NYC cleanheat

Conversion Financing Guide

Many buildings will be able to convert to a cleaner fuel with relatively minor upfront cost, while others may incur more significant costs. There are several considerations that may dictate whether financing is needed and, if so, what financing is available.

Economics of Conversion Project

Buildings should consider the following when determining the economics of a conversion:

- Overall cost of conversion project
- Operating savings from conversion
- Available capital and operating incentives
- Estimated financial payback, if applicable

Ability to Obtain Financing

Below are a few mechanisms for buildings to obtain financing:

- Access to existing resources such as line of credit or current mortgage
- Ability to take additional debt on balance sheet
- Financing impediments such as existing liens, tax arrears, etc.

Optimally, buildings will be able to achieve operating savings through their conversion by

- Converting to a less costly fuel,
- Achieving lower heating system maintenance with cleaner fuels,
- Obtaining incentives, and/or
- Reducing overall fuel usage through energy efficiency.

Demonstrating that a fuel conversion can lead to operating cost advantages should help building owners make a favorable case for obtaining financing.

Available Financing Options

A number of financing solutions are currently available in the marketplace, and NYC Clean Heat is working with financial institutions and other entities to continuously expand and diversify offerings. These include:

Existing Resources

Buildings that have sufficient existing reserves or low conversion costs may decide to self-finance. The advantage of self-financing is that the building can directly recover any cost savings achieved.

Mortgage Lenders

For commercial, cooperative and condominium buildings that have an outstanding first mortgage on the property, we recommend first discussing your financing needs with your current lender so that they can assess whether the building financials can bear additional debt under their credit guidelines. These may include 2nd mortgage lenders.

Equipment Lenders

Equipment lenders purchase the equipment and simultaneously lease the equipment back to the building with the building making predetermined lease payments back to the lender. Lenders look to the building operations and cash flow of the building to determine the credit worthiness of the building.

Energy Service Agreements (ESA)

An Energy Service Agreement (ESA) is a multi-year agreement in which the building agrees to purchase energy from a fuel provider or Energy Service Company (ESCO) at a price that is based on historic billings, and in exchange the company pays upfront for all of the conversion costs. This financing agreement is then repaid through savings that accrue to the company either from selling a less expensive commodity to the customer (i.e. gas rather than oil), or through energy savings from efficiency measures. Depending on the duration of the contract, ESAs can be structured to allow for immediate operating savings to accrue to the building even while the loan is being repaid.

What Buildings May be Asked to Provide

Information requested by financial institutions and other lenders may include:

- One to three years of audited financial statements,
- Contract for work to be performed,
- Property description and ownership structure/history, and/or
- Confirmation that the building is current on property taxes, mortgage payments and that there no outstanding liens

Visit **nyc.gov/cleanheat** for a list of currently available financing products. Contact NYC Clean Heat by sending an email to **info@nyccleanheat.com** or by calling 311 and asking for NYC Clean Heat to learn more.