



Request for Proposals: Building Decarbonization – Opportunity for Financing Assistance

Date of Issue: August 11, 2022

Proposals Due: October 21, 2022

Total Funding Available: Up to \$2 Million

All proposals must be submitted to:

buildings@masscec.com

I. BACKGROUND AND SUMMARY

Achieving deep emissions reductions in the building sector in Massachusetts will require unprecedented, significant investments to reduce energy consumption and electrify nearly all thermal end uses in buildings. The Massachusetts Clean Energy Center (“MassCEC”) is exploring how targeted, public sector-led technical and financing support could help enable and accelerate private investment and financing for building energy retrofit projects. MassCEC’s investigation involves at least three (3) components: (i) extensive industry stakeholder engagement and interviews; (ii) a joint “green bank” feasibility study conducted in partnership with the City of Boston and the Green Ribbon Commission; and (iii) this Building Decarbonization Climate Finance funding opportunity.

MassCEC seeks proposals of innovative financing solutions to support commercial building retrofit projects (including, but not limited to office, mixed use, 4+ unit multifamily residential, retail, institutional projects) that would result in a building that is consistent with Massachusetts’ net zero 2050 greenhouse gas emission goals by eliminating onsite combustion of fossil fuels for heating, domestic hot water, and cooking and implementing current best practices for energy efficiency, including establishing a well-insulated and low-infiltration envelope (“2050-Ready Building”, as defined in Section III below). 2050-Ready Buildings may also incorporate solar, storage, or other demand response/distributed generation technologies.

Applicants shall propose decarbonization plan(s) and an innovative finance solution for a single project (Pathway A) or for multiple projects (Pathway B) as described in more detail in Section III.

Proposals must demonstrate that they are facing a project financing gap, unmet by conventional, commercially available finance options, and propose an innovative finance solution to close the gap. Competitive proposals will have identified financing-specific challenges limiting the decarbonization of one or more commercial building segments, and demonstrate an innovative, scalable finance solution with strong potential for broader market adoption and related impact.

II. ABOUT MASSCEC

MassCEC is a state economic development agency dedicated to accelerating the growth of the clean energy sector across the Commonwealth to spur job creation, deliver statewide environmental benefits and to secure long-term economic growth for the people of Massachusetts. MassCEC works to increase the adoption of clean energy while driving down costs and delivering financial, environmental, and economic development benefits to energy users and utility customers across the state.

MassCEC’s mission is to accelerate the clean energy and climate solution innovation that is critical to meeting the Commonwealth’s climate goals, advancing Massachusetts’ position as an international climate leader while growing the state’s clean energy economy. MassCEC is committed to creating a diverse, equitable, and inclusive organization where everyone is welcomed, supported, respected, and valued. We are committed to incorporating principles of diversity, equity, inclusion, and environmental justice in all aspects of our work in order to promote the equitable distribution of the health and economic benefits of clean energy and support a diverse and inclusive clean energy industry. MassCEC strives to lead and innovate in equitable clean energy and climate solutions.

III. PROGRAM GOALS AND DESCRIPTION

New, municipal building energy emissions standards, like Boston’s Building Emissions Reduction and Disclosure Ordinance 2.0 (“BERDO 2.0”), as well as anticipated state level building heating emissions and performance standards are prompting building owners, engineering firms, energy project developers, finance entities and other stakeholders to contemplate more ambitious building energy retrofit projects, and related project costs. While new, more generous energy efficiency incentives made available under the Mass Save program will help make deeper energy projects more attractive, existing, commercially available finance products may not adequately address remaining and anticipated finance gaps.

This pilot opportunity invites commercial building owners, project developers, capital providers, and financing entities seeking to finance and complete energy retrofit projects aligned with the Commonwealth’s 2050 emissions targets to propose innovative finance solutions that address gaps unmet by conventional, commercially available finance products.

Example concepts under this RFP might include:

- **Savings Guarantees:** MassCEC support provides a guarantee or adjusts the timing on certain future savings that are new to the market and untested, such as building performance standard compliance savings. This support allows the financing provider to better underwrite against those savings.
- **Subsidized Risks Costs:** Lender utilizes an insurance product that lets them underwrite a difficult to

2050 -Ready Building

For purposes of this opportunity, a “2050- Ready Building” is defined as a building that fully decarbonizes onsite emissions – most commonly through electrification. This includes space heating and cooling, hot water, cooking, and appliances. This retrofit should also include building envelope and efficiency work that optimally compliments the cost and sizing of electrified systems. 2050-Ready Buildings may also incorporate solar, storage, or other demand response/distributed generation technologies. Comprehensiveness and scope of the retrofit will be an element of the selection criteria as described in Section 8.

finance pool of owners for 2050 ready electro-fits. MassCEC subsidizes the cost of that insurance to ensure the overall cost of finance allows for feasible projects.

