



**SUSTAINABLE
AUSTRALIA
FUND**

ENVIRONMENTAL UPGRADE FINANCE (EUF)

**A SIMPLE AND EFFECTIVE WAY TO FINANCE
ENVIRONMENTAL WORKS**



ABOUT SUSTAINABLE AUSTRALIA FUND

Sustainable Australia Fund (SAF) is Australia's leading financier of loans that provide up to 100% of the capital needed by businesses wanting to upgrade their energy infrastructure and unlock efficiencies and environmental outcomes. This finance is then repaid through Council rates over periods of up to 20 years.

This is the only true environmental finance product on the market.

Originally established by the City of Melbourne Council in 2002, and known as the Sustainable Melbourne Fund, the Sustainable Australia Fund has been significantly recapitalised and scaled, ready to drive environmental upgrades across Australia.

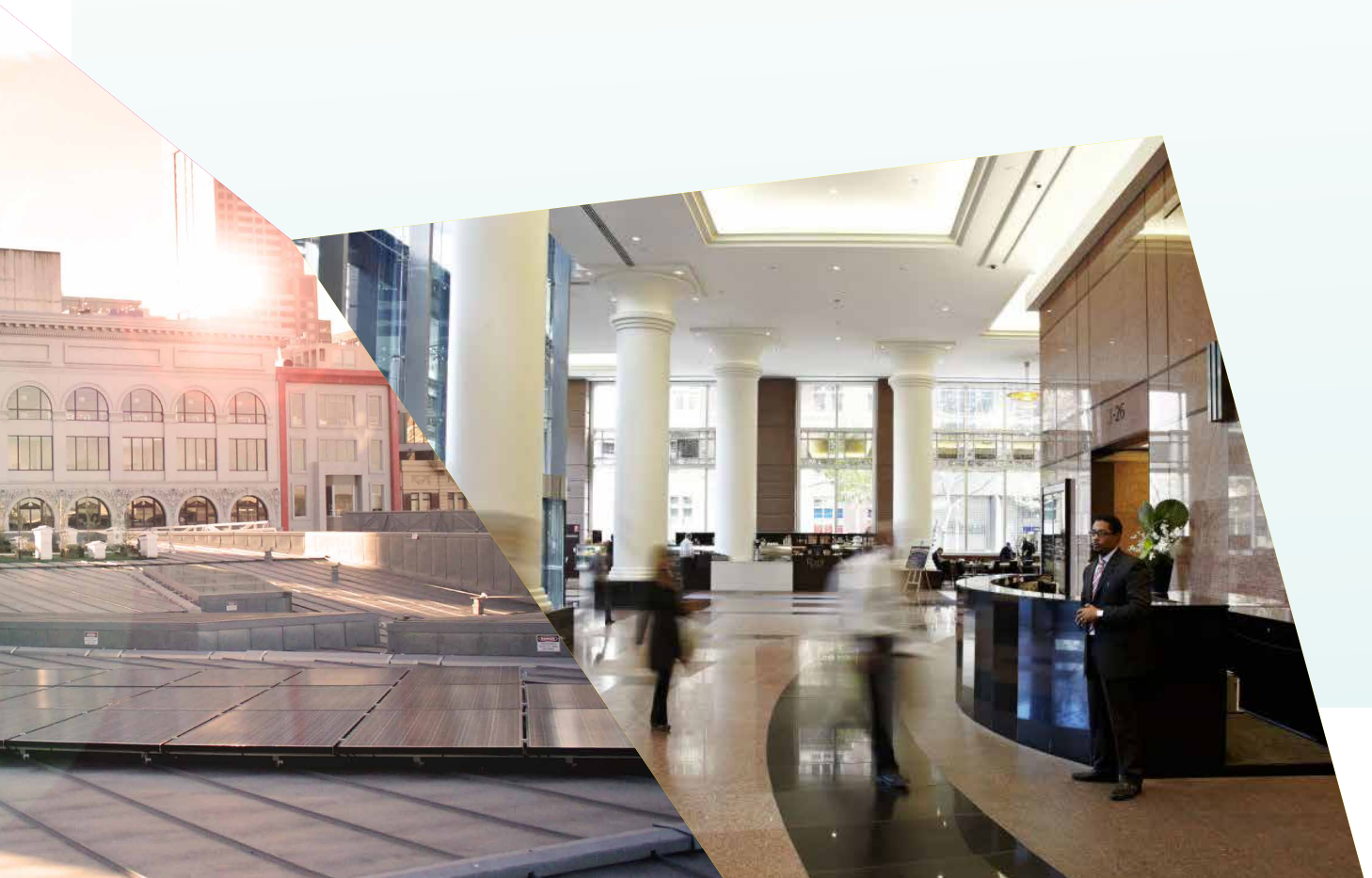
ENVIRONMENTAL UPGRADE FINANCE

