



PROPOSAL

Three-year seed grant proposal requested by the LWB City Commission and customized with staff.

Doug Coward

Executive Director



Background:

SELF is a nonprofit green bank (“Loan Fund”) certified as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury. The CDFI Fund plays an important role in generating economic growth and opportunity in some of our nation's most distressed communities by offering tailored resources and innovative programs that invest federal dollars alongside private and philanthropic capital. The CDFI Fund serves mission-driven financial institutions, such as SELF, which take a market-based approach to supporting economically disadvantaged communities.

SELF is the first and only nonprofit green bank in Florida and one of the few green banks in America focused on helping low- and moderate-income (LMI) residents. SELF is one of the few CDFIs in America that offers unsecured personal loans to homeowners to advance energy efficiency, resilience, solar, and more. SELF started out as a pilot program in St. Lucie County, Florida in 2010, and has since grown to four (4) states, including: FL; AL; GA; and, SC. SELF has expanded rapidly over the last 4 years and opened up new satellite programs in St. Petersburg, Tampa, Orlando, Atlanta, and Miami-Dade County.

As a 501.c.3, SELF has partnered with more than a dozen local governments in multiple regions and states to seed the organization and grow our organizational capacity. SELF serves as an **“implementation tool”** for local, state, and the federal governments to achieve a variety of important goals and transformational impacts, most notably, energy equity, preserving and retrofitting existing affordable housing and making these homes safer, more resilient, more valuable and cost-effective, healthier, and more sustainable. SELF also strives to support generational wealth and local businesses and green jobs, including minority contractors.



SELF also has special programs for seniors, veterans, female heads of household, disabled homeowners, hurricane storm victims, and individuals with poor credit.





SELF's mission-driven lending programs provide **FINANCIAL INCLUSION**, by approving unsecured loans based on the applicant's ABILITY TO PAY, *not* credit scores. SELF fills an important financial gap in unbanked and underbanked communities and provides direct benefits to low- and moderate-income (LMI) homeowners as well as the contractors who perform the home improvement work. With an estimated 30-40% of the Florida population outside of traditional banking options, SELF's inclusive underwriting policies enable the organization to further penetrate LMI and BIPOC communities that need additional financing options for much needed home repairs and improvements. SELF also reports these loans to the Credit Bureau so our clients are building their credit scores as they pay off their loans. The home improvement projects also increase property value and home equity, and create stability and generational wealth for LMI families.

In order to fully appreciate the life circumstances of many of our clients and the subsequent impacts from SELF's small microloans, you need to meet Carol. She had just been discharged from the hospital after major back surgery, and when she arrived home, already uncomfortable, she learned her A/C was broken and the sweltering Florida heat and humidity were unbearable. Worse yet, as a widower who had not established much credit in her own name during her marriage, her low credit score prevented her from qualifying for traditional financing from banks or assorted financing available through most contractors. Carol was suffering and desperate for help to fill this financial gap, and fortunately her contractor recommended SELF. Despite her low credit score, Carol was found to be credit worthy with the ability to pay a loan for a small, energy efficient AC. Without SELF, she could not gain access to capital, and particularly not at market or even below market-rates. Carol was faced with either suffering the consequences of a broken AC or resort to predatory lenders for financing. SELF's mission is to knock down these financial barriers so more LMI homeowners can make fundamental repairs and upgrades to their homes and take advantage of the fast-emerging clean energy economy – both as homeowners and local businesses and entrepreneurs. SELF will lend to any qualified homeowners, but we generally focus on those individuals with few other financing options. Below is a picture of Carol as she was informed that she had been approved for a SELF loan and a new AC would be installed the next day.



