

WEBINAR

Funding Your Green Projects: Federal & Incentive Updates

OCTOBER 8 | 12:00 PM CT

HOSTED BY:



What We Do for Illinois



EDUCATING BUILDING
PROFESSIONALS



ADVANCING POLICY AND
REMOVING BARRIERS



SUPPORTING BUILDINGS
ON THE PATH TO NET ZERO





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AIA Learning Objectives

- **Learning Objective 1:**
Identify current federal incentives and financing tools available for sustainable development and retrofit projects.
- **Learning Objective 2:**
Analyze common pitfalls and proven strategies in securing funding for green projects, drawing from real-world developer and advisor experiences.
- **Learning Objective 3:**
Apply lessons from industry experts and interactive discussion to navigate financing timelines, incentive programs, and funding structures for future projects.
- **Learning Objective 4:**
Evaluate examples of Illinois-based projects to understand how teams structure financing and leverage state-level incentives.

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The Goals of the Hub are to:

- Educate & train building professionals
- Support diverse contractors
- Connect contractors to a project pipeline
- Build capacity for advanced codes and policies
- Streamline access to financial resources

The Hub is growing capacity for commercial & multi-family building retrofits.



Who is the Hub?



Hub Partners

Program Partners



Education, Technical, and Resource Development Partners



Funding Partners



Today's Speakers



Monte Hilleman

VP of Environmental Resiliency,
Compliance & Investment,
Sustainable Investment Group



Owen Hull

Senior Vice President,
Weldon Development Group



Sustainable Investment Group (SIG)

Illinois Green Alliance - Funding Your Green Projects

October 8, 2025

Monte Hilleman

Vice President of Environmental Resiliency, Compliance & Investment

651.338.1039

monteh@sigearth.com

SIG Clients



SIG in numbers / Global

300+ annual projects and \$34B in building assets advised

Subject Matter Experts

200+

Combined Years Experience

100+ Credentials

3 LEED Fellows
5 Professional Engineers
25+ unique credentials

50+

Subject Matter Experts

Market Reach

75M+ SF

Green Building Services completed annually

\$34B+

Real Estate Asset value that SIG supports

300+

Projects Managed annually

Project Experience

500+

LEED projects certified | 80M+ SF

300M+ SF

Energy Audits, Decarbonization Assessments,
Commissioning and Energy Modeling projects

500+

ENERGY STAR Certifications annually
148M+ SF

Climate

Investment

Solutions



SIG | Climate Investment Solutions:

Representative Clients



Green Value Creation

Pre-Design -> Development -> Asset Management -> Exit



Sustainable Finance | Inflation Reduction Act

Numerous options accretive to project and/or investors

Tax Credits

Investment Tax Credit (ITC)

6%-70%

Solar / Geothermal (GSHP) / Thermal Energy Storage / Battery Storage...and more!

No Limit or Application

(generally)

45L Tax Credit

Multifamily Residential Up to \$5,000/mf unit

Tax Deductions / Depreciation

179D Deduction

Up to \$5.65/sf for surpassing 2007 energy code (thru 2026) by 50%

Energy Property Depreciation

Bonus + MACRS

Rebates / Grants / Loans

DOE / LPO

10X loan authority / \$80B nationally

Home Energy Rebates

Up to \$14,000/mf unit + potential matching state incentives (< 150% AMI)

EPA GGRF

Coalition for Green Capital (\$5B) / Climate United (\$7B) / Power Forward (\$2B)

POST - OBBBA Sustainable Finance | Inflation Reduction Act

Less options accretive to project and/or investors

Tax Credits

Investment Tax Credit (ITC)

48(GSHP): good through 2034

48E: See next slide

Direct Pay: Untouched

Transferability: Untouched, except 48(GSHP) must begin by 7/4/27

45L Tax Credit

Units must be complete & leased by 6/30/26

Tax Deductions / Depreciation

179D Deduction

Must begin construction by 6/30/26

Energy Property Depreciation

MACRS: Begin construction pre 1/1/26, AND placed in service pre 1/1/28, AND meet PWA, or Sec 48E

100% Bonus Depreciation: Begin construction pre 1/1/26, AND placed in service pre 1/1/28, AND meet PWA

