



NM Climate Investment Center

Water & Natural Resources Committee

11-7-23

Beth Beloff, Executive Director, CSCNM
Interim Chair, NMCIC

Christian Casillas, Director Policy Development and Research, CSCNM
Interim Vice-Chair, NMCIC

Agenda

What is the NM Climate Investment Center

- ▶ What is a green bank
- ▶ Why a nonprofit
- ▶ The problem
- ▶ Strategic priorities
- ▶ Examples of lending products
- ▶ Partnerships with CCEF and IDF
- ▶ Business model

How we got here

- ▶ Time critical
- ▶ IRA grant opportunities
- ▶ Timeline
 - ▶ Phases 1-3

Q&A

New Mexico Climate Investment Center

- A **mission-driven, independent, public nonprofit investment fund** that uses limited amounts of public money to attract private sector money for investments in **equity-focused, emissions-reducing projects**;
- Filling **financing gaps** for projects which would not otherwise have adequate access to financing options;
- It will **prioritize projects that provide direct benefits to low-income, disadvantaged and tribal communities**;
- It will further the **climate action goals of the state** of New Mexico as well as those of **local governments**;
- Sometimes called a “**green bank**” but is **not** a traditional deposit-taking bank;
- **CSCNM**, with support of the **Governor**, have created NMCIC.

Why a non-profit

Non-profit forms have proven to be best practice “green banks” and are becoming increasingly popular.

- need for flexibility, efficiency and speed to **meet needs as they emerge**
- **political barriers and uncertainty** in governmental or quasi-governmental entities impede access to private investors and donors
- 501(c)3 status provides **tax incentives** for investors and philanthropists
- in **partnership with political entities.**

Examples

- **Colorado Clean Energy Fund** is Colorado’s statewide, nonprofit green bank. It is a non-profit 501c3 created in partnership with the state energy office and at the direction of the Governor
- Among non-profit “green banks:” **CO, NV, MI, OH, FL, MD, NYC** carry out their missions in partnership with political entities, but without direct intervention from those entities

The Problem: energy burdens for low-income households

- New Mexico has one of the **highest poverty rates in the nation**,
 - over 328,000 low-income households (i.e., those earning less than 80% of the area-median income), both rental and owner occupied,
 - who need marked reduction in energy burdens.
- Over **150,000** low-income households **spend over 15% of their income** on energy costs compared with a national average of 2%.
- New Mexico needs a **vehicle to respond to impacts of climate change** that prioritizes low-and-moderate income, underserved and vulnerable communities as well as small businesses
 - by providing low-interest loans and other financial incentives for energy efficiency and related home improvements, access to solar.....
 - offering immediate savings on energy costs,

The Problem: market barriers create finance gaps in clean energy segments



"Small" Project Financing: Limited due to an unattractive return profile, even though project volume far exceeds that of larger projects



Medium/Poor Credit Quality Financing: Difficult to obtain for small commercial business owners with thin balance sheets and credit constrained homeowners



"Rural" Project Financing: Limited due to the geographical disbursement of projects, especially in areas that lenders don't have notable footprint



Tax Equity Financing: Difficult to arrange, but required to monetize the federal tax credits for entities that don't pay taxes (nonprofits, houses of worship, etc)



Long-Tenor Financing: Required to align with the payback period of the project, but terms are often limited to 5-7 years to reduce exposure to interest rate risk



Financing for Commercially-Viable Tech Yet to Achieve Scale: Limited for early-stage technologies with minimal deployments

NM Climate Investment Center Strategic Goals

- ❖ Prioritize underserved and vulnerable communities
- ❖ Alleviate energy burden
- ❖ Maximize use of renewable energy
- ❖ Reduce greenhouse gas emissions
- ❖ Increase climate resiliency

“Green Banks” take on several types of priority projects

Energy Efficiency and Distributed Renewable Generation and Storage



Examples:

- **Residential solar and storage lending or leasing**
- **Lending for Community Solar**
- Residential **Energy efficiency** lending
- **Renewable energy projects** lending

Commercial Building and Multifamily Housing Decarbonization Retrofits



Example:

- **Pre-development loans for new multifamily housing**, contingent on “gold standard” energy efficient design
- **Energy efficiency** upgrades and rooftop solar

