ABUNDANT POWER: STATE LOAN PROGRAM FUNDS HISTORIC BUILDING RETROFIT

SOLUTION OVERVIEW
The AlabamaSAVES Program acquired a participating interest in a third-party loan through its Participating Loan Program to support the redevelopment of the Mercantile National Bank Building in downtown Mobile. AlabamaSAVES, which is administered for the State of Alabama by Abundant Power and its affiliate, CleanSource Capital, provides financing solutions to commercial, industrial, and non-profit organizations for energy efficiency and renewable energy projects in the state. The program acquires participating interests in qualified third-party loans to credit-enhance the loan for the lender and to lower the interest rate and reduce the overall cost of financing for the customer. The participating interest that Abundant Power provided for the Merchants National Bank Project enabled the implementation of a suite of energy efficiency measures throughout the building that will result in significant avoided energy costs.

LOCATION
Mobile, AL

CHALLENGE
Financing energy efficiency equipment and upgrades as part of a redevelopment project on a historic downtown building.

FINANCING SOLUTION
Abundant Power acquired a participating interest in a third-party loan to credit-enhance the loan and lower the cost of financing and enable the energy upgrades.

AMOUNT INVESTED
$2,000,000

PROJECT STATUS
Ongoing with completion set for 2019.

https://betterbuildingssolutioncenter.energy.gov/implementation-models/abundant-power-state-loan-program-funds-historic-building-retrofit
For more information, visit https://betterbuildingssolutioncenter.energy.gov
PROJECT PARTNERS
Abundant Power/CleanSource Capital (the “Administrator”), Iberia Bank (the “Loan Partner),
Rives Construction (the “General Contractor), and Heritage Land and Development (the
“Developer”).

POLICIES
The AlabamaSAVES Program is a loan program that acquires a participating interest (a buy-in on a
larger loan) in a qualifying loan from a third-party banking partner and subordinates this acquired
interest to the bank's interest in a default scenario, meaning the bank can afford to extend more
credit or offer improved terms to the borrower on its project. The participating interest can be for
the lesser of either 100 percent of the cost of the eligible project (for example, the energy-saving
component of a broader retrofit) or 50 percent of the participating loan, with the amount of the
participating interest for any given loan capped at $2 million. The Program's interest rate on its
participating interest is 2 percent below the rate on the participating loan, thus reducing the overall
cost of the financing by 1 percent where the AlabamaSAVES Program is participating the full 50
percent. Participating loans may be used for energy efficiency, renewable energy, and other
sustainability-focused projects that have less than a 10-year payback. If a 10-year simple payback
is not attainable or calculable due to the lack of a baseline energy spend, additional measures
above and beyond current state energy code minimums may allow for consideration of approvals
on an exception basis. To encourage broad market participation, the Program is designed to
facilitate financing solutions through a variety of delivery models, including projects developed
through independent engineers, performance contracting entities, product vendors, and installing
contractors.

This arrangement benefits all parties: the borrower receives increased credit and/or improved
terms from its bank and a subsidy on the overall cost of the financing; the bank partner's loan is
credit-enhanced by the AlabamaSAVES subordinated position; and the AlabamaSAVES program
receives its capital back to support additional projects throughout the state on a revolving basis.

The AlabamaSAVES Program is funded through the U.S. Department of Energy - State Energy
Program and the Energy Division of the Alabama Department of Economic and Community Affairs
(ADECA). Similar loan programs exist in other states across the country; more information can be
found using the NASEO State Energy Loan Fund Map.

BUILDING DESCRIPTION
The Merchants National Bank Building is a historical property that consists of an 18-story tower
building, an 8-story office building, a 5-story flex building, and an adjoining parking garage located in
the central business district of Mobile, Alabama. The tower building was the first high-rise building in
downtown Mobile, constructed in 1899 with the annex building constructed in 1941; altogether the
property spans an entire city block. The property will be converted into a 170,000-square-foot mixed-
use commercial space, class “A” office space, and residential apartments with multiple energy and
water efficiency measures as part of the redevelopment project.