Environmental Upgrade Finance (EUF) is a new and growing form of finance designed to make existing buildings better. It covers full project costs with favourable repayment terms that work for all types of businesses.

EUF enables owners and occupiers of non-residential buildings to overcome financial barriers to implement building upgrade activities. These upgrades can reduce operating costs and provide positive cash flows due to extended loan terms, where the savings exceed the repayments.

EUF was launched in Australia in 2010 by the City of Melbourne. Following an initial pilot of the program, the program was expanded across Victoria, and then into New South Wales and South Australia.

Every month more councils are opting in to the EUF program, giving businesses the opportunity to better finance to improve their buildings and their environmental impact.

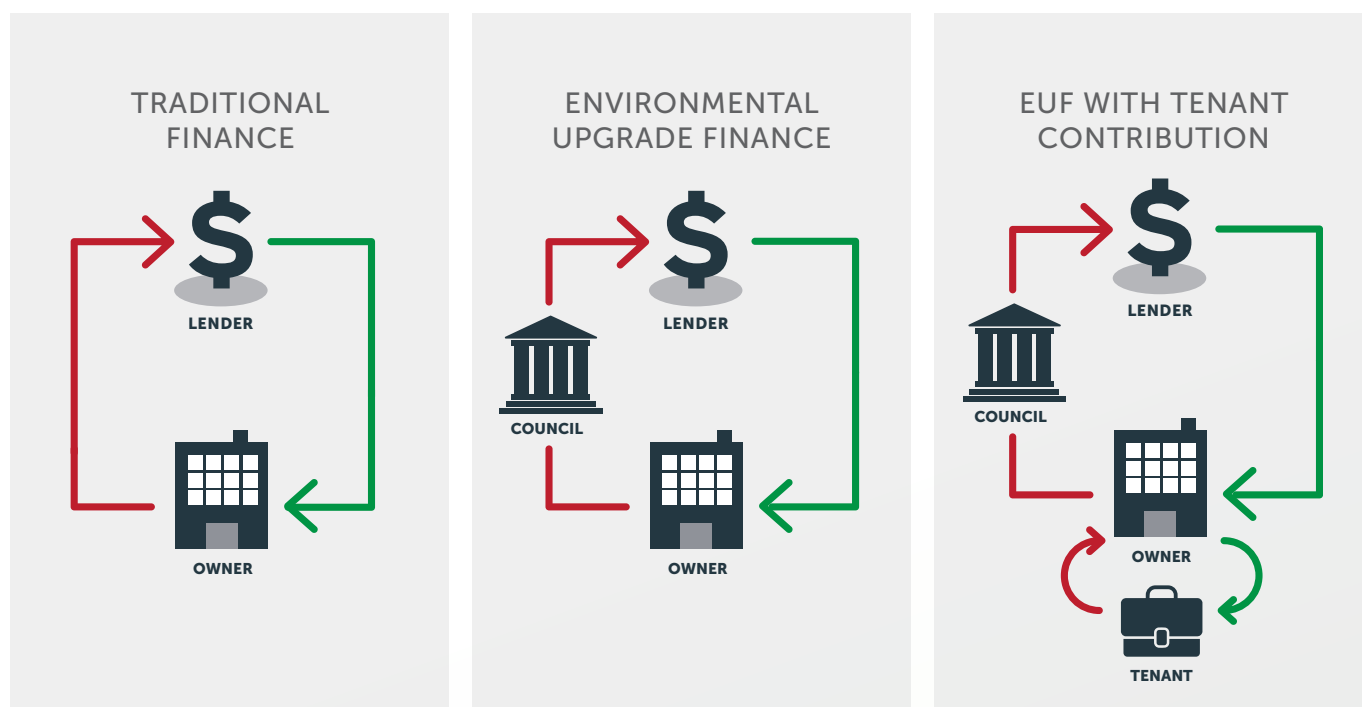




HOW DOES IT WORK?

