

Building Upgrade Finance Guide

For South Australian Councils



Support local businesses by enabling building upgrades.

Purpose of this guide

To inform Elected Members and Executive staff about Building Upgrade Finance – a strategic opportunity to attract investment, support activation of underutilised buildings and improve sustainability in your council area.

Building Upgrade Finance - A Strategic Opportunity



Investment
Attraction



Activation



Community
Benefits

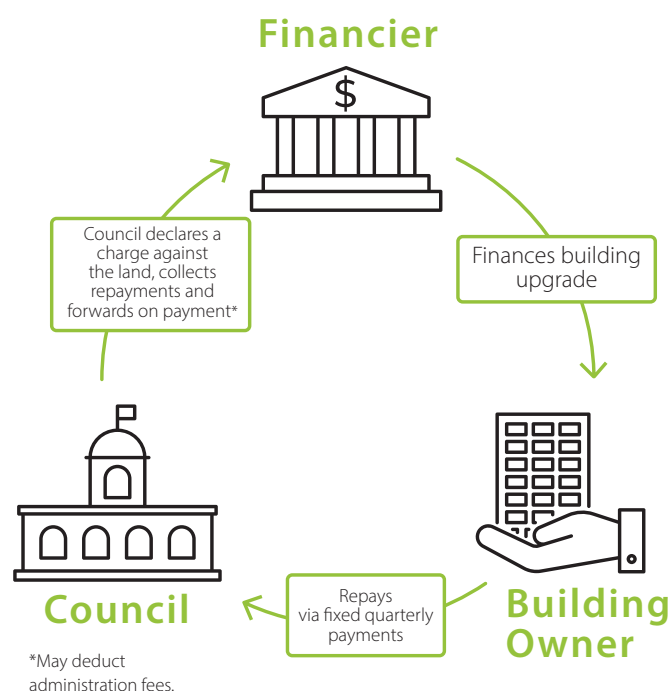
Building Upgrade Finance provides an opportunity for local councils to support non-residential property owners and business tenants to upgrade their buildings to operate more efficiently, helping to reduce operating costs and improve business competitiveness.

This finance product is provided by private sector financiers to finance environmental and heritage upgrades to existing non-residential buildings.

Councils facilitate Building Upgrade Finance by raising a separate local council charge (the Building Upgrade Charge) against the land on which the building is situated. This process uses the existing council rates and finance system and the Building Upgrade Charge is recovered in a similar way to council rates. Like council rates, the Building Upgrade Charge becomes a debt on the property if unpaid.

This arrangement means that Building Upgrade Finance is secured by the property rather than the building owner. The heightened level of security allows financiers to offer **competitive** loan terms and provides additional benefits for building owners.

Building Upgrade Finance involves a building owner, a financier and a local council entering into a Building Upgrade Agreement (refer to the adjacent diagram).



Building and Upgrade Eligibility

The building must be at least two years old and be used primarily for commercial, industrial or other non-residential purposes (agricultural, retail, hotel, education etc.) to be eligible for Building Upgrade Finance.

Environmental Upgrades

A wide range of environmental upgrade works are eligible, including:



Renewable Energy
(e.g. solar)



Energy Storage



Air Conditioning



Electric Vehicle
Chargers



Lighting



Energy Use
Optimisation



Water efficiency
and reuse systems



End-Of-Trip
Facilities



Waste Management
Systems



Pollution
Control

Heritage Building* Upgrades



*State or local heritage listed



Maintain, repair, upgrade
or reinstate heritage
significance



Comply with the Building
Rules or the *Disability
Discrimination Act 1992*



Facilitate the ongoing
occupation of the building

Benefits to Council

- Attract business investment
- Assist to deliver and complement a range of policies and programs
- Support local business to operate more efficiently, reduce operating costs and improve business competitiveness
- Activate and rejuvenate business and community precincts
- Support climate change adaptation to build resilience
- Assist with the transition to a low carbon economy
- Encourage heritage building revitalisation and reactivation
- Support heritage building compliance with building code and disability access requirements
- Deliver improvements to the sustainability of your council area
- Potential to increase the rate base with higher value buildings.

