



Building Upgrade Finance

Create a sustainable future for
your municipality

Scott Bocskay, Chief Executive Officer



Who are we?



Shared services for councils (Central Facilitator):

- Launched in 2016
- Enabling Councils to offer EUAs, open to all lenders, cost effectively since 2010
- Work with Councils, lenders and businesses to demonstrate value of EUAs and grow the market place in Victoria

Lender:

- Investor in innovative approaches to achieve 'sustainability' outcomes since 2002
- Work with customers to identify the commercial opportunities in 'sustainability' through EUAs

Our Achievements – Since 2016

1. Established EUA program for **18 councils** across Victoria
2. Facilitated **32 EUA** projects
3. Generated over **\$22.7 M** investments
4. Enabled over **\$2.8M annual savings** for businesses
5. Enabled reduction of **over 14,000 tonnes annually** of greenhouse gas emissions

Creating Open Markets – Participating Lenders

Better Building Finance,
as a central facilitator,
creates open and
standardised markets



What is BUF?

Building Upgrade Finance

South Australia

1. Is a loan, provided by a lender;
2. secured by a **Building Upgrade Charge (BUC)**, with;
3. repayments collected through the local Government Council Rates, and;
4. Is documented by an **Building Upgrade Agreement (BUA)**.

Environmental Upgrade Finance

Victoria, New South Wales

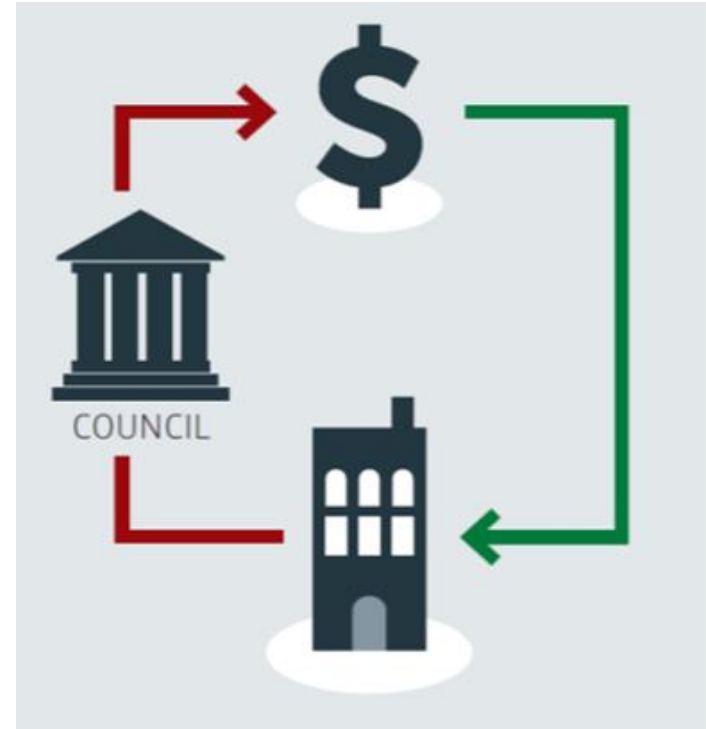
1. Is a loan, provided by a lender;
2. secured by a **Environmental Upgrade Charge (EUC)**, with;
3. repayments collected through the local Government Council Rates, and;
4. Is documented by an **Environmental Upgrade Agreement (EUA)**.

Parties to a BUA - Roles and Responsibilities

Building Owner – define the project, apply for finance, repay the loan (BUC)

Lender – conduct financial due diligence, provide the funding (loan)

Councils – register and maintain security of the loan and levy BUC and collect payments



What is BUF - Policy Intent

Building Upgrade Finance

1. Improvements to buildings that delivery positive environmental outcomes
2. Heritage Upgrades and disability access




Environmental Upgrade Finance

1. Improvements to buildings that delivery positive environmental outcomes

Who Can use BUF?

- Originally targeted at Commercial Office
- Retail, Manufacturing, Agriculture plus more

What are the Benefits? Business:

 New Capital	<ul style="list-style-type: none">• 100% Finance – including hard and soft costs• Long term – Enhances cash-flow• New capital available to your business
 Secure	<ul style="list-style-type: none">• no additional security required or guarantees (eg: PPSR, Dir. Guarantees)• can be transferred to new owners• no acceleration of charge upon sale/overdue charges (SA does)
 Simple	<ul style="list-style-type: none">• Overcomes split incentive• Ability to pass onto tenants• Simple, no need to update lease

What Are the Benefits? Council:

	<ul style="list-style-type: none">• Attract investments and stimulate economic activity with private sector funding
	<ul style="list-style-type: none">• Prevent capital leakage from communities
	<ul style="list-style-type: none">• Contribute to emissions reductions for your region
	<ul style="list-style-type: none">• Create affordable opportunity for business to address rising energy costs



Creating your BUF Market



Legislative Framework

Legislation required to enable Councils to enter into an BUA, declare the charge, levy and collect the payments.

- Amendment to Local Government Act
- Must describe minimum local government involvement
- Must include existing mortgagee considerations
- Must include tenant pass through criteria
- Should encourage standardisation of the program
- Keep it Simple

Program Establishment

Key Considerations

- Set up and administration costs
- Administrative framework
- Funding partners
- Program guidelines
- Strategic partnerships
- Market demand
- Eligibility and approval process
- Risk Management and mitigation

Standardisation – Why is it important?

Makes it easy stakeholders across multiple jurisdictions to participate, essential for a liquid market

Building Owners	multiple properties across jurisdictions need to be familiar with only one process
Lenders	one product can be utilised across all jurisdictions, transactions costs are lower and easier to benchmark and evaluate comparable projects
Contractors	working across multiple jurisdictions need to understand one process only, lower transaction costs
Local Governments	able to utilise tested and proven process, reduce risks and lower establishment and administrative costs.

Lessons Learned

- Standardisation delivers results
- Large, open market is needed
- Simplicity is key
- Launch and wait does not work
- Majority of the projects are in the \$75K-\$750K range
- Service providers and contractors buy in is critical for uptake
- Clarity of roles is essential
 - **Building owner** - develop projects
 - **Lender** - assess credit risks and provides debt
 - **Council** - Registers and maintains the security interest and collects the charge



Building Upgrade Finance

Create a sustainable future for
your municipality

Scott Bocskay, CEO

scott.bocskay@sustainablemelbournefund.com.au

+61 3 9658 8740