

Environmental Upgrade Finance Case Study

EUF used for 5-building precinct upgrade

Kings Technology Park - Melbourne, Vic

BUILDING DETAILS

- Age: 1985-1987
- Size: 34,798m² (NLA)
- Use: Office/Retail
- Tenants: 13
- Original NABERS Rating: 3 stars (indicative)

UPGRADE DETAILS

- New cooling tower system
- Two new efficient chillers
- New air ducting system
- New digital building control system
- Annual Savings: \$250,000
- Annual Repayments: \$92,528



THE CHALLENGE

- Kings Technology Park is owned by family investment company Asia Pacific Property Group. It is a major commercial precinct covering over 30,000 m² of net lettable area, with 13 tenants.
- Built in the late 1980s, the core equipment in the complex was operating beyond its working life.
- Heating and cooling equipment was no longer meeting occupants' needs and running inefficiently, adding unnecessary operational costs. The inefficient equipment also reduced the attractiveness of the property to prospective tenants.
- The owner is also aware that large corporates are increasingly concerned about what property owners are doing to reduce their environmental impact.

THE PROJECT

- The project involved a \$3.2 million upgrade to the heating and cooling system for the precinct, alongside the installation of a new building control system.
- Annual energy costs for owner and tenants were reduced by \$250,000, along with significantly improved heating and cooling performance for occupants.
- The NABERS rating increased from 1.5 to 3.5 stars, with associated benefits in terms of valuation uplift and improved attraction of future tenants.
- Emissions were reduced by over 2,600 tCO₂e annually.

ENVIRONMENTAL UPGRADE FINANCE

Environmental Upgrade Finance (EUf) is a growing form of low-risk finance for building upgrades that reduce operating costs and improve energy, waste, or water efficiency or increase renewable energy. Benefits include:



1. Zero upfront capital, and no additional security



2. Improved cash flow, with lower annual repayments offset by energy cost savings



3. Competitive interest rates fixed for 10 years or more, with reduced re-financing risk



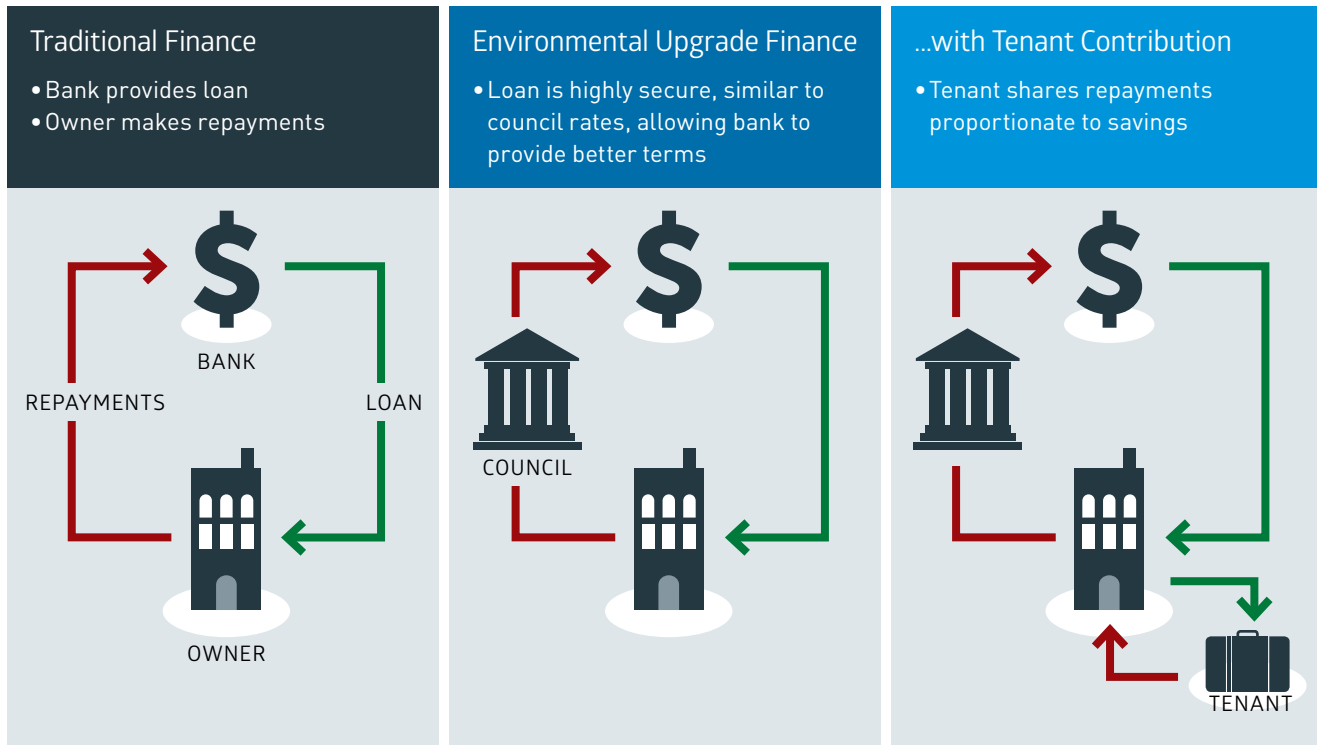
4. Option to share costs, delivering a better asset for the owner, and an improved workplace for tenants

Turn over to see how EUf helped deliver this project



HOW DOES IT WORK?

A number of banks including NAB, ANZ and Bankmecu currently offer EUF. This kind of finance is secured against the building, rather than the building owner, with repayments collected for distribution to the lender by the local council. This structure makes EUF lower risk for banks, and allows them to offer more attractive finance terms.



BENEFITS OF EUF FOR KINGS TECHNOLOGY PARK



1. EUF enabled a capital-intensive, pro-active replacement of old equipment in the building with high efficiency equipment

Using EUF enabled the building owner to diversify their funding for the project, with a mix of EUF, a capital grant through the former Federal Government Green Building Fund and equity.



2. Long-term, fixed interest finance over ten years delivered cash flow benefits

The 10 year loan period provided under EUF delivered cash flow benefits to the building owner, compared to a 4 year term that would have been available under traditional finance. Annual repayments (around \$93,000) were lower than the energy savings (around \$250,000), meaning the project was cash flow positive from the outset.

FINANCE DETAILS[^]

	EUF
Loan amount	\$3,200,000
Fixed interest period	10 years
Annual repayments	\$92,528

[^]As with any other finance arrangement, details such as interest rates and loan periods need to be negotiated on a commercial basis with the lender. This analysis excludes bank administration fees, which would need to be incorporated into any EUF financing decision.

'EUA finance is an attractive tool for use across our portfolio. It adds to the multiple finance opportunities we currently use to operate, maintain and grow our portfolio. Having access to such a tool enhances the businesses cash-flow and, frankly, makes my life easier'

Peter Linnane, CFO, Asian Pacific Group



Australian Government
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