Rebates / Grants / Loans

DOE / LPO

Losing 60% of staff

Title 17 new focus on repowering fossil assets

Home Energy Rebates

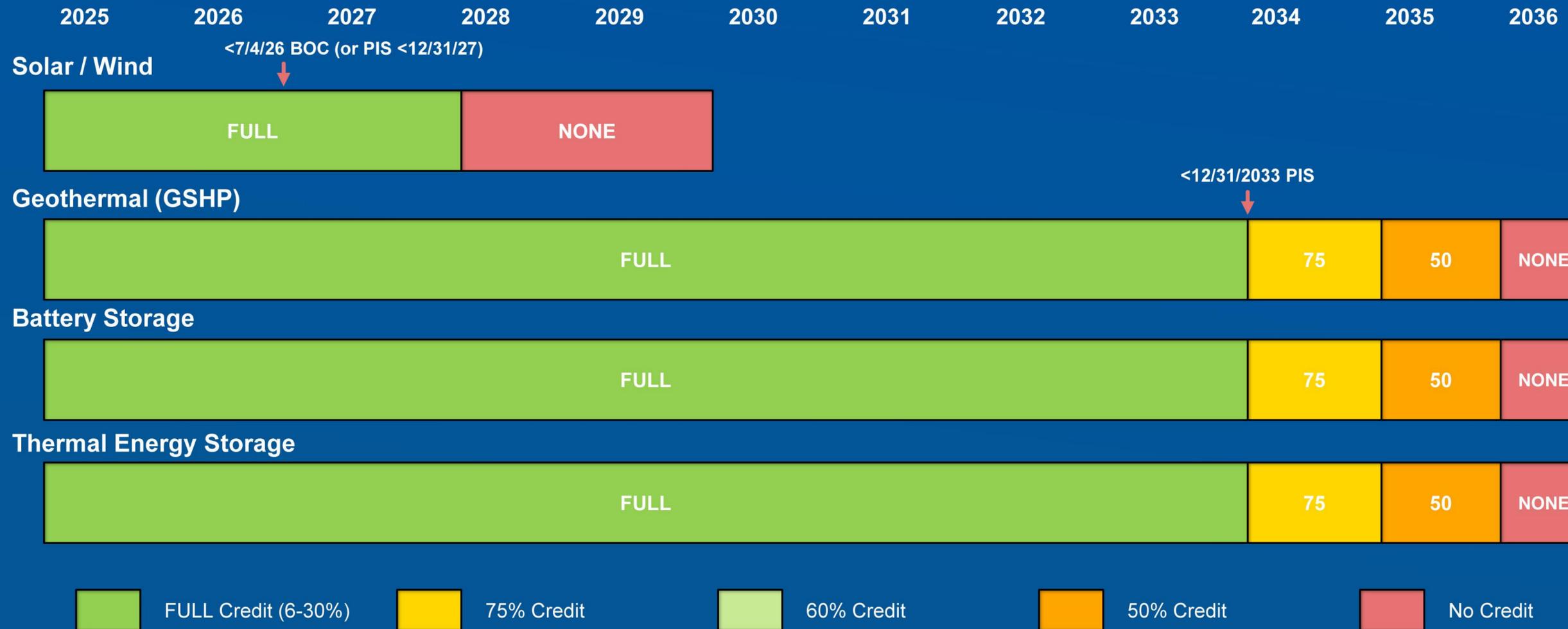
HOMES: untouched

HEAR: State by state

EPA GGRF

NCIF (\$14B) / CCIA (\$6B) / SfA (\$7B): 96% 'obligated' = safe? = @ DC Circuit Court

OBBBA Begin Construction & Placed In Service Impacts | Section 48E



Solar/Wind

Must begin construction **by 7/4/26** for 100 % credit; **or** for projects begun after 7/4/26 must be Placed-In-Service **by 12/31/27**. 5% 'binding contract' Safe Harbor continues for <1.5mW.

Geothermal (GSHP)

Retains full credit for projects that are Placed-In-Service by 12/31/33; phases to 75 % (2034), 50 % (2035), zero after 2036. Special carve out in 48E for geothermal as an Energy Storage Technology. **Analyze 'Legacy' Section 48 vs 48E for geothermal**. Eligible cost basis differs.