Sustainable Australia Fund provides the upfront capital that businesses need to make sustainability improvements to their buildings.

That capital is then repaid through council rates, with an option for tenants to contribute to the repayments, while they enjoy cheaper energy from the upgrades.



Definitions:

Environmental Upgrade Finance (EUF) is a loan for environmental upgrades to existing commercial buildings.

The finance agreement between the building owner, local council and lender is called an **Environmental Upgrade Agreement (EUA)**.

Repayments are made by an **Environmental Upgrade Charge (EUC)** on your local council rates notice.



HOW IS IT DIFFERENT TO OTHER LOANS?

Environmental Upgrade Finance is a loan for building upgrades, with some important differences to other forms of finance:

- 100% project finance, including hard and softs costs
- Repayments are a statutory charge, collected through council rates
- If the property is leased repayments can be split between landlord and tenants
- Loan terms between 4 - 20 years allowing for cashflow maximisation
- No requirement for personal, business or other forms of security to be provided
- Fixed repayments amortised in full over term
- No balloon payments at the end
- No consent or approval required by existing financier on property
- Simple application process handled completely by our team

WHO CAN APPLY?

Any type of business operating on a non-residential property on rateable land can apply for Environmental Upgrade Finance, this includes Agriculture, Commercial Office Building, Tourism and Commercial and Industrial properties.

- Must be in one of the eligible council areas
- Must be primarily a non-residential property
- Must be on rateable land
- Building must not be owned through a self-managed super fund
- Must be an improvement to an existing building
- Works must have a quantifiable environmental benefit
- Minimum Loan size \$10K



WHAT WORKS CAN BE FUNDED?

Environmental Upgrade Finance can be used to support a broad range of works beyond just solar, waste, and water upgrades.

If the works improve the energy, water, environmental efficiency or sustainability and are attached to a building, it may qualify.

Finance can also be used for many of the auxiliary, soft and hard costs associated with building repositioning and upgrades.

Some popular examples include:

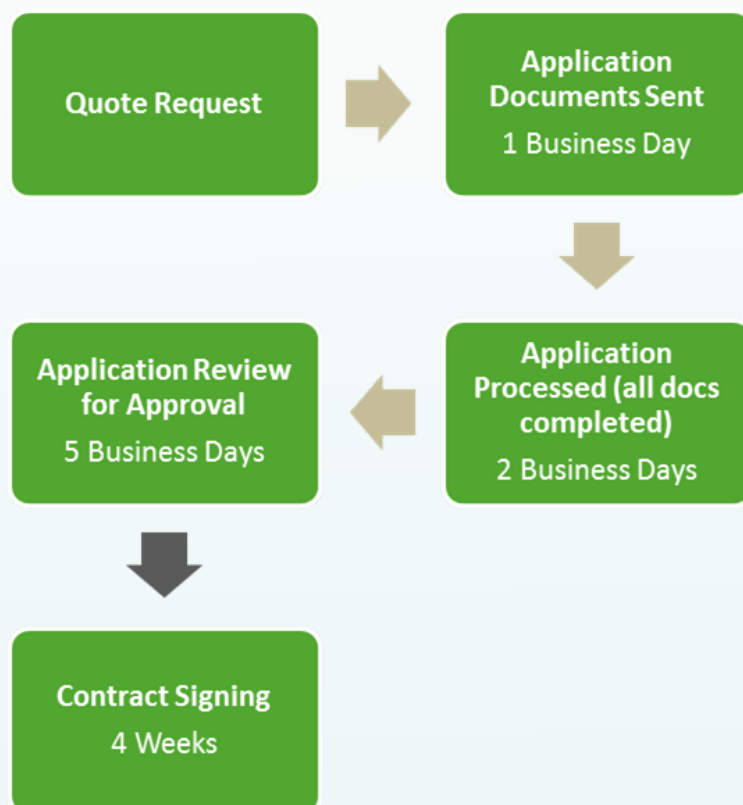
CLASS	ACTIVITY
Building Upgrades	Building fabric insulation upgrade
	Cool roof coating
	External solar shading
	Green roof installation
	High performance windows
	Reduce building infiltration / exfiltration
Energy source	Solar PV panels
	Reduced carbon on-site energy source
	Grid-connected renewable energy, with or without battery storage
	Solar thermal hot water
	Power factor correction
Lighting	Lighting control upgrades
	Lighting technology upgrade
Plant Upgrades	Drive and fan efficiency upgrades
	Duct testing and sealing
	Ducting and piping insulation
	HVAC efficiency via control upgrade
	HVAC technology upgrade
	Permanent high efficiency commercial appliances
	Permanent refrigeration upgrades
	Pool efficiency upgrades
Water	Blackwater system
	Greywater system
	Rainwater system
	Water efficiency measures



