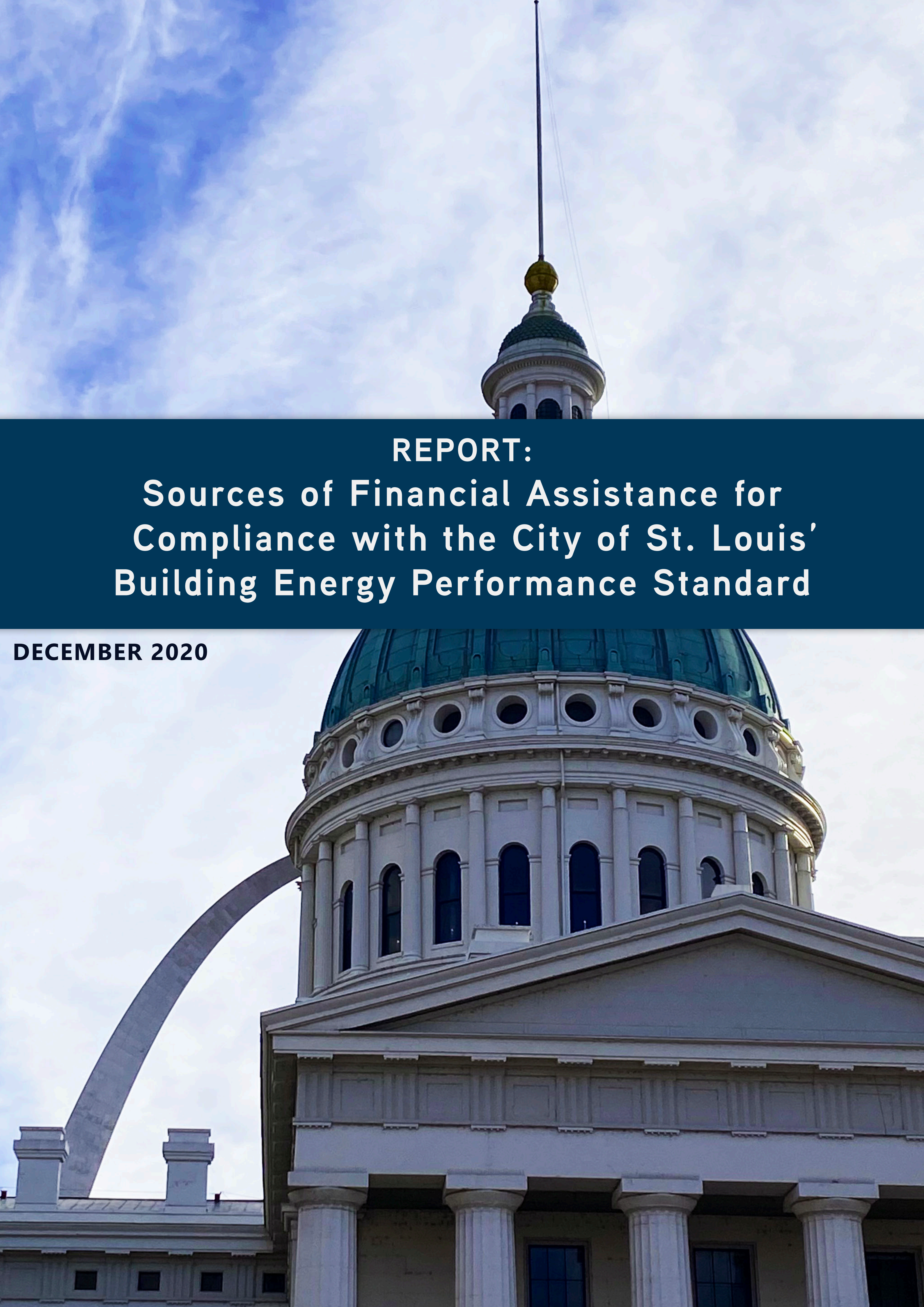
REPORT:
Sources of Financial Assistance for Compliance with the City of St. Louis' Building Energy Performance Standard

DECEMBER 2020



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The following individuals and organizations are the primary authors of this report.

Andrew Linhares, Tori Cheatham
Renew Missouri is a 501(c)(3) nonprofit advocacy group dedicated to advancing renewable energy and energy efficiency across the State of Missouri. Renew Missouri works with the Missouri Public Service Commission and the General Assembly, local governments, utilities, and the clean energy industries to pursue new policies and expand access to clean energy. Renew Missouri is a member of the Missouri Energy Efficiency for All (EEFA) coalition, which works to advance energy efficiency in affordable multifamily buildings and pursue equitable energy and housing outcomes for all Missourians.
www.renewmo.org
https://www.energyefficiencyforall.org/states/missouri

Dana Gray
Tower Grove Neighborhoods CDC is a real estate focused community development corporation that supports the growth of the Tower Grove, Shaw, and Southwest Garden neighborhoods by promoting responsible development, affordable housing, and diverse character and vibrancy in the neighborhoods surrounding Tower Grove Park. Through local development and community progress expertise, they serve as a resource to neighborhood residents, buyers/renters, developers, real estate agents and business owners. Tower Grove Neighborhoods CDC is also a member of the Missouri Energy Efficiency for All (EEFA) coalition.
https://www.towergrovecdc.org/about

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St. Louis City Buildings Division
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Natural Resources Defense Council
Renew STL Solar

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INTRODUCTION

St. Louis Building Energy Performance Standard

PASSAGE

In May 2020, the City of St. Louis became the fourth jurisdiction in the U.S. and the first city in the Midwest to adopt a Building Energy Performance Standard ("BEPS").[1] The ordinance is intended to meaningfully reduce energy use for buildings of 50,000 square feet and larger.

The BEPS ordinance establishes a new Building Energy Improvement Board ("BEIB" or "the Board"), a nine-member body tasked with establishing and approving the standards with which each subject building owner must comply. The Board has representation from utilities, building owners, the local building industry, energy service professionals, organized labor, and affordable housing owners.

Building owners will have long compliance periods as well as substantial flexibility in how they choose to comply. This report provides a summary and recommendations regarding what resources are available to provide financial assistance for subject building owners.

THE STANDARD

At the time of publication of this report, the Board is in the process of developing standards that will differ by property type but will require all buildings to use "Weather-Normalized Site Energy Use Intensity" (or "EUI") as the chief performance metric. The ordinance's passage followed the creation and implementation of 2017's St. Louis' Building Energy Awareness Ordinance, which required buildings over 50,000 square feet to track and report their energy and water consumption.[2]

Data from the first two years of the benchmarking program will be used to inform the EUI standard. While not in its final form, the Board is considering EUI standards for electricity usage by square foot as well as standards for water and gas.

Standards are set for completion by May of 2021, after which most subject buildings will be given a four-year cycle (2021-2025) to demonstrate compliance. However, buildings meeting the definition of "Qualified Affordable Housing" and "Houses of Worship" will have a six-year cycle (2021-2027) to demonstrate compliance due to the unique challenges common in those building sectors.

The Board seeks to include energy efficiency measures, installation of renewables, demand response, and other measures as common methods to achieve compliance. However, the Board is cautious of certain mandates and intends to avoid prescriptive measures, allowing utilities to preserve attribution of savings for purposes of their demand-side management portfolios.

1https://www.stlouis-mo.gov/government/city-laws/board-bills/boardbill.cfm?BBId=13504. To read further about ongoing BEPS development, visit: https://www.stlbenchmarking.com/Building-Energy-Performance-Standards..

2For the full text of the Building Energy Awareness ordinance and its Legislative History, visit: https://www.stlouis-mo.gov/government/city-laws/ordinances/ordinance.cfm?ord=70474. To read further about the benchmarking program, visit: https://www.stlbenchmarking.com/.

Further, the standards will establish procedures and methods to verify compliance by building owners. Finally, the Board will also have the authority to create alternative compliance plan options for certain building owners as well as the ability to create guidance documents and other resources. After the standards' approval, a new Office of Building Performance will be created to administer the benchmarking program and the BEPS program.

BUILDING SECTORS SUBJECT TO ORDINANCE

In the City of St. Louis, there are roughly 1,100 buildings subject to the benchmarking program and the BEPS (i.e. buildings 50,000 square feet and larger). Sectors or building types include, but are not limited to

- MULTIFAMILY APARTMENTS
- MUNICIPAL FACILITIES
- OFFICE BUILDINGS
- WAREHOUSES / DISTRIBUTION CENTERS
- HOTELS
- SUPERMARKETS
- MUSEUMS
- GYMS AND FITNESS CENTERS
- MEDICAL (HOSPITALS, OUTPATIENT CLINICS)
- SPORTS STADIUMS / ARENAS
- PERFORMING ARTS FACILITIES
- OTHER LARGE COMMERCIAL / INDUSTRIAL

As part of the benchmarking program so far, multifamily buildings appear to be the largest reporting sector (roughly 25%).[3] The ***affordable multifamily housing*** sector will need significant assistance in compliance as well for a number of reasons. In most cases, apartment building owners do not pay tenants' utilities, meaning they are unlikely to realize the same savings benefits from energy efficiency or solar installations; a problem referred to as the "Split Incentive." Unlike large corporate building owners, affordable multifamily owners often find it difficult to fund large capital projects or to locate the necessary financing to make projects feasible.

In addition, affordable multifamily owners have specific cycles and timelines for refinancing that restrict their ability to take on large improvements. For these reasons, the recommendations in this report are often made with affordable multifamily buildings in mind.

Other building sectors may require guidance and assistance as well. For example, the City of St. Louis has a special challenge in taking on large energy retrofits or renewable energy projects in its buildings, requiring appropriations that impact the City's budget and involve political considerations. Certain owners and building types will require access to low-interest financing with minimal (or no) down payment, while other building owners will not face the same challenges. This report aims to identify the resources and financing options to help owners with these particular challenges so the City can achieve full compliance with the BEPS ordinance with minimal hardship for building owners.