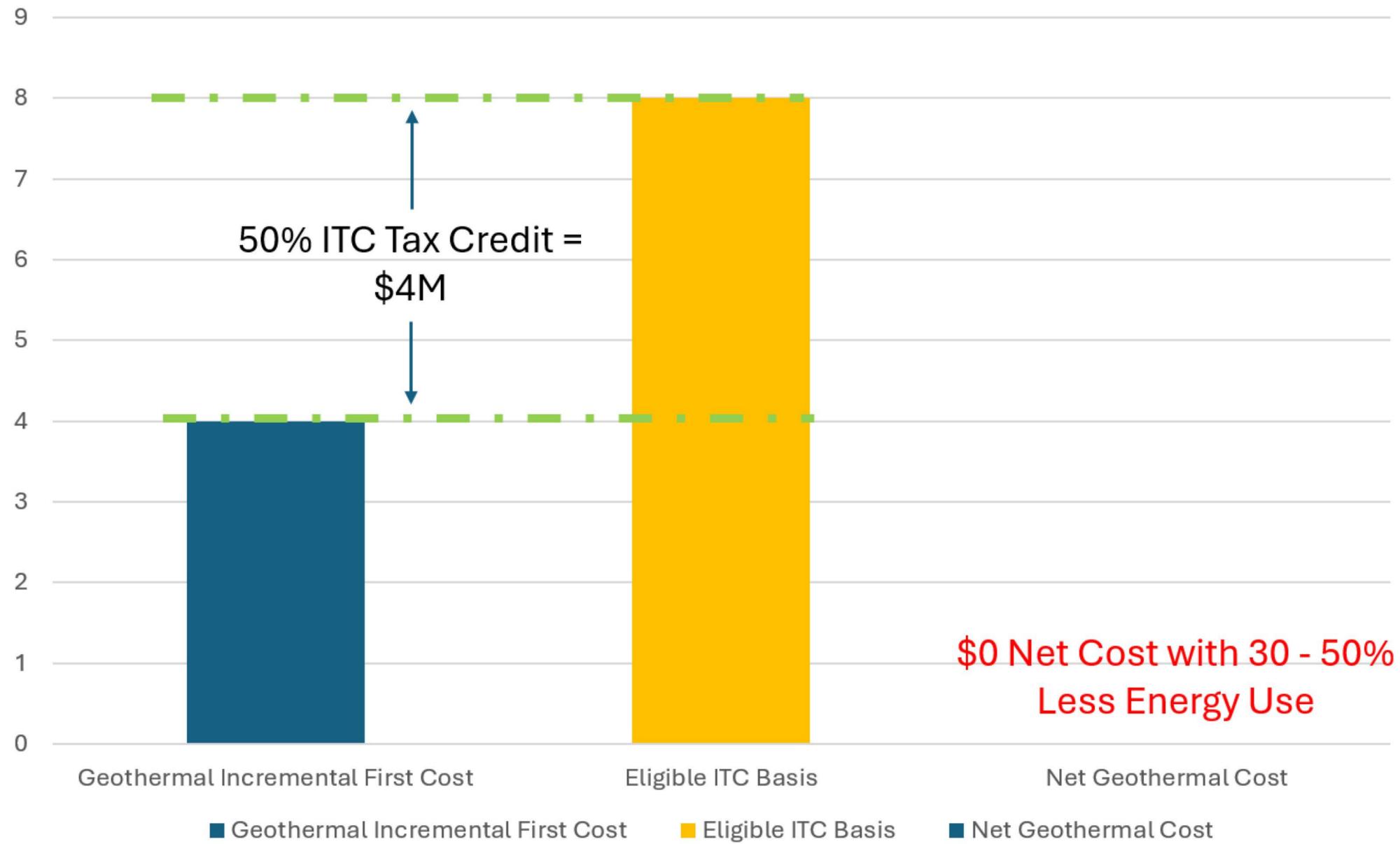
Battery & Thermal Storage

Same schedule as geothermal; the solar/wind **cliff does not apply**.

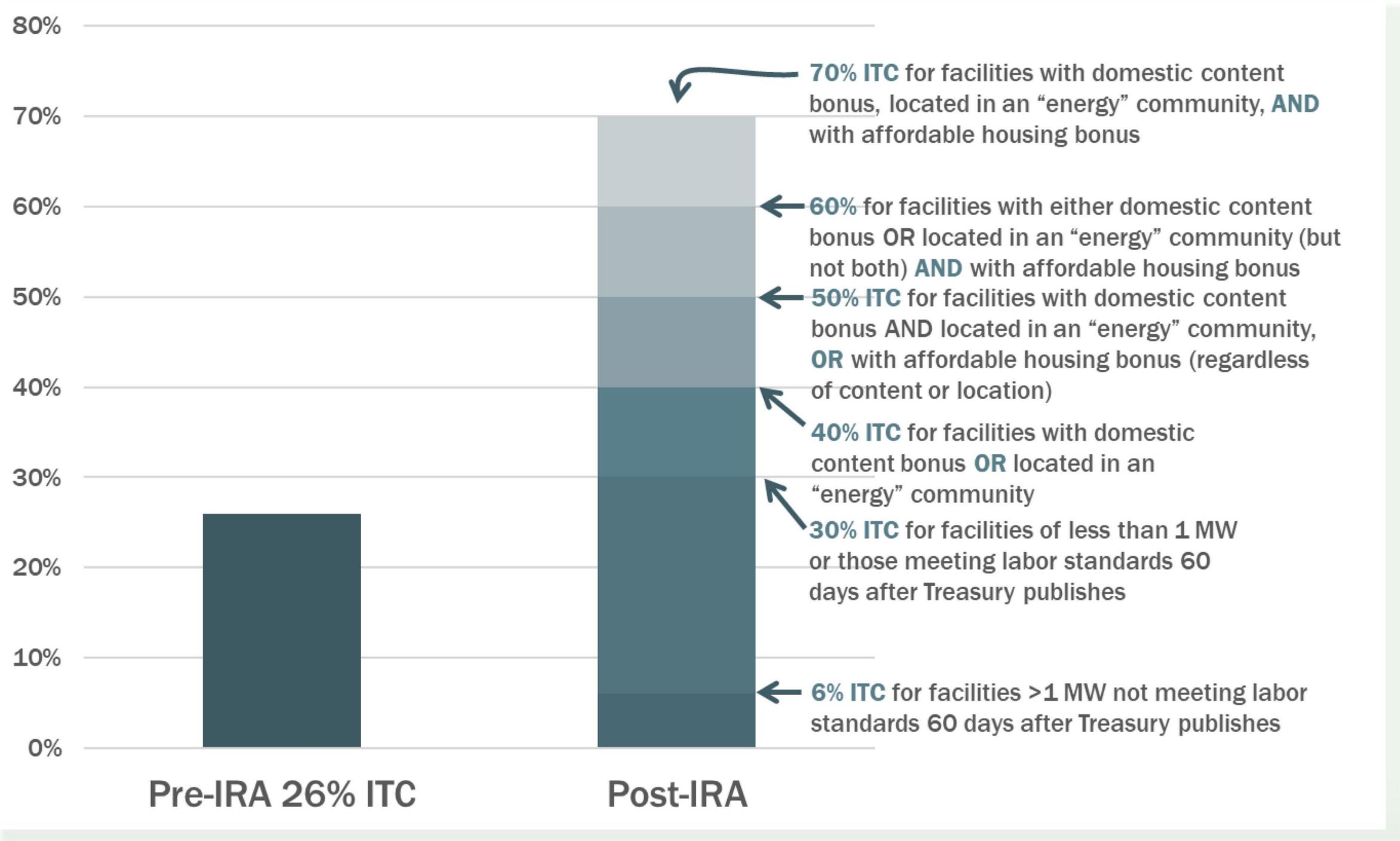
Example Geothermal Tax Credit Calculation

'Legacy' Section 48 w Dual-Use Equipment

Sample Geothermal ITC Tax Credit Calculation (IRA Direct Pay)

