CITIZEN ENERGY USES EFFICIENCY-AS-A-SERVICE TO FINANCE MULTIFAMILY PROPERTIES

SOLUTION OVERVIEW
Citizen Energy completed projects at two separate multifamily properties with different ownership structures using an efficiency-as-a-service financing solution. Efficiency-as-a-service is a pay-for-performance, off-balance sheet financing solution that allows customers to implement energy efficiency projects with no upfront capital expenditure. Despite the variance in ownership structures, efficiency-as-a-service worked for each property, resulting in immediate energy cost savings.

This implementation model is part of the Better Buildings Efficiency-as-a-Service Toolkit.

CHALLENGE
Financing energy efficiency projects in multifamily with different ownership structures

FINANCING SOLUTION
Efficiency-as-a-service

OUTCOMES
Both projects were cash flow-positive from day one and are generating sizable annual cost savings from utility bill reductions and avoided maintenance

AMOUNT INVESTED
$300,000 (cumulative)

LOCATION
Washington D.C. metro area

PROCESS
Citizen Energy completed efficiency-as-a-service (EaaS) lighting upgrade projects at two multifamily properties with different ownership structures:
Cityline at Tenley Condominium: Owner-occupied

Midtown at Camp Springs Apartments: Investor-owned, tenant-occupied

Both projects were driven by a desire to reduce energy and maintenance expenditures on items such as costly lamp and ballast replacements. Additionally, the Cityline and Midtown owners liked the EaaS monthly payment option, as they were familiar with other expense-oriented service/subscription models (trash, landscaping, internet, etc.). For ease in administering the service, the lighting upgrades were only made to common areas (including hallways, parking garages, and outdoor spaces). To avoid disruption, the Citizen Energy team did not enter any tenant units, interfere with tenant operations, or request tenant utility bills.

Both projects took about 6 months from the initial sales meeting to completion of the installation. Citizen Energy’s installation and service process includes completing an initial lighting and energy audit, generating an efficiency-as-a-service proposal with cash flow-positive monthly payment, executing a contract, completing a credit check, designing and installing equipment, and administering ongoing maintenance.

Each project is highlighted below:

Cityline

Cityline at Tenley Condominium Association is a 172,569-square-foot building located in northwest Washington, D.C.

The condos at Cityline are owner-occupied and the condo board did not want to enforce a special assessment on the condo unit owners to raise capital to pay for an energy reduction project.

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Cityline’s finance committee liked that under EaaS their lighting could be treated as a fixed operational expense that included maintenance of the LEDs. Additionally, Cityline could not take on additional debt for the project, so an off-balance sheet EaaS arrangement with no upfront cost was a great solution. The retrofitted common area lighting is saving Cityline $6,200 per year.

Midtown

Midtown at Camp Springs is an apartment complex built in 2009, located in Maryland a few miles southeast of Washington, D.C. There are multiple buildings at the complex, totaling 459,141 square feet with 291 units.

Because Midtown is an investor-owned and tenant-occupied complex, its owners wanted to achieve cash flow positivity by ensuring that their monthly payment was less than the estimated savings. Measurement and verification is a primary focus for Midtown; Citizen Energy provides them with monthly reports to show that they are meeting or exceeding savings goals. As a small but growing investment company, Midtown owners also value the ability to use their cash on hand to invest in purchasing other properties instead of purchasing depreciating assets such as lighting. After having lighting upgrades installed across common areas, Midtown is saving $23,919 annually in avoided energy and maintenance costs.

FINANCING

Efficiency-as-a-service is a pay-for-performance, off-balance sheet financing solution that allows customers to implement energy and water efficiency projects with no upfront capital expenditure. The provider pays for project development, installation, and maintenance costs. Once a project is operational, the customer makes service payments that are based on actual energy savings or other equipment performance metrics, resulting in immediate reduced operating expenses.

Citizen Energy’s efficiency-as-a-service solution employs a fixed monthly payment, which is calculated as a share of estimated savings. The customer contract term is typically 5 years. At the end of the contract term, customers have several options including renewing the same contract with a reduced monthly payment, or achieving greater savings by refreshing to the highest-performing equipment available in the market.

TECHNOLOGIES APPLIED

LED lighting fixtures, lamp retrofits, and component retrofits were installed at both properties. These upgrades reduce energy consumption and also generate aesthetically pleasing illumination for common areas around the properties. Some of the upgrades had the latest high-efficacy LED technology, allowing for even less energy consumption without sacrificing illumination levels.

MEASURING SUCCESS

Cityline:

- Project cost: $90,000
- Total annual savings: $29,000 ($3,034 from maintenance savings)
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- Customer annual payment: ~$22,800 (Not including local energy rebates assigned to Citizen Energy by Cityline)
- Customer share of annual savings: ~$6,200 (21%)

Midtown:

- Project cost: $210,000
- Total annual savings: $63,919 ($6,560 from maintenance savings)
- Customer annual payment: ~$40,000 (Not including local energy rebates assigned to Citizen Energy by Midtown)
- Customer share of annual savings: ~$23,919 (37%)

OUTCOMES
Both projects were cash flow-positive for the customer from day one and are generating significant annual cost savings from utility bill reductions and avoided maintenance. In addition to cost savings, the common areas at each property are better illuminated for the safety and well-being of residents.

PARTNERSHIPS
Citizen Energy

Citizen Energy increases the adoption of energy efficiency through its LED Lighting as-a-Service financing solution for commercial and multifamily buildings. Citizen Energy is headquartered in Washington, D.C., and since 2012 has been focused on helping underserved small-to-midsize business owners and organizations reduce energy demand and carbon emissions and save money.

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