Types of Improvements:

SELF finances much more than just solar technologies, including a broad array of sustainable building practices and technologies. Many LMI neighborhoods and buildings consist of older housing stock which typically need more fundamental repairs (e.g., weatherization, AC, roof) before being considered “solar-ready”. SELF provides affordable and accessible financing options for sustainable home improvement projects and helps guide homeowners through contract-vetting, pricing, and steps for energy conservation and efficiency, resilience, and clean energy (based on energy audits and more than a decade of experience). SELF would also work hand-in-hand with the City Utility’s energy auditing program to help local homeowners implement these identified priorities. Here is a summary of the broad types of sustainable home improvements that SELF finances:



SELF typically finances high efficiency ACs and Roof repairs and replacement, which are fundamental home improvement projects needed every 10-15 years. These projects advance energy efficiency and resilience and help make homes solar-ready. SELF also finances a variety of solar technologies, water and sewer conversions, disability and aging in place, electrical and plumbing repairs, health-related projects, and more. These sustainable home improvement projects build home equity, increase comfort, health and livability, and reduce operating costs, vulnerability to storms, and carbon footprint.

Results:

Over the last 12 years, SELF has financed more than 3,000 sustainable home improvement projects totaling more than \$30 million, with an impressive 74% LMI penetration rate and 2% default rates. SELF has helped nearly 10,000 people so far and, in the process, become a national leader in energy equity. SELF has also fostered more than \$30 million of clean economic development activity for our 900+ participating contractors (i.e., green jobs) with the majority of these projects located in partnering jurisdictions in the Treasure Coast, Gulf Coast, and Central Florida regions.



Seed Grant Proposal:

SELF is honored that the City of Lake Worth Beach is interested in potentially partnering with our non-profit organization to achieve more energy equity, clean energy, and resilience in the City's Utility Service Area. As a follow-up to SELF's previous submittal to the City regarding Partnership Opportunities, city staff subsequently requested a proposal for Option 3, which includes full-time assistance for \$100,000 per year for three (3) years ("seed-grant").

If approved, SELF would use the seed grant to grow our organizational capacity and to leverage outside expertise and affordable loan capital to better serve local property owners and contractors. More specifically, SELF would use the majority of the seed grant to **hire a fulltime loan officer** who would serve as the program manager for the City initiative. This individual would ideally be local and they would work with local clients, local contractors, participate in community events, and collaborate closely with the City and Utility to establish, launch, and expand a new satellite office. A portion of these funds would also be needed for marketing/marketing collateral, office supplies and equipment, fintech and licensing expenses, travel expenses, loan loss reserve fund, and other related costs.

The first step of such an Agreement would include a 90-day ramp-up period with the most pressing issue being the selection of the Program Manager (i.e., Loan Officer) for the City of Lake Worth Beach. SELF would strive to work with local entities to help recruit the best possible local person for this position. The ramp-up period also provides SELF with adequate time to finalize system upgrades, equipment purchases, on-boarding and training of new staff, and to start collaboration with City and Utility.

The entire SELF team, currently 19 staff persons with decades of experience, will also support the new full-time LWB Program Manager, including: Executive Director, Chief Financial Officer, Chief Operating Officer, Operations Manager, Underwriting, Marketing, Accounting, and more.

As a part of Option 3, SELF typically commits to raising \$2-3 million of low-cost and accessible loan capital to deploy locally through our Green Home Loan programs over the subsequent three (3) years; however, the City of Lake Worth Beach is notably smaller than our previous partners so we don't want to overcommit or over promise our results in the City of Lake Worth Beach. SELF is willing and able to raise these funds if there is sufficient demand in the local community; but we caution against raising expectations too high. For example: In Pinellas County, SELF was able to complete \$2.42 million of projects over the first three (3) years and has now reached \$3.4 million of projects in 4.5 years. Pinellas County has nearly 1 million people, so the City of Lake Worth Beach is less than 5% of its size. Most importantly, SELF will need strong and on-going support from the City and Utility to assist with community awareness and outreach and contractor recruitment to help make this partnership successful and enduring.

