



Photo: Economic Development Council of St. Lucie County



CASE STUDY: ST. LUCIE COUNTY, FLORIDA

The Solar and Energy Loan Fund

Saving residents money while creating a new market for energy efficiency and renewable energy services

Background

St. Lucie County, on Florida's Atlantic coast, has a grand and ambitious sustainability vision. Recognizing the emerging and future market for renewable energy manufacturing and installation, the county has embarked on an integrated strategy that, if successful, would make it Florida's leader in establishing a green economy.

The list of St. Lucie's current and planned sustainability initiatives is striking, as is the broad array of cross-sector partnerships that are making the projects happen. Some of the highlights include:

- Developing a Green Collar Training Center in partnership with unions and nonprofits;
- Partnering with local colleges on green workforce development programs within a new, 65,000 square foot alternative energy demonstration and education center; and
- Working with the Oak Ridge National Laboratory and the City of Fort Pierce to develop a 1,600-acre "green district" of energy efficient homes, businesses, and public buildings. The district has already attracted attention from a number of green technology companies.

AT A GLANCE

Status:

- In-progress

Lead organization:

- Solar and Energy Loan Fund (SELF)

Timeline:

- Summer 2008 – Present

Funding:

- U.S. Department of Energy
- Florida Energy and Climate Commission
- Private lending institutions

Outcomes:

- 139 applications
- Access to \$20 million funding pool
- First loan completed

Key themes:

- Renewable energy
- Energy efficiency
- Revolving loan fund
- Federal grant award
- Cross-sector partnerships
- Community outreach
- Workforce development

County officials credit much of their success building networks and partnerships to former County Commissioner Doug Coward, who championed the idea of basing St. Lucie’s economic redevelopment on green services, research, and technologies, and who was largely responsible for establishing effective collaborations with major private and academic sector partners.

Helping local residents. But Coward and others also understood that recovering from the recession through the green sector couldn’t be achieved with only a top-down approach centered on attracting major businesses and research institutions. A true recovery would come from the bottom up, as well—by helping low- and moderate-income residents save money on their utility bills while creating the market for well-paying, local jobs in the growing energy efficiency and renewable energy industries.



The Solar and Energy Loan Fund (SELF) will help create affordable residential solar.
Photo: St. Lucie County

So the county developed the idea of the Solar and Energy Loan Fund (SELF), a revolving pot of money that would help residents not only reduce energy use in their homes—through simple weatherization methods such as insulation and energy efficient windows—but also would promote the use of solar photovoltaic (PV) and solar thermal technologies, the most reliable and technologically viable sources of renewable energy in sunny Florida. The idea was to overcome the greatest barrier to large-scale adoption of home energy retrofit projects and residential solar technology: the high up-front costs.

Process

Local leaders decided from the earliest stages of program development that low-interest loans would be the best way to defray up-front costs of residential solar and energy efficiency. But St. Lucie County lacked both the legal authority and the practical financial expertise to be able to make the loans.

So they formed SELF as a separate, not-for-profit entity, and put it on a path to becoming certified by the U.S. Treasury Department as a Community Development Financial Institution (CDFI). CDFIs are mandated to close the lending gap for low- and moderate-income residents who typically struggle to obtain standard loans, and SELF saw the opportunity to expand the model to the green sector. Forming a nonprofit also allowed the funds to revolve, so that loan repayments could then be re-loaned, creating a sustainable program.

At the many community meetings and outreach events in which officials promoted the SELF concept, the program drew a lot of public support. People were interested in potential savings on their utility bills, which for many residents were as high as \$300 per month, especially in the summer. The low interest rate of 4% was also attractive, especially compared with the 18-19% interest rates that are typical of home renovation and improvement projects.

Securing buy-in from local banks. Forming a separate lending institution and having public support were important first steps, but would not be enough on their own; SELF needed to attract capital to be able to make the loans, and for that it needed buy-in from some of the local banks. Getting banks to the table is a difficult proposition, not least because energy efficiency and renewable energy loans are a relatively new business model, and the data demonstrating the business case for making these kinds of loans is limited. But St. Lucie County's commitment to developing a green economy—and the public support it had garnered around the idea—meant the local banks were more willing to get on board and be part of the shared community vision.

