

---

**CINCINNATI—EQUIPMENT LEASE PROGRAM****Equipment Lease Program Breaks Down Barriers for Cincinnati Contractors**

The Greater Cincinnati Energy Alliance (GCEA), a Better Buildings Neighborhood Program partner, helped jump-start the region's home performance contracting market by removing a common barrier to entry for contractors—investing in new equipment. Since November 2010, GCEA's equipment lease program has provided contractors with access to more than \$66,000 worth of equipment on a lease-to-own basis, reducing upfront costs and giving motivated—but cash-constrained—contractors an entry point into the home performance marketplace. Following is an abridged transcript of an interview with two GCEA staff: Chief Executive Officer Andy Holzhauser and Project Development Manager Rob McCracken.

**What made GCEA decide to offer an equipment lease program?**

*McCracken:* When GCEA was founded in 2009, the home performance contracting market in the greater Cincinnati area was essentially nonexistent. We recognized that contractors were facing significant upfront costs for capital-intensive equipment, which could be a huge deterrent to entering this industry. As a way to address this barrier, we decided to buy the equipment upfront and defray the initial costs to contractors by spreading them out over time. For the contractors, the main advantage is being able to divide the cost of their lease into 12 equal payments, with the option to purchase the equipment at the end of that time period. More than 90% of contractors participating in the program end up buying the equipment. In addition, we enable contractors to get a discount on blower doors, which is something they wouldn't be able to get on their own.

*Holzhauser:* It's common for small or emerging contractors to not have \$7,000 in their back pocket. We realized through personal conversations with contractors that with a little bit of a capital outlay, we'd be able to move projects through the pipeline more quickly.

**Which types of contractors participate in the equipment lease program?**

*McCracken:* The program is open to all of our contractors, but it has been primarily home performance contractors who take advantage of it. At our peak, we had around 18 to 20 home performance contractors, and 11 have utilized the lease program. Installers, who partner with our home performance contractors, are the other group that participates.

*Holzhauser:* While a few startups took advantage of the lease program, most participants have been existing small businesses that want to expand into the home performance market and need the equipment to provide these kinds of services. Many contractors are HVAC (heating, ventilation, and air conditioning) and air sealing specialists who have been doing home performance-related projects without measuring impacts of their work or realizing the full potential of home energy improvements. So, home performance services fit naturally into their business model; they just hadn't been using diagnostic equipment in the past.



## What types of equipment do you lease, and which items are most frequently requested?

**McCracken:** We offer the main types of equipment a new contractor would need in order to start performing home energy assessments, including a blower door, pressure pan, gas leak detectors, and combustion analyzer. We most frequently lease the blower door and infrared cameras—two high-cost, big-ticket items that most contractors don't have easy access to.



## How does the leasing arrangement work?

**McCracken:** We wanted to make sure that contractors were committed to leasing equipment before we went ahead and purchased it. So after finding out exactly which type of equipment a contractor needs, we pull together price quotes from distributors and develop a lease for the contractor that covers all our costs (\$1,500 minimum). When contractors submit the lease, we require the first month's payment as a deposit before ordering the equipment. We order the requested items and then notify the contractor when the items are available for pick-up. Contractors pay us back on a monthly basis over the course of a year, and at the end of the lease have the option to buy the equipment for \$1. If a contractor does not wish to purchase the equipment at the end of the lease, we lease it to another contractor at a reduced cost.

## How did you launch the equipment lease program with contractors?

**McCracken:** We promoted the program mostly by talking directly with contractors. When meeting with them about the lease program and other GCEA benefits, we discussed the equipment they wanted and let them know that we were willing to consider leasing additional equipment as needed. More often than not, the contractors were the ones approaching us, because they realized the benefits of having access to the equipment.

**Holzhauser:** We talked with multiple contractors individually about this program until we realized that several were interested in participating. We tried to communicate with them on a regular basis, letting them know how they could utilize the lease program to continue expanding their business. Once we had a system in place, we created a promotional brochure.