APPLICATION PROCESS

Sustainable Australia Fund make securing your Environmental Upgrade Finance easy and transparent. Our experienced team will work with you and all stakeholders to ensure your project suits your needs and runs smoothly.

Our team are on hand to discuss your project, and depending on the nature of your project, can fast-track your finance approval to meet to below timeframes.





WHAT DOES THE REPAYMENT LOOK LIKE?

Repayments for Environmental Upgrade Finance are made via a new Environmental Upgrade Charge, sent out by your local council.

Tax Invoice

Brimbank City Council
PO Box 70
SUNSHINE VIC 3020
ABN 35 915 117 478

Brimbank City Council

Environmental Upgrade Agreement Charge Notice
Rates and Charges for the Period 1/07/2017 to 30/06/2018

Office Use Only
Type: [REDACTED]
Acct: [REDACTED]
Ref: [REDACTED]

Enquiries
Phone: 03 9249 4000
Fax: 03 9249 4351
TTY: 03 9249 4999

Account No: [REDACTED]
Date: 01/02/2018

Property Location: [REDACTED]
Title: [REDACTED]
EUA Reference: [REDACTED]

Assessment No.: [REDACTED]
Period of Agreement: 28/02/2018 - 30/11/2024
Penalty Interest %: 10.00

Note:- Interest will be charged on all invoices not paid by the due date.

Date	Reference	Description	Amount
01/02/2018	[REDACTED]	Charge Amount	33,426.58
		GST	0.00
01/02/2018	[REDACTED]	Admin Fee	611.66
		GST	55.61
Invoice Total (including GST if applicable)			34,038.24
Total Value non-taxable supply(s)			33,426.58
Total Value taxable supply(s) excluding GST			556.05
Total GST Payable			55.61
TOTAL			\$34,038.24

Instalment #1	Instalment #2	Instalment #3	Instalment #4
30/09/2017	30/11/2017	28/02/2018	31/05/2018
\$0.00	\$0.00	\$34,038.24	\$34,038.24

Total Payable Over Full Term of Charge: [REDACTED] Balance of Total Charges at Date of Issue: [REDACTED]

PAYMENT OPTIONS

1 Present this notice at any Post Office
OR
Present at Customer Service Centres located at ...
> 301 Hampshire Rd, Sunshine
> Station St, Taylors Lakes, located in Sydenham Library
> 704B Old Calder Highway, Kew

2 13 18 16 and use the Post Billpay references for payment by credit card (minimum payment \$10.00)

3 Log onto postbillpay.com.au and use the Post Billpay references for payment by credit card

4 Detach payment slip and mail with cheque.
Post to: PO Box 70, Sunshine VIC 3020

5 Ring 9249 4000 to request a Direct Debit application form

B PAY Biller Code: [REDACTED]
Ref: [REDACTED]

POST billpay Billpay Code: [REDACTED]
Ref: [REDACTED]

Tax Invoice

Minimum payment thru Post Billpay option \$5.00 (In Person)

Account No. [REDACTED]
Invoice Ref. [REDACTED]
Amount Due: **\$34,038.24**

← Your Council

← How the charge is described

← Quarterly repayment will vary depending on loan size and term



BENEFITS OF ENVIRONMENTAL UPGRADE FINANCE

Environmental Upgrade Finance offers huge benefits for all parties, including business owners, landlords, tenants and installers. Importantly, this innovative form of finance also overcomes the split-incentive between landlords and tenants for undertaking upgrade works, but allowing both the benefits and costs to be shared proportionately.

