

# Business Case for Environmental Upgrade Finance

How tenants can use Environmental Upgrade Finance to achieve energy cost savings and improve their workplace

## WHAT IS ENVIRONMENTAL UPGRADE FINANCE?

Environmental Upgrade Finance is a new and growing form of finance provided by major financiers in Australia for commercial building upgrades that reduce operating costs and improve energy, waste or water efficiency or increase renewable energy.

## WHAT ARE THE BENEFITS FOR TENANTS?

Environmental Upgrade Finance can help tenants to access the significant benefits of building upgrades without spending money or paying additional rent. It can provide attractive finance for building owners to undertake improvements to workplaces which reduce operating costs, improve staff health and productivity and reduce staff turnover. Benefits for tenants include:

### 1. Influence landlord to upgrade, without increased rents



Environmental Upgrade Finance provides a mechanism for the tenant to proactively pursue an improvement to their working environment. Tenants are provided with critical information about the energy cost savings and other financial benefits that they would receive through a building upgrade. In NSW, legislation guarantees that tenants cannot be asked to contribute more than their savings.

This allows tenants to confidently offer to contribute some of the energy savings to the cost of upgrading. Rents do not need to be increased because the tenant is contributing to the cost of the upgrade.

### 2. Upgrade mid-lease



Environmental Upgrade finance allows an upgrade to be negotiated during the course of a long tenancy. Upgrades are generally not undertaken until the end of a tenancy, because that is the point at which the rent can be increased.

Under this finance, the rent does not need to be increased, so there is no need for the building owner to wait until the end of the lease. This enables tenants to get energy and productivity savings earlier and help avoid expensive relocation costs.

## WHERE CAN I FIND OUT MORE?

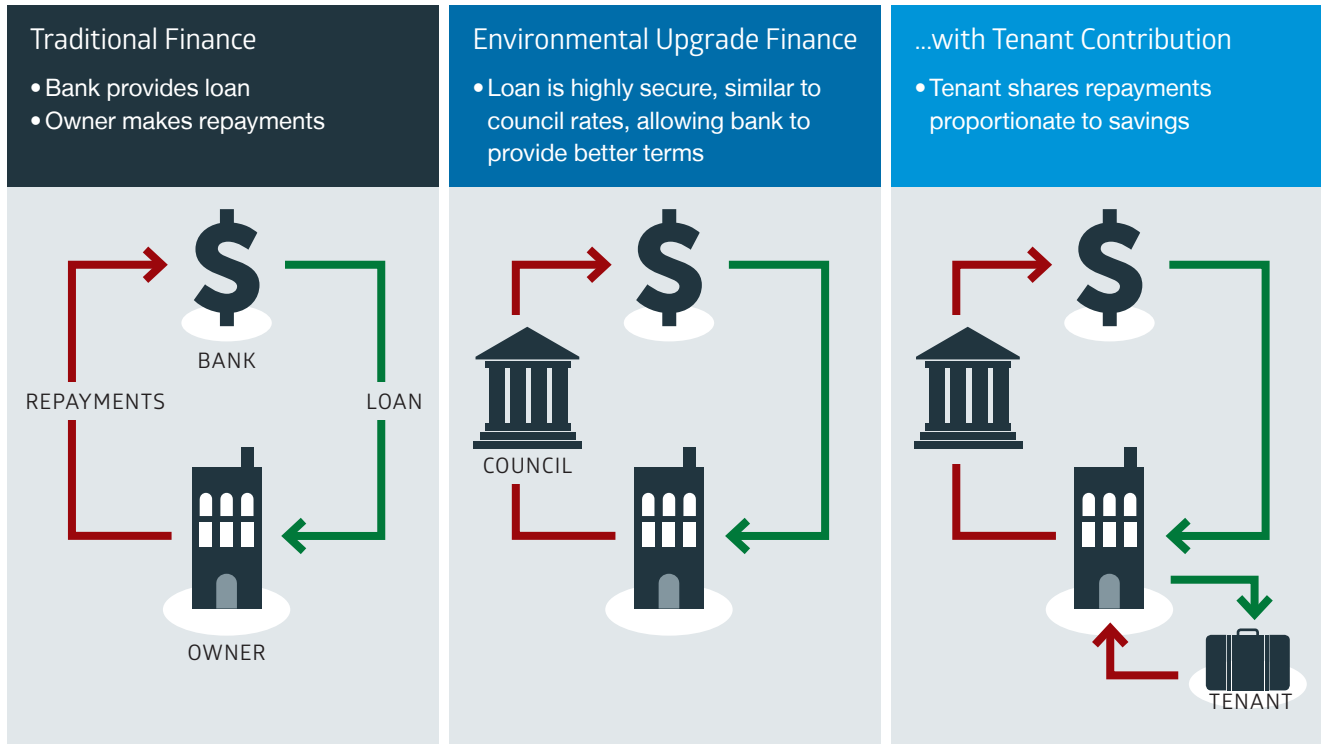
More information is provided at [BetterBuildingFinance.com.au](https://www.betterbuildingfinance.com.au), including:

- Case studies of buildings that have been upgraded using Environmental Upgrade Finance
- Example business cases for a range of other potential building upgrade projects
- A simple comparison calculator that helps you see how Environmental Upgrade Finance could work in your own building

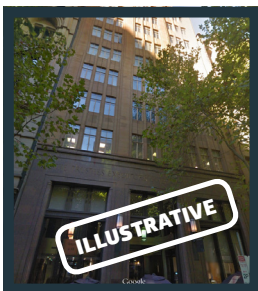
## HOW DOES IT WORK?

A number of financiers including NAB, ANZ and Bankmecu currently offer Environmental Upgrade Finance. 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 Environmental Upgrade Finance lower risk for financiers, and allows them to offer more attractive finance terms.



## Example Business Case > 401 Collins Street, Melbourne, Vic



### THE CHALLENGE:

- Reduce environmental impact and meet lead tenant's expectations for better heating and cooling

### THE OPPORTUNITY:

- Improve HVAC performance, reduce energy costs by over \$50k annually and cut emissions by 10%

### ENVIRONMENTAL UPGRADE FINANCE:

- Would facilitate co-operation with tenants to share costs
- Long-term fixed interest rate would reduce cash-flow impact of major upgrade

\*For more information including the full business case go to [www.BetterBuildingFinance.com.au](http://www.BetterBuildingFinance.com.au)

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