtain flexible financing for energy efficiency upgrades is simply to install more PV panels to offset a building's inefficiency.

We have identified over 1,000 property addresses (charitable nonprofits, churches, AOAOs, private schools and credit unions, which represent the types of nonprofit/not for profit organizations that have already approached us for financing) that may qualify for our Financing Program. Hawaii Energy is assisting by determining energy usage by address in order to target organizations with an energy efficiency/renewable energy project range between \$500,000 to \$1.0 million. Based on our initial financing capital available supporting approximately \$10.0 million in energy efficiency and renewable energy projects, we estimate the following impacts over the life of the systems:

- * Aggregate 67.84 GWh energy savings;
- * Aggregate \$23.7 million savings in electricity costs;
- * Aggregate 84,800 barrels of oil not consumed; and
- * Aggregate 62,752 tons of CO2 reduction

The need and demand for this type of financing program is urgent. The positive impact to the cash flow of these organizations will be tangible over time, as will the environmental impacts for the state and our communities.

Additionally, instead of relying on the typical nonprofit model to finance the purchase of a large fixed asset— known as a "Capital Campaign"—this financing model will enable the nonprofit to install energy retrofits with either no capital campaign requirement or a small call to its membership/constituents to provide an investment (which will be returned to them) of approximately 20 to 30% of the total project cost.

Even more exciting is the ability for our proposed financing model to scale nationally. HCRC is working with consultants from the University of North Carolina's (UNC) Environmental Finance Center, to assist with

repositioning its grant funds for this Financing Program, create surveys, and perfect our financial model. UNC is extremely excited to be involved in this project as they see huge potential to replicate this Financing Program nationwide as DOE continues to seek innovative and sustainable “evergreen” financing programs.

5. How have you tested demand or interest for your innovation? Have you developed a prototype of your product or pilot tested your new idea yet? Surveyed potential users? Please provide data and information from your early stage testing.

We have had extensive discussions and meetings with potential program partners, including tax credit investors, energy contractors and other nonprofits to vet the financing structure. Additionally, both DOE and DBEDT are in support of HCRC’s verbal request to reposition grant funds into a RLF underlying the financial structure. As previously mentioned, we are currently working with UNC to reposition said funds within DOE’s guidelines and requirements. This funding source will enable us to provide flexible financing for energy efficiency retrofits while leveraging public capital to mitigate tax credit investor risks, which will in turn lower the cost of capital to the nonprofit.

While we will be able to launch this financing model as soon as we obtain DOE approval, our goal is to also incorporate a crowd-funding platform, which will generate a higher leverage of public capital and enable us to further grow and scale the Program. The crowd-funding platform will be akin to Solar Mosaic (www.solarmosaic.com), an example of a similar model that works. Its success provides a high level of confidence that the model can be duplicated and incorporated into our Financing Program. In our platform, the Financing Program will initially target the Crowd from the nonprofit’s existing community of support, pooling and leveraging funds from a variety of sources and creating a flexible and affordable financing model for the nonprofit.

Due to securities laws, we will initially launch our Crowd-Funding platform under a zero-interest model (similar to Solar Mosaic), being mindful that while the investor may not earn a financial return, the investment that he/she is making provides a positive return to the nonprofit enabling them to redeploy scarce financial resources into its programs rather than paying a utility, as well as provide measurable positive environmental impacts. However, with recent regulations passed by Congress, we will be working on developing a Crowd-Funding Investment product that will also provide the investor with a financial return on investment.

While the Financing Program is still under development, we have already received numerous requests from the nonprofit segments identified above to provide financing under our proposed model. UNC is assisting by creating surveys targeting a handful of segments within the nonprofit industry to introduce their communities of support to the idea of “investing” in solar projects and gauge their support for the organization.

6. Are you aware of others working in a similar way as your proposed innovation? Please describe these other efforts and describe how your innovation is different from theirs. Do you plan to collaborate? If so, how?

