



SmartBuildings Loans Program Loan Requirements

The Economic Development Corporation of the City of Detroit (EDC), together with Detroit Development Fund (DDF) is offering an energy efficiency loan product to small commercial customers.

PROGRAM DETAILS

To participate in the program, a project must satisfy the program requirements outlined below.

Loan Type and Amount

Loans between \$50,000 and \$150,000 are available for commercial properties seeking to install energy saving improvements.

Eligible Properties and Improvements

SmartBuildings Loans must finance eligible energy-saving improvements in commercial buildings in Detroit that are owned or occupied by nonprofit organizations or for-profit entities including, but not limited to, grocery stores, restaurants, civic organizations, minority-owned businesses, low-income housing developers, etc.

Energy saving improvements could include –

- Building Enclosures - Insulation and weatherization, glass replacement.
- Building Systems – Lighting and electrical, HVAC, low flow water/plumbing.
- Alternative Energy Generation - Solar panels, geothermal, wind, & water systems

Ineligible businesses:

Businesses located outside of Detroit city limits, Churches, start-ups, adult entertainment, event promoters, Night clubs (establishments that serve alcohol having no kitchen), home-based businesses, liquor stores, smoke shops, gas stations, businesses with fewer than 1 employee, and other businesses that, in either EDC or lender's judgment, do not assist either EDC or Lender in the furtherance of their respective community economic development objectives are not eligible for SmartBuildings Loans.

Interest Rates and Fees

SmartBuildings Loans will be offered at an initial interest rate of 2.99 percent per annum. The interest rate offered may change during the term of the program but will not exceed a fixed rate maximum of 5.99 percent per annum. SmartBuildings Loans have a fixed rate of interest with no prepayment penalty. The interest rate will be determined once a complete application is submitted. A maximum fee of 1 percent of the loan amount or \$500, whichever is greater, can also be charged, in addition to lenders out of pocket expenses.

Length of Loan

SmartBuildings Loan terms will be not to exceed 7 years. Debt service should, when practical, not exceed forecast energy savings as determined by third party analysis.

Loan Origination, Closing, and Servicing

DDF will originate and service all SmartBuildings Loans. Up to four draws may be made on the loan, no more than one per month (see below for process details), final payment to the contractor will not occur until the work is completed, the borrower and contractor have signed and submitted an EDC certificate of completion, and a third-party has conducted an on-site inspection to verify the installations.

Underwriting

Lender will evaluate historic business and personal tax returns as well as financial statements in an effort to identify a reliable source of repayment for the loan in addition to the forecast energy savings determined by third party analysis. Lender will seek personal guarantees when practical as well as additional collateral (except for personal residences) for program loans in a way that generally conforms with its standard for non-program loans.

LOAN APPLICATION PROCESS

Loans will be made available through DDF on a first-come, first serve basis until all funds are obligated. DDF will originate and service the loans and provide the loan capital.

Loan application and approval process:

1. **Application:** Complete a loan application (attached)
2. **Assessment:** Once it is determined that a project is viable for financing, a third-party energy assessment entity will visit project site to perform a basic energy audit including the energy savings estimates.
3. **Installation:** After the loan is closed, the contractor(s) selected by the customer will install the improvements.
4. **Documentation of completion:** Customer and contractor will sign an EDC Certificate of Completion form when the work has been completed and submit the form to the EDC.
5. **Site Inspection:** After the Certificate of Completion is received, the EDC will request a site inspection to be performed by the third-party energy assessment entity. Upon receiving confirmation of the passed site inspection, the EDC will notify DDF to release final payment.
6. **Payment of loan proceeds:** Customers may request up to four draws on the loan over the course of project installation, but not more frequently than once per month. See details below. Upon receipt of the Certificate of Completion, DDF will release final payment to the contractor(s). In some cases, the payment may be made directly to the customer.

Multiple Draws Process

Customer may solicit up to four draws on the amount of the closed loan. Each draw will be based off percentage of completion as determined by the lender. Customers may request an initial draw up to 5% of the total project, at the lenders discretion, to purchase general materials for building upgrades. If purchasing equipment, customers may request a draw for the full amount of the deposit required to place a purchase order.

1. For each draw, the borrower will need to submit specification sheet or purchase order documenting the expense incurred, and a completed draw request form.
2. Except for initial draws for materials or equipment, the borrower will forward the specification sheet to the EDC, with a copy to the lender. The EDC will request a site inspection to confirm percentage of completion and send report and completed and signed draw request form back to DDF.
3. Upon receipt of EDC's report and draw request, the lender will process disbursement to be provided via check or wire directly to the borrower. Disbursement will be provided based on what the project manager reports as the percentage of completion (25% complete = 25% disbursed). A notarized Sworn Statement must be submitted for each draw request.
4. No more than 80% of the full loan can be disbursed without a signed Certificate of Completion from the customer.
5. With the final draw request, the borrower will need to send the signed Certificate of Completion to the EDC to prompt ordering of the final inspection and complete the final draw of funds.