

By Rebecca Patrick



# Energized Finances

## SBA Expands Loan Program for Qualified Projects

**W**e all know that money doesn't grow on trees, but efforts rooted in energy efficiency can lead to more green in the bank.

The federal Small Business Administration (SBA) – courtesy the stimulus package – can offer companies double the amount of funds for projects that meet certain energy requirements.

In the SBA's 504 loan program, which covers land, building and equipment needs, the traditional lending limit is \$1.5 million. However, if certain public policy goals are reached, the ceiling increases to \$2 million.

What's more, this year "super public policy issues" involving energy have been added that will allow this SBA loan to hit \$4 million, says Jean Wojtowicz, president and founder of Cambridge Capital Management Corp., an Indianapolis firm that provides fixed-asset financing.

"To get to the \$2 million public policy goal, the (building project) has to be considered a sustainable design, so that would be a LEED-certified (Leadership in Energy and Environmental Design) or green building certified kind of facility," she explains.

"If the project – whether it's buying, building or retrofitting – can document that it would reduce energy use by 10% or if it is involved in energy renewable production, it can then go to the \$4 million loan level."

## Existing options

Renewable resources that qualify include hydropower, geothermal, biomass, solar, wind and ocean thermal.

“We’ve seen, for instance, companies that have recently come to us that are in their planning stage and in working with their environmental engineers and architects have decided to put in solar panels for instance. That will automatically qualify them for up to the \$4 million lending through the SBA,” Wojtowicz relates.

“When they look at ways to validate the reduction of energy consumption, people have looked at perhaps replacing their HVAC (heating, ventilation and air conditioning) with a more energy-efficient unit or improving insulation and lighting. In industrial facilities in particular, lighting design can be a huge way to improve your energy consumption.”

Wojtowicz believes the relative newness of the program is the reason her company – which started promoting it at the beginning of the year – hasn’t seen many applications for the \$4 million SBA loan. “That surprises me, but it’s probably because people still don’t know that it exists; it’s just a matter of marketing it and getting people to write about it.

“As a result, as we see new projects come in, we try to make sure that they are thinking about it. A lot of times, the companies already intend to put in energy-efficient HVAC, but if we can get them to sit down and really talk about what the BTU usage per square foot will be in that building versus other buildings, then we can try to get them qualified for a larger loan amount,” she explains.

Thus far, “maybe 5% of the borrowers” counseled by Cambridge Capital Management have seen an opportunity with the green SBA program.

“What’s really interesting is that when they put together what their energy usage plans will be – while they are spending extra to get these kinds of products into their building – the payback on it is really quick because of the energy savings, especially for some of the companies that we’ve seen that have gone in and retrofitted their lighting fixtures,” Wojtowicz notes.

“We’ve seen paybacks of a year and a half, which is really quick – and it’s so good for the environment as well.”

## Getting it right

There can be, however, one unfortunate stumbling block for some companies contemplating environmentally friendly components for their next design or building: it’s how such a facility fares in the appraisal process.

“If you spend all this additional money on energy efficiency, you need the project to appraise properly because, at the end of the day, for the lender to actually make the loans, including the SBA, the project has to appraise.

“So, we probably also have some education to do with those involved in appraising facilities to make sure they are appraising facilities (that are energy efficient) comparable or

## Green Venture Option

**E**nerTech Capital, the country’s first venture capital firm that focuses exclusively on the energy technology arena, expanded its Midwest presence last year – adding a location in Indianapolis.

Scott Prince, a partner with the Pennsylvania-based company, has managed the Indiana operation since its inception. He says the atmosphere regarding energy technology investments is much different, for example, than the technology and health care venture worlds.

“The drivers in our market tend to be reliability, environmental, regulation compliance and even sometimes lower on the list is profitability of the companies that use our portfolio companies’ products and service,” he explains.

A factor regarding that last trend, Prince notes, is the participation of large utilities and large-scale manufacturers.

Another differentiator for this green venture capital sector is popularity. “The alternative investment category related to renewable clean energy and technology has been a lot more popular and growing in interest as compared to some of the other categories,” Prince offers.

EnerTech, in particular, focuses on enabling technology, with investments in companies that aren’t exceedingly capital intensive.

“If a company is raising \$500 million or above, and we can provide \$10 million, that’s probably not a good fit. However, if a company is raising \$50-\$75 million and we can be a valued investor, that better reflects us and the investment opportunities that are existing in the region right now,” Prince states.

“In fact, through the Midwest’s opportunity and leadership, it can be the vehicle that gets Indiana and this region to a notable place in this new energy economy – not just in the U.S. but the world. The assets (including central location for ease of shipments) are completely obvious to us, and we’re doing our best to leverage those.”

**Resource: Scott Prince, EnerTech Capital, at (317) 508-9933 or [www.enertechcapital.com](http://www.enertechcapital.com)**



actually giving them higher value than a building that’s going to be a huge energy drain and cost the business owner a lot more to occupy,” Wojtowicz asserts.

“This is a problem across the country ... because if the facility doesn’t appraise out properly, you have a tough time getting it financed.”

### INFORMATION LINK

**Resource: Jean Wojtowicz, Cambridge Capital Management Corp., at (317) 843-9704 or [www.cambridgecapitalmgmt.com](http://www.cambridgecapitalmgmt.com)**