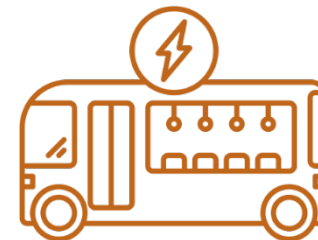
Climate-Focused Solutions to Local Problems



Examples:

- **Microgrids** for community resiliency
- Commercial **water catchment** systems
- **Anaerobic digesters**

Transportation Decarbonization



Examples:

- **Electrifying a municipal bus fleet** to save on fuel costs and reduce local air pollution
- **Electric vehicle charging stations**

NMCIC Partnerships

- ▶ NMCIC is partnering with the Colorado Clean Energy Fund (CCEF), in order to quickly utilize capital to roll out and service appropriate loan products.
- ▶ Impact Development Fund (IDF) will perform loan underwriting and servicing in partnership with CCEF



Examples of CCEF lending products



Residential Energy Upgrade Loan



Amount
Up to \$75,000



Terms
Varies, up to 15 years



Repayment
Monthly principal and interest payments



Rates
Below market rates



Security
UCC-1 filing



Speed
Access to funding 7-9 business days

Examples of CCEF lending products

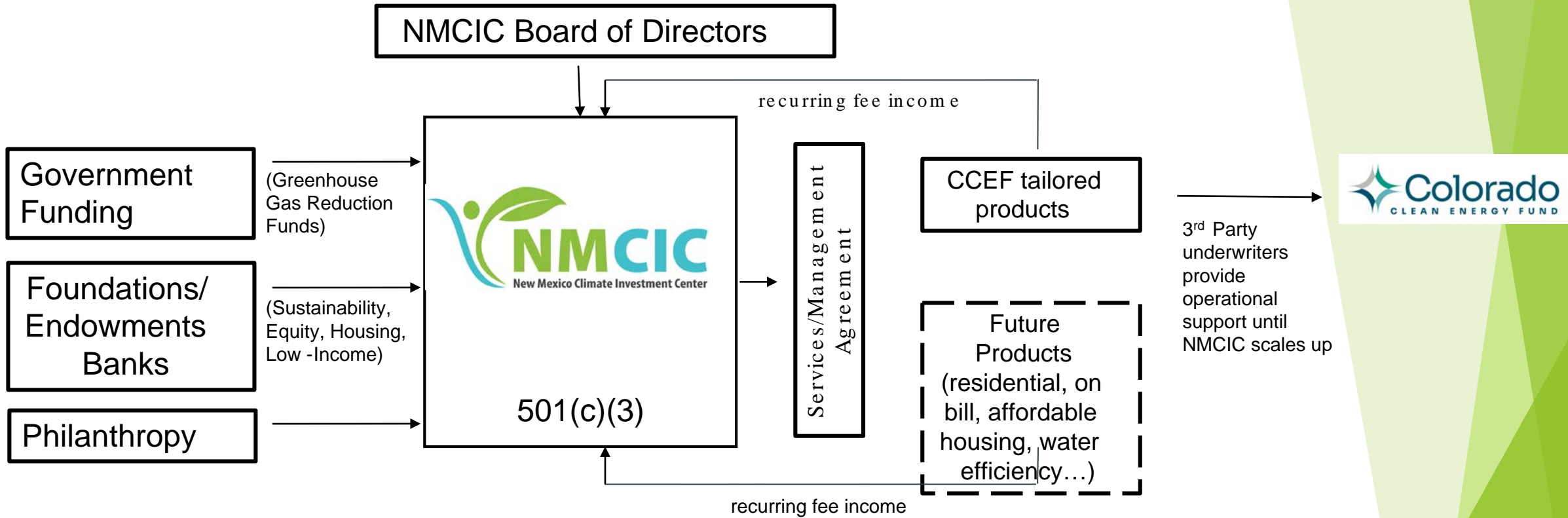


CCEF Commercial Product Matrix

Product	Loan Amt.	Term	Rates	Security	Speed	Underwriting Category
CCEF Bridge Loan	Up to \$500K	Up to 36 mos	3-6%	Up to 100% total loans-to-value with commitment for funds being bridged	Within 30 days of application submission	\$10K - \$35K: Cat. 1 \$35K - \$150K: Cat. 2 \$150K - \$500K: Cat. 3
Clean Conversion Loan	Up to \$1M	Up to 15 yrs	Tax Exempt: Not to Exceed 5.99% Non-Tax Exempt: 6-6.99%	Senior or subordinate lien interest on subject property	Within 30 days of application submission	\$10K - \$35K: Cat. 1 \$35K - \$150K: Cat. 2 \$150K - \$1M: Cat. 3
Clean Energy C-PACE Loan	Up to \$500K	Up to 20 yrs	Not to Exceed 5.99%	Secured by a special assessment and corresponding lien on the subject property	Within 60-90 days of application submission	\$35K - \$150K: Cat. 2 \$150K - \$500K: Cat. 3
Energy Project Accelerator (Energy PAL)	Up to \$500K	2-10 years	Tax Exempt: Not to Exceed 4.99% Non-Tax Exempt: Not to Exceed 5.99%	UCC-1 Filing on the Equipment	Within 2 weeks of application submission	\$10K - \$35K: Cat. 1 \$35K - \$150K: Cat. 2 \$150K - \$500K: Cat. 3
LED Lighting Loan	\$10K to \$500K	Up to 36 months	3.45%	UCC-1 Filing on the Equipment	Within 2 weeks of application submission	\$10K - \$35K: Cat. 1 \$35K - \$150K: Cat. 2 \$150K - \$500K: Cat. 3

BUSINESS MODEL

Innovative nonprofit structure enables NMCIC to accelerate financing in sustainable infrastructure through public investments and initial seed capital



How we got here

Time Critical

- EPA's \$27B Greenhouse Gas Reduction Fund (GGRF)
 - Applications released June/July 2023;
 - Proposals due October 12, 2023;
 - Awards by March 2024;
 - Funding expected to be released in July 2024.