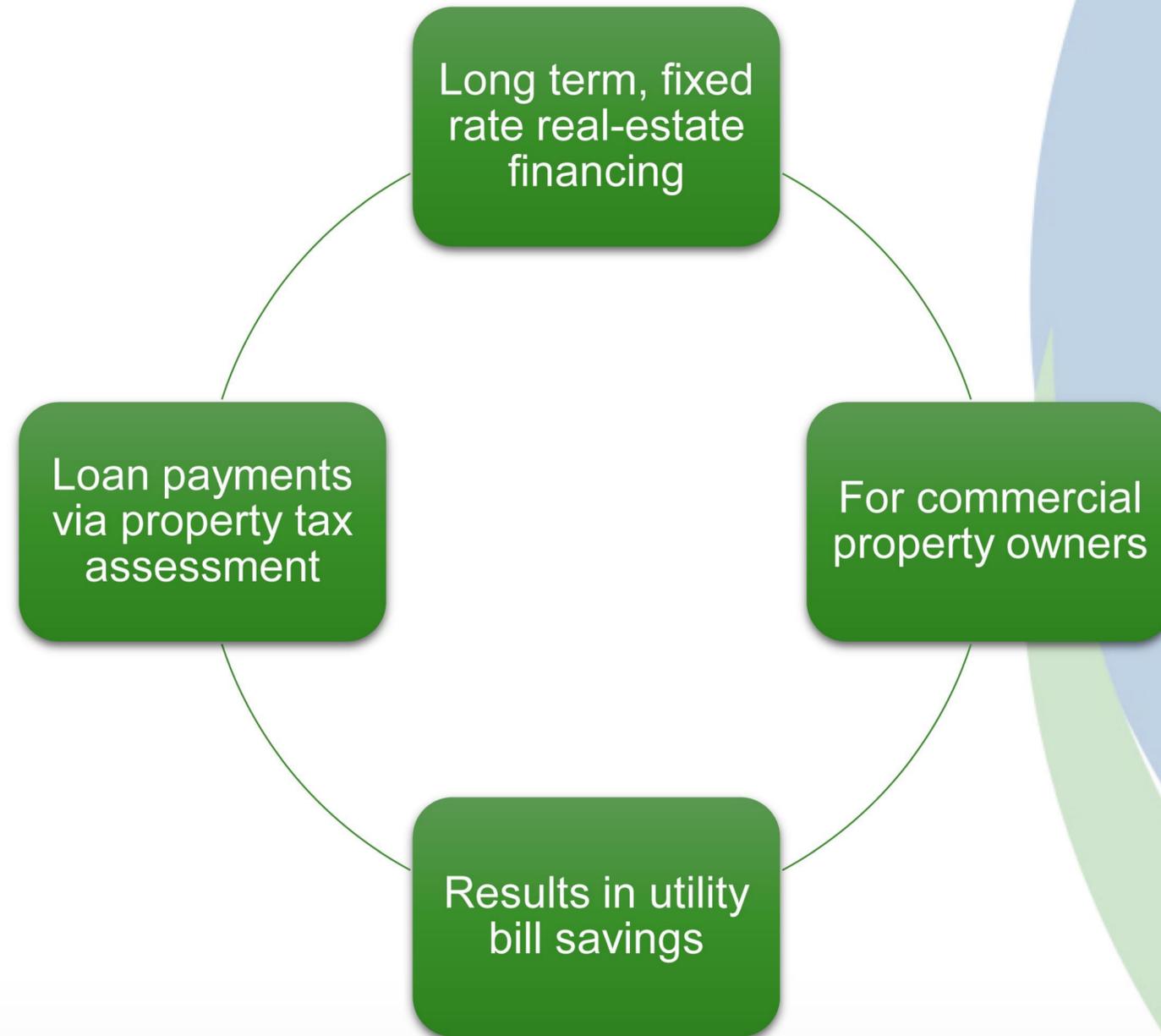
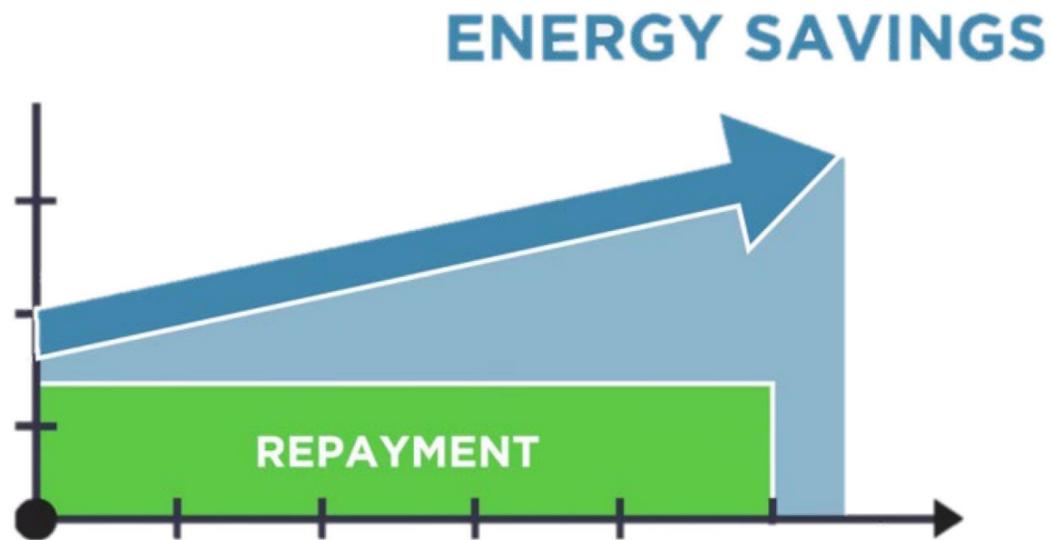


Investment Tax Credit: Stacked 'Adders'



What is C-PACE?