3To see the 2018 and 2017 Benchmarking Reports, visit: https://www.stlbenchmarking.com/SustainabilityReports.

RESOURCES AND FINANCING OPTIONS FOR BUILDING OWNERS

In the following sections, this report reviews the available resources for St. Louis building owners, categorized as I. Utility Resources, II. Government Resources, and III. Private Sector Resources. For each resource, we provide a brief description along with various details regarding program eligibility and requirements and our brief recommendation regarding which building sector could most benefit from the resource. Further, we provide relevant links to more information.

This report is not intended to be exhaustive, but rather to present the broad spectrum of options available for the owners subject to the BEPS ordinance and to recommend approaches that may best fit certain building types.

COMPLIANCE CYCLE TIMELINE

MAY 2021 — Approval of Standards

2021 - 2025 — Default Compliance Cycle

2021 - 2027 — Compliance Cycle 4: Qualified Affordable Housing & Houses of Worship

SUMMARY FINDINGS - COMPARATIVE TABLE

	LOAN	REBATE	TAX INCENTIVE	GRANT	DESIGNED FOR LOW-INCOME	DESIGNED FOR NON-RESIDENTIAL BUILDINGS	DESIGNED FOR MULTIFAMILY BUILDINGS
Ameren: "Biz Savers"		✓				✓	✓
Ameren: "Community Savers"		✓			✓		✓
Ameren: Pay As You Save	✓						
Spire Missouri: Business Programs		✓					✓
Spire Missouri: "CommunitySavers" Co-Delivery Program		✓			✓		✓
Missouri Division of Energy: Energy Loan Program		✓				✓	
MO Treasurer's "Missouri First" Linked Deposit Program"						✓	✓
Division of Energy: Infrastructure Bank/EIERA	✓				?	?	?
ShowMe State Green Sales Tax Holiday			✓				
Property Assessed Clean Energy (PACE) Financing	✓				✓	✓	✓
Fannie Mae Multifamily Green Financing Loans	✓						✓
Freddie Mac Multifamily Green Advantage Suite	✓	✓			✓		✓
USBank Foundation Community Possible Grant*				✓			
Energy Service Companies (ESCOs) & Energy Performance Companies (EPCs)	✓	✓				✓	
Renew STL Solar: Commercial Group Buy Program		✓	✓			✓	✓

* For 501c(3) organizations only

I.
UTILITY RESOURCES

A primary recommendation of this report is for building owners to take advantage of all available incentives and rebates from St. Louis utilities. Utility energy efficiency – or "demand-side management" – programs are a direct way to reduce the overall cost of building retrofits, efficient appliance upgrades, and other capital projects that reduce energy usage. Utility energy efficiency programs are also a way for owners to receive a full energy audit or building energy evaluation, often at no cost. A building evaluation will identify what measures will provide the most energy and demand savings, which measures are most cost-effective, and how much each measure will cost after the available incentives and rebates are applied.

Utility programs are often the best way for owners to connect with contractors. The utility should be the first stop for all building owners.

Ameren Missouri

("Ameren") is the electric utility serving all St. Louis City customers. Ameren is the largest utility in the State of Missouri, serving 2.4 million electric customers and 900,000 natural gas customers across Eastern and Central Missouri. Ameren is classified as an "investor-owned utility" (IOU). While it is a publicly-traded Fortune 500 company, it is regulated by the Missouri Public Service Commission. Ameren operates its own portfolio of demand-side management programs under the Missouri Energy Efficiency Investment Act (MEEIA) of 2009. MEEIA allows electric utilities to recover costs and earn a profit on their investments in energy efficiency just as they would for traditional power plants. This means Ameren has an incentive to pay customers to save electricity. Ameren offers several programs that are relevant for BEPS compliance:

1. "BizSavers®" Custom and Prescriptive Rebates Program;
2. "CommunitySavers®" Multifamily program;and
3. "Pay As You Save®" financing program.

Spire Missouri

("Spire") is the natural gas utility serving all St. Louis City customers. Spire is the largest gas utility in the State, serving 1.4 million customers across Missouri. Spire is also an IOU regulated by the PSC. Currently, however, there is no gas equivalent to MEEIA. Spire offers several energy efficiency programs relevant to BEPS compliance, including:

1. Standard and Custom Rebates for businesses;
2. Income-Eligible Multifamily program; and
3. An on-bill financing program for energy efficiency, with a Pay As You Save® program under development.

1.1 Ameren Missouri

"Biz Savers" Prescriptive and Custom Incentives for Businesses

Ameren's energy efficiency offerings for commercial and industrial building owners includes both standard and custom rebates and incentives and are collectively marketed as the "BizSavers" program. Building owners can use standard or prescriptive cash incentives for certain measures to offset certain costs of energy efficient products and appliances. Building owners may also develop a customized approach for virtually any cost-effective measures and energy retrofits. Ameren works with a network of trade allies[4] and contractors to perform installations, conduct building evaluations, and ensure quality workmanship. Ameren also provides a Building Operator Certification program that offers facilities personnel with training on how to operate building technology in optimal ways to save energy.[5]

The following are the six primary incentive programs:

1. *Standard:* These include lighting, lighting controls, refrigeration, water heating, pools, and commercial cooking.[6] These standard incentives have a fixed dollar amount and require no pre-approval unless the cost exceeds $10,000. Customers have 180 days to submit paperwork.
2. *Custom:* If the project is not on the incentive list, building owners can apply for custom incentives. The projects need to be pre-approved and customers must complete the work in twelve months. Examples include cooling, building shell, ventilation, refrigeration, air compression, and more.[7]
3. *New Construction*: There are four incentive types for new construction: whole building performance, interior lighting, standard and custom. Owners must apply for these incentives during the design phase of construction. A design team meeting is held during the preliminary stages of the process to establish a design baseline and incentives are based on the level of energy efficiency designed and installed below the baseline.[8]
4. *Retro-Commission*: This program provides incentives for improving building operations and maintenance procedures to enhance overall building performance. This program provides incentives for the entire building, compressed air, and refrigeration. Incentives are determined by comparing the projected savings with the building's most recent annual usage or by applying a baseline model.[9]
5. *Small Business Direct Install*: This program offers enhanced incentives for interior lighting upgrades for businesses under the Small General Service (2M) rate. This includes a no-cost assessment to identify additional savings. Incentives are capped at $2,500.[10]
6. *Energy Management System Pilot*: This program is for tax-exempt intuitions. Programs offered include heating, cooling, ventilation, and lighting. Incentives can cover 50% of the project and eligible participants can receive up to $35,000 per location.

4https://www.ameren.com/missouri/business/energy-efficiency/trade-ally-network
5https://www.ameren.com/missouri/business/energy-efficiency/building-operator-certification
6https://www.ameren.com/missouri/business/energy-efficiency/standard-incentive
7https://www.ameren.com/missouri/business/energy-efficiency/custom-incentive
8https://www.ameren.com/missouri/business/energy-efficiency/new-construction
9https://www.ameren.com/missouri/business/energy-efficiency/retro-commissioning
10https://www.ameren.com/missouri/business/energy-efficiency/small-business-direct-install

ELIGIBILITY & REQUIREMENTS

To be eligible for the program the customer must be an Ameren Commercial/Industrial facility (classified as a 2M, 3M, 4M, 11M rate class). Applicable entities include:

» COMMERCIAL
» INDUSTRIAL
» LOCAL GOVERNMENT
» NONPROFIT
» FEDERAL GOVERNMENT
» INTSTITUIONAL & AGRICULTURE
» ALL OTHER NON-RESIDENTIAL CUSTOMERS

The minimum incentive amount is $150 and up to $10,000 does not require pre-approval. Building owners can download the application online with Ameren or speak to a representative.

SUMMARY & RECOMMENDATIONS

Ameren's BizSavers suite of programs is an excellent starting place for most commercial, industrial, government, and non-profit building owners. The BizSavers team has experience dealing with most building types and can provide comprehensive measure recommendations and model the expected savings and payback periods. Owners should inquire about building energy evaluations. In the case of affordable multifamily buildings, owners should inquire about the Multifamily program that offers higher incentives and a full building energy evaluation at no cost (see below). In the case of private-sector owners of a large portfolio of buildings, owners should research and solicit quotes from Energy Service Companies (ESCOs), who identifies and assists in the application of all available utility incentives (see below in "Private Sector Resources").

1.2 Ameren Missouri

"CommunitySavers" Multifamily Program

Ameren's Multifamily program is designed for income-eligible and market rate affordable multifamily building owners interested in installing energy-saving products. The program is intended to work for both master-metered and individually-metered buildings, and designed to incentivize measures in common areas and individual tenant units. The program provides qualifying property managers with a no-cost energy assessment, as well as higher incentives for energy retrofits and energy-saving products installed throughout the building. [11] This program was specifically designed to overcome the "split incentive" problem, allowing building owners to realize the benefits of improved property values, reducing common area utility bills, and reducing tenant turnover by making the property healthier, more comfortable, and safer. The program also includes no-cost, direct install measures for tenant units such as LED lightbulbs, high-efficiency faucet aerators and shower heads, pipe wrap insulation, and air sealing kits. Other in-unit and common area measures under the program may include rebates for:

- Rebates for AC units, boilers
- HVAC tune-ups
- Programmable thermostats
- Wall and attic insulation
- Energy Star room AC or wall units
- Energy Star refrigerators (manufactured in 2001 or prior)
- Other efficient kitchen and laundry appliances

The program is designed to make the experience as seamless and easy for owners as possible. If the affordable multifamily property is eligible, Ameren's subcontractor ICAST[12] will conduct a no-cost energy assessment to identify all energy-saving opportunities and applicable incentives. ICAST will assist customers with all applications for available incentives and will oversee installation. Ameren and ICAST seek to achieve deep savings for affordable multifamily buildings. Through 2020, customers engaged with the program have achieved roughly 29% in average energy savings.