Owner-occupiers

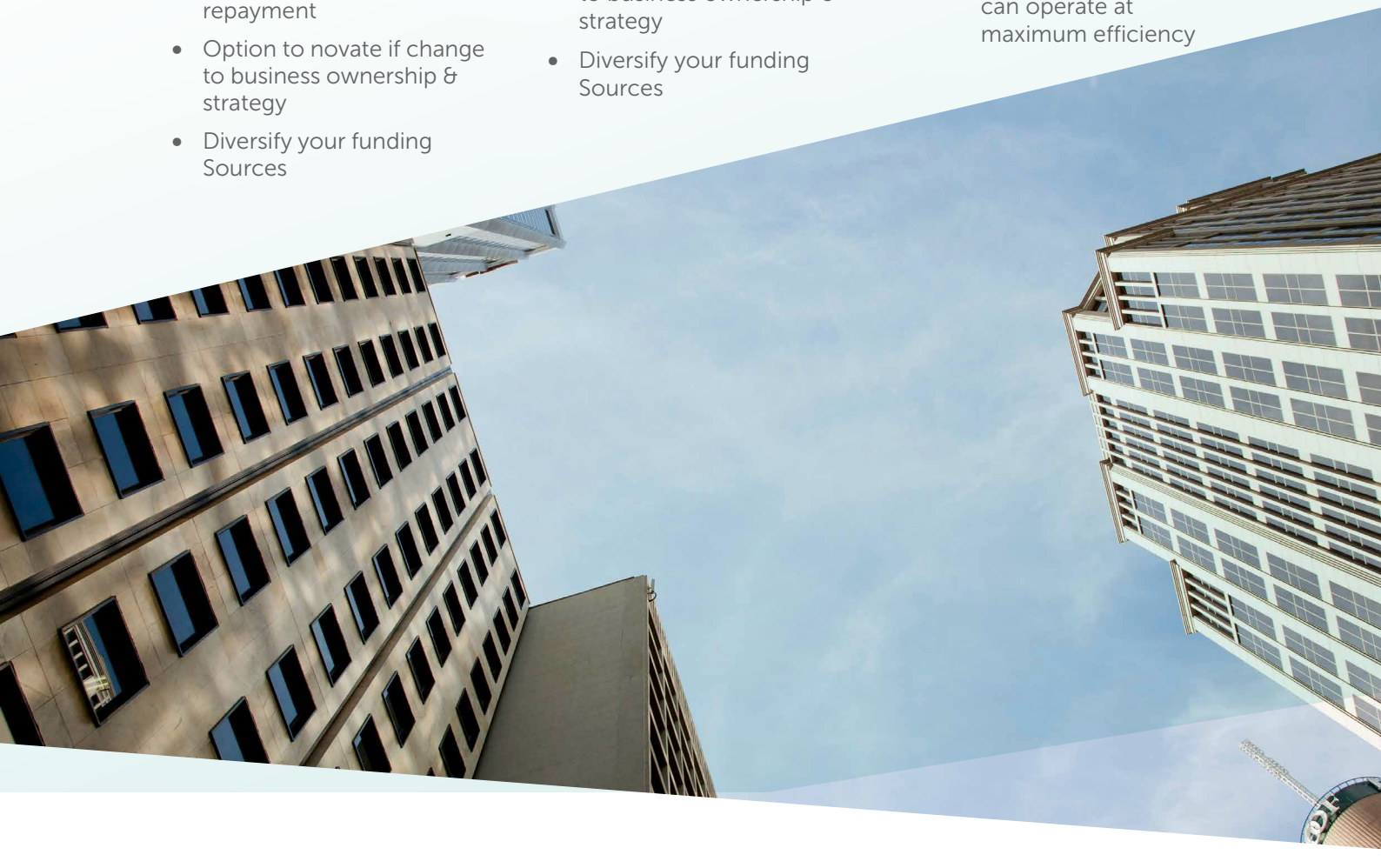
- Terms can ensure project is cashflow positive from day one
- Ownership of the upgrade
- Finance attached to land, not owners
- Flexibility to apportion charge within group year on year
- Non recourse
- Non reviewable
- Predictable fixed repayment
- Option to novate if change to business ownership & strategy
- Diversify your funding Sources

Landlords

- Simple mechanism to recoup some or all costs from tenants
- Ownership of the upgrade
- Finance attached to land, not owners
- Non recourse
- Non reviewable
- Predictable fixed repayment
- Option to novate if change to business ownership & strategy
- Diversify your funding Sources

Tenants

- Terms can ensure project is cashflow positive from day one
- Simple fixed repayment via council rates notice
- Landlord also derives benefit
- Allows for mid tenancy upgrades to occur
- Non recourse
- Project can be completed so business can operate at maximum efficiency



CASE STUDIES



CLIENT: COOKING SPACES

JOB: SME TENANT

Commercial kitchen hire company, Cooking Space, wishes they had gone solar sooner. With the sun now powering this North Melbourne company, the business is more than \$9,000 a year better off.