Other Grant Opportunities:

If the City is interested in forging ahead with this ambitious plan to more deeply penetrate LMI markets, then we strongly recommend coupling our low-cost and accessible green financing programs with existing and new grants to the greatest extent feasible. Very low income homeowners will need grants, low income homeowners will need mini-grants to reduce the overall cost of these projects and therefore make



them more affordable via SELF loans, and moderate income homeowners have the ability to pay if they can access affordable financing. SELF would strongly recommend close consideration of CDBG, SHIP, and other grant programs to further assist low-income homeowners. With the passage of the historic \$370 Billion Climate Bill, SELF would also commit to work with the City and Utility to try and secure additional low-cost capital and grant funds. There is an estimated \$60 Billion specifically earmarked for Energy Equity, and SELF is well positioned to assist the City and the utility with these opportunities.

Additional Lending Products:

This proposal focuses primarily on green home loans, but SELF has also created additional lending products which may also be applicable in the City of Lake Worth Beach, including: septic-to-sewer conversion loans, special loans for hurricane victims and disabled homeowners, working capital loans for small contractors via our partnership with NDC (national CDFI), new landlord loans to help renters in high energy burden areas, and gap financing for affordable housing projects. These new lending programs are designed to help achieve a broader array of sustainable building practices and rehabilitate existing affordable housing units and build new affordable, resilient and sustainable affordable housing units. SELF is open to exploring all of these additional lending products in the City's Utility Service Area.

Contractor Recruitment:

SELF has over 900 businesses in our 4-state contractor network, and these companies have indicated they lose about 20-40% of their potential projects because homeowners cannot qualify for traditional financing, which is based largely on credit scores. SELF's inclusive underwriting policies help more LMI homeowners qualify for much-needed affordable financing, and typically saves our clients 10-20% on their interest rates, compared to credit cards at 20-30%. SELF's inclusive lending programs fill a critical financial gap which helps more LMI homeowners cost-effectively complete much needed home improvement projects, while simultaneously creating more jobs for local contractors.

SELF also does *not* charge dealer fees to contractors in order to secure financing for their projects; which private financiers typically charge an extra 10-20%. SELF inclusive financing programs help open up new LMI markets to participating contractors and reduces the cost of their projects, which makes them more competitive and provides better pricing to SELF clients. Once a local company has been prescreened and approved to join the SELF contractor network, they can use our inclusive financing to grow their businesses throughout the city, county, region, and/or state, and these extra-jurisdictional impacts will create meaning economic benefits to local participating contractors from the City of Lake Worth Beach.

As a part of this proposal, SELF and the new loan officer would focus on building a network of local contractors to help launch, grow, and sustain the new satellite office in the City of Lake Worth Beach. SELF and the new loan officer would work diligently with the City, trade groups, builders' associations, and many others to recruit local general contractors, roofers, HVAC and solar companies, and much more. SELF is also working with the U.S. Minority Contractors Association (USMCA) and their Florida Chapter to recruit more minority contractors. One of the primary goals of this proposal is to build the local contractor network because they generate the majority of our projects.



Summary:

As a part of this proposal, the SELF team would focus on scaling the green home loans program in the City's Utility Service Area, with a focus on LMI homeowners and local contractors. SELF would commit to raising up to \$1.5 million in low-cost loan capital over the first three (3) years, and possibly more if there is sufficient demand and/or additional opportunities evolve through SELF's other loan products. SELF will also finance extra-jurisdictional projects generated by and benefitting local participating contractors.

The SELF team would also be available to assist with additional grants and resources from the Climate Bill and other grant programs to further advance energy equity in the City's Utility Service Area.

The Seed grant would be used generally by SELF as follows:

- Program Manager/Loan Officer (60-70%)
- Marketing/Marketing Collateral (10-15%)
- Equipment/Fintech/Licenses (5-10%)
- Loan Capitalization/Underwriting/Servicing (5-10%)
- Strategic Support from SELF HQ (5-10%)
- Loan Loss Reserve Fund (5-10%)
- Travel Costs (<5%)

SELF would also need critical in-kind support from the City of Lake Worth Beach and the Utility for on-going community outreach to property owners and local contractors. SELF will also need occasional use of an office space for private consultations with local clients and public meeting spaces for assorted community and contractor recruitment events.

Please see attached (draft) Agreement and Scope for further details and consideration.