‘Commercial Property Assessed Clean Energy Financing’

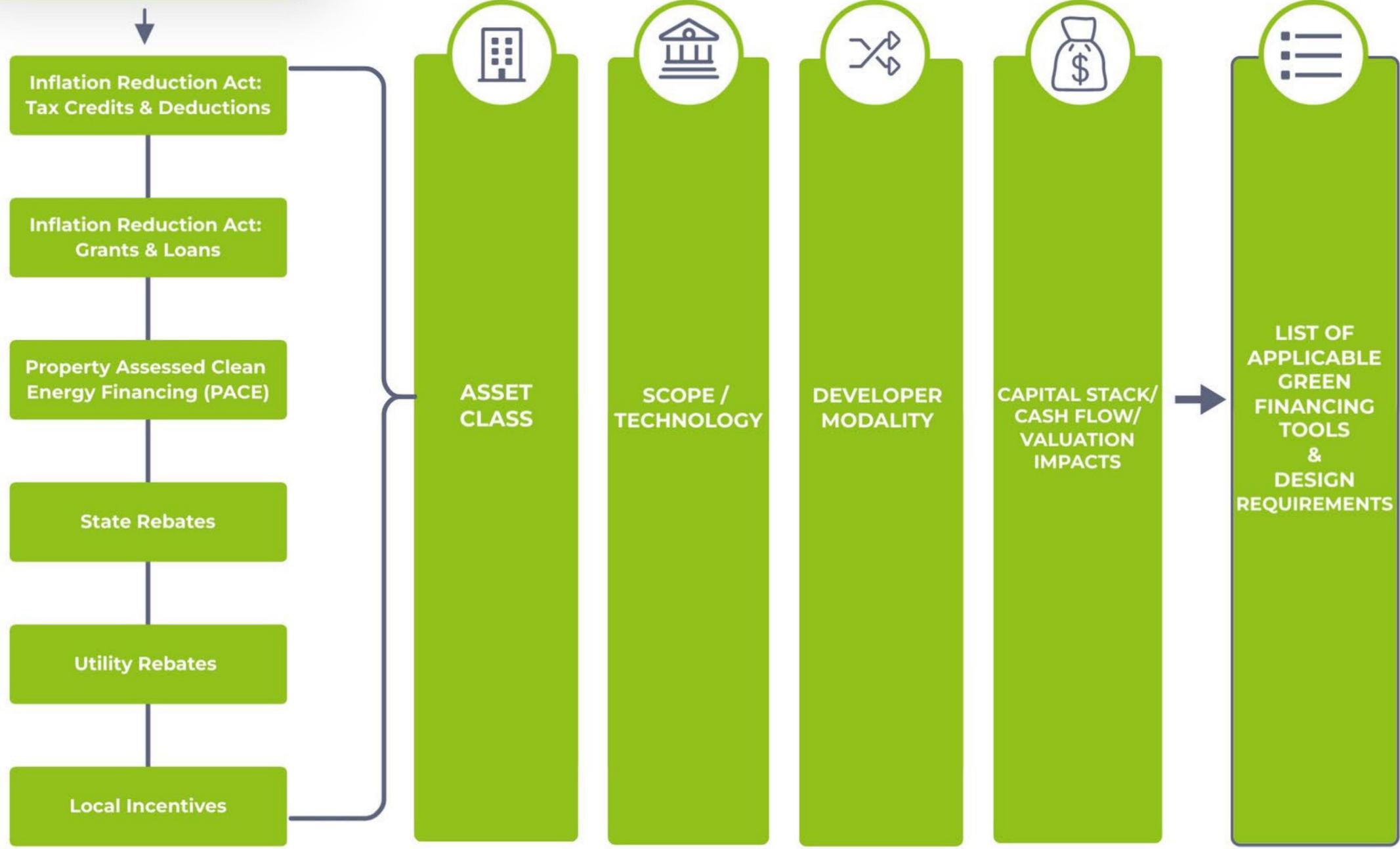


Uses of C-PACE?





Green Financing Applicability Matrix



What kind of animal are you? (aka 'Developer Modality')



Inflation Reduction Act: Investment Tax Credit

Direct Pay



LIHTC / IRA Synergies

Net Positive to Capital Stack



Double dip on LIHTC and Investment Tax Credit (ITC) Basis (solar/geothermal/etc)

Ex. An increase of costs for a geothermal system of \$4M earns a 30-50% ITC credit **AND** represents \$4M of increased LIHTC basis



In Qualified Census Tracts the additional costs for energy systems can earn a 1.3X increase to LIHTC tax equity generated



Custom Utility Allowances

Report to decrease utility allowances and increase rent based on projected utility costs
Increased rent generates more net operating income and therefore loan proceeds to fund the project



Operating Expense Improvements
(improve NOI by 10%???)