Sector: Commercial & Industrial

Council: City of Melbourne, VIC

Tenant Key river: Reduce energy costs

Landlord Key Driver: Boost capital value

Upgrade: 30kW capacity solar panels

Cost Savings: \$9,000 pa

"The savings on our power bills cover the repayments, with no impact on our cash flow while, at the same time, doing our bit for the environment."

– Eric Lim, Owner of Cooking Spaces

CLIENT: IMPACT INVESTMENT GROUP

JOB: CAPITAL STACK

401 Collins St is an iconic art-deco building in the heart of Melbourne's banking district. Built more than 80 years ago in 1936, it has aged significantly and lacks modern features. That was until Impact Investment Group acquired the property in 2014 with the intention of transforming 401 Collins St into a prime blue-chip address.

Sector: Commercial office refurbishment

Council: City of Melbourne, VIC

Upgrade: Comprehensive retrofit, including chiller replacement, pipework insulation, outside air system upgrade, a toilet exhaust system upgrade, a BMS upgrade, and electrical sub metering.

Key driver: Improve NABERS rating from 2.5 to 3.5

Process: The funds for this project were a combination of EUF and a traditional bank loan, providing diversity to the capital stack.

Outcome: Impact successfully tenanted the building on a 15 year contract. Electricity bills have dropped by 32%, and gas have dropped by 16%.

"EUAs provide a low-cost capital option."

– Roni Karika, Senior Asset Manager





CLIENT: HUSSEY AND CO

JOB: SOLAR INSTALLATION

Hussey & Co is a lettuce farm on the Morning Peninsula that delivers quality produce to Australia and overseas. With 74 acres of land, multiple sheds and industrial processing facilities, it relies heavily on energy, and wanted to trial a solar power system to see what impact it would have on its bottom line.

