

ENVIRONMENT

MH 10/9/11

Energy consortium eyes green project

■ Six South Florida cities and a consortium led by a British business tycoon are teaming up to bring energy-efficient homes and businesses to Miami-Dade.

BY PERRY STEIN
pstein@miamiherald.com

It's no secret that owners of homes and businesses can save money on electricity by installing new windows, more efficient air conditioners, and other household improvements. The trouble is coming up with the cash.

But a new partnership between a national consortium of five private businesses and six South Florida cities promises to offer low-interest financing to help property owners make these upgrades, provided that the improvements will pay for themselves in re-

duced power bills.

The consortium, set up by British music and airline tycoon Sir Richard Branson, will invest \$550 million in South Florida, which will be the first of two U.S. markets for the venture. The consortium says its investment will cut energy bills and produce thousands of jobs, as workers will be needed to install the upgrades.

The cities — Cutler Bay, Palmetto Bay, Pinecrest, South Miami, Coral Gables and Miami — are starting to sign deals with the consortium now, and

• TURN TO GREEN ENERGY, 2A

Green energy project to be launched in Miami-Dade

• GREEN ENERGY, FROM 1A

the first upgrade projects could start in early 2012.

"This is a very bold program," said Cutler Bay Mayor Ed MacDougall, whose town is taking the lead on the project. "We're reducing the amount of energy we consume and someone has to start somewhere. This is an opportunity where municipalities can band together for a common cause."

The five companies include Barclays, the largest bank in the United Kingdom; defense and technology conglomerate Lockheed Martin; energy finance start-up firm Ygrene; Energi Insurance Services; and Germany's Hannover Re, which is also the third largest reinsurance firm in the world. Carbon War Room, a nonprofit group started by Branson, who is best known for founding Virgin Records and Virgin Airways, came up with the idea and brought the other players to the table.

Here's how the program will work:

First, at the request of a property owner, Ygrene sends a specialist to perform an "energy audit" of the property, evaluating what improvements are needed and how much money could be saved if these upgrades are made.

If the cost of the upgrades up to a 20-year period is less than the energy savings, then the property is eligible for the program.

Next, the customer agrees to the financing arrangement, whereby they will repay the money each year as a surcharge on their local tax bill.

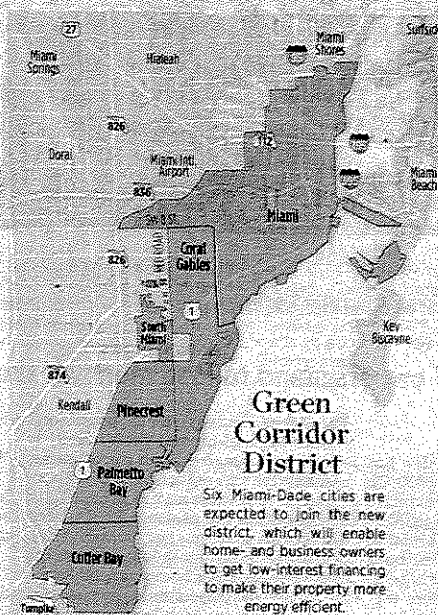
Then, local contractors will install the upgrades. Lockheed Martin will compete to be the contractor in some of the larger commercial projects.

Finally, Ygrene pays the contractor and the property owner begins repaying the debt.

"The idea is to use businesses and markets to address climate change," said Murat Armbruster, senior advisor for the Carbon War Room. "We realized that any one company trying to address this problem doesn't have the full ability to address the problem."

The companies bring their financial resources and expertise while the cities ensure the debts are repaid by collecting them as a surcharge on the property owner's tax bill rather than an ordinary loan payment. If the property is sold, the lien stays with the property and is passed on to the next owner.

Miami-Dade is the big



MARCO RUIZ / MIAMI HERALD STAFF

start-up area for Carbon War Room's project. The same consortium will be operating concurrently in Sacramento with \$100 million. If successful, the consortium could expand to other cities throughout the nation and in South Florida, including Broward County.

The project relies on some novel arrangements between the companies and cities, which are made possible under a 2010 state law called the Property Assessed Clean Energy Act, or PACE. It allows local municipalities to finance energy upgrades through property assessments.

Of the six participating cities, Cutler Bay and South Miami have officially signed on; the others are expected to follow suit in coming weeks.

Cutler Bay's Mayor MacDougall said that his town was looking to get involved with a PACE program and sent out a request for proposals of interested parties looking to work with them. Ygrene responded and Cutler Bay staff helped assemble the first cities in the Green Corridor District based on what made geographical and economic sense.

The cities will sign agreements with one another and form the Green Corridor District, a separate legal entity that, under the PACE law, allows them to work together to finance these energy-efficient projects. Each city will have one representative sit on the Green Corridor board, and would act as a check on the consortium to ensure that Ygrene is ad-

ministrating the program effectively. Chad Friedman, a lawyer with the law firm Weiss Serota Helfman Pastoriza Cole & Boniske, which represents many municipalities in the area, will serve as the district's attorney.

Cities have used special assessment districts in the past to pay for community improvements like street lights, not individual projects opted into by property owners.

By law, residential properties can only spend 10 percent of their home's market value on energy upgrades through PACE financing. The average home value in the Green Corridor district is about \$238,000, which means the average homeowner can spend a maximum of \$23,800 on upgrades like solar panels, hurricane windows and new hot water heaters.

For commercial properties, contractors will offer a warranty to ensure that the owners actually see the expected savings in their utility bills. Energi, an insurance underwriter, will back that warranty and Hannover Re would then back those insurance contracts.

"If you are going to borrow money, ours will be the cheapest by far, period," said Dan Schaefer, president of Ygrene Energy Fund, adding that the interest rates would typically hover around 6 to 7 percent. "It just depends on the market."

Mortgage finance agencies Fannie Mae and Freddie Mac, however, have concerns about the PACE legislation, which has been

passed in 27 states. The two big mortgage backers — which guarantee half the nation's \$11 trillion in mortgages — are unhappy about the tax-like legal status of the consortium's loans. The reason: in the event the borrower defaults, taxing authorities get paid before the mortgage holder.

Until disputes with Fannie and Freddie are settled, Branson's Carbon War Room has said its consortium will only focus on retrofitting commercial properties.

Ygrene, however, has said it would finance residential projects, promising to cover costs of any future legal issues.

The Fannie Mae dispute is one of the reasons the consortium is starting its work in Florida and California. In these states, Schaefer said, there are strong PACE laws which say that property owners only have to notify their lenders, not get approval, if they want to finance through PACE.

Controversy aside, environmental groups and advocates have lauded the consortium as a game-changer that would alleviate a reliance on federal dollars for expensive energy efficient projects and would bring much needed jobs to the area.

Susan Glickman, a consultant for the Natural Resources Defense Council, said that renewable energy creates more jobs than any other source of energy.

For every \$4 million in PACE spending, \$10 million dollars flows through the economy and 60 new jobs are created, according to an April 2011 study by ECO-Northwest. Based on these projections, Branson's consortium would pump more than \$1 billion into the economy and create more than 8,000 jobs.

"It's a brilliant model," Glickman said. Efficient energy "is very local and will put the very people to work in Florida who have been laid off because of the poor economy and lack of construction."

Ygrene Energy will also open an energy center in Miami-Dade that would operate the Green Corridor program. The building would be equipped with an educational center where people can host events, talk and learn about renewable energy. As the consortium expands, Ygrene hopes to open additional centers.

"It will be a place where you can come and learn about this because I don't think anyone wakes up and says 'jeez I want to retrofit my property today,'" Schaefer said.