“It really depends on the appetite of individual lending institutions for making these types of loans, because there's not enough data to say ‘I'll get paid back at X percent’” says Sanjiv Doreswamy, SELF's Executive Director. “So the question is whether you have community buy-in to the point that banks want to be a part of it. It has to be more qualitative than quantitative at this point.”

But he also points to a more practical aspect for many banks as well: the Community Reinvestment Act (CRA). Under the CRA, banks have to lend a certain amount of their portfolio to underserved populations—SELF's target audience. “Investing in the fund actually allows banks to earn CRA credits,” says Doreswamy, “so depending on their credit rating and what they want to emphasize, this is an important potential target market for a lot of banks.”

Ultimately, says Glen Henderson, one of the program's architects, “we were able to get several banks who were eager to be part of this, and who provided letters of commitment and a willingness to invest in the future.”

Federal grant award. The financial commitment from local lenders, combined with what Henderson describes as “quite a bit” of community support, laid the groundwork for a strong grant application to the U.S. Department of Energy (DOE) that would provide SELF the initial capital to start the program.

In June 2010, the DOE awarded St. Lucie County a \$2.9 million Energy Efficiency and Conservation Block Grant (EECBG)—one of only 20 awarded competitively nationwide—of which \$1.6 million is to help get the SELF program off the ground. That money was supplemented with a \$300,000 grant from the Florida Energy and Climate Commission (FECC) targeted at defraying the costs of residential energy audits.

SELF is using the federal money to make the first loans, which will allow the organization to demonstrate its lending capability and complete the process of earning CDFI distinction. Once SELF is awarded CDFI status, it will have access to a committed pool of public and private monies—from financial partners including PNC, SunTrust, Oculina Banks, and IBM/PGA Credit Union—worth \$20 million.

DOE is also impressed with St. Lucie's use of its grant dollars, and has selected the program as one of two that it will highlight in a video for all of its grantees. The county will be able to use the video in its own marketing.

Outcomes and Promising Practices

Application, audits, and the first SELF loan. Applications for the 4% interest loans have already begun rolling in. The average loan request is around \$8,000, and as of March, 2011, the program has received 139 application requests, and completed 27 energy audits—with 8 more scheduled—for residents who have already been approved for underwriting. There has also been some interest from commercial property owners, and SELF is considering expanding the program to serve the business community. Media exposure has helped drive many applications, and Doreswamy anticipates even more coming in when the local utility rolls out a solar installation credit in the coming months.

SELF is able to turn around applications and complete residential energy audits within 2-3 weeks, a benefit of being a private lending institution. The organization first does all the financial background work to ensure that they feel confident underwriting the loan. Then, once the loan is approved, SELF sets up a professional, one-on-one energy audit of the resident's home. "[The auditor] is out there for half the day in most cases, it's a really thorough check," Doreswamy says. Normally a \$300-\$600 process, the audit costs the homeowner just \$25 thanks to the FECC grant. He or she can then select from a suite of improvements that will be covered by the SELF loan.

The program celebrated its first successful loan in March, 2011, after 30 months of planning and community outreach. Maxima Mane, a Sam's Club greeter, needed a new air conditioning system for her home, but couldn't afford the 13-20% loans that other institutions were offering. So when she found out about SELF, she explains, "the minute I saw it, right away I called them." Her energy audit revealed a potential 40-50% savings on her energy bill.

New business markets and job opportunities. In addition to helping low- and moderate-income residents save on their energy bills—the primary goal of the program—the loans to Ms. Mane and others are creating a new market for green products and services.

"The idea is that if we generate enough loans and enough work, then we also need workers to do that work," says Doreswamy. "Workers have to be qualified in energy efficiency, have the proper certifications, so workforce development programs are preparing people. That's the approach, and SELF is the conduit to do it."

St. Lucie's investment in a green economy means that it has a robust workforce development system in place. Indian River State College has an existing solar energy program that trains

workers in both PV and solar thermal technologies, while the Green Collar Task Force—a collaboration between St. Lucie County; the nonprofit, state-chartered WorkForce Solutions; and a consortium of eight trade unions—offers four-year apprenticeship programs.