Sector: Agribusiness

Council: Mornington Peninsula, VIC

Upgrade: 605kW capacity solar panels

Key drivers: Reduce energy costs

Electricity Savings: 700,000 kilowatt hours pa

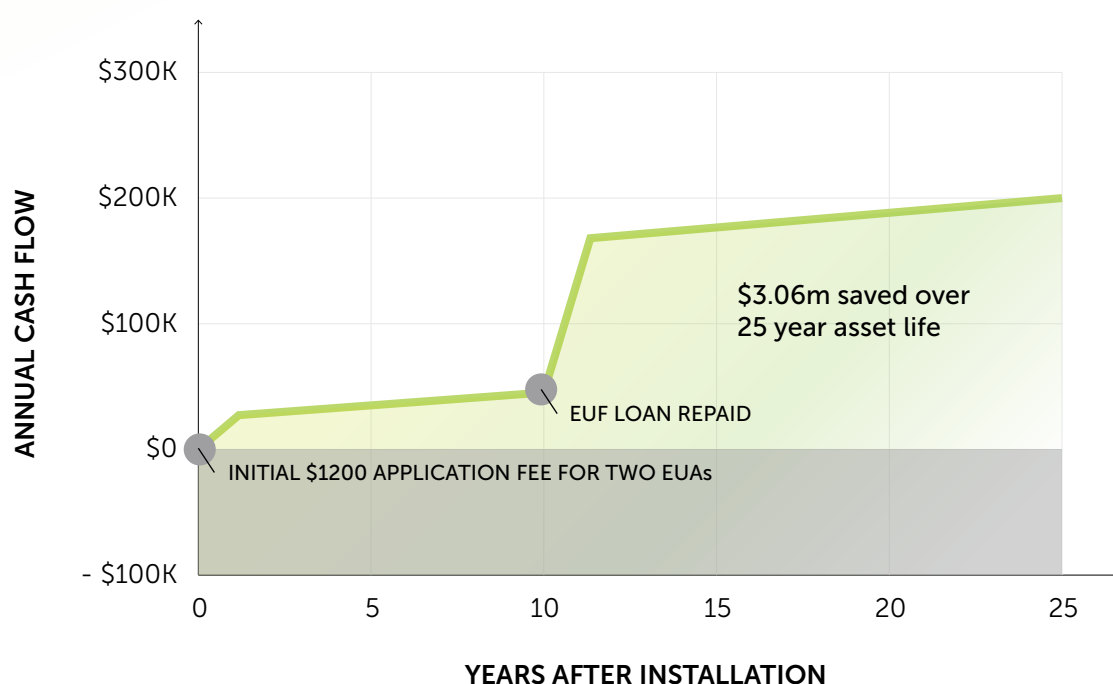
Cost Savings: \$156,000 per annum

Loan repayments: \$146,000 per annum

ROI after 10 years: 14%

"EUF has been a great way for our business to simply access finance with a favourable rate and term. As the loan is over a 10 year period, the loan can be cash positive from day one."

– Lance Petersen, General Manager of Hussey & Co.





FREQUENTLY ASKED QUESTIONS

What are the benefits of EUF?

- Zero upfront capital and no additional security requirements.
- Competitive interest rates fixed for up to 20 years.
- Improved cash flow, with lower annual repayments offset by energy cost savings.
- Option to share costs, delivering a better asset for the owner, and a lower-cost and improved working environment for tenants.

Who can apply for Environmental Upgrade Finance?

You're eligible to apply for our finance if you occupy or own a non-residential property in any local government area currently offering the program. You just need to ensure that:

- The building is on rateable land.
- The upgrade is in/on an existing building.
- The building is primarily for non-residential use.
- The upgrade will improve the energy, water, environmental efficiency or sustainability of the building.

Is there a minimum loan size?

We will consider financing any project of \$10,000 or above.

How do I repay the finance?

The finance is repaid through a quarterly Environmental Upgrade Charge on your council rates. If your building is tenanted these costs can be passed through to the tenant with their consent.

What happens to the loan if I sell the building?

As the loan is tied to the building, the Environmental Upgrade Finance can be passed onto the new owner.

What happens to the loan should a tenant move out?

There is no need to align the Environmental Upgrade Finance to the term of the lease. If your tenant decides not to extend the lease the replacement tenant can pick up the residual payments.

I'm a building owner, how do I engage with the tenant to agree to Environmental Upgrade Finance?

We can help you discuss the benefits of your project with your tenant, and potentially negotiate part of the Environmental Upgrade Finance so your tenant contributes. We can also guide you on other environmental improvement, such as lighting upgrades, to make this even more attractive for your tenant, and improve the overall capital value of your building.



I'm a tenant, am I a party to the Environmental Upgrade Finance?

No, tenants are not a party to the Environmental Upgrade Finance.

I'm a tenant, how do I pay council rates?

Council rates are a statutory charge upon the building. Under most commercial leases, such charges can be recovered through the outgoing clauses of the lease. Where the tenant agrees, these new council charges can be passed through using these existing clauses.

I'm a tenant, how do I engage with the building owner to agree to Environmental Upgrade Finance?

We can help make arrangements with your building owner, just contact us to discuss how we can best engage.

If my landlord wants to obtain Environmental Upgrade Finance, do I have to contribute to repayments?

Mandatory repayments vary based on state. To find out more please contact us.

If I want to sign a new lease for a building with Environmental Upgrade Finance, what information does the owner need to provide me?

New tenants must be given notice of the agreement, the charge and any liability for contributions prior to execution of the lease or occupation of the building. This may vary by state, talk to us for more information.

What do I need to know before I sign a new lease for a building with Environmental Upgrade Finance?

You should find out:

- What environmental upgrade works were proposed and whether or not they have been completed.
- Whether you will be liable for costs of the upgrade works.
- How those costs were calculated to confirm that you are not being asked to contribute more than a reasonable amount.

What if I am about to vacate a building with an environmental upgrade charge?

Depending on the terms of your lease, you would only have obligations to contribute to payments whilst you are a current tenant of the building and will have no obligation to make contributions beyond this.



**SUSTAINABLE
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START SAVING TODAY

Sustainable Australia Fund make securing your Environmental Upgrade Finance easy and transparent. We work with you and all stakeholders to ensure that your project suits your needs and runs smoothly.

Get in touch to discuss using EUF for your building upgrades.

CONTACT

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info@sustainableaustraliafund.com.au
www.sustainableaustraliafund.com.au