- **Subsidized Origination Costs:** MassCEC subsidizes the origination / document development costs for a 2050-ready project (or projects), where the bespoke nature of the projects/loan cause origination costs to render the financing too costly given overall deal size. The intent is that as market and lender experience scale, the cost of origination will fall to a point where the financing costs are feasible.

Examples are noted for inspirational purposes; MassCEC encourages creativity and innovation in proposed solutions, and Applicant submissions following these examples would not necessarily be awarded.

Proposals shall include either an innovative finance solution and decarbonization plans for a single building (Pathway A) or an innovative finance solution for multiple buildings (Pathway B), as described below.

Pathway A - innovative finance solution and decarbonization plans for a single project:

- Applicants, including building owners, developers, financing entities, and capital providers may submit an innovative financing proposal to finance the retrofit plans of a single building.
- Applicants are encouraged to collaborate and form partnerships amongst building owners, project developers and existing capital providers to submit proposals that are both innovative and ready to deploy.

Pathway B - innovative finance solution for multiple projects:

- Applicants, including a capital provider or finance entity, shall propose innovative finance solutions to support 2050 ready commercial building retrofit projects and which demonstrate strong potential to scale across at least one commercial building segment.
- Applicants must identify and quantify the opportunity within the targeted commercial building segment (e.g. building typology, building ownership structure, class, etc.) that would benefit from the proposed finance solution.

This pilot opportunity seeks to test new climate finance models and achieve the following objectives:

1. Identify existing finance gaps and barriers associated with 2050-Ready commercial building retrofits;
2. Demonstrate innovative financing solutions that enable 2050-Ready retrofit projects to move forward with some form of public support;
3. Support project implementation to test 2050-Ready retrofits and implementation of innovative financing solutions;

4. Disseminate success stories and lessons learned to:
 - a. Foster interest amongst additional capital providers and property owners;
 - b. Inform policy and program efforts around climate financing and 2050 ready building retrofits; and
 - c. Demonstrate Massachusetts' ability to leverage public resources to enable private financing of climate critical building retrofit projects and inform climate finance approaches in other key sectors.

IV. ELIGIBILITY

Pathway A - innovative finance solution and decarbonization plans for a single project:

- Applicant Eligibility:
 - Eligible proposals need to demonstrate commitment from the building owner, the project developer/contractor who has designed the retrofit, and one or more private capital providers interested in funding the project if selected.
 - Developer and capital provider can be the same entity provided other requirements are still met
 - Application participants may be included in more than one submitted proposal; e.g., a potential capital provider can participate on more than one submitted proposal.
 - Each proposal shall indicate one entity that serves as the primary applicant (the "Lead Applicant").
 - Buildings must be commercial buildings, located in Massachusetts, which can include multifamily residential buildings with more than 4 units. Municipal, state-owned, federal, university, and school buildings are ineligible for this program.
 - The retrofit project should address a building or portfolio of at least 20,000 square feet.
 - Applicants and capital provider/financing entity must be able to manage operation and administration of the proposed financial solution. This can include, but is not limited to: drafting financing documents, contracts, and administering payments.
- Project Eligibility:
 - Proposed Projects must be a retrofit of existing buildings, and proposed work must result in a 2050-Ready Building as defined in this solicitation.
 - The proposal must demonstrate that the project faces a financing gap and would not be able to move forward (or move forward with the full decarbonization project scope as described) utilizing reasonably available financing opportunities in the marketplace.
 - The proposal must demonstrate how innovative public finance support can alleviate this gap and enable the project to move forward.

- The requested financial support from MassCEC should not exceed \$1,000,000 and must be leveraged at a minimum ratio of 3:1 (i.e, if an Applicant is awarded \$1,000,000 from MassCEC, the Applicant must demonstrate that this funding was able to leverage a total investment of \$3,000,000). MassCEC anticipates that most proposals will be less than this upper limit. Note that cost effectiveness of the public financing support requested (which includes leveraged private capital, emissions impact, and potential replicability) will be considered in the selection criteria as elaborated on in Section 8.
- MassCEC prefers requested support commitments lasting no longer than three (3) years but will consider longer term relationships if strongly justified, and encourages longer relationships amongst partners.