ELIGIBILITY & REQUIREMENTS

Proof of income can be accomplished in multiple ways, including but not limited to submission of rent rolls or documentation of being on the Department of Energy Weatherization Assistance Program waitlist. Customers are required to meet one of the following income eligibility requirements:

- Reside in federal, state, or local subsidized housing and fall within that program's income guidelines.
- Reside in non-subsidized housing with proof of income levels at or below 80% of AMI.
- Fall within a census tract that indicates at least 85% of customers are at or below 80% AMI.

Where an affordable multifamily property does not meet one of the eligibility criteria listed above but has a combination of qualifying tenants and non-qualifying tenants, at least 50% of the tenants must be eligible to qualify the entire property for the program.

11Note: In light of the COVID-19 pandemic, work performed for this program will only be done in an unoccupied residence or the exterior of a residence. Focusing on units that are unoccupied during tenant turnover, or buildings that are unoccupied while being renovated, provide safer alternatives to accomplish the goal of this program. These restrictions are expected to be lifted in 2021 along with other COVID-19 restrictions in St. Louis City and the surrounding area.

12ttps://www.icastusa.org/

SUMMARY & RECOMMENDATIONS

Ameren's Multifamily program is the best option for owners of affordable multifamily buildings. The program offers a full-service method for identifying measures and applicable incentives, locating contractors, and performing installation and labor.

It is designed with a concierge approach to provide a one-stop-shop and single point-of-contact for all energy efficiency needs. Special attention will be needed for individually-metered affordable multifamily buildings due to the problem of the "split incentive." Ameren's Multifamily program already has a track record of achieving a high level of average savings in in-unit and common areas, and thus is the best proven option available for delivering savings to both the building owner and the tenants themselves. Affordable multifamily building owners should also inquire about Spire's related incentives (see Spire Co-Delivery section below).

1.3 Ameren Missouri

Pay As You Save® Program

Pay as You Save® ("PAYS") is an on-bill tariff program that allows utility customers to finance energy efficiency improvements by paying for the measures on their monthly utility bills. PAYS is unique among other so-called "on-bill financing" programs because it is not technically a loan product. Instead, the customer agrees to a monthly assessment on their bill in exchange for the utility paying the costs of the energy efficiency measures. The crucial element that makes the PAYS work is that the savings from measures must outpace the monthly payments owed, such that the customer comes out ahead without having to contribute any up-front funds (see "the 80% rule" below). PAYS can work alongside other utility energy efficiency programs and can also be used to overcome the barrier of upfront cost so that all cost-effective savings can be achieved. Because the program does not involve any customer debt, the financial qualification process is simplified: there is little to no need to collect customers' credit ratings, income, or any other information to assess the customers' ability to pay.

Ameren initially agreed to PAYS as a pilot program in one of its MEEIA filings. Ameren published an RFP in 2019 and selected the company EEtility[13] to design and run its PAYS program. Since then, Ameren has worked with stakeholders, regulators, and EEtility to develop standards and stipulations for the program so that customers, ratepayers, and the utility will be protected. In July 2020, parties unanimously agreed that Ameren would offer PAYS as a full program, bumping the program's start date from 2022 to 2021.[14]

PAYS for Non-Single Family Homes: Unfortunately, Ameren's PAYS program will only be available to the Residential 1(M) customer class, so commercial and apartment building owners are ineligible. This makes Ameren's PAYS program mostly irrelevant for BEPS compliance, at least in the program's current form. We are hopeful the initial success of PAYS will result in an expansion of customer classes that can take advantage of the program.

ELIGIBILITY & REQUIREMENTS

- » The PSC-approved agreement states that Ameren's budget range from $750,000 to $5 million in funding for CY2021, and$750,000 to $10 million in funding for CY2022.
- » "Qualifying measures" will be those measures where the installed cost does not exceed 80% of the estimated post-upgrade bill savings over 80% of the life of the measures. Essentially this means the bill repayment is very likely to be less than the savings of the measures, putting the customer ahead while maintaining no upfront cost.
- » To qualify for a full assessment, customers' premises must not contain health and safety issues which make the property unlikely to endure the lifetime of the major energy efficiency measures installed.
- » Participating customers will also receive no-cost direct install measures.
- » Additional details for Ameren's PAYS program should be made publicly available in the coming months.

13 To read more about EEtility and its PAYS offering, read here: https://www.eetility.com/pays

14 "Unanimous Stipulation and Agreement Regarding the Implementation of Certain MEEIA Programs through Plan Year 2022," Missouri Public Service Commission: Electronic Filing Information System (EFIS), EO-2018-0211, July 10, 2020.

SUMMARY & RECOMMENDATIONS

Ameren's PAYS program is primarily intended for the single-family, owner-occupied property. Therefore, this report does not recommend using PAYS as a key resource for compliance with the BEPS. PAYS may be used in the narrow circumstance of an individually-owned apartment or condominium within a building subject to the BEPS. In future years, Ameren may expand the PAYS program to other rate classes and building types, such as affordable multifamily properties. Building owners should make their interests in such expansions known to the utility.

Note: Spire also intends to develop its own PAYS program for residential natural gas customers – its proposal is before the PSC currently – and should be presumed to have similar restrictions to residential customers only.

1.4 Spire Missouri

Energy Efficiency Rebates for Businesses

PRESCRIPTIVE REBATES FOR BUSINESS CUSTOMERS

Spire offers its commercial customers rebates and incentives for reducing their usage of natural gas through energy efficiency measures. Spire has standard (or prescriptive) rebates for businesses, including a dedicated channel for Commercial/Industrial (C&I) customers with options to contact licensed HVAC or plumbing contractors to select and install approved upgrades. There are a variety of qualifying equipment and appliances for water heating, central heating, and integrated space and water heating systems. Spire indicates that industries with the highest savings potential include restaurants, schools, churches, grocery stores, retail stores, auto mechanics, dental offices, and salons/spas.

PRESCRIPTIVE REBATES - ELIGIBILITY & REQUIREMENTS

Specific equipment and efficiency standards are needed to receive the applicable rebates (see website). Owners of individually-metered multifamily buildings are limited to 50 installations of the respective categories a year. Measures include:

- Water heater rebates: up to $300
- Central Heating Rebates:
  - Programmable thermostats: $25 or 50% of the equipment cost, whichever is lower (can be combined with Ameren rebate)
  - Gas furnaces and boilers: up to $300
- Integrated space and water heating systems rebates: up to $450
- Food service equipment rebates (steamers, fryers, ovens): either 50% or a flat rebate for each equipment type.
- Energy Audit rebates: up to $750

CUSTOM REBATES FOR BUSINESS CUSTOMERS

Custom rebates are available to Spire commercial and industrial customers for the installation of any natural gas related energy efficiency improvement that does not qualify for a standard rebate. The most effective way for designing a custom project is to arrange a full energy audit for the building through Spire, for which Spire can offer a rebate of up to $750. The list of qualifying measures under a customer project is long and complex, and working with an audit professional is the best way to determine which measures to pursue. Custom projects are analyzed and pre-approved using program benefit/cost criteria determined by incremental energy-savings, project cost and payback. Owners of small commercial or industrial buildings can contact a Spire representative and request information on how to pursue rebates; those contacts may be found here: https://www.spireenergy.com/small-accountindustrial-account-representatives

In addition to the normal prescriptive and custom rebates available for business customers, Spire offers specific rebates for large industrial customers, most of which get processed under the custom approach. Spire has dedicated representatives for large industrial customers; those contacts can be found here: https://www.spireenergy.com/large-commercialindustrial-account-representatives

CUSTOM REBATES - ELIGIBILITY & REQUIREMENTS

- All custom rebate projects must receive a rebate commitment from the program prior to the commencement of the project.
- Projects must achieve a minimum two-year payback to receive a rebate.
- Rebate amounts are individually determined by project and are calculated as the lesser of:
  - A buy-down to a two-year payback, or
  - $6.63 per MCF (unit of gas volume) saved during the first year.

SUMMARY & RECOMMENDATIONS

Spire Missouri offers both prescriptive and custom rebates for business and industrial customers. Rebates center mainly around heating and efficient appliances like water heaters, gas furnaces, and boilers. In addition, there are rebates for smart thermostats, and dozens of other measures under the custom approach. Buildings using natural gas heating should be sure to contact Spire's small commercial or large commercial/industrial account representatives to arrange a consultation or a building energy audit. Owners of affordable multifamily buildings should instead take advantage of the no-cost building evaluation under Ameren's Multifamily program, and then request information on Spire's co-delivery rebates and incentives (see below). Overall, gas savings often amounts to less than the available electricity savings, so building owners are encouraged to consult their electric utility first. Where possible, building owners should always combine electricity and gas rebates to further buy down the cost of equipment, such as for smart thermostats.

1.5 Spire Missouri

CommunitySavers Multifamily Program Co-Delivery with Ameren

Spire has an agreement with Ameren to "co-deliver" gas efficiency measures for affordable multifamily buildings in their overlapping territories, such as St. Louis City. Spire's incentives are meant to work alongside Ameren's Multifamily program, even using the same branding in describing the program.[15] The co-delivery framework allows electric and gas utilities to share customer outreach channels and to engage with one contractor on all improvements as a way to engage with customers on energy efficiency measures for the both fuel sources. The result is increased savings for the customer, with far less marketing expenses incurred. This duel-fuel savings approach is used successfully across the country, and it can be deployed in St. Louis to help affordable multifamily building owners more easily comply with BEPS.

Under this co-delivery process, Ameren's contractors will share information about potential gas efficiency measures during the building evaluation phase. In addition to receiving certain direct install measures at no cost, owners should be provided with applications for incentives for new replacement high-efficiency furnaces and water heaters. In 2021, Spire will offer incentives of up to $1,500 for efficient furnaces for buildings that qualify under the CommunitySavers program.