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FINANCING
The total cost to redevelop the Merchants National Bank Building (the MNB Project) was scheduled to be $31.5 million. Iberia Bank proposed a loan to finance a portion of the project’s cost and requested that AlabamaSAVES participate in the loan to finance the energy improvement components. The Program’s guidelines state that participating interest in any given loan can be the lesser of either 100 percent of the cost of the eligible project or 50 percent of the participating loan, with a cap of $2 million in participation for any given loan. Due to the total size of the MNB Project, Abundant Power’s participating interest was maxed out at the cap. While the $1.75 million of expected savings does not meet the required 10-year payback as stipulated in the program guidelines, the energy improvements were deemed to go above and beyond state energy code minimums to qualify for financing.

PROCESS
To be considered for participating funding through AlabamaSAVES, the Developer and General Contractor of the MNB Project submitted a proposed scope of work consisting of the energy efficiency measures to be installed at the property for review and consideration by Program Administrator. After reviewing and gathering additional information and clarifications on this scope, the Administrator defined and approved a total scope of eligible measures in excess of the Program’s $2 million cap. The Lender, Iberia Bank, then applied to the Program for its participation in the senior loan being made to the MNB Project for the Program’s maximum amount of $2 million. The Program’s Governance Committee reviewed this application along with the supporting credit information and approved of the Program’s participation in the senior loan. The loan was documented using the Lender’s standard documentation, along with the minimal additional documentation required by AlabamaSaves. The Program’s participating funds were funded at closing of the loan into an escrow account held by the Lender for disbursement during the construction process to pay for the approved eligible measures as they are installed. The Lender interacts with the MNB Project and Developer and services the loan, including AlabamaSAVES’s participating piece, remitting the its principal and interest as the loan is repaid over time.

TECHNOLOGIES APPLIED
The energy improvements that will be installed to up-fit the newly renovated buildings as part of the redevelopment project include:

- **Building envelope improvements** including upgrades to the existing roof with insulation and white thermoplastic polyolefin (TPO) roofing and re-caulking all windows using backer rod and a silicone sealant
- **Upgrades to HVAC systems** including the installation of a central station variable air volume air handling unit with air terminal units and direct digital controls, and new high-efficiency heat pump units
- **Installation of LED lighting fixtures** in commercial and residential spaces
- **Installation of ENERGY STAR® appliances** including dishwashers, washer/dryer combination units, and refrigerators in residential units
- **High-efficiency water heaters** and other water-efficient upgrades such as efficient faucets, shower/tub fixtures, and toilets

PARTNERSHIPS

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Abundant Power/CleanSource Capital

Abundant Power is an energy management services company focused on providing transformative financial and technology solutions for the built environment ecosystem. CleanSource Capital is its specialty finance affiliate that designs and administers financing programs such as the AlabamaSAVES Program, with similar programs across the Southeast and Mid-Atlantic.

IberiaBank Corporation

IberiaBank is a financial holding company with over 300 locations primarily throughout the South.

OUTCOMES
As of fall 2018, the Merchants National Bank Building Project is under construction with an anticipated completion date in 2019. The project is a key contributor to the revitalization of downtown Mobile and will be the area’s largest rehabilitation effort in 50 years. It will provide additional jobs to the area and the building’s eventual commercial/residential tenants will create an economic stimulus for surrounding businesses. Additionally, the energy upgrades applied to the building will significantly reduce operating expenses and improve tenant working and living environments.

MEASURING SUCCESS
The energy upgrades being implemented to the Merchants National Bank Building are expected to save nearly $2 million over 10 years.

Through 2018, the AlabamaSAVES program has funded commitments for 107 commercial, industrial, and agricultural loans totaling nearly $60 million. These projects account for nearly 13 million square feet of floorspace in 179 buildings across Alabama and are estimated to save 82.2 million kWh annually. The loans have been incredibly successful, with only one default to date.