Pathway B – innovative finance solution for multiple buildings:

- Applicant Eligibility
 - Applicants and capital provider/financing entity must be able to manage operation and administration of the proposed financial solution. This can include, but is not limited to: drafting financing documents, contracts, and administering payments.
- Project Eligibility
 - Proposed innovative financing solution must enable the retrofit of existing buildings to result in a 2050-Ready Building as defined in this solicitation
 - The proposal must demonstrate an existing financing gap for Massachusetts commercial buildings that would not be able to move forward (or move forward with the full decarbonization project scope) utilizing reasonably available financing opportunities in the marketplace.
 - The proposal must demonstrate how innovative public finance support can alleviate this gap and enable the projects to move forward.
 - The requested financial support from MassCEC should not exceed \$2,000,000 and must be leveraged at a minimum ratio of 3:1 (i.e, if an Applicant is awarded \$1,000,000 from MassCEC, the Applicant must demonstrate that this funding was able to leverage a total investment of \$3,000,000). MassCEC anticipates that most proposals will be less than this upper limit. Note that cost effectiveness of the public financing support requested (which includes leveraged private capital, emissions impact, and potential replicability) will be considered in the selection criteria as elaborated on in Section 8.
 - MassCEC prefers requested support commitments lasting no longer than three (3) years but will consider longer term relationships if strongly justified, and encourages longer relationships amongst partners

V. ESTIMATED TIMELINE

Release Date	August 11, 2022
Written Questions Due	September 2, 2022
Responses Posted	September 16, 2022
Proposals Due	October 21, 2022 – 5 P.M.
Interviews or questions to applicants (as applicable)	November 2022
Proposals Selected	December 2022

This timeline is subject to change at MassCEC's discretion.

VI. PROPOSAL GUIDELINES

Applicants should submit proposals via the appropriate version of application form attached hereto as [Attachment A](#). Applicants should use the proposal to describe the proposed project in detail and demonstrate its applicability to satisfy the project goals as described in Section 3 and the selection criteria in Section 8.

Project measures should primarily utilize commercially available technologies. All measures must meet appropriate codes and certifications. All projects will need to be permitted, inspected, and approved by the applicable authorities having jurisdiction.

Applicants should design projects to fully utilize all available incentive streams, such as those available through Mass Save, though proposed financing must be unsubsidized outside of the proposed MassCEC assistance. Projects should demonstrate a sufficient level of engineering to ensure the proposal includes accurate project costs and that the project has a clear and timely path towards project completion.

Projects should include an analysis forecasting future energy costs/savings and emissions reductions based on the proposed project measures.

VII. HOW TO APPLY

Interested parties must submit a proposal to MassCEC by the date and time specified in Section V. The submission must be in electronic form, including a scanned signature page, submitted via email to buildings@masscec.com. The words “Building Decarbonization – Opportunity for Financing Assistance” should appear in the email subject line.

Each proposal must include the following information:

1. **Attachment A: Application Form:** The application form includes the Authorized Signature and Acceptance, signed by the Lead Applicant and the proposal narrative.
2. **Attachment B: Project Pro forma:** Should include expected project costs and financing costs, with clear demonstration of MassCEC’s proposed role in covering the described financing gap. The pro forma should be submitted in Excel and, at a minimum, include:
 - a. Assessment of a **business-as-usual retrofit**, including upfront costs, financing, any incentives, and operational energy costs;
 - b. Assessment of proposed **2050-Ready retrofit**, including upfront costs, any incentives, and operational costs; and
 - c. **Innovative financing proposal**, including cashflows and the proposed financing support being requested.

MassCEC will not accept responses past the deadline. Applicant’s proposal information may be reviewed by third party financing and/or engineering expertise as procured by MassCEC to validate and react to information provided in the application narrative.

Please review and be prepared to sign Attachment C (Sample Agreement). Any requested change to Attachment C (Sample Agreement) should be noted in Attachment A (Application Form).

VIII. SELECTION CRITERIA

MassCEC will competitively judge applications based on the following criteria. To be considered, proposal must first meet all criteria described in **Section 4. Eligibility**.