ELIGIBILITY & REQUIREMENTS

Buildings must receive service from Ameren and Spire. Further the building must have gas space heating or water heating equipment. To be eligible, buildings must either be:

» Federal subsidized housing that meets the Federal income guidelines; or
» Non-subsidized housing where at least 51% of the units have income levels at or below 200% of the Federal poverty guidelines.

No-cost Direct Install measures available for tenants: Spire offers a number of free measures for units that can help tenants save on their gas bills. This includes:

» low-flow shower heads and faucet aerators;
» insulating water heater pipe wrap;
» programmable thermostats; and
» routine furnace clean-and-checks

SUMMARY & RECOMMENDATIONS

This report recommends that all owners of affordable multifamily buildings make contact with an Ameren representative for the CommunitySavers program to schedule a no-cost building evaluation. During the evaluation, owners should inquire about Spire's free direct install measures and how to apply for incentives for new furnaces and water heaters. Spire's newly increased incentives will significantly lower the cost of high-efficiency units and can meaningfully lower both in-unit and common area bills.

15https://www.spireenergy.com/rebate-partner-programs

II. GOVERNMENT RESOURCES

After building owners have contacted their utilities and taken advantage of all available incentives and no-cost resources, owners should give consideration to the existing state and local government resources that can help finance energy retrofits in buildings.

The Missouri State Government operates several programs that are largely under-utilized, including the Division of Energy's (DE) "Energy Loan Program" and the State Treasurer's Linked Deposit Program branded as "Missouri FIRST." While limited in eligibility and capped in funding, these state government resources can be important tools to allow certain building sectors to finance cost-effective energy efficiency measures. In addition, DE is seeking to create an Energy Infrastructure Bank by leveraging the financing authority of the Missouri Environmental Improvement and Energy Resource Authority (EIERA).

In addition, the **City of St. Louis** will have its own resources to assist building owners in complying with the standards of the BEPS. Building owners should receive significant guidance on compliance with the specific standards for each building sector. The BEPS will create standards for electricity, gas, and water consumption for nearly all buildings subject to the standard. Conveniently, years of building-specific data exists from the benchmarking program, which can be deployed to assist building owners. In addition, guidance will likely come from the Buildings Division and an Energy Resource Hub run by stakeholders and contractors. BEPS also envisions the creation of an Office of Building Performance that can be a resource in the future.

2.1 Missouri Division of Energy

Energy Loan Program

The Missouri Energy Loan Program provides loan financing to eligible recipients for energy saving investments to reduce energy use and cost. The program is operated by the Missouri Division of Energy, which is housed under the Missouri Department of Natural Resources. Under the program, eligibility is mostly limited to public and non-profit institutions (schools, municipal governments, hospitals, museums, airports, etc.). The loan program may be used for a number of energy-saving investments. Loan recipients will benefit from reduced energy cost and increased comfort of building occupants. Loan financing frees up tax dollars that recipients can use for essential services or other capital improvements. In addition, loan interest rates through the program are set below most market rates. The loan recipients repay the loan with money saved on energy costs as a result of implementing energy-efficiency projects. Since 1989, the program has funded more than $118 million in energy projects, created more than $214 million in estimated cumulative energy savings, and has not once experienced a default from any participant.

The program does not define an energy-saving loan for schools and local governments as debt so therefore does not count the loan against existing debt limits or require a public vote or bond issuance.[16] Instead of a traditional loan, the Energy Loan Program is reimbursement-based: once a project is complete, the loan recipient submits the "Reimbursement Request"[17] and "Final Project Cost Report"[18] forms as well itemized invoices and canceled checks for reimbursement.

ELIGIBILITY & REQUIREMENTS

Eligible recipients include:

» Public schools (K-12) and public education institutions
» Public and private not-for-profit hospitals
» Local governments
» Hospital districts
» Sewer districts
» Water supply districts
» Sub-districts of a zoological park
» Museum districts
» Publicly-owned airport facilities

Eligible loan activities include:

» High efficiency lighting fixtures and lamps
» High efficiency heating, ventilation and air conditioning systems
» Combined heat and power systems
» Renewable energy systems (including rooftop solar)
» Waste heat recovery
» Energy efficient fine bubble diffusers and high efficiency pumps
» Building shell improvements such as insulation and other infiltration measures
» Other measures that reduce energy use and cost

16Office of the Attorney General of Missouri, Opinion Letter No. 136-85, October 24, 1985: https://ago.mo.gov/docs/default-source/opinions/1985/136_1985.pdf?sfvrsn=2
17https://dnr.mo.gov/forms/780-2895-f.pdf
18https://dnr.mo.gov/forms/780-2896-f.pdf

Loan Cycles, Terms of Loan, and Repayment:
Loan cycles and application submission times are announced in the Missouri Register as well as in news releases, email announcements, and the department's website. Interest rates are set below market rates. Loan repayment terms are ten years or less.

Application Process and Selection Criteria:
Recipients of loan financing are determined on a competitive basis. Applications are ranked based on the project's payback score, determined by dividing the cost to implement a project by the estimated yearly energy cost savings. Projects with the lowest payback will be funded until all available funds are allocated.

Emergency Loans:
Eligible recipients impacted by severe weather events or catastrophic equipment failure may apply for low-interest emergency loans year-round. Applications must be submitted within two months of the weather event or catastrophic equipment failure. Loans can provide financing for replacing or upgrading damaged equipment.

SUMMARY & RECOMMENDATIONS

DE's Energy Loan Program is an excellent low-interest financing resource for eligible buildings to pay for various energy saving projects. While the program is competitive, the program often has resources that go unspent. In particular, the City of St. Louis should view the program as an essential resource for retrofitting City-owned buildings and facilities. Other entities that should seek to utilize include Barnes Jewish Hospital, St. Louis University Hospital, the Metropolitan Sewer District, the St. Louis School District, and the City's many museums.

MISSOURI
DEPARTMENT OF
NATURAL RESOURCES
DIVISION OF ENERGY

2.2 Missouri State Treasurer

Linked Deposit Program ("Missouri FIRST")

The Missouri State Treasurer's Office Linked Deposit Program – "Missouri FIRST" – invests in Missouri small business, agriculture, and governmental entities. The Treasurer's Office partners with qualified-lending institutions to provide low-interest loans to help grow and expand economic opportunity across Missouri. By reducing the interest rate on certain loans borrowers can use to improve their businesses, the program helps Missouri financial institutions better serve Missouri-based companies and agricultural operations as well as local governments who can better serve their constituents. Currently, the program's budget is $720 million.

Missouri FIRST allows lenders to lower the interest rates to the borrower by two to three percent and can be used to finance building renovation. However, the program relies on the building owner to locate a lender willing to agree to lend under the program, which can be a challenge.

SUB-PROGRAMS

The Linked Deposit program is made up of six different sub-programs, described below.[19]

» Small Business Program
» Job Enhancement Program
» Alternative Energy Program
» Agriculture Program
» Local Governments Program
» Multi-Family Housing Program

Small Business Program[20]

The Missouri Linked Deposit Program partners with lenders to provide low-interest loans to create and retain Missouri jobs, encourage new economic development projects, and strengthen communities statewide.

Eligibility

» Employ less than 100 full-time employees;
» Be formally organized as a for-profit business;
» Currently owe no unpaid taxes or have any pending tax protests to any political subdivisions;
» Have no unresolved environmental compliance issues with state regulators;

Loans may be used for:

» Inventory;
» Rent, utilities, insurance or taxes;
» Professional fees;
» Equipment purchases, rentals, or leases;
» Renovations, repairs and maintenance of Equipment and facilities;
» Purchase of land and buildings

Alternative Energy Program[21]

The Alternative Energy Program provides low-interest loans to businesses and consumers to stimulate alternative energy growth and development, such as solar, wind, and biomass energy.

Eligibility for Businesses

» Eligible businesses must be a business enterprise engaged in the production, sale, or use of fuel or power from energy sources other than fossil fuels, including, but not limited to solar, hydroelectric, wind, and qualified biomass.
» Loans may be used for: inventory; rent, utilities, insurance or taxes; professional fees; equipment purchase, rental or lease; renovations, repairs, and maintenance of equipment and facilities; and purchase of land and buildings.

19Note: This report deems the Job Enhancement and Agriculture sub-programs to not be relevant to compliance with the BEPS, and does not summarize them here.
20 he Linked Deposit Program for Small Businesses: https://treasurer.mo.gov/content/low-interest-loans/small-business
21The Linked Deposit Program for Alternative Energy: https://treasurer.mo.gov/content/low-interest-loans/alternative-energy

Eligibility for consumers

- Eligible consumers must be Missouri residents and have an alternative energy project in Missouri as well as having no unpaid state tax liability.
- Alternative energy consumer loan proceeds may be used for the purchase, installation, or construction of facilities or equipment related to the production of fuel or power from energy sources other than fossil fuels. Examples: Purchase and installation of solar panels, purchase of wind-generating power unit, and qualified biomass projects.

Local Governments Program[22]

The Missouri Linked Deposit Program provides low-interest loans to cities, counties, and other political subdivisions for capital improvements or other significant public programs such as: purchasing equipment; improving infrastructure; and enhancing public safety.

Eligibility

- Eligible borrowers must be political subdivision as defined by Missouri statute (i.e., a local governmental agency with taxing authority);
- Have received necessary approval from governing board to initiate the project;
- Be legally authorized to enter into a loan or lease-purchase agreement with a lender;
- Obtain all necessary permits related to the project, and ensure the project complies with all applicable federal and state laws and regulations.

Multifamily Housing Program[23]

The Multi-Family Housing program provides low-interest-rate loans to improve existing multi-family housing units or developing affordable housing in areas where it is needed.

Eligibility

- An eligible residential property developer is an individual who purchases and develops a residential structure of either two or four units;
- The individual must agree to continue to use, for at least the next five years, one of the units as their principal residence or the developer's principal residence must be located within one-half mile of the developed structure and he/she must agree to maintain the principal residence within one-half mile of the developed structure for at least the next five years; and
- Projects eligible for funding are apartment building renovations, housing for the homeless and other affordable housing initiatives.

