Craft3 Future Energy Fund

Western Washington Biomass Energy Workshop

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Craft3
Craft3 Future Energy Loan Products

Loan Size and Structure
• $200,000 - $5 million
• Flexible underwriting regarding term, security and payment schedule

Commercial and Industrial Energy Efficiency
• Loans direct to businesses for EE real estate improvements
• Loans to EE project developers entering into energy service contracts

Community-scale Renewable Energy
• Pre-development loans
• Construction loans to heat and/or electricity projects
• Mini-perm post-construction loans

Future Energy Manufacturing
• Construction and/or working capital loans for component manufacturing or recycled products
Pre-Development Finance: OneEnergy Renewables

- Craft3 provided pre-development project financing for two utility scale solar projects in Washington State.

- Craft3 took on shared risk to help push projects toward construction.

- Borrower had strong management team and robust risk management system for project development.
• Craft3 provided equipment and construction financing for small scale biomass boiler at Sisters High School

• Borrower was private developer with heat sales contract with High School

• New business line, but strong management team
• Craft3 provided construction financing to expand biomass campus

• Existing customers provided support for cash flow projections

• Long-term financing came from traditional lender and State New Market Tax Credits
What Lenders Care About-Private Developer Model

- **Strong Management Team:** What experience do team members (outside consultants, project managers/developers) bring to the table

- **Repayment Capacity-Cash Flow:** Projected cash flow needs to be 1.2X yearly debt payments (DSR). Cash flow can be based on energy/cost savings or sale of heat/energy to a 3rd party.

- **Collateral:** Challenging, but modular units that can be resold providing some protection to the lender.

- **Debt/Equity:** Lenders want to ensure developers have tangible skin in the game. This can be in the form of grants, but cash equity is the most important signal of developer commitment to a project. Why would a lender invest in a project if the developer doesn’t?

- **Technology/Construction Risk:** Has the technology been proven and does it match the fuel supply. Experienced developer/contractor is a must.
Other Financing Options for Private Projects

**Commercial Banks:** Local banks can access loan guarantee programs through USDA, but are hesitant to lend to new developers and require additional collateral.

**New Market Tax Credits:** Provides incentives for private investment in biomass projects. Minimum project size is +/- $5 million

**Private Foundations:** Emerging source of capital in Oregon. Could be structured as equity or debt

**Private Equity-3rd Party Developers:** Historically limited to ESCO’s, smaller developers currently looking to bring financing to projects
Project Finance Modeling: Small Scale Pellet Boiler
Learn more about Craft3

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