

# Community Financing for Small & Distributed Wind Projects

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## Abstract

**Hypothesis:** Community financing of wind farms is feasible and can help developers overcome political hurdles for site approval, grow broad, long-term support for their facilities, and reach new classes of investors.

**Who benefits:** Any small or distributed wind developer who is struggling with “not in my backyard” syndrome can benefit.

## Objectives

WindShare aims to grow the small & distributed wind market by making it easy for everyone in communities to invest in renewable energy facilities, and for developers to include community investment as an option for their facility.

## Methods & Results (2/2)

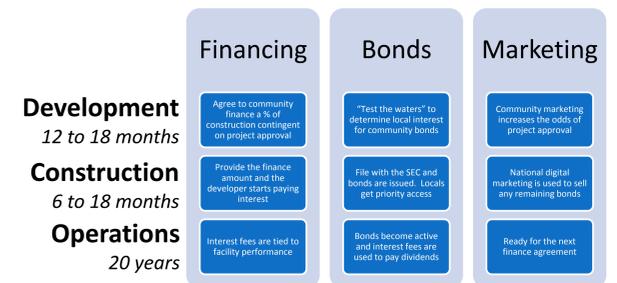
### What regulations apply to community financing?

<b>SEC Reg A+ Tier II (2015)</b>	Up to \$50m in securities can be offered per year per facility per legal entity Nationwide: no State registration of offerings is required Accredited and non-accredited investors are allowed No more than 10% of an individual's income or net worth can be invested Self certification of income is sufficient (i.e. a checkbox on the purchase form) Allows for advertising and collecting commitments prior to offering
<b>Investment Company Act (1940)</b>	Applies to companies that take raise capital from investors while investing money in other securities; adds substantial compliance costs when applicable Companies that market and finance wind facilities should be exempt from this regulation as they are not in the business of investing in securities Companies that restrict themselves from ever having more than 40% of their assets invested in securities are also exempt

Security lawyers identified two primary regulations. The new SEC Reg A+ supports large scale crowdfunding and has been used to provide over \$1b in public real estate financing. But it is crucial that the offering company doesn't meet the definition of an investment company under the 1940 Act.

### What process is needed to support community financing?

We found that timing is a major challenge as financing must be committed to prior to all project details being worked out, but those details are needed to craft a public offering. We found we could get around this by financing projects up front and repackaging that debt as a public offering afterwards.

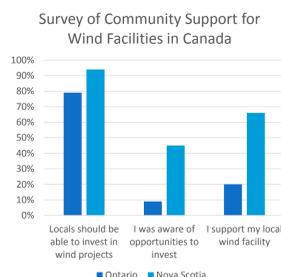


## Methods & Results (1/2)

### How did we evaluate our hypothesis?

We evaluated the feasibility of community financing of wind facilities by developing a template business plan that could be used across multiple developers and facilities and vetting it with experts in wind energy, community wind development, and security laws.

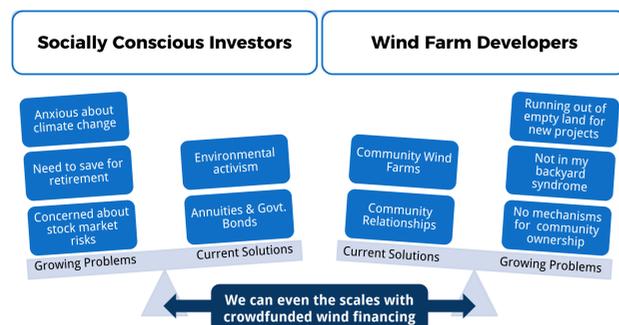
### Would community financing ease project approval?



Studies indicate it does, and developer experience backs that up. In “It's easy to throw rocks at a corporation: Wind energy development and distributive justice in Canada,” local residents strongly criticized the top-down, corporate-led development in Ontario. The study found that support for similar projects in Nova Scotia, where there are more profit-sharing, community-based initiatives, was three times higher and perceptions of health effects was three times lower. Public support is strongly correlated with public investment.

### Would the public be interested in financing wind projects?

Yes! Survey data shows that the American public is more anxious about the climate and more supportive of wind than ever. At the same time, the public is increasingly concerned about the risk of investing in stocks. Long-term, sustainable investment in wind solves multiple public needs.



### Is there sufficient public interest to meet funding needs?

	Annuities	Treasuries	Activism
<b>Total Addressable</b> \$806 b	\$111 b	\$441 b	\$254 b
<b>Serviceable Available</b> \$103 b	\$18 b	\$74 b	\$11 b
<b>Serviceable Obtainable</b> \$2.5 b	\$584 m	\$1.1 b	\$781 m

We performed a market analysis and found that there is substantial public demand for wind financing. However, there is not enough local money in a community to fully fund a substantial facility. Hence financing requires both a community and a national component.

### What infrastructure is needed to implement community financing?



## Conclusion

Community financing is critical to the continued health of wind development. The largest factor driving public resistance to new wind facilities is a perception of inequitable distribution of benefits. Community financing increases public support for new wind projects by giving everyone in the community the opportunity to invest.

However effectively leveraging community financing requires national marketing capabilities, alignment of the offering company with the Investment Company Act of 1940, and software infrastructure that most wind developers do not have.

WindShare believes the next step is to develop the necessary capabilities and infrastructure and make them available to small and distributed wind developers.