Missouri Linked Deposits Review Committee

The committee has review and oversight capacity for all matters relating to Missouri's Linked Deposit Program and examine all aspects of the program including, but not limited to, its administration, operation and effectiveness.

To participate in the Linked Deposit program, follow these steps:

1. Contact an approved participating lender (all approved lenders must be located in Missouri);
2. Lender approves the borrower's loan application, applying its normal lending standards;
3. Lender submits completed applications to the Treasurer's office for approval;
4. Borrowers with employees must provide immigration documentation;
5. Submit a Department of Revenue "Request for Tax Clearance" form; and
6. Sign and submit a borrower certification form to the Treasurer's office.

22The Linked Deposit Program for Local Governments: https://treasurer.mo.gov/content/low-interest-loans/local-governments

23The Linked Deposit Program for Multi-Family Housing: https://treasurer.mo.gov/content/low-interest-loans/multi-family-housing

Linked Deposit Participating Lenders in the St. Louis Metro Area[24]

Alliance Credit Union	1280 S Highway Dr	Fenton	(636) 343-7005
Busey Bank	12300 Olive Blvd	Creve Coeur	(217) 365-4576
Carrollton Bank	11710 Manchester Rd	St. Louis	(217) 942-5408
Central Bank of St. Louis	12230 Manchester Rd	Des Peres	(314) 966-8100
CNB St. Louis Bank	7305 Manchester Rd	Maplewood	(314) 831-0445
Commerce Bank	922 Walnut St	Kansas City	(816) 760-8342
Enterprise Bank & Trust	150 N Meramec Ave	Clayton	(636) 926-3900
Lindell Bank & Trust Co	6900 Clayton Ave	St Louis	(314) 645-7700
Midwest BankCentre	2191 Lemay Ferry Rd	Lemay	(314) 631-5500w
Paramount Bank	90 Village Sq.	Hazelwood	(314) 731-0229
Regions Bank	8182 Maryland Ave	St Louis	(417) 581-2771
Triad Bank	10375 Clayton Rd	Frontenac	(314) 442-4507
UMB Bank, Kansas City	6400 Independence Ave	Kansas City*	(660) 882-5633
US Bank	318 N Rollins St	Macon	(660) 385-6481
Wells Fargo National Assoc.	101 North Phillips Avenue	Sioux Falls, SD*	(605)575-6900

* Call for St. Louis area contact

SUMMARY & RECOMMENDATIONS

The Missouri Linked Deposit Program offers several opportunities that could benefit St. Louis property owners. The challenge of the Linked Deposit program is for participants to locate lenders willing to engage with the program and approve a loan for the project.

In practice, prospective participants have found it difficult to find bankers who are comfortable with the program. Building owners should expect longer than usual timelines for the loan approvals. Given the below market interest rates, this program is highly recommended if owners can find willing lenders.

24For a complete list of participating lenders from across Missouri visit: https://treasurer.mo.gov/LinkedDepositProgramParticipatingInstitutions/default.aspx

2.3 Missouri Division of Energy

Energy Infrastructure Bank and the Environmental Improvement and Energy Resource Authority (EIERA)

The State of Missouri has launched an effort to create a public/private partnership that would create, administer, and seek capital funding for energy infrastructure projects. Several states have used this model successfully to provide billions in funding for energy efficiency and renewable energy projects, usually in the form of a "green bank." Recently, Governor Mike Parson directed the Division of Energy to explore the concept of a broader "Energy Infrastructure Bank." Division of Energy is contemplating low-interest loans for energy infrastructure projects in underserved sectors beyond what is currently offered through the Energy Loan Program. Specifically, the agency is gauging the financing needs of underserved sectors, gaps in available funding, and prospective in-state projects that could be funded if these gaps are addressed. The focus will be on "shovel-ready" Missouri projects, as well as in-state infrastructure unlikely to be financed in the current market.
The State wants to consider additional financial mechanisms that could facilitate private capital investment in Missouri energy infrastructure. In addition, Division of Energy is contemplating using the State Environmental Improvement and Energy Resource Authority (EIERA) to provide an initial framework for the project (see below).

In October 2020, Division of Energy published a Request for Information (RFI)[25]

"Energy Infrastructure Projects" Defined

Division of Energy defines "energy infrastructure" as including, but not be limited to:

- equipment
- fixtures
- vehicles
- distributed energy resources
- other physical capital involved in the development, extraction, production, generation, transmission or transport, distribution, and/or consumption of energy resources;
- service connections to energy resources; and
- the control or disposal of waste products and/or pollution involved in these processes.

Underserved Sectors Identified

In the past, Division of Energy has identified that underserved sectors include:

- agriculture
- multifamily housing
- commercial
- water/wastewater treatment facilities.

More on the EIERA

The EIERA is a governmental instrument of the State of Missouri authorized to acquire, construct and finance projects, to issue bonds and notes, and to make loans to further environmental and infrastructure projects. EIERA has the power to issue and sell revenue bonds to provide funds for energy conservation projects, pursuant to Section 640.682, RSMo. Per its legislative mandate, the EIERA can support Missouri communities, organizations and businesses by providing a broad range of financial support and services. These services include issuing tax exempt bonds, providing technical assistance, financing projects that reduce, prevent or control pollution and providing for the development of the energy resources of the State of Missouri. All of its energy project capitalization goes directly towards programs offered by the Division of Energy. Despite its name, the EIERA does not directly finance energy programs or projects.

The EIERA may prove to be the primary mechanism for capitalizing the Energy Infrastructure Bank once the concept becomes reality.

25 https://energy.mo.gov/sites/energy/files/2020-10-09-request-for-information-financing-needs-energy-infrastructure.pdf

SUMMARY & RECOMMENDATIONS

The Energy Infrastructure Bank remains only a concept, but it has the tentative interest of Missouri's Governor, the Department of Natural Resources, and numerous state advocates and stakeholders. An opportunity exists for advocates, building owners, and local governments to provide input encouraging the Division of Energy to design the Energy Infrastructure Bank with both energy efficiency and renewable energy projects in mind. Interested building owners and other stakeholders should urge the Division of Energy to allow for the bundling of smaller energy efficiency projects, building retrofits, and solar installations so that the Energy Infrastructure Bank can be used to fund projects for compliance with St. Louis' BEPS.

2.4 Missouri Department of Revenue

Show Me Green Sales Holiday Tax

The Missouri Department of Revenue offers consumers a seven-day exemption from state sales taxes on certain ENERGY STAR certified new appliances. This tax holiday began in 2009 is authorized by statute (Section 144.526.1 RSMo) and applies to qualified appliances up to $1,500 per appliance for either personal or business use. The tax holiday runs each year from April 19-25 and covers the following appliances: clothes washers and dryers, water heaters, dishwashers, water heaters, air conditioners, furnaces, refrigerators, freezers, and heat pumps.[26] Local jurisdictions must opt-in to participate in the sales tax holiday. To date, the City of St. Louis has not opted in to the program. Several nearby municipalities have opted in to the tax holiday, including Fenton, Overland, Rock Hill, Sunset Hills, and Town and Country.

SUMMARY & RECOMMENDATIONS

The Show Me Green Sales Tax Holiday has a very limited scope and timeline. Buildings owners who want to take advantage of the sales tax savings should purchase eligible appliances in municipalities opted in to the program. In addition, building owners and energy efficiency advocates should encourage the City to become a participating local jurisdiction in the sales tax holiday.

26According to the Energy Star Website (https://www.energystar.gov/), trash compactors, conventional ovens, ranges and stoves do not receive an energy star rating. While the statute anticipates these appliances may receive the energy star rating in the future, tax will continue to apply to purchases of these items during upcoming Sales Tax Holiday.

2.5 City Resources

Building Division, the Future Office of Building Performance and Energy Resource HUB

OFFICE OF BUILDING PERFORMANCE

The City of St. Louis will play an important role in guiding, advising, and assisting building owners subject to the BEPS. Currently the Buildings Division is overseeing the preliminary steps to convene the Building Energy Improvement Board and ensure the BEPS is enacted on time. In May 2021, the Board will finalize its first set of standards for each building sector under its scope. City officials will then work to create of a new Office of Building Performance that will likely develop communications channels for building owners to resolve issues with compliance during the first four-year compliance cycle. This may include guidance on how to demonstrate compliance, on what steps to take to determine the measures, and outline technologies needed to achieve compliance. City officials should feel free to consult the recommendations in this Report and consult its authors as a starting place for developing guidance for building owners.

ENERGY RESOURCE HUB

Considering the limited resources of St. Louis City, effective implementation of BEPS will require significant participation by other stakeholders in the community. Several stakeholders, advocates, and consultants are seeking to create an "Energy Resource Hub" in St. Louis. The US Green Building Council-Missouri Gateway Chapter (USGBC-MGC) published a Request for Qualifications (RFQ) on its website announcing the concept last summer:[27]

> *As building owners begin working to comply with the City's proposed performance standard, we anticipate they will need support. To assist building owners compliance with the City's Building Energy Performance Policy and to assist other buildings throughout our region make energy efficiency and renewable energy investments in their buildings, USGBC-Missouri Gateway Chapter would like to launch a Regional Energy Resource Hub.*

Several consultants submitted responses and various non-profit organizations and energy professionals are planning to participate in the Energy Resource Hub next year. The Hub should work alongside the Office of Building Performance and could take on processes and responsibilities such as gathering input from building owners, developing educational resources, and working with the BEIB to communicate the BEPS to the public.

SUMMARY & RECOMMENDATIONS

Building owners can expect guidance around compliance with the BEPS from a newly-formed Office of Building Performance as well as an Energy Resource Hub of non-governmental stakeholders in addition to the assistance provided by this Report.

