

## EUA COUNCIL FREQUENTLY ASKED QUESTIONS

### What is an Environmental Upgrade Agreement?

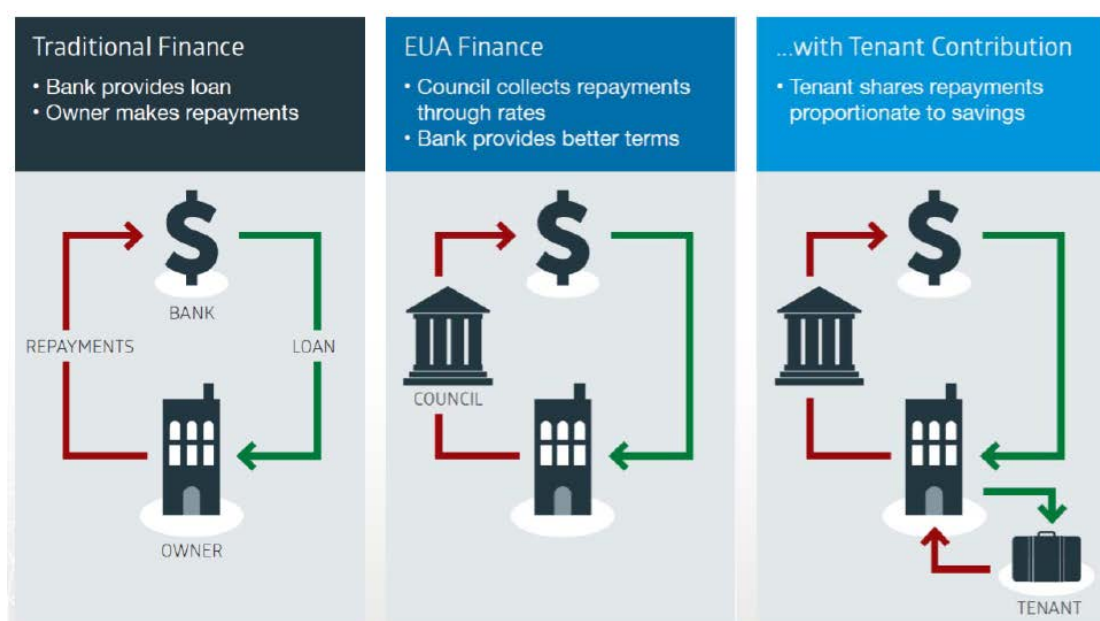
An EUA is an agreement between a property owner, a bank and local government that facilitates a building upgrade to improve energy efficiency.

### What type of properties can EUAs be used upon?

Property that is rateable under the Victorian *Local Government Act 1989* which is used for predominantly non-residential purposes.

### How do Environmental Upgrade Agreements (EUAs) work?

An Environmental Upgrade Agreement is similar to a normal loan; however, a council acts as the collection agent using their statutory powers to levy council rates.



### What can be upgraded by an EUA?

EUAs can pay for upgrades that improve energy, water, and waste efficiency or increase renewable energy.

### Why EUAs and not other forms of finance?

Environmental Upgrade Agreements can overcome the split-incentive to invest in projects that can deliver operational cost and environmental savings. Normal forms of finance like loans, cash, operating leases or even more innovative structures like Power Purchase Agreements (PPAs) fail to easily enable the costs and benefits of a project to be shared between the occupier and owner of a building. EUAs make this a simple task.

### What are the benefits for my Council?

The majority of commercial property is leased. EUAs enable projects to occur within these properties more easily. Where investment was previously hard without EUAs; EUAs can unlock local investment into our communities. This then enhances economic development activity for your municipality, accelerates building retrofit activity and helps you achieve your environmental targets sooner.

### Is it compulsory for Councils to implement EUAs if legislation is passed?

No. Each council decides independently if they choose to implement EUAs in their municipality.

**What is council's role in the EUA process?**

The council's role is to levy the loan repayment using the council rates system and remit that payment to the lender. Council is only required to pay the lender once the monies have been received.

**Will this affect rate capping restrictions?**

No. The EUA charge, called an Environmental Upgrade Charge (EUC) is a voluntary charge entered in to by a ratepayer and council, that is issued separately to current council rates.

**What is council's liability?**

The council is not liable for any unpaid Environmental Upgrade Charges. The council will only be liable to pay the bank once a repayment is collected by the council.

In the event that the building owner ceases a EUC repayment, it is the responsibility of the council to instigate their normal debt recovery procedures in accordance with council enforcement procedures and powers conferred under the local government Act. If the building owner becomes insolvent, unpaid EUCs will be considered equal to other rate charges and assume priority over other debt on the property.

**What is the council's responsibility in relation to the eligibility of the proposed environmental upgrade works?**

The EUA legislation permits a wide range of projects with environmental and sustainability benefits to be financed. Council can choose to develop its own internal systems, processes and documentation to ensure the proposed works meet the legislative requirements, or, this work can be outsourced out to a party with prior experience in this area such as Sustainable Melbourne Fund to undertake these obligations. Both the building owner and the lender are responsible to ensure the loan is approved and used in accordance with the legislation.

**Who will assess the capacity of the borrower to pay the EUCs?**

Councils have no responsibility to check the building owner's capacity to pay. This is the full responsibility of the lender; each lender has differing project and credit underwriting requirements.

**What happens to the EUC if the property is sold?**

The outstanding charges can remain with the building and be transferred to the new building owner. Alternatively, the new owner can request that the vendor sell the property unencumbered by the charges and reach a commercial agreement with the purchaser.

**What happens if the property becomes vacant?**

The building owner remains responsible for all loan repayments under the EUA to the council. Council is only required to pay the lender once the monies have been received.

**May tenants complain to council about building owners passing on these new charges?**

Tenants must provide written consent to the charges being passed on by the building owner. The Local Government will have evidence of these consents prior to entering into any Environmental Upgrade Agreement. Any dispute between a landlord and tenant are matters to be dealt with through existing dispute resolution channels; a council need not become involved.

**Contact Sustainable Melbourne Fund for more information on setting up EUAs in your municipality**

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