

Transaction Profile

Financing in action

SARANAC WATERFRONT LODGE

Preferred Equity to Support Energy Efficient New Building Construction in New York State



NY Green Bank initially committed \$5 million in September 2019 to finance the construction and operation of an energy efficient lodging property, the Saranac Waterfront Lodge, located in the Village of Saranac Lake. NY Green Bank's most recent upside to its existing facility will continue to support the hotel, which is registered under the LEED green building program.

Market Barriers and Solutions

Owners and developers of New Construction projects are not always able to secure appropriately priced capital based on projected energy savings and cost-benefit analysis. NY Green Bank's facility demonstrates the availability of capital to finance construction of real estate developments pursuing energy efficiency.

Transaction amount: **\$11.5 million**

Counterparties:

**(Project Sponsor) Saranac Lake
Resort Owner, LLC**

Product: **Preferred equity**

Date closed: **December 2022**

Estimated lifetime metric tons
CO₂e reduced: **744**

Technologies: **Energy efficiency /
building decarbonization**

Location: **Upstate**

End-use segment: **Commercial & industrial**



“Having NY Green Bank involved in projects like the Saranac Waterfront Lodge is crucial to the survival and growth of smaller destinations in the New York State. With their economic support, a new LEED certified hotel like this can get off the ground, provide quality lodging facilities to grow the region, and create good local jobs. HEI Hotels & Resorts is excited to team up with NY Green Bank on opportunities like this throughout the State of New York.”

Steen Petri, Managing Director

Preferred Equity to Support Energy Efficient New Building Construction in New York State

Saranac Waterfront Lodges

NY Green Bank (“**NYGB**”) initially committed \$5.0 million on September 25, 2019 to finance the construction and operation of an energy efficient lodging property seeking LEED® certification at completion. The project is located in the Village of Saranac Lake (the “**Project**”) and is being developed by Saranac Lake Resort Owner, LLC (“**Saranac**”). When the Project’s construction and operational delays resulted in a short-term \$2.0 million liquidity requirement, NYGB increased its funding commitment on July 17, 2020 with \$2.0 million of additional preferred equity units to finance incremental construction costs and support the opening and extended ramp-up of the property. NYGB committed an additional \$4.5 million in December 2022 to further support the project. The Project’s energy efficiency measures are expected to reduce greenhouse gas (“**GHG**”) emissions relative to design standards. This is NYGB’s first investment in an energy efficient, new building (“**New Construction**”) asset as part of its ongoing efforts to participate in sustainable infrastructure investments in support of Clean Energy Fund objectives. The Project is expected to create approximately 71 full time jobs in New York State (“**NYS**”), supporting economic development in the North Country.

Transaction Description

Saranac Waterfront Lodge is registered under the LEED green building program and seeks to be the first LEED-certified hotel in the Adirondack Park, located on the shores of Lake Flower and partially located on a former Superfund site, remediated in 2018 under the guidance of the New York State Department of Environmental Conservation (“**NYSDEC**”). The Project will incorporate energy efficiency measures including efficient HVAC equipment and insulation, advanced lighting, and improved building controls, in addition to stormwater management improvements and electric vehicle charging stations.

NYGB’s \$11.5 million preferred equity investment (the “**Investment**”) diversifies NYGB’s portfolio and presents an opportunity to increase market awareness of energy efficiency in the New Construction space. NYGB’s investment signals to the market that NYGB capital is available to finance New Construction projects pursuing energy efficiency upgrades, increasing primary building efficiency deployment in NYS. The investment also supports economic development and job creation in the downtown Saranac Lake region and demonstrates the viability of financing a sustainable new build in a tertiary market like the North Country. In addition to seasonal and part-time positions, the Project is expected to create approximately 71 full-time jobs upon opening, and 116 jobs from construction.

This Transaction Profile is provided pursuant to the updated “NY Green Bank – Metrics, Reporting & Evaluation Plan, Version 3.1” (the “**Metrics Plan**”) developed in collaboration with the NYS Department of Public Service and filed with the NYS Public Service Commission (the “**Commission**”) on May 2, 2022.¹ This Transaction Profile contains specific information in connection with the Saranac Lake Resort transaction entered into in September 2019 and upsized in July 2020 and December 2022, as required by the Metrics Plan.²

¹ Case 13-M-0412.

² See Section 4.0, page 8 – 9 and Schedule 3.

Form of NYGB Investment

NYGB Product	Product Sub-Type	Committed Capital
Asset Investment	Preferred Equity Investment	\$5.0 million
Asset Investment	Preferred Equity Bridge Investment	\$2.0 million
Asset Investment	Preferred Equity Bridge Investment	\$4.5 million

Location(s) of Underlying Project(s)

North Country. The Project is located in Saranac Lake, New York.