Unit Annual Rental Income Recovery from Net Metering
Common Area Projected Annual Reduction (lower utility cost due to more efficient geothermal and solar revenue)

LIHTC / IRA Synergies

More Competitive



Gain **more points in competitive scoring** applications for advanced sustainability features



Add “**Committed**” **sources of funds**, making applications more competitive



Additional sources of funds **decreases required subsidy per unit**

LIHTC / ITC Synergies

The Math

LIHTC + ITC: Impacts to Sources & Uses	Unit Count: 150	
	Total:	Per Unit:
Geothermal HVAC Option:	\$ 7,000,000	\$ 46,666.67
Baseline HVAC Option:	\$ 3,000,000	\$ 20,000.00
Delta:	\$ 4,000,000	\$ 26,666.67
Investment Tax Credit Rate:	50%	
Estimated Investment Tax Credit (ITC):	\$ 3,500,000	
Estimated ITC Equity Rate:	0.83	
ITC Equity Investment:	\$ 2,905,000	\$ 19,367
Low Income Housing Tax Credit - Qualified Basis:	\$ 4,000,000	
Qualified Census Tract Boost:	1.30	
Qualified Basis %:	100%	
Qualified Basis:	\$ 5,200,000	
Applicable Tax Credit %:	4.00%	
Annual Tax Credit Allocation - Partnership:	\$ 208,000	
10 Year Tax Credit Allocation - Partnership:	10.00	
% of LIHTC Allocated to Limited Partner:	99.99%	
Estimated LIHTC Equity Rate:	0.83	
Total LIHTC Equity Investment - Geothermal:	\$ 1,726,227	\$ 11,508
ITC Equity + LIHTC Equity Proceeds:	\$ 4,631,227	\$ 30,875
Add Alt: Budgeted Upgrade to VRF from Magic Paks:	\$ 750,000	\$ 5,000
ITC + LIHTC + Budgeted Sources Total:	\$ 5,381,227	\$ 35,875
Less: Geothermal Cost Delta	\$ 4,000,000	\$ 26,667
Delta: Positive / (Negative):	\$ 1,381,227	\$ 9,208
* Should result in 30-50% cost savings in electric utility operating costs		
** Pair with solar for maximum savings		

Green Finance: Sources & Uses

\$42M TPC | 125 Market Rate MF Units

Sources & Uses - SIG Climate Investment Solutions

Project Sources	Percent of Capital Stack		Project Sources	Percent of Capital Stack	
	Conventional	Stack		Green	Stack
Senior Debt	\$ 19,700,000	55%	Senior Debt	\$ 25,100,000	60%
Mezzazine Debt	\$ -	0%	PACE Loan 1	\$ 3,100,000	7%
PACE / Green Bank	\$ -	0%	PACE Loan 2 (Tax Credit Advance)	\$ 2,800,000	7%
IRA Tax Credits	\$ -	0%	IRA ITC Tax Credits	\$ -	0%
Owner Equity	\$ 14,200,000	40%	Owner Equity	\$ 6,900,000	17%
Other (TIF/rebates/grants)	\$ 2,000,000	6%	Other (TIF/rebates/grants)	\$ 3,900,000	9%
	\$ 35,900,000	100%		\$ 41,800,000	100%

Green Finance: Sources & Uses

\$42M TPC | 125 Market Rate MF Units

GREEN INVESTMENTS

Green Investments - Sources & Uses

	USES		SOURCES		INCENTIVE RATE	INCENTIVE BASIS
Energy Efficient Envelope / Lighting	\$	2,500,000	\$	351,000	\$	5.00
HVAC (GSHP - all electric - Darcy)	\$	2,870,000	\$	3,259,000	50%	\$ 6,518,000
Rooftop Solar (\$1.92/w@225kW)	\$	430,000	\$	220,000	50%	\$ 430,000
Carport Solar	\$	-	\$	-	30%	
Battery Storage	\$	-	\$	-	30%	
EV Chargers + Infrastructure	\$	-	\$	2,103,378		\$ 6,958,800
	\$	-	\$	300,000	\$	2,500
	\$	-	\$	-	30%	
	\$	-	\$	-		
Total	\$	5,800,000	\$	1,764,000	\$	14,000 avail spring '25 (TBC)
			\$	125,000	\$	992 per unit
				8,120,000		
Green Financing Balance Over / (Under)	\$	2,320,000				
PACE Financing Eligible	\$	5,800,000				

Green Finance: 'Feasibility Snapshot'

\$42M TPC | 125 Market Rate MF Units

CAPITAL STACK IMPACTS - 5 Year Hold						
CONVENTIONAL FINANCING - COST OF CAPITAL		\$ 35,900,000	Total Project Cost			
			Percent of Capital Stack	Conventional Cost of Capital	Term	Am
Project Sources						
Senior Debt	\$ 19,700,000	55%	7.00%	5	30	\$ 6,765,337
Mezzazine Debt	\$ -	0%	13.00%			\$ -
PACE / Green Bank	\$ -	0%	5.50%			\$ -
IRA Tax Credits / Equity	\$ -	0%	0.00%			\$ -
Owner / Developer / Investor Equity	\$ 14,200,000	40%	13.00%	5	5	\$ 3,917,837
Other (Jobs Bill TIF/rebates/grants/etc)	\$ 2,000,000	6%	0.00%			\$ -
	\$ 35,900,000	100%				\$ 10,683,174
GREEN FINANCING - COST OF CAPITAL		\$ 41,800,000	Total Project Cost			
			Percent of Capital Stack	Green Cost of Capital (Low Impact)	Green Cost of Capital (Low Impact)	Green Cost of Capital (High Impact)
Project Sources						
Senior Debt	\$ 25,100,000	60%	7.00%	\$ 6,765,337	7.00%	\$ 6,765,337
PACE Loan 1	\$ 3,100,000	7%	8.00%	\$ 1,218,369	8.00%	\$ 1,218,369
PACE Loan 2 (Tax Credit Advance)	\$ 2,800,000	7%	8.00%	\$ 446,196	8.00%	\$ 446,196
IRA ITC Tax Credits / Deferred Tax Equity	\$ -	0%	0.00%			\$ -
Owner / Developer / Investor Equity	\$ 6,900,000	17%	13.00%	\$ 2,642,085	13.00%	\$ 2,642,085
Other (Jobs Bill TIF/rebates/grants/etc)	\$ 3,900,000	9%	0.00%			\$ -
	\$ 41,800,000	100%		\$ 11,071,987		\$ 11,071,987
	\$ -	check				
	\$ 6,900,000	Cash for Closing	Green Cost of Capital Savings	\$ (388,813)		\$ (388,813)