The ultimate goal is to be able to attract larger clean energy employers and research institutions. Says Chris Dzadoovsky, current County Commissioner and President of SELF's board, "We can create a market where different companies—solar suppliers or tech groups—see a market unfolding and consider moving here. That's the long view."

Lessons Learned

Securing partnerships and private financial commitments ahead of time can make the difference in winning a grant. St. Lucie County beat the odds to win the EECBG funding largely because of its ability to bring banks—and their capital—to the table as part of the grant application process. "They provided levels of interest and a willingness to invest in the future, says Henderson, one of the primary writers of St. Lucie's application. "That's what set the grant apart: the program wouldn't go away once the grant money ran out.

Getting banks on board is, of course, no small task. But if that obstacle—achieving a meaningful public-private partnership—can be hurdled, securing additional government funding becomes a much easier task.

Use grant money to seed a sustainable program. A key to the SELF grant application was St. Lucie's decision to not simply sub-grant the federal dollars, but to form a separate, nonprofit lending institution that would distribute the money in the form of low-interest loans.

"If you just get a bucket of money and spend it you're not offering sustainability," says Henderson. "By setting up a separate entity, we are able to use the money many times over, and leverage public and private capital to greatly increase the program's scale."

Be nimble and adaptive in the face of unexpected obstacles. The program hit a major snag in late 2010 when Fanny Mae and Freddie Mac filed suit against what is known as Property Assessed Clean Energy (PACE) financing, which essentially means allowing homeowners to attach clean energy loan payments to their property tax payments. St. Lucie had been confident in the PACE financing method, and had spent 8 months and \$40,000 to set up the taxing district to accommodate it. The national lawsuit made the PACE model a non-starter for mortgaged properties, at least for the time being, so SELF had to quickly adapt to the obstacle. "That was the biggest challenge, the PACE ground rules getting changed so late in the game," says Commissioner Dzadoovsky. "We had moved the idea forward with the understanding that PACE would be the best model, and had all the banks on board. So it was a major setback. But we had gotten so far along that we decided to continue with the process anyway and finish setting up the legal structure within the county."

SELF is therefore prepared to immediately go back to the PACE method if the lawsuit is resolved. In the meantime, however, several of the loan applications are for non-mortgaged residential properties, which can still be financed through the special tax district—as long as the loan is paid back in full when the property changes ownership. The county can also use the financing mechanism for commercial properties, which are not affected by the lawsuit, if and when the program expands to the commercial sector.

The need for leadership and collaboration across sectors. To be sure, generating the broad scope of projects that St. Lucie has managed takes a lot of people working together toward a common goal. But everyone agrees that Doug Coward's tireless work made the difference in getting the ball rolling.

“What helped in St. Lucie County was having Doug Coward as a crusader for the energy efficiency and solar movement,” says Commissioner Dzadozsky. “He really motivated people, from the workforce side to the financial institution side to the government side, and you need to have someone who really will motivate all aspects of the community. I can't emphasize it enough, you have to have a leader that will carry the torch.”



The South Florida chapter of the U.S. Green Building Council named Doug Coward the Most Outstanding Green Elected Official in 2010. *Photo: TC Palm*

For More Information

SELF website:

<http://www.stlucieco.gov/ed/empower.htm>

St. Lucie County Green Economy website:

http://www.stlucieco.gov/ed/green_economy.htm

Indian River State College solar energy program website:

<http://faculty.irsc.edu/dept/advancedtechnology/solar/index.html>

Green Collar Task Force website:

<http://www.greencollartf.org>

Contact:

Sanjiv Doreswamy, (772) 468-1818 or sanjivd@solarenergyloanfund.org.

Related Resources

U.S. Department of the Treasury CDFI Fund

<http://www.cdfifund.gov/>

The CDFI Fund was created for the purpose of promoting economic revitalization and community development through investment in and assistance to community development financial institutions (CDFIs). The CDFI Fund's mission is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the U.S.

