

## **4 ENVIRONMENTAL UPGRADE FINANCING (EUF) PROGRAM**

FILE REFERENCE INT1855569

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### **RECOMMENDATION**

That Council resolves to:

- Support participation and establish the Environmental Upgrade Financing Program,
- Appoint the Sustainable Melbourne Fund to administer and support the delivery of Environmental Upgrade Agreements.
- Delegate to the Chief Executive Officer the power to enter into an Environmental Upgrade Agreement on behalf of the Council and the power to declare and levy an environmental upgrade charge.

### **Attachments**

- 1 Summary of Environmental Financing agreement 1 Page
- 2 Instrument of Delegation to Chief Executive Officer 1 Page

### **EXECUTIVE SUMMARY**

The Sustainable Melbourne Fund's Environmental Upgrade Financing (EUF) program offers accessible and affordable financing on environmental upgrades for the business community. An agreement between a property owner, a bank and local government is established to finance building upgrades that support direct environmental outcomes. The EUF program allows owners of commercial and industrial buildings and properties to access finance for energy, water and waste efficiency projects that will reduce operating costs and environmental impacts. The EUF agreements offer 100% project finance, very competitive interest rates and long-term financing schemes to businesses.

### **BACKGROUND**

EUF agreement brings together a non-residential property owner, a financial institution and local government to facilitate building upgrades that improve the environmental performance of an existing building. EUF agreements address an important cash flow consideration typical in commercial property ownership. Council has received expressions of interest from Gumbuya Park, the VFF chicken meat President and a business in the Ranges ward, to participate in the EUF program. There are 18 other Councils participating in the program including Mornington Peninsula Shire and Greater Dandenong Council in the SECCCA. Participation in the Environmental Upgrade Financing program would come at no upfront cost to Council.



Where there are tenants leasing a property, EUF allows tenants to contribute to the costs of the upgrade and share in the benefits with the property owner. Unlike other alternative finance options, EUF agreements allow tenants to contribute financially to the project where it makes sense to do so and help shape the project to best suit their needs. By supporting the implementation of EUFs, Council will be taking steps towards assisting businesses in the Shire to access attractive financing towards improving their buildings and reducing the operational environmental footprint.

Key benefits of EUF Agreements include:

- Overcome structural and market barriers: Specifically the split-incentive barrier (between owners and tenants) by enabling the costs and benefits of an upgrade to be shared with the building occupiers. Building owners and tenants are able to pay back the loan while benefiting from lower operating costs of a more resource efficient building and plant. If ownership or tenancy rights change, the new owners take up the loan and repay it in addition to their rates. Without this system, businesses have a disincentive to invest in efficiency because they may move premises before paying off the loan.
- Low Cost Abatement: Upgrading buildings delivers savings on utility and/or waste disposal bills, driving down the overall cost to business while also reducing the impacts of climate change.
- Reduce Financial Risks: EUF Agreements unlock private investment in local communities. Consequently, there is negligible financial risk to Council's budget given the loan is secured on the property and repaid by the owner.
- Complementarity: EUF agreements can work with any grants/subsidies available for projects through local, state or federal government departments to enhance the business case for a building retrofit. As such, EUFs are a means of attracting further investment into local communities.

The Sustainable Melbourne Fund (SMF) designed and implemented the EUF program for the City of Melbourne, the first Australian municipality to offer EUFs. They are now the Third Party Administrator (TPA) for the EUF program, engaging actively with the finance and property sectors as a trusted intermediary for building owners.

The role of the Sustainable Melbourne Fund is to:

- Establish the EUF program for municipal government.
- Act as a trusted intermediary to implement the program on behalf of Council.
- Provide ongoing monitoring and reporting.

As of 9 September 2015 legislation passed by the State Government allowing all Victorian Councils to offer EUF agreements to their business community. EUF affords an excellent opportunity for Council to collaborate with businesses within the municipality to reduce their operating costs,

improve the asset value of commercial building stock and create more resource efficient enterprises.

## **POLICY IMPLICATIONS**

The EUF program is directly in line with an action in the Aspirational Energy Transition Plan related to renewable energy financing, supporting energy efficiency and reducing greenhouse gas emissions amongst the business community. Furthermore, EUF provides an opportunity for Council to facilitate increased economic, employment and environmental outcomes throughout the municipality.

This program has the potential to help realise the vision of the Waste and resource recovery strategy (2017-26), which is to ".produce improved environmental benefits and amenity for our community. (Where) Council will collaborate with others in the region to advocate for and facilitate improved services and outcomes for our diverse and distinctive Shire."

## **RELEVANCE TO COUNCIL PLAN**

### **3.3 Enhance Natural Environment**

- 3.3.1 Adapt to the impacts of climate change by working in partnership with the South East Councils Climate Change Alliance and both Australian and Victorian governments.
- 3.3.3 Reduce Council's energy consumption and help the community to do likewise.

### **4.1 Increased business diversity in Cardinia Shire**

- 4.1.2 Support the development of existing and new businesses within the shire.
- 4.3.3 Advocate for the delivery of small and large-scale projects that enhance and drive economic activity

## **CONSULTATION/COMMUNICATION**

Internal consultation has taken place with the Economic Development unit and General Manager Corporate Services. All feedback received has been supportive.