**Energy Alliance Equipment Lease Program**  
The Energy Alliance offers an Equipment Lease program to all approved Home Performance Contractors and Installers. Assessment and Upgrade equipment is available to purchase as a package or individually, with a minimum purchase requirement of \$1,500.  
**Spread the costs of equipment:**  
The lease program allows approved Energy Alliance contractors to spread the costs associated with purchasing approved equipment over the course of one year. At the end of the year, the contractor has the option to purchase the equipment for \$1.

**Home Energy Assessor Package**

- Blower door Model 3 110V Systems with Aluminum Frame, DG-700 Digital Gas Leak Detectors (two) and Tactile Test Analyze Software
- Pressure Pan 12" x 14"
- Bacharach Fyrite 60 Combustion Analyzer
- Gas Leak Detector
- Small Printer
- Infrared Camera
- 16" Distance Digital Measure
- Smartphone with Camera
- Windows based tablet computer
- Portable printer

**Optional Assessment Equipment**

- Fluke T8 infrared Camera
- Fluke T7 Infrared Camera
- Gas Leak Detector Model 3 110V Systems with Aluminum Frame
- DG-700 Digital Gas Leak Detectors (two) and Tactile Test Analyze Software
- Bacharach Fyrite 60 Combustion Analyzer
- Windows based tablet computer
- Portable printer

**Optional Upgrade Equipment**

- High Volume Spray Foam Dispenser
- Low Volume Spray Foam Dispenser
- Safety Equipment (vests, lights, respirators, etc.)
- Misc. Power Equipment

BETTER BUILDINGS ENERGY STAR

## What kinds of costs does this equipment lease model involve?

**Holzhauser:** The contractor pays whatever we pay for the equipment, plus shipping, spread out over 12 months and with no interest. We add a 2% administrative fee to cover the paperwork on our end. It has not been a moneymaker for us. Because we have purchased multiple blower doors over time, we're able to get a 7.5% discount from the supplier and pass this discount along to our contractors. We handle all legal review and accounting responsibilities internally.

## How has equipment leasing benefitted the residential energy efficiency marketplace in Cincinnati?

**Holzhauser:** It has enabled us to ramp up the home performance marketplace from basically nonexistent to fully functioning. We were able to do this by reducing the initial costs of energy assessment equipment, which is an investment that contractors have to make before even entering the market. Our equipment leasing program is a hand-up, not a hand-out; we are drawing on U.S. Department of Energy capital and deploying it in the marketplace. It's been a win-win because contractors can take advantage of capital they don't normally have access to, and we see our investments come back to us over the course of 12 months.

---

## What advice would you give programs interested in starting an equipment lease program?

*McCracken and Holzhauser:*

- ▶ Evaluate market conditions. Our market for home performance was very young, but even in a more mature market, an equipment lease program can help to address the barrier to entry. Any company, regardless of size, will be cautious about a cash outlay and will want to assess the marketplace before investing in the necessary equipment.
- ▶ Focus on the lease, not necessarily on getting discounts on equipment. The upfront cost of the equipment typically poses the biggest constraint for contractors, so just the fact that they can spread it out over 12 months is a significant advantage. While we did pass on a discount from our blower door supplier, using our lease to reduce the barrier to entry was ultimately more important to contractors than the modest overall price reduction.
- ▶ Ensure each contractor is committed to the lease by requiring a deposit and making them sign a lease agreement. That way, you have the right to take back the leased equipment if a contractor starts falling behind on work or missing payments.
- ▶ Streamline your payment collection system. Processing small monthly payments from each contractor can be burdensome; an automatic withdrawal system for payments could make things a lot easier from an administrative standpoint.
- ▶ Consider leasing a wide range of equipment from the outset. We started out by purchasing equipment only a home energy assessor would use, but expanding our range more at the beginning might have led to a wider variety of contractors taking advantage of it.
- ▶ Maintain strong relationships with your contractors. Advertise the program and ask what types of equipment would be useful to them. By maintaining good relationships with contractors, you can develop a better sense of what products or equipment you could offer to make their jobs easier, and reaching out to them encourages them to take advantage of the program. Effective communication keeps the program operating in a smooth manner.



Rob McCracken can be reached at [RMcCracken@greatercea.org](mailto:RMcCracken@greatercea.org); Andy Holzhauser can be reached at [AHolzhauser@greatercea.org](mailto:AHolzhauser@greatercea.org).