Green Finance: 'Feasibility Snapshot'

\$42M TPC | 125 Market Rate MF Units

CASH FLOW IMPACTS							
Net Operating Income							
			Conventional	Green Financing (Solar Only / Low Impact)	Green Financing (Efficiency Only / Low Impact - No Green Lease)	Green Financing (Efficiency + Solar / High Impact - Green Leased)	
	Cash Flow Increase ^(1, 2,3)	2.4% - 5.6%	\$ 2,528,382			\$ 2,669,972	
or	Solar Revenue/Savings (225 kW DC @ 300,000 kWh @ \$0.08)	0.95%	\$ 24,000	\$ 2,552,382			
and/or	(Costs)/Savings per Energy Model	6.72%	\$ 170,000		\$ 2,698,382	\$ 2,722,382	capture savings via modified gross lease for energy costs
	Indicative Valuation		\$ 46,000,000	\$ 46,400,000	\$ 49,100,000	\$ 49,500,000	
	Green Value Creation Potential			\$ 400,000	\$ 3,100,000	\$ 3,500,000	

Green Finance: 'Feasibility Snapshot'

\$42M TPC | 125 Market Rate MF Units

VALUATION IMPACTS				
Valuation				
		<u>Conventional</u>	<u>Green Financing (Low Impact)</u>	<u>Green Financing (High Impact)</u>
Exit Cap Rate	0.15 - 1.0%	5.5%	5.25%	5.00%
Indicative Valuation		\$ 46,000,000	\$ 48,200,000	\$ 50,567,650
		Green Value Creation Potential	\$ 2,200,000	\$ 4,567,650

Green Finance: 'Feasibility Snapshot'

\$42M TPC | 125 Market Rate MF Units

FEASIBILITY SNAPSHOT					
GREEN FINANCING FEASIBILITY SNAPSHOT					
		LOW	HIGH	LOW	HIGH
Cost of Capital Savings	\$	(388,813)	\$	(388,813)	-3.6%
Cash Flow/NOI Valuation Impacts	\$	400,000	\$	3,500,000	0.9%
Cap Rate Valuation Impacts	\$	2,200,000	\$	4,567,650	4.8%
	\$	2,211,187	\$	7,678,837	2.0%
					13.9%

Green Finance: 'Schedule & Accretion'

\$42M TPC | 125 Market Rate MF Units

	ACCRETIVE TO: PROJECT		ACCRETIVE TO: OWNERSHIP/INVESTORS	
GREEN FINANCE SCHEDULE & ACCRETION: \$42M TPC MULTIFAMILY 125 UNITS				
	<i>At Closing</i> <i>(PACE Debt)</i>	<i>At Construction</i> <i>(Rebates - TBD)</i>	<i>At Completion</i> <i>(ITC Monetization)</i>	<i>Ongoing</i> <i>(Tax Credits/Deductions)</i>
GREEN FINANCE SOURCES				
PACE Loan1	\$ 3,024,800			
PACE Loan2	\$ 2,777,200			
IRA 179D Deduction				\$ 351,000
IRA ITC - Heat Pumps			\$2,502,000	
IRA ITC - Rooftop Solar			\$155,520	
IRA ITC - Carport Solar				
IRA ITC - Battery Storage				\$ 300,000
IRA 45L Tax Credit				
IRA EV Charging Credit				
IRA Home Energy Rebates		\$ 1,764,000		
Utility Rebates				
Energy Property Depreciation				\$ 1,981,410
	\$5,802,000	\$1,764,000	\$2,657,520	\$2,632,410
				TOTAL GREEN FINANCING BENEFIT
				\$12,855,930

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Green Finance: 'Net Zero Pro Forma' Investment Returns

\$42M TPC | 125 Market Rate MF Units

Project Returns - SIG Climate Investment Solutions

	Conventional		Green	
DSCR	1.65X		1.51X	
Cash-On-Cash (OCF/Equity)	8.20%		15.55%	
Return-On-Equity	7.40%		13.47%	
Equity Multiple	2.55	VS.	5.98	
Pre Tax DCF Valuation	\$ 48,399,350		\$ 51,864,166	107%
Post Tax DCF Valuation	\$ 13,368,406		\$ 16,010,433	120%

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Green Finance: Delta Factors

Effective Gross Income

- Green Leasing: Op Ex/Utility Bills
- Green Design: Vacancy Decrease
- Green Design: Lease Renewal Probability

Net Operating Income

- Energy Savings
- Renewables Generation
- Solar PV Roof Lease
- PPA / VPPA

Debt Service

- C-PACE
- Green Banks
- Retire Debt w/ ITC's

Equity Req't

- PACE / Green Bank as Equity Replacement
- Bridge Loan -> Refi to Monetize ITC's
- POS HER Rebates