27 https://www.usgbc-mogateway.org/2020/06/12/rfq-for-energy-resource-hub-business-plan/

III. PRIVATE SECTOR RESOURCES

In addition to utility programs and government lending programs, building owners should be aware of the various resources offered by financial institutions, corporations, and private sector organizations. These include innovative financing mechanisms like Property Assessed Clean Energy (PACE), programs offered by national mortgage institutions like Fannie Mae and Freddie Mac, private grants like the U.S. Bank Foundation's Community Possible Grant, and companies that offer specific business models designed to deliver building energy savings. These private financing products, grants, and contracts should always be used in conjunction with all other available utility incentives and should be measured against government-backed sources of capital. In addition, this section discusses how commercial solar applications may play a role in BEPS compliance.

This report will not provide an exhaustive list of private sector resources, but rather a broad picture of some of the extant resources in the St. Louis Metropolitan Area.

3.1 Set the Pace St. Louis

Property Assessed Clean Energy (PACE) Financing

PACE financing allows property owners to finance the total cost of qualifying energy improvements through a voluntary property tax assessment. Repayment of PACE financing is paid as a line item on the property owner's annual property tax bill, which is offset by the energy savings accruing as a result of the energy measures installed. The repayment obligation runs with the property, transferring automatically to the next owner if the property is sold or transferred. Similar to a sewer tax assessment, capital provided under the PACE program is secured by a lien on the property so low-interest capital can be raised from the private sector with no government financing required. It is ideal for large-scale projects.

Set the PACE St. Louis

PACE financing is enabled at the state level by Missouri law, which in turn enables the formation of individual PACE districts to which local municipal and county governments can join.[28] Local jurisdictions must opt-in to the program. Set the PACE St. Louis was developed in 2012 by the City with an Energy Efficiency and Conservation block grant from the U. S. Department of Energy. After creating the Clean Energy Development Board, the City's Office of Sustainability and St. Louis Development Corporation launched the program in 2013 as a financing tool designed to support sustainability projects on buildings in the City.[29] Energy Equity Funding, LLC is the program administrator. Set the PACE St. Louis can provide 20-year amortized terms with fixed interest and no payments for up to twelve months. The non-recourse financing can be off the balance sheet and there are no prepayment penalties.

ELIGIBLE IMPROVEMENTS

PACE financing is available for measures which promote energy efficiency, reduce energy consumption, or produce energy from renewable resources. In each case, any rebates received by or approved for property owners prior to funding must be deducted from the amount of financing requested. In addition, property owners are encouraged to pursue the most cost-effective improvements, or combination of improvements, to maximize their long-term utility savings and return on investment. The list of eligible improvements is not intended to be comprehensive. Consult Equity Funding, LLC (https://ygrene.com/) to ensure a proposed improvement is eligible.

Energy efficiency improvements specified by the Missouri PACE Act[30] include:

- Insulation in walls, roofs, attics, floors, foundations
- Caulking and Weather stripping
- Heating system modifications and replacements
- Ventilating system modifications and replacements
- Air Conditioning system modifications and replacements
- Daylighting systems
- Windows and doors designed to reduce energy consumption
- Storm Windows and doors
- Multi-glazed windows and doors
- Heat-absorbing or heat-reflecting windows and doors
- Lighting Fixture Replacement or modification to increase energy efficiency
- Automatic energy control systems
- Energy recovery systems.

28Section 67.2800-2835, RSMo. (2010)
29See pages 169 and 188 of the City of St. Louis Sustainability Plan.
30Energy efficiency improvements include acquisitions, installations or modifications on property when designed to reduce the energy consumption of the property.

Renewable energy improvements specified by Missouri PACE Act include:[31]

- Solar thermal hot water systems
- Solar thermal systems for pool heating
- Photo voltaic systems (electricity)
- Geothermal power systems
- Biomass systems
- Wind turbine power systems

PROGRAM REQUIRMENTS

- Property must be located within the City of St. Louis.
- All owners of the property, including representatives of any entities that are on the property's title, must explicitly agree to participate in the program.
- Property owner must have no involuntary liens, credit defaults, or judgments against the subject property.
- Property owner must be current in the payment of all obligations secured by the subject property, including property taxes, assessments, and tax liens.
- No tax delinquencies within the past three years or since taking title to the property, whichever time period is shorter.
- Property owner must certify that they (or any corporate parent if the property owner is a single-purpose entity) has not filed for or been subject to bankruptcy protection in the past three years.
- No notices of default or foreclosure, whether in effect or released, due to non-payment of property taxes or loan payments filed against the subject property within the last three years or since the beginning of ownership, whichever is less.
- Property owner must certify that it is not party to any litigation or administrative proceedings and that no such actions are pending or threatened that would materially affect the owner's ability to pay the special assessment when due.
- Property owner must agree to participate in surveys and evaluations, which may include access to utility bill usage information.
- Exceptions may be granted on a case-by-case basis.

A list of contractors, who have pledged to comply with the Set the PACE Program, requirements are listed here: http://setthepacestlouis.com/findcontractor-residential.shtml

SUMMARY & RECOMMENDATIONS

PACE financing is especially appealing with an ability to finance 100% of the energy improvements, up to 20-year amortized terms with fixed interest, and no payments for up to twelve months. Some owners consider PACE liens an encumbrance on their ability to sell a property: while PACE assessments are tied with the land when a property is transferred, a potential buyer can require the PACE assessment to be paid off at closing. The Set the PACE St. Louis program has been exemplary, both locally and nationally. Building owners contemplating large retrofits or projects should strongly consider PACE. The City of St. Louis is expected to issue an RFP for their PACE program administrator in 2021. If a new administrator is selected, some aspects of the program could change.

Contact information for Set the PACE St. Louis:

- 866.634.1358
- info@setthepacestlouis.com
- PACE Application: https://prequalification.ygrene.com/prequal

31Renewable energy improvements include the acquisition and installation of a fixture, product, system, device, or combination thereof on property that produces energy from renewable resources including photovoltaic systems, solar thermal systems, wind systems, biomass systems, or geothermal systems.

3.2 The Federal National Mortgage Association

Fannie Mae Multifamily Green Financing® Loan Program

The Federal National Mortgage Association (FNMA), commonly known as Fannie Mae, is a U.S. government-sponsored enterprise (GSE) designed to expand the secondary mortgage market by securitizing mortgage loans, meaning they provide liquidity, stability, affordability, to the mortgage market. Fannie Mae buys mortgages from lenders and either holds these mortgages in their portfolios or packages the loans into marketable, mortgage-backed securities (MBS). Fannie Mae's Green Financing Business programs provide mortgage financing to apartment buildings and cooperatives to finance energy and water efficiency improvements.

Fannie Mae's Multifamily Green Financing program offers a suite of clean energy mortgage loans that provides financial incentives to borrowers to strategically invest in multifamily property improvements that reduce energy and water use. Under this program, there are two loan offerings: the *Green Rewards* program and the *Green Building Certification Pricing* program.

Green Rewards Program

Green Rewards is designed for existing multifamily properties ready to make energy and water saving improvements. This loan type falls under four categories: refinance, acquisition, supplemental, and second supplemental. Green Rewards is nationwide and provides several benefits to borrowers including lower interest rates with up to 5% more loan proceeds, flexible payment options including yield maintenance and declining prepayment premiums. The program offers flexible loan terms from 5 to 30 years and the loans are typically assumable. The refinancing option offers significant value to affordable multifamily building owners. Green Rewards borrowers benefit from receiving a free High Performance Building Report (equivalent of an ASHRAE Level 2 energy audit) upon closure of the mortgage loan. If the building qualifies and the borrower is interested in solar, a free technical solar assessment is available. The program outlines no minimum investment per unit, and 75% of the owner and 25% of the tenant projected energy and water cost savings may be included in the underwritten net cash flow. This program can increase net cash flow by underwriting projected energy and water cost savings, and attracting more investors with a green mortgage-backed security. It should be noted that borrowers do not need to have an existing loan with Fannie Mae to qualify for the Green mortgage programs.[32]

Green Rewards is available to borrowers who have elected to reduce energy and water usage of their property by a combined 30%[33] through future energy improvements, such as:

- Upgrading to ENERGY STAR® appliances
- Upgrading boiler
- Replacing inefficient lighting
- Installing solar systems
- Installing water-saving irrigation systems
- Making other energy & water saving improvements[34]

Green Rewards – Eligibility and Requirements

- Green Rewards requires owners to commit to consumption reduction by at least 30%, inclusive of at least a 15% energy consumption reduction.
- Buildings must have at least twelve months of stabilized residential occupancy.
- Property improvements must be completed within twelve months after the mortgage loan origination date, verified by Fannie Mae.
- Borrowers must report the property's annual

32 https://multifamily.fanniemae.com/media/9061/display
33 https://multifamily.fanniemae.com/media/9061/display
34 https://multifamily.fanniemae.com/media/8611/display

energy performance metrics throughout the life of the loan, including kilowatt-hours of energy produced in the case of solar PV systems.
- Mortgage loans must be underwritten and disclosed as Green Mortgage-Backed Security (GMBS).[35]

Green Building Certification Pricing Program

The ***Green Building Certification Pricing*** program is designed for new construction or properties awarded a green building certification (such as LEED). This program offers lower interest rates and preferential loan pricing for buildings with exciting, nationally recognized green building certification. This program is not a recommended financing option for most BEPS-subject buildings, as it is primarily for new construction projects.

SUMMARY & RECOMMENDATIONS

The Fannie Mae Multifamily Green Financing Program, specifically the Green Rewards program, is recommended for all multifamily building owners. The Green Rewards loan program offers flexible financing options to make energy efficiency improvements and even rooftop solar installations. Financing options cater to the needs of the building owners who may find these programs to be the most useful during a refinancing period, in particular owners of affordable multifamily buildings. The program is not limited to buildings subject to an existing Fannie Mae mortgage, making it a broad option for multifamily owners in the City of St. Louis. This Report recommends that the Fannie Mae Green Rewards program be considered as a primary financing option for owners of multifamily buildings, filling the gap of Ameren's PAYS program which is not available to multifamily buildings.

