



REINVESTMENT FUND  
SUSTAINABLE  
DEVELOPMENT FUND

# **The 2016 Annual Report of the Sustainable Development Fund**

*Prepared by:*

Roger E. Clark

Sustainable Development Fund  
Reinvestment Fund  
1700 Market Street – 19<sup>th</sup> Floor  
Philadelphia, PA 19103

March 31, 2017



## The 2016 Annual Report of the Sustainable Development Fund

### I. INTRODUCTION

---

This 2016 Annual Report was prepared by Reinvestment Fund, the manager of the Sustainable Development Fund (“SDF”), to summarize for the Pennsylvania Public Utility Commission the initiatives and accomplishments of SDF in calendar year 2016.

### II. HIGHLIGHTS AND ACCOMPLISHMENTS

---

In 2016, SDF closed energy loans totaling \$6,654,981, a 224% increase over the 2015 total and \$450,000 in approved loans that are awaiting closing. The reason for this increase is that the other funding sources that Reinvestment Fund had available to support its energy lending were becoming fully deployed so it was turning to SDF for new loans.<sup>1</sup>

### III. SDF’s FINANCIAL APPROVALS IN 2016

---

#### A. SDF’s Energy Loans and Investments

In calendar 2016, Reinvestment Fund closed six energy loans supported by a total of \$6,654,981 of SDF funding.<sup>2</sup> These closed loans are listed in the table on the following page.

---

<sup>1</sup> As noted in prior annual reports, TRF has received other capital for energy lending from the Commonwealth of Pennsylvania (the Pennsylvania Green Energy Loan Fund or GELF), the City of Philadelphia (EnergyWorks), the Bank of America (the Bank of America Energy Efficiency Finance Program), the Kresge Foundation and the City of Baltimore (the Baltimore Energy Initiative Loan Program). We have all used our core dollars and the long-term (20-year) financing available from the CDFI Fund Bond Guaranty Program for our energy projects.

<sup>2</sup> In addition to the energy loans closed with SDF capital, Reinvestment Fund closed an additional \$5,989,261 of energy loans in 2016 using its other energy capital sources.

<b>SDF Energy Loans Closed in 2016</b>			
<b>Borrower</b>	<b>Amount of SDF Funding</b>	<b>Loan Closing Date</b>	<b>Comments</b>
Ecosave - 1530 Chestnut	\$615,000	02/12/16	For a new chiller for a mixed-use building used as retail and student housing. 15 year ESA.
Ecosave – Maplewood Office	\$421,140	02/12/16	For new LED lighting (1,396 fixtures), new roof-top unit, HVAC controls, building energy management system for an office building. 16 year ESA.
Ecosave – Racquet Club of Philadelphia	\$268,841	02/12/16	For thermostatic radiator valves, new motors with VFD on chiller loop, chiller optimization and building energy management system. 15 year ESA.
Keystone Academy Charter School	\$1,700,000	04/07/16	For a full range of energy measures in the gut rehab of an existing historic school building (the Mary Disston School) and the new construction of a classroom wing.
Aloft Philadelphia Downtown	\$3,000,000	04/26/16	For a full range of energy measures in the gut rehab of a former office building into a hotel.
Navy Yard Community Solar Project (Phase 1)	\$650,000	12/28/16	For a 490 kW Phase 1 (750 kW total) of a community solar PV system with virtual net metering of output to Navy Yard tenants and a cost-of-service study of local distribution impacts.
<b>TOTALS:</b>	<b>\$6,654,981</b>		

In calendar 2016, Reinvestment Fund approved the following energy loan using SDF dollars which we will be closing in 2017:

<b>SDF Energy Loans Approved but Not Closed in 2016</b>		
<b>Borrower</b>	<b>Amount of SDF Funding</b>	<b>Comments</b>
Navy Yard Community Solar Project (Phase 2)	\$450,000	For 260 kW Phase 2 (750 kW total) of a community solar PV system with virtual net metering of output to Navy Yard tenants and a cost-of-service study of local distribution impacts.
<b>TOTALS:</b>	<b>\$6,889,981</b>	

At the end of 2016, Reinvestment Fund was underwriting another five energy projects whose financing requests total \$5.2 million. How much of these loans are closed with SDF capital depends on several factors., including the location of the project, the project’s energy savings, the availability of energy capital in our other programs, etc.

SDF is no longer making equity investments in projects or companies, so no new equity transactions were closed or approved in 2016.

## B. SDF's Energy Grants

In 2016, SDF did not award any new energy grants.

## IV. 2016 FINANCIAL DISBURSEMENTS

---

### A. SDF's Energy Loans and Investments

In 2016, SDF made the following disbursements on its energy lending:

<b>SDF Energy Loans Disbursed in 2016</b>			
<b>Borrower</b>	<b>Amount Disbursed</b>	<b>Loan Closing Date</b>	<b>Comments</b>
Alcorn Education & Wellness Center	\$1,687,172.00	08/25/15	For energy measures in a gut rehab project in the Grays Ferry neighborhood of Philadelphia involving the renovation of an abandoned school into office space for nonprofit organizations.
Ecosave - Chandler Hall	\$366,854.20	10/02/15	For energy measures in an energy retrofit of an existing, occupied assisted living facility in Newtown PA.
Ecosave - One Pitcairn Place	\$268,805.00	10/02/15	For energy measures in an energy retrofit of an existing, occupied office building in Jenkintown, PA.
Strategic Finance Group – Rittenhouse-Claridge CHP	\$230,665.73	12/10/15	For a 225 kW Combined Heat and Power system in a 242 apartment multi-family residential building in Philadelphia.
Ecosave - Maplewood	\$421,116.00	02/12/16	For energy measures in an energy retrofit of an existing, occupied office building in Dresher, PA.
Keystone Academy	\$1,636,222.50	04/07/16	Full range of energy measures in the gut rehab of an existing historic school building in Philadelphia (the Mary Disston School) and the new construction of a classroom wing.
Aloft Hotel	\$2,999,916.00	04/26/16	For energy measures in the gut rehab of a former office building into a hotel.
<b>TOTAL:</b>	<b>\$7,610,751.43</b>		

In 2016, SDF made no disbursements on any equity investments.

## B. SDF's Energy Grants

In 2016, SDF made no disbursements on any energy grants.

## **V. THE PECO-UNICOM MERGER PROGRAMS**

---

The three programs that SDF managed with funds from the PECO-Unicom merger – the Pennsylvania Wind Development Program, the Solar Photovoltaic Grant Program and the Renewable Energy Education Program, were all completed and closed out in 2015. Please see the SDF annual reports from 2015 and earlier years for information about this \$18.5 million of funding and support for renewable energy.

## **VI. FINANCIAL REPORT**

---

SDF has received a total of \$31,815,216 from PECO Energy. This figure consisted of eight quarterly payments in 1999 and 2000 from distribution charges that total \$3,335,216 and the lump sum accelerated payment of PECO quarterly payments through December 31, 2006 totaling \$9,980,000. SDF had also received, pursuant to the terms of the PECO Energy/Unicom merger agreement, three installments of \$4,000,000 for the Pennsylvania Wind Development Program (total of \$12,000,000); five annual installments of \$500,000 for public education about renewable energy (total of \$2,500,000); and four annual installments of \$1,000,000 for SDF's solar photovoltaic program (total of \$4,000,000). PECO's financial support of SDF ended with the last payment received on December 31, 2006.

SDF's audited financial statements for the twelve-month period ending December 31, 2016 show total financial income of \$443,820 and net financial income of \$4,730. Operating expenses for 2016 totaled \$2,128.

As of December 31, 2016, SDF's net assets totaled \$9,184,122, an increase of \$2,764 over 2015.

On December 31, 2016, SDF held \$599,845 of funds in SDF's cash and investment accounts available for lending, \$55,000 of which was held in restricted cash.

As of December 31, 2015, SDF had disbursed all of the funding received from the PECO-Unicom merger for wind (\$12,000,000), solar (\$4,000,000) and public education (\$2,500,000). These three "Temporarily Restricted" accounts are now closed and all SDF funds now appear as "Unrestricted but Contractually Limited as to Use."

Outstanding receivables (loans, energy performance contract leases, net of allowance for losses) as of December 31, 2016 totaled \$8,535,230. SDF's liabilities at December 31, 2016 totaled \$68,914.

Audited financial statements for the year ending December 31, 2016 are available upon request by contacting Roger Clark, Fund Manager, Sustainable Development Fund, Reinvestment Fund, 1700 Market Street, 19<sup>th</sup> Floor, Philadelphia, PA 19103. He can be reached by email at [roger.clark@reinvestment.com](mailto:roger.clark@reinvestment.com) or by telephone at 215.574.5814.

## **VII. SDF BOARD ORGANIZATIONAL ISSUES**

---

In 2016, SDF's board of directors had the following members: Kurt Bresser (Temple University), James Harven (The Efficiency Network), Frank Jiruska (PECO) and Albert Koenig (ARB Geowell).

On March 3, 2017, SDF issued a board nomination announcement to replace these board members and to bring the board up to seven members. Nominations are due April 7, 2017 and the SDF board will be meeting in mid-May to vote for the new board after the candidates are interviewed. SDF will file for Commission approval of the new board members in late May.



## The 2016 Annual Report of the Sustainable Development Fund Addendum

### 1. Administrator's Expenses for SDF in 2016

SDF's Administrative Expenses for 2016	
Staff salary/benefits	-
Occupancy	-
Professional Services (financial audit)	\$2,127
General & Administrative	-
Allocated Support	-
<b>TOTAL:</b>	<b>\$2,127</b>

### 2. Loans, Equity Investments and Grants Approved by SDF in 2016

SDF Approvals in 2016		
Type	Number	Dollar Value
Loans	6	\$6,163,825
Equity investments	-	-
Grants	-	-
<b>TOTALS:</b>	<b>6</b>	<b>\$6,163,825</b>

### 3. Loans, Equity Investments and Grants Closed/Executed by SDF in 2016

SDF Loan Closings and Grants Executed in 2016		
Type	Number	Dollar Value
Loans	6	\$6,654,981
Equity investments	-	-
Grants	-	-
<b>TOTALS:</b>	<b>6</b>	<b>\$6,654,981</b>

### 4. Loans, Equity Investments and Grants Disbursed by SDF in 2016

SDF Dollars Disbursed in 2016		
Type	Number	Dollar Value
Loans	7	\$7,610,751
Equity investments	-	-
Grants	-	-
<b>TOTALS:</b>	<b>7</b>	<b>\$7,610,751</b>

### 5. The Year-End Fund Balance (Net Assets)

<b>\$ 9,184,122</b>
---------------------