Operating Cash Flow

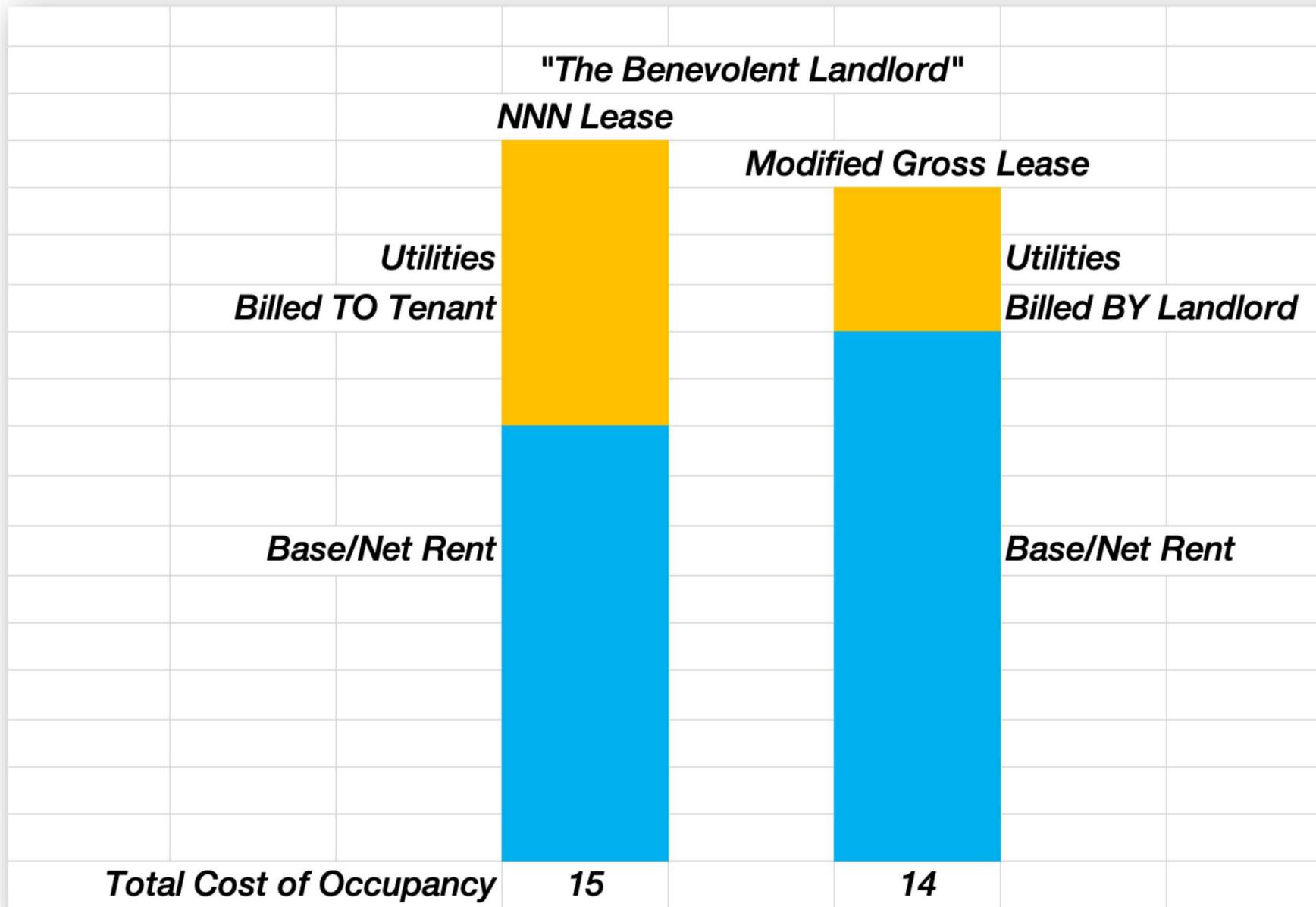
- Pass through PACE d/s payments as property tax assessments

After Tax DCF Valuation

- Cap Rate Impacts
- Rolls IRA Benefits Into Financial Returns
- Green Finance Accretion

Green Leasing & 'The Benevolent Landlord'

A Model for Landlord + Tenant Aligned Decarbonization



TOTAL COST OF OCCUPANCY STRATEGY		
MODIFIED GROSS LEASE		Per SF
Typical Utility Bill (Net Lease Basis, Billed TO Tenant)	\$	1.50
Green Leased Utility Bill as Gross Rent	\$	1.00
Net Savings	\$	0.50
ADD'TL MODIFIED GROSS RENT TO TENANT	\$	1.00
Lease Term		
	Years	Months
	10	120
Cost To Landlord		
	Annual D/S	Per SF
ANNUAL PACE / GREEN LOAN D/S	\$ 225,000	\$ 1.34
Green Finance Benefits (ITC, 179D, Rebates, Depr)	\$ 217,975	\$ 1.30
	NET COST TO LL	\$ (0.04)
NOI Impact		
		Per SF
	LL Cost	\$ (1.34)
	Green Finance Benefits (ITC, 179D, Rebates, Depr)	\$ 1.30
	Gross Rent	\$ 1.00
	Net LL Benefit	\$ 0.96
Valuation Impact		
		\$ 0.96 PSF
		168,000 SF
		\$ 160,975 NOI per Year
		5.50% Cap Rate
		\$ 2,926,818 NOI Valuation Impact

Thank You! Questions?

Contact



651.338.1039



monteh@sigeearth.com



Facebook.com/sustainableinvestmentgroup



@SIG_Earth



Monte Hilleman

Vice President of Environmental
Resiliency Compliance & Investment

Sustainable Investment Group (SIG)



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