Fannie Mae®

35https://multifamily.fanniemae.com/financing-options/specialty-financing/green-rewards

3.3 The Federal Home Loan Mortgage Corporation

Freddie Mac Multifamily Green Advantage® Suite

The Federal Home Loan Mortgage Corporation (FHLMC), known as Freddie Mac, is also a GSE. Freddie Mac was created in 1970 to expand the US secondary mortgage market. Like Fannie Mae, Freddie Mac keeps money flowing to mortgage lenders in support of homeownership and rental housing for middle-income Americans. Freddie Mac buys mortgages on the secondary market, pools them, and sells them as a mortgage-backed security to investors. The major difference between Freddie Mac and Fannie Mae is that Fannie Mae buys mortgage loans from major retail or commercial banks, while Freddie Mac obtains loans from smaller banks.

The Freddie Mac Green Multifamily Advantage suite offers low-interest refinancing for existing Freddie Mac borrowers who improve their properties to save energy. The program also rewards borrowers who already have green-certified properties (e.g. LEED) with lower interest rates. This financing is available only for borrowers whose buildings qualify as workforce housing: at least 50% of the units must qualify as affordable under Federal standards (see below). The Green Advantage offering is for multifamily loans only, either through refinance or acquisition.

Borrowers can choose either Green Up® or Green Up Plus® to get better pricing and increase their Freddie Mac loan amounts for financing energy and water efficiency improvements on multifamily properties. Green Up enables borrowers with qualifying properties to increase the amount of their eligible Freddie Mac multifamily loan by up to 50% of projected energy and water savings. With the Green Up program, savings are calculated through a Green Assessment. The Green Assessment is a short, straightforward evaluation of green opportunities, estimated costs, and projected savings. Under Green Up Plus, borrowers can increase the loan amount by up to 75% of the projected savings; borrowers must provide a Green Assessment Plus, a more detailed analysis based on an ASHRAE Level 2 assessment that can potentially lead to greater savings.

Freddie Mac also offers a rebate on new property loans with an ENERGY STAR® score.[36] This rebate is available to all borrowers on first mortgages, however, does not include supplemental loans, Value-Add Loans, Lease-Up Loans, and Small Balance Loans. For multifamily properties with greater than 20 units, a $5,000 rebate for all borrowers reporting an ENERGY STAR score. The rebate is provided at the time of loan purchase by Freddie Mac after all obligations and requirements are met. Additionally, there is no minimum score or certifications required to receive the rebate. To receive an ENERGY STAR score, applicants must submit a complete energy data report.[37] There is no fee for certifications, but the property must have their data verified by a professional engineer or registered architect, which involves its own fee.

BENEFITS

There are several benefits to borrowers who enroll in Freddie Mac's suite of Green Advantage programs. First and foremost, those enrolled get reduced interest rates. The program will underwrite up to 50% of the projected energy savings under Green Up, and up to 75% in the Green Up Plus program. Freddie Mac will reimburse the cost of the energy audit (up to $4,000) if the loan is acquired. Borrowers use the audit to identify cost-saving features and improvements for their approved loan. This incentive program offers increased loan-to-value allowances and reduced debt service coverage ratio requirements to properties that can

36https://mf.freddiemac.com/docs/product/green_rebate.pdf
37To see the full list of data requirements, visit: https://mf.freddiemac.com/product/green-advantage.html

demonstrate a 30% reduction in water/sewer and energy consumption (at least 15% of which must come from energy consumption).

ELIGIBILITY & REQUIRMENTS

To qualify for a Green Advantage loan, at least half the units must be affordable, meaning household incomes at 80% to 150% of Area Median Income (AMI), varying by the area. The AMI fluctuates based on the market. To be eligible for both Green Up and Green Up Plus, the property must have at least 50% of the rents be affordable or at workforce housing levels based on the market.[38] Both Green Up and Green Up Plus require a minimum projected savings of at least 15% (water or energy usage) and give borrowers up to two years to complete the improvements. In addition, the loans offered must be a fixed rate with a seven or ten-year term. Green Up and Green Up Plus loans require borrowers to engage a third-party data collection firm prior to the origination of the loan. The data collection is required for the life of the loan.

SUMMARY & RECOMMENDATIONS

Freddie Mac Multifamily Green Advantage suite provides favorable lending terms for affordable properties that take steps to improve energy/water efficiencies. Similar to the Fannie Mae Multifamily Green Financing program, this Report recommends that multifamily owners strongly consider Freddie Mac's Green Up or Green Up Plus offerings as a financing option for energy efficiency improvements. This program is recommended if affordable housing owners find themselves ready to refinance during the BEPS compliance cycle. In addition, a rebate is available for first mortgages on buildings that have a certain ENERGY STAR score.

38The St. Louis Area Median Income for FY2020 is $82,900: https://www.stlouis-mo.gov/government/departments/community-development/residential-development/income-limit.cfm#:~:text=*The%20St.,vary%20depending%20upon%20household%20size

3.4 US Bank Foundation

"Community Possible" Grant

The U.S. Bank Foundation's Community Possible Grant supports organizations and programs that advance the following funding priorities:

- WORK – Workforce Education & Economic Prosperity
- HOME – Neighborhood Stability & Revitalization
- PLAY – Artistic & Cultural Enrichment and Learning Through Play

ELIGIBILITY & REQUIREMENTS

Program participation is by invitation only. The applicant must be a 501(c)(3) organization with a U.S. Bank employee on the organization's Board of Directors. The applicant must certify that they maintain a nondiscrimination policy.

SUMMARY & RECOMMENDATIONS

The U.S. Bank Foundation's HOME funding priority is an excellent funding resource for energy retrofits for low and moderate-income housing developments by non-profit organizations that have established relationships with U.S. Bank. The other funding priorities – WORK and PLAY – do not appear to fund energy efficiency improvements. Only organizations invited to participate may apply, so this may significantly limit the grant's application for compliance with the BEPS. The program is currently undergoing alterations, and interested applicants should await further updates for news about changes to the grant program.

Contact information
866-366-7072
usbankgrants@usbank.com

3.5 Service Companies (ESCOs) and Energy Saving Performance Contracts (ESPCs)

ESCOs

Energy service companies (ESCOs) are businesses that develop, design, build, and arrange financing for projects that save energy, reduce energy costs, and decrease operations and maintenance costs at their customers' facilities. In general, ESCOs act as project developers for a comprehensive range of energy conservation measures and assume the technical and performance risks associated with a project. ESCOs are distinguished from other firms that offer energy-efficiency improvements in that they typically use the performance-based contracting methodology. When an ESCO implements a project, the company's compensation is directly linked to the actual energy cost savings.[39] ESCOs design energy efficiency solutions, installs the required elements, and maintains the system to ensure energy savings during the payback period. The savings in energy costs are often used to pay back the capital investment of the property or can be reinvested into the building to allow for capital upgrades that may otherwise be unfeasible.[40]

ESPCs

Most agreements between customers and ESCOs are underpinned by energy savings performance contracts (ESPCs). The ESPC commits the ESCO to installing the necessary equipment, provides a performance guarantee and establishes the terms of any upfront or ongoing payments, which are intended to be less than the financial savings realized by the project. The two most common types of ESPCs are referred to as a (1) shared savings or (2) guaranteed savings model. The ESPC provides the customer with a guaranteed level of energy savings and the ESCO with a reliable source of revenue. ESPCs typically last from two to 20 years, depending on the measures implemented. Based on the customer's preference and access to capital, the customer or the ESCO (or both) can be responsible for securing the financing for the project. A direct loan agreement with a third-party lender is also an option for both parties.[41]

Undertaking a comprehensive energy efficiency facility retrofit is complicated, with an array of suppliers and technologies that can impact future energy savings. These technological upgrades all come together seamlessly when the project is managed in partnership with an ESCO:

Improvements can include:

» HVAC
» Lighting
» Windows
» Doors
» Insulation
» Boilers
» Controls
» Metering

39https://www.energy.gov/eere/femp/energy-service-companies-0
40https://www.naesco.org/what-is-an-esco
41https://www.iea.org/reports/energy-service-companies-escos-2/esco-contracts

Reputable energy service companies operating in the St. Louis region:

Ameresco	www.ameresco.com
Aschinger Electric	https://aschinger.com/
Burns & McDonnell	https://www.burnsmcd.com/
Vergey (CTS Group)	https://www.veregy.com/service-region-central/
Entegrity	https://www.entegritypartners.com/
Johnson Controls	https://www.entegritypartners.com/
McKinstry	https://www.mckinstry.com/
Schneider Electric	https://www.se.com/us/en/
Siemens	https://new.siemens.com/global/en/products/buildings.html
The Up Companies (minority owned businesses), specifically PowerUp	http://powerup.theupcompanies.com/
Trane	http://powerup.theupcompanies.com/

SUMMARY & RECOMMENDATIONS

ESCOs and ESPCs can be excellent way for large building owners to receive streamlined, all-encompassing option to achieve energy efficiency upgrades. Not only can building owners work with a company to ensure compliance with the standards of the City's BEPS in the most cost-effective manner, but they can also meaningfully reduce the energy and maintenance costs while increasing the value of their buildings. There are numerous reputable contracting firms that offer full-service energy retrofits, including building evaluations, identification of rebates and incentives, installation and quality control, and financing. Owners of large buildings or a portfolio of multiple facilities should seek quotes from the various energy services companies in the St. Louis region.