Proposal Evaluation Criteria:

- Cost Effectiveness: What is leveraged by the requested public support?
 - Total project cost / private capital leveraged per dollar of requested support
- Energy Impact Effectiveness
 - Emissions reductions enabled per dollar of requested support
 - Count of buildings or floor area retrofitted per dollar of public support
 - Diversity of projects achieve with the requested support

- Demonstration of Financing Challenge: Application clearly demonstrates the project/targeted commercial building segment faces a gap in available financing options that cannot be covered with commonly available financing options
 - This should include a description of the financing options considered, and how they fail to support the project or targeted commercial building segment as described.
 - Proposal should clearly demonstrate how the innovative public support requested is uniquely positioned to overcome this challenge.
- Innovativeness of Approach: Financing approach (and the requested public support) is innovative and tests a unique approach to overcoming challenges with existing financing offerings.
- Potential Replicability: Proposal demonstrates how the proposed project, financing and requested support could be replicated more broadly in the market.
- Project Readiness: Demonstrated completeness of project design and/or of proposed financing solution, and readiness to move forward.
 - Project Readiness for Pathway B should reflect a demonstrated pathway to customer acquisition, or ideally in process customer engagement.
- Proposed Monitoring and Data Sharing Plan: Proposal demonstrates thoughtful approach and commitment to monitoring project performance and sharing actual costs and impacts with MassCEC in support of disseminating success stories and lessons learned regarding selected finance solutions.
- Applicant Team Track Record: Past record of applicant partners in implementing and financing projects of similar scope (prior experience of building owner not expected)
- Application and Pro-forma Thoroughness: Submitted application materials clearly and in detail describe the project, the associated cashflows, and the potential impact of requested support.
- Program Factors: Selection may be impacted by the diversity of projects across metrics such as: Geography, building typology, project measures, types of financing utilized, and type of financing support requested.

MassCEC reserves the right to apply additional selection criteria or to limit awards to less than the total budget.

Note that MassCEC intends to work collaboratively with selected applicants to execute a contract detailing the specific terms of the provided support. MassCEC reserves the right to negotiate support that may be different than the exact support requested in order to best satisfy the needs the proposed project(s) and capabilities of MassCEC.

XI. BUDGET

The anticipated maximum total budget available through this initiative is Two Million Dollars (\$2,000,000). MassCEC intends to fund multiple Projects with this budget based on the quantity and quality of proposals received.

X. CONTACT INFORMATION FOR QUESTIONS

Please submit all questions regarding this opportunity via email to buildings@masscec.com. “Building Decarbonization – Opportunity for Financing Assistance Question” should appear in the subject line. Please submit questions by the date noted in Section 5. Answers will be posted publicly to MassCEC’s webpage.

MassCEC has also established the “Building Decarbonization – Opportunity for Financing Assistance” Slack channel here: financingopportunity.slack.com This platform can be used to ask questions and engage with potential partners.

XI. GENERAL REQUEST FOR PROPOSALS CONDITIONS

NOTICE OF PUBLIC DISCLOSURE

As a public entity, MassCEC is subject to Massachusetts’ Public Records Law, codified at Chapter 66 of the Massachusetts General Laws (“Public Records Law”). Applicant acknowledges and agrees that any documentary material, data, or other information submitted to MassCEC is presumed to be public records. An exemption to the Public Records Law may apply to certain records, including materials that fall under certain categories under a statutory or common law exemption, including the limited exemption at Massachusetts General Laws Chapter 23J, Section 2(k) regarding certain types of confidential information submitted to MassCEC by an applicant for any form of assistance. Applicant acknowledges and agrees that MassCEC, in its sole discretion, shall determine whether any particular document, material, data or other information is exempt from or subject to public disclosure. Thus, MassCEC urges applicant to carefully consider what documents, materials, data and other information is submitted to MassCEC in connection with this RFP.

In line with Public Records Law requirements, MassCEC generally considers the following types of information as confidential:

- *Proprietary financial product details, including financing terms*
- *Applicant credit information*

DISCLAIMER & WAIVER AUTHORITY

This RFP does not commit MassCEC to award any funds, pay any costs incurred in preparing an application, or procure or contract for services or supplies. MassCEC reserves the right to accept or reject any or all applications received, waive minor irregularities in submittal requirements, modify the anticipated timeline, request modification of the application, negotiate with all qualified Applicants, cancel or modify the RFP in part or in its entirety, or change the application guidelines, when it is in MassCEC's best interests.

This RFP has been distributed electronically using MassCEC's website. It is the responsibility of Applicants to check the website for any addenda or modifications to an RFP to which they intend to respond. MassCEC accepts no liability and will provide no accommodation to Applicants who submit an application based on an out-of-date RFP document.

CONTRACT REQUIREMENTS

Upon MassCEC's authorization to proceed with the proposal, MassCEC and the awarded applicant(s) will execute a contract, substantially in the form of the Sample Agreement attached hereto as Attachment C, which will set forth the respective roles and responsibilities of the parties.