Establish Building Upgrade Finance in your Council Area

Council participation in Building Upgrade Finance is voluntary.

A council resolution is required to enable Building Upgrade Finance to be offered by private sector financiers in your council area, which can also secure a delegation for the Chief Executive Officer to:

- ~ enter into, vary or terminate Building Upgrade Agreements, and
- ~ declare and recover the Building Upgrade Charge.

Council Operational Role in Building Upgrade Finance

Council's role in the operation of Building Upgrade Finance is aligned to roles typically undertaken by councils in their day-to-day business.

The role includes:

- Processing application forms and agreements
- Setting up the Building Upgrade Charge
- Issuing notices to recover the charge on the quarterly installment dates
- Remitting payments to the financier
- Using enforcement procedures to recover any unpaid repayments, if required (noting council is not liable to the financier for failure by the building owner to repay)
- Creating and maintaining a publicly available Building Upgrade Agreement register.

Importantly, the legislation allows council to charge a service fee for any costs incurred entering into, and administering, a Building Upgrade Agreement. In addition a fee can be charged for late payment of a Building Upgrade Charge (if applicable). These fees are included in the council fee schedule and set on a cost recovery basis.

Councils are not responsible for marketing and project generation, but may wish to promote Building Upgrade Finance by including information on their website and in other council materials.

Building Owner Benefits

Support business rate payers in your council area take advantage of these benefits and to unlock environmental and heritage upgrades to their buildings.



No Upfront Capital Required

Up to 100% project finance is available, so there is no impact on capital budgets.

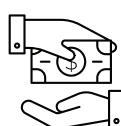


Attract & Retain the Best Tenants Landlords can remain competitive by offering efficiency and cost savings to tenants.



Option for long term fixed rate finance

Fixed* long term repayments and potential for positive cash flow through operating savings from upgrades.



Pass on the Loan

When selling the building, Building Upgrade Finance allows remaining repayments to be passed to the new owner – if all parties agree.

*Some finance providers may also offer variable rates.



Share Costs

Cost of upgrades can be shared with benefiting tenants, subject to legislative provisions.



Case Studies



Angas Securities Building, Adelaide

The City of Adelaide's decision to offer Building Upgrade Finance in its council area enabled the former building owner to secure project funding through a Building Upgrade Agreement with their financier.

Upgrades:

- Replacement of over 1,500 bulbs and fittings
- A new 30 kW Solar PV system
- Installation of energy optimising equipment to reduce the peak demand.

"Through this finance mechanism, my project benefited from 100 percent project finance, removing the need for upfront capital.

It's opened my eyes to a whole new world on how to design, how to manage and how to continually upgrade significant assets at a top standard. And it's all paid for by energy savings. You're getting it for free."

John Culshaw, Former Building Owner



YourDC Data Centre, Edinburgh Parks

The City of Salisbury enabled YourDC to secure funding through a Building Upgrade Agreement with their financier.

Upgrade: 199 kW Solar PV System

It was estimated the solar PV system would:

- Deliver 290,000 kilowatt hours of electricity per annum
- Pay for itself in under 3.5 years
- Deliver electricity for the next 25 years at just over 5 cents per kilowatt-hour - a rate more than 80% below the peak price for grid sourced electricity
- Reduce the potential peak demand component of the grid electricity bill.

"This upgrade is cash flow positive from day one, it was an absolute no brainer for us. Data centres are one of the highest consumers of power per square metre and sustainability is very important to us. This upgrade means that when the sun is shining our customers' computers are running on solar."

Scott Hicks, Owner

Further Information

A Building Upgrade Finance Council Information and Communications Pack are available on request. The pack provides guidance and material to support local councils in participating in Building Upgrade Finance, including **some** relevant procedures, templates and guidance.

Council's may also wish to consider engaging a council service provider to support implementation of Building Upgrade Finance.

For further information contact climatechange@sa.gov.au.