- Creation of the NMCIC 501(c)3 needed to happen before applying
- Application for NM nonprofit and 501(c)3 nonprofit status to be completed within 6 months to be ready for applications

EPA's Greenhouse Gas Reduction Fund (GGRF)

Funding objectives:

- reducing GHG and air pollution in low-income and disadvantaged communities
- mobilizing and stimulating private capital in clean energy financing

NCIF
\$14
BILLION

- Capitalize National Energy Bank to catalyze clean technology projects around the country
- 2-3 national nonprofit recipients

CCIA
\$6
BILLION

- Build clean financial capacity among community lenders for LI communities
- 2-7 regional nonprofit hub recipients, sub awardees organized by EPA region

SFA
\$7
BILLION

- Expand investment in residential and community solar for LI communities
- 60 grants to states, tribes, and municipalities

Unprecedented opportunity for clean energy financing, funded through the Inflation Reduction Act (IRA)

- NMCIC established partnerships locally and nationally
- Working with local partners to form project pipeline
- Approx. 70% funding to benefit LIDAC

Timeline

Phase 1: Incubation - Project of CSCNM (Apr - Nov 2023)

- **CSCNM** members and the **Governor** supported project to create non-profit NMCIC
- Jointly developed **legal documents** and **governmental structure**, ensuring State participation
- Filed **nonprofit applications**
 - June: NM nonprofit public corporation approved
 - Sept: 501(c)3 application filed with IRS
- Explored **strategic partnerships**
- Established **logo, website** and other communications materials
- Applied as partners for **IRA funding** (*primarily for investments, not operations*)
- **Energy Foundation Grant: \$100k** provides support to CSCNM to develop NMCIC
- **Governor's Press Conference** announced the launch of NMCIC (Oct 13)

Timeline

Phase 2: Pre-Operational - Non-profit with CSCNM assist and SFCF fiscal agent

(Nov 2023 - June 2024)

- Establish Board **Nominating Committee**: Governor and CSCNM
- **Develop Board**: Vet and appoint from initial board nominations (5-11) including 2 ex-officio members from the State
- **Board** develops governance structure and committees
- **Secure funding**: \$1.5M for 3yrs initial staffing (CEO/CFO) and \$20M to ensure 5 years of operations and investments.
- National **CEO Search**
- Board hires **CEO**
- Determine **financial institution** for deposits post-SFCF

Timeline

Phase 3: Operational (by June 2024)

- CEO builds team, operational plan, physical office.....
- NMCIC develops loan portfolio in partnership with CCEF
- Prepares for GGRF-funding - tailor loan products to NM low-income needs

QUESTIONS?

THANK YOU!

For more information:

www.nmclimateinvestmentcenter.org

beth@bethbeloff.com

cecasillas@gmail.com