Types of Organizations that are Transaction Participants

	Name	Participant Type
Counterparty	Saranac Lake Resort Owner, LLC	Equity Issuer
Counterparty	BBL Construction	Construction Manager
Counterparty	HEI Hotel & Resorts	Hotel Manager

Summary of Financing Market Objectives & Barriers Addressed

Beneficiary	Market Barrier	Financing Solution
Owners & Developers	When designing new buildings in NYS, owners and developers of New Construction projects are not always able to rely on energy modeling and cost-benefit analysis in order to secure appropriately priced capital, reducing their ability to realize the benefits of energy efficient technology.	NYGB's participation in this transaction signals to the market that capital is available to finance the construction of real estate developments pursuing energy efficiency upgrades. This should result in greater interest from private sector capital providers in committing capital for similar project types, which will ultimately expand liquidity in energy efficiency markets while reducing overall costs for all.
Capital Market Participants	On an individual basis, there is limited capital support for energy efficiency projects; however, capital providers are more likely to participate on an aggregated basis once a pipeline of projects has achieved meaningful scale.	NYGB's willingness to support the Project helps to demonstrate to the broader market that there is lender comfort with an appetite for investments in energy efficient, new building projects.
New Yorkers	While interest and activity in energy efficient New Construction projects are increasing rapidly in NYS, a relatively small number of financial models are being used, preventing New Yorkers from realizing the benefits of completed projects.	By providing financing, NYGB is encouraging primary building efficiency deployment for commercial and institutional projects in NYS. Ultimately, this is expected to provide New Yorkers with more efficient building stock at a lower cost. The investment also supports economic development and job creation in a tertiary market like the North Country.

Technologies Involved

Technology	Measures
Energy Efficiency	HVAC, Advanced Lighting, Improved Building Controls, higher-rated insulation

Metrics & Evaluation Plan

Planned Energy & Environmental Metrics

NYGB’s minimum investment criteria specifically require that “transactions will have the potential for energy savings and/or clean energy generation that will contribute to GHG reductions in support of New York’s energy policies.”³ In addition, the Metrics Plan requires that the following energy and environmental measures, applicable to this transaction, be reported:⁴

- Estimated gross lifetime and annual total energy savings (MMBtu equivalent);
- Estimated gross lifetime and annual electricity savings (MWh);
- Estimated gross lifetime and annual natural gas fuel savings (MMBtu); and
- Estimated gross lifetime and annual GHG emission reductions (metric tons).

The estimated gross lifetime and annual energy and environmental impacts of the Project, facilitated by NYGB’s financial participation in this transaction, are as follows:

Energy/Environmental Impact	Lifetime Low Estimate	Lifetime High Estimate	Annualized Low Estimate	Annualized High Estimate
Estimated total energy savings (MMBtu equivalent)	7,054	8,293	476	561
Estimated electricity savings (MWh)	661	777	44	52
Estimated natural gas fuel savings (MMBtu)	4,891	5,754	326	385
Estimated GHG emission reductions (metric tons)	633	744	42	50

Planned Market Characterization Baseline & Market Transformation Potential

The Metrics Plan requires that market evaluation occur when a critical mass of NYGB financing and investment arrangements are in place. Market evaluation activities commenced in 2018 on sectors that NYGB has supported since inception, consistent with the requirement for such assessments approximately three to five years following initial NYGB capital deployments. NYSERDA will use baseline data collected for indicators as a comparison point against which to assess market progress in later studies. Progress indicators are defined below for the short, medium and long terms.

NYGB expects that program and/or future market evaluation will demonstrate progress across short-term indicators; including:

- Size and location of projects financed by the Facility;
- Aggregate expected energy generation for projects financed by the Facility; and
- The number of projects that finalize construction financing arrangements.

NYGB expects that program tracking and/or future market evaluation will demonstrate progress across medium- and long-term indicators; including:

- Increased market volume of high-performance new construction projects;

³ Case 13-M-0412, “Order Establishing New York Green Bank and Providing Initial Capitalization” issued and effective December 19, 2013 of the Commission, Ordering Clause 6 at pages 24 - 25.

⁴ See Metrics Plan, Section 2.0, pages 2 - 6.

- Increased general understanding of high-performance new construction project benefits by financial community;
- Increased awareness and use of high-performance new construction subscriber performance data by financing entities;
- Increased awareness and use of project/technology performance data by financing entities;
- Demonstration of competitive risk-return profiles for high-performance new construction investment;
- Decreased project costs;
- Increased volume of secondary market financing of high-performance new construction; and
- Presence and number of new lending participants.

Proposed Method of Outcome/Impact Evaluation (by NYSERDA) & Timeframe

NYSERDA will evaluate the impact this transaction has had on the clean energy finance markets and the energy and environmental benefits delivered by this transaction.

Market evaluation will address the short, medium and long-term indicators identified above. Methods will include analysis of program data along with interviews and surveys of market participants to track information including but not limited to: participation rates, project scale information, interest in New Construction financing, and influence of NYGB's participation on financial markets. As noted, baseline data was collected on key indicators in the first phase evaluation during 2018 – 2019. Subsequent studies will assess progress against baseline levels for other market segments like New Construction. The specific timing of these efforts will be determined (and may be revised) on an ongoing basis as NYGB's investment portfolio continues to grow and evolve.

Impact evaluation is expected to draw upon and include data collected to support project-specific measurement and verification activities (e.g., those associated with PON 3609⁵). Impact evaluation activities will likely rely upon energy consumption data collected through environmental reports. Project savings will be assessed by comparing actual energy consumption data against forecasted consumption, as set forth in the energy model completed for LEED certification.

As with all NYGB investments, projects that receive incentives or funding from other entities (e.g., utility, other NYSERDA program) will be tracked, in accordance with the Metrics Plan, in order to minimize any double-counting activity on a consolidated basis. As set forth in the Metrics Plan, evaluation sampling approaches will be used as a mechanism to estimate overlap and minimize double counting. Attempts will also be made to coordinate market and impact evaluation activities for the Project to maximize the efficiency of data collection and avoid survey fatigue.

⁵ NYSERDA's Commercial New Construction Program Opportunity Notice PON 3609 offers objective technical and financial support to building owners to effect a permanent transformation in the way buildings are designed and constructed in NYS.