SPOTLIGHT*:* **PowerUp** *is a full-service electrical contractor based in St. Louis. Power Up acts as a single-source provider for electrical, technology installation, and construction needs. This includes everything from emergency service calls to complex, multi-phased design build projects and everything in between. PowerUp is a minority-owned business that places a high premium on diversity and supporting local, quality electrical contractors. For building owners that value investing in the St. Louis community and supporting equitable employment in the Region, consider working with PowerUp and the other Up Companies partners. http://powerup.theupcompanies.com/*

3.6 Renew STL Solar

Commerical Solar Group Buy Program

Energy efficiency is almost always the cheapest resource in which to invest, both for utilities and for customers. Money spent toward lowering electricity usage is usually a savings-generating investment often cheaper than any form of electricity. Energy efficiency is also the cleanest form of energy investment. For these reasons, this report has focused nearly exclusively on resources that can help building owners save energy in order to meet the requirements of future standards under the BEPS.

However, the BEPS is likely to allow investments in on-site renewable energy and other clean technologies to count towards compliance as well. In particular, rooftop solar can be a cost-effective investment for large building owners. Solar can dramatically reduce electricity bills for building owners, increase property values, and when structured correctly can create new revenue for a business. Installation costs of rooftop solar have fallen dramatically in recent years, especially for commercial-scale solar. Depending on system size, commercial solar systems are often less than $2.00 per installed watt of solar capacity. Related technologies like battery storage and electric vehicle charging infrastructure can create similar benefits. Commercial solar is not without its limitations. Multifamily buildings where units are individually-metered are not good candidates for solar in St. Louis, since Missouri is a regulated monopoly utility state and customers may not share the output of their own generation with any other customers. In addition, Missouri's Net Metering law[42] only requires utilities to pay customer-generators for excess electricity for systems up to 100 kW, or enough for a small store. However, for certain commercial or industrial building owners, solar may make solid financial sense.

Renew STL Solar:
Renew STL Solar is a "group buy" program for commercial and large-scale buildings in the Greater St. Louis Region. The concept of a "group buy" program – often referred to as a "solarize" program at the residential level – allows similar projects to pool together and reduce prices for all participants by achieving higher economies of scale. Renew STL Solar is unique in that it is one of the only commercial "Solarize" programs in the country. The program aims to simplify the process of going solar, while delivering a suite of benefits for its participants, including:

» lower installation costs, including a Customer Volume Discount that rebates a percentage of project cost back to the customer depending on the total number of participating customers;
» simplify the process of going solar, including taking care of all available utility, state, and Federal incentives;
» awards, publicity, and public relations benefits for participating customers;
» assistance with tracking progress toward sustainability goals; and
» meeting mission-based objectives like equity and supporting local jobs.

Renew STL Solar existed as a brief pilot in 2020, and is undergoing a full launch in 2021. The program can install battery storage systems and electric vehicle charging infrastructure in addition to commercial rooftop solar systems. The program administrator and installer company can navigate and help customers apply for all available incentives, which include:

» $0.25 per watt from Ameren Missouri, per state law;[43]
» Net metering and interconnection agreement through Ameren Missouri, per state law;[44]
» Federal Investment Tax Credit (ITC) of 26% for solar energy and battery storage systems beginning construction by 2022.[45]

42Missouri's "Net Metering and Easy Connection Act," Section 386.890, RSMo. (2007).
43Section 393.1670, RSMo. (rebates limited for each calendar year through 2023).
44Section 386.890, RSMo.
45https://www.energy.gov/sites/prod/files/2019/08/f65/investment-tax-credit.pdf

PARTNERS

Renew Missouri – a non-profit clean energy advocacy organization – administers the program. Renew Missouri's involvement in the program stems from their mission to transform Missouri into a leading state in clean energy policy. Renew Missouri can assist building owners with the decision process of going solar, and they facilitate conversations between interested customers and other program participants. Renew Missouri intends to distribute awards to outstanding participants for each year of the program. In addition, Renew Missouri will seek earned media and other opportunities to celebrate the investments of program participants.
www.renewmo.org

SUMMARY & RECOMMENDATIONS

Commercial solar costs have declined dramatically in recent years, allowing building owners to save energy and money and even create a new source of revenue. While probably not ideal for apartment buildings that have individually-metered units, solar may be a great investment and BEPS compliance option for large commercial and industrial building owners with heavy electricity demand. Interested owners can contact one of the many solar installers active in the St. Louis area to see if solar is right for them.[46] In addition, building owners should consider participating in the Renew STL Solar group buy program for commercial buildings in order to maximize their savings and enjoy the many additional benefits of the program.

After a competitive bidding process, **StraightUp Solar** was selected as the program's local installer partner. StraightUp Solar is an experienced solar installation company based in the St. Louis area, and is a certified B corporation and mission-based organization. Through the Renew STL Solar program, StraightUp Solar can work with Renew Missouri to provide interested customers with a no-cost solar estimate for their buildings. StraightUp Solar works alongside ElectroSavings Credit Union, which offers a solar-specific financing product that allows building owners to make interest-only payments for a year, followed by a low-interest five-year loan. In addition, PACE financing and other financing mechanisms may work within the program.
www.straightupsolar.com

Contact information

» Andrew Linhares, **Renew Missouri**
andrew@renewmo.org
314.471.9973

» Tori Cheatham, **Renew Missouri**
tori@renewmo.org
314.750.5951

» Dan Hancock, **StraightUp Solar**
dan.hancock@straightupsolar.com
636.222.3938

46The Missouri Solar Energy Industries Association (MOSEIA) is a useful organization for seeking references for installer companies. Its members include some of the best installers active in the St. Louis area. www.moseia.com

REPORT SUMMARY & CONCLUSIONS

The St. Louis Building Energy Performance Standard ordinance is in the process of enactment, and the Building Energy Improvement Board should deliver its first set of standards for each building sector in May 2021. The standards will require owners to lower the energy use intensity of their buildings by a certain amount by 2025, and 2027 for affordable multifamily buildings and houses of worship. The primary methods of compliance with the BEPS will fall into the category of energy efficiency investments, although investments in other technologies (demand response, rooftop solar, battery storage, electric vehicle charging infrastructure) may count toward compliance as well.

Subject building owners have a variety of resources available to assist them in achieving compliance. These include: rebates and incentives from utilities, state governmental finance programs and local City government guidance, and private sector financing and contracting resources. Depending on building type, owners will have wide latitude on how they choose to approach compliance with the ordinance. This report offers the below recommendations:

1. *Maximize Utility Energy Efficiency Incentives:* All building owners should start by taking full advantage of all available rebates and incentives offered by their electric and gas utilities. Both Ameren Missouri and Spire offer programs to help their business customers lower energy usage cost-effectively. Regardless of building type, owners should begin by contacting their electric and gas utilities to determine what rebates and incentives make sense for their buildings.

2. *Take Advantage of Special Programs for Multifamily Buildings*: Owners of affordable multifamily buildings should take advantage of Ameren's Community Savers program, which offers a no-cost building energy evaluation, larger incentives for common area measures, and free direct install measures for individual units. In addition, owners should participate in Spire's "co-delivery" gas measures for affordable multifamily buildings to receive incentives for high-efficiency HVAC, furnace, and boiler units. Finally, affordable multifamily owners should give consideration to the special programs offered by Fannie Mae and Freddie Mac for buildings investing in green projects.

3. *Utilize Government Financing Programs:* The State of Missouri currently operates two energy financing programs: the Missouri Energy Loan program run by the Division of Energy, and the State Treasurer's Linked Deposit program. Both are underutilized, yet can help local governments and small businesses secure low-interest financing for energy improvements. In addition, there are current efforts to create an Energy Infrastructure Bank using the financing authority of the EIERA, which could be used to fund a variety of energy improvements depending on its design.

4. *Rely on Local Guidance from City and stakeholders:* The City of St. Louis will create a new Office of Building Performance, which will manage both the Building Energy Benchmarking and the Building Energy Performance Standard programs. The City will likely create guidance to aid building owners in their compliance. In

addition, stakeholders and contractors are in the process of developing an Energy Resource Hub that will help with compliance efforts.

5. *Seek out Private-Sector Contractors and Financing:* Building owners with access to capital may contract with Energy Service Companies (ESCOs) that offer full-service energy systems management and retrofits, often in the form of Energy Savings Performance Contracts (ESPCs) that guarantee a certain level of savings and oversee all installation, construction, and applications for available incentives. In addition, owners should consider PACE financing for larger projects. Affordable multifamily buildings have an extended compliance cycle, so they can time their investments to coincide with refinancing schedules and work with a program like Fannie Mae's Multifamily Green Financing Program.

6. *Consider Commercial Solar:* Commercial and industrial building owners should seek an estimate from local solar installers to see how much savings is possible for their buildings. In addition, building owners should reach out to the administrators of the Renew STL Solar group buy program to receive a no-cost estimate and learn more about the many benefits of the program.

Note: The first edition of this report was published prior to the development of the standards for each building sectors subject to the Building Energy Performance Standard. The recommendations and resources summarized in this report may change following the release of standards in May 2021.

ACRONYM LIST

AC = Air Conditioning

AFUE = Annualized Fuel Utilization Efficiency

AMI = Area Median Income

ASHRAE = American Society of Heating, Refrigerating and Air-Conditioning Engineers

BEIB = Building Energy Improvement Board

BEPS = Building Energy Performance Standard

C&I = Commercial & Industrial

CY = Calendar Year

DNR = Department of Natural Resources

EIERA = Environmental Improvement and Energy Resource Authority

EMS = Energy Management System

ESCO = Energy Service Company

ESPC = Energy Saving Performance Contract

GMBS = Green Mortgage Backed Security

GSE = Government Sponsored Enterprise

HVAC = Heating Ventilation Air Conditioning

IOU = Investor Owned Utility

ITC = Investment Tax Credit

kW = Kilowatt

MBS = Mortgage Backed Security

MEEIA = Missouri Energy Efficiency Investment Act

MF = Multifamily

MSD = Metropolitan Sewer District (St. Louis)

PACE = Property Assessed Clean Energy

PAYS = Pay As You Save

PV = Photo Voltaic

RFI = Request for Information

RFP = Request for Proposal