There are others currently financing renewable energy installations for nonprofits at varying returns. We have identified ample opportunities to collaborate, such as the four detailed below:

1. As previously mentioned, there are a number of investor groups already assisting nonprofits with PV installations. While our Financing Program provides a lower ROI to the PPA investor, it also mitigates investor risk, providing a fair risk-rated return, which ultimately provides the nonprofit a more affordable financing structure. We strongly believe that this Financing Program will shift the Nonprofit - PPA Investor paradigm, and as such, we will continue to welcome new investor groups to participate;

2. A smaller CDFI has learned about our program, inquiring on how they might be able also able to participate. We are working on pooling their funds with ours in order to more efficiently deploy Program capital;

3. A local bank, which is currently providing financing at a higher cost of capital to organizations, contacted us to see how we might be able to collaborate, combining our capital to create a favorable blended rate for the nonprofit. We are exploring options and will welcome collaboration if the resulting structure provides a similar level of benefit to the nonprofit; and

4. UNC, as consultants to the U.S. Department of Energy, is excited about the potential of this Financing Program and the ability to scale nationally. To their knowledge, currently, DOE funds do not support any such financing structure. We will assist UNC and DOE should they decide to utilize this Financing Program as a model for other states.

7. Please describe the background of your primary innovation team. If your innovation is a collaboration or partnership, please provide information about each partner's role and responsibilities. (e.g. Who will be the lead? Are key staff in place or will you hire?)

The primary innovation team consists of Jeff Mikulina, Exec Director of Blue Planet; Lisa Maruyama, Exec Director of HANO; and Gwen Yamamoto Lau, President of HCRC. Key staff for each organization is in place to support the implementation of the Program.

Blue Planet will deliver the Solar Smart Seminars educating nonprofit Executives and their Boards on converting to clean energy. Blue Planet has an impressive track record of public outreach, catalyzing residents to engage in energy efficiency and building support for smart renewable energy solutions. Community-driven CFL exchanges and the Hui Up! appliance trade-in are two Blue Planet programs that helped Hawai'i residents find solutions to save energy and reduce our dependency on imported oil. Blue Planet is a vocal advocate for sensible clean energy solutions, educating the public about the benefits of seawater air conditioning, smart meters, and more.

HANO is responsible for marketing the Financing Program to nonprofits utilizing various marketing channels including direct mail, social media, press releases and email communication to targeted prospect lists, and will work through its partner organizations to help get the word out. HANO will also coordinate the logistical aspects of the Solar Smart Seminars statewide.

HCRC, is responsible for sourcing, structuring, underwriting documenting and servicing the loans made both to the nonprofit and the PPA LLC. HCRC will also be responsible for tracking, investing, reinvesting and returning investor (crowd funders) capital. HCRC will work with the nonprofit in coordinating energy audits and obtaining relevant financial information. HCRC will work in concert with the PPA Investors during the underwriting and funding process.

Additionally, we are leveraging the resources of the Dept of Energy, UNC and DBEDT to reprogram grant funds; Hawaii Energy to create seminar content and market analytics; and a UH MBA Consulting Team to conduct Crowd Funding research.

8. How will you grow the impact of your innovation? Describe how your innovation has potential to scale up and expand benefit beyond just your organization. Be specific about expansion plans and targets for making that increased impact. (e.g. increase in users, replication at other sites/communities, etc.)

Our goal is to fund at least two projects by year-end 12/31/12. The projects initially targeted will strategically represent the types of organizations eligible for Program financing and ideally be located on different islands within the State, as follows:

1. Charitable Nonprofit Organizations
2. Religious Organizations (Churches)
3. Private Schools
4. Association of Apartment Owners (AOAO)
5. Credit Unions

HCRC will engage its public relations firm to begin working on a PR and marketing plan in July 2012 (for actual launch upon DOE approval) to determine the most effective way to provide positive Financing Program visibility with the objective of:

- Generating nonprofit interest to continue to build a pipeline of projects;
- Educating the public on the triple bottom line benefits of participating in the Program as a Crowd-Funder;
- Creating a track-record to attract additional capital for the Revolving Loan Fund; and
- Attracting additional investor groups

By aggregating and pooling funds (Crowd, Loan and Investor), the Program can easily grow to finance more projects statewide. Additionally, with the DOE's focus on promoting innovative "evergreen" energy financing programs, this Program could serve as a model for other financial intermediaries nation-wide.

Upon the issuance of the Securities & Exchange Commission's guidance on paying a return to Crowd funders (expected in late 2012), legal counsel will work on the required and appropriate documents to enable integration of this enhancement into the Financing Program. We expect this to be in place by 1Q2013.