Ongoing consultation has taken place with representatives from the Sustainable Melbourne Fund. Council has been seeking an interested business keen to participate in the program. Expressions of interest has been received from Gumbuya Park, the VFF chicken meat President and a business in the Ranges ward, to participate in the EUF program and invest in environmental upgrades.

## **FINANCIAL AND RESOURCE IMPLICATIONS**

Participation in the Environmental Upgrade Financing program would come at no upfront cost to Council. The Sustainable Melbourne fund and their partner financial institutions would bare the direct cost of the environmental upgrades. Council's rates team would be involved in levying the environmental upgrade charge through rates payments to recoup the cost of the upgrades on behalf of the financial institution. General Manager Corporate Services has provided support.

## **CONCLUSION**

Participation in the Environmental Upgrade Financing program will enable businesses in the Shire to access financing from the Sustainable Melbourne fund for environmental upgrades to improve water, energy and waste efficiency.

The EUF program presents an opportunity to support business in Cardinia to improve the operational efficiency and reduce their environmental footprint.

TABLE 1: SUMMARY OF THE EUAS SIGNED SINCE SEPTEMBER 2017.

Year (FY)	Project Value	Project Type	Industry Sector	Solar System size
2017	\$ 1,800,000.00	Building Upgrade (EE)	Commercial Office	30
2017	\$ 89,701.20	Renewable Energy	Manufacturing	60
2017	\$ 616,550.00	Renewable Energy	Manufacturing	300
2017	\$ 561,925.04	Renewable Energy	Manufacturing	365
2017	\$ 762,686.22	Renewable Energy	Commercial Office	192
2017	\$ 61,551.88	Renewable Energy	Hospitality, Leisure & Entertainment	34
2017	\$ 95,729.41	Renewable Energy	Hospitality, Leisure & Entertainment	54
2017	\$ 119,785.67	Renewable Energy	Agriculture, Forestry and Fishing	100
2017	\$ 54,505.05	Renewable Energy	Commercial Office	49
2017	\$ 112,850.38	Renewable Energy	Manufacturing	100
2017	\$ 49,343.00	Renewable Energy	Agriculture, Forestry and Fishing	28
2017	\$ 131,691.32	Renewable Energy	Hospitality, Leisure & Entertainment	100
2017	\$ 81,344.91	Renewable Energy	Manufacturing	49
2018	\$ 35,519.63	Renewable Energy	Manufacturing	30
2018	\$ 28,592.98	Renewable Energy	Hospitality, Leisure & Entertainment	14
2018	\$ 95,902.45	Renewable Energy	Manufacturing	100
2018	\$ 690,542.18	Renewable Energy	Manufacturing	391
2018	\$ 772,293.93	Renewable Energy	Manufacturing	430
2018	\$ 149,102.38	Renewable Energy	Hospitality, Leisure & Entertainment	99
2018	\$ 167,595.31	Renewable Energy	Manufacturing	99
2018	\$ 132,080.01	Renewable Energy	Retail Trade	65
2018	\$ 90,268.58	Renewable Energy	Agriculture, Forestry and Fishing	35
2018	\$ 4,020,652.50	Water Efficiency	Transport, Postal and Warehousing	N/A
2018	\$ 24,283.60	Renewable Energy	Commercial Office	30
2018	\$ 2,000,000.00	Blended (EE/RE)	Commercial Office	N/A
2018	\$ 101,883.75	Renewable Energy	Accommodation and Food Services	8
2018	\$ 106,911.25	Renewable Energy	Retail Trade	99
2018	\$ 60,647.19	Renewable Energy	Transport, Postal and Warehousing	53
2018	\$ 75,624.11	Renewable Energy	Commercial Office	20
2018	\$ 21,505.85	Renewable Energy	Commercial Office	10
2018	\$ 85,499.75	Renewable Energy	Agriculture, Forestry and Fishing	100
2018	\$ 69,093.75	Renewable Energy	Agriculture, Forestry and Fishing	30
2018	\$ 96,282.61	Renewable Energy	Agriculture, Forestry and Fishing	40
2018	\$ 942,866.92	Renewable Energy	Agriculture, Forestry and Fishing	505
<b>Total 34</b>	<b>\$14,304,812.82</b>			<b>3.6MW</b>

**CARDINIA SHIRE COUNCIL**  
**INSTRUMENT OF DELEGATION**

1. This Instrument has been authorised by a resolution of the Cardinia Shire Council (“the Council”) on 20 August 2018.
2. This delegation comes into force immediately the common seal of the Council is affixed to it.

Pursuant to section 181H of the *Local Government Act 2001*, the Council delegates to the Chief Executive Officer, or the person from time to time acting in that position, the power to:

- enter into an environmental upgrade agreement on behalf of the Council; and
- declare and levy an environmental upgrade charge.

The **COMMON SEAL** of the Cardinia Shire )  
 Council was hereto affixed in the presence of )  
 )  
 .....  
 Councillor

.....  
 Chief Executive Officer