
Key Advisor

Fall 2022



Dealer news and tips

KeyBank
Dealer Finance


Executive Outlook

Building confidence in changing markets

As today’s “new normal” continues to evolve, we draw on the wisdom of American Express CEO Ken Chenault in 2001: “In an uncertain environment, don’t hunker in the bunker.” The ultimate test of this theory was the COVID-19 pandemic, during which U.S. organizations of all sizes demonstrated remarkable, courageous resolution. As a result, we now face a continuous battle of resource constraints — plus a looming recession that could last through 2023 according to analysts.¹

We know better than to retreat, but it’s hard to be bullish on growth strategies when automotive parts are scarce and service veterans even more sparse. What if you had the right resources — at low or no cost — to help improve your dealership, lower operating costs, and increase employee retention? We’ve got good news. You do.

In this edition of Key Advisor, we highlight two features of your KeyBank relationship to help you overcome current roadblocks to growth, innovation, and leadership. Construction financing, for instance, provides access to alternative capital to help you invest in building improvements now, plus support to help you manage the process and pay your vendors throughout the project. Included in this segment are examples of clean-energy projects that delivered multifaceted benefits.

If you’re not familiar with our Key@Work® program, you’ll want to be. In our client success story below, you’ll learn how easy it is to offer your employees access to banking benefits and broaden their scope of financial wellness. The best part? The program is tailored to your employees’ interests and facilitated by dedicated Key@Work managers — at no cost for you or your employees.

We hope you find this information useful and timely. As always, don’t hesitate to reach out for any reason; we’re here to help.



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Moving the “retention” needle in your company may be easier than you realize when you focus on just one employee satisfaction driver: Financial Wellness

¹ <https://fortune.com/2022/09/21/long-ugly-recession-dr-doom-nouriel-roubini/>

Construction financing builds better business

To stay successful and competitive, a car dealership needs to anticipate the tastes and expectations of a marketplace that's constantly changing. Consequently, dealership renovations, rebuilds, and remodels are a frequent occurrence in the business of vehicle sales.



Mandated vs. voluntary

Changes might be mandated by suppliers or manufacturers, but many dealership construction jobs are begun voluntarily by owners. They recognize that the sale of every product and service begins with a customer's perception of their dealerships.

From the service department to the showroom floor, prospective buyers either like or dislike what they see. The ongoing pursuit of remodels and expansions is an extension of ownership's efforts to win more sales, market share, and profits.

A practical, profitable alternative

But as labor and material costs rise, so do the expenses associated with construction projects. To address these and other issues, business owners look increasingly to construction financing as a practical, profitable alternative to other payment forms.

How KeyBank helps

Throughout the loan application and building processes, your lending institution (such as KeyBank) serves as the single-point-of-contact intermediary on behalf of the owner. For example, during the project, KeyBank will:

- Hire a construction inspector to verify completion of improvements
- Recommend appropriate payments based on percentage of work completed
- Order a title update prior to each draw to determine no liens have been filed against the property
- Fund the draw request directly to the customer; the customer then pays contractor and other relevant fund recipients

Upon project completion, KeyBank helps to transfer the loan to permanent status, after which regular principal and interest payments begin.

What is construction financing?

Construction financing is a mortgage product that covers virtually all construction project costs, including:

- Land, materials, labor, and other critical expenses
- Related costs such as permitting, consulting, storage fees, etc.

How construction financing works

First, you'll need to complete an application that requires standard financial information and documents.

In addition:

- The owner/borrower collects project-specific documents required for proposed improvement evaluation
- If approved, due diligence is performed by a third party
- The construction disbursement phase begins after loan documentation

Benefits of construction financing

When you use construction financing, you can:

- Conserve cash and working capital
- Enjoy interest-only payments during the construction phase
- Choose from a range of terms that improve budgeting and cash flow
- Ensure contractors and material vendors are paid on time to keep the project on schedule
- Leverage financing even in times of limited budgets or volatile markets

Cost savings plus leadership

Integrating construction financing with dealership improvements yields several key benefits:

- Cost savings and increased efficiencies
- Compliance with environmental, social, and governance (ESG) requirements and initiatives
- Stakeholder satisfaction
- Labor force retention
- Larger, more loyal customer base

Creating environmental initiatives

Whatever the project at hand, many dealerships opt for environmental improvements. One reason for this is purely practical: Ventures that focus on conserving energy and water can pay for themselves in short order. In addition, many may involve tax breaks and rebates.

Environmental features for construction projects

Valued-added environmental features for dealerships often include one or more of the following:

- EV charging stations
- Renewable energy systems and alternative backup power sources
- Clean energy and energy efficiency improvements, such as LED lighting

More advantages to environmental stewardship

Environmental projects also give your dealership a competitive edge, build brand awareness, and contribute to the community. Other advantages include:

- Decreased carbon footprint
- Alternative revenue source (e.g., renewable energy systems that sell power back to utilities)
- Business recognition and PR for community leadership



KEF success stories

Key Equipment Finance (KEF),¹ a division of KeyBank, is a recognized leader in Clean Energy financing. Here are some examples of how KEF has helped clients use energy financing to improve business profitability and reduce their environmental impact:

- Financed LED lighting and building management systems to reduce electricity usage by 71% and eliminate more than 138,000 tons of CO2 emissions.
- Collaborated on installation of a PV solar-powered canopy system at an automotive dealership. \$1.5MM project financed with 10-year term loan.
- Provided financing for a renewable energy system (including rooftop and canopy solar, storage, and EV charging stations) for a major corporate headquarters.

Single-source convenience and trust

While construction financing can hasten your project's pace to profitability, the construction process itself includes multiple parts and stages. In turn, these typically depend on a wide range of vendors, construction specialists, and other players. Not surprisingly, a project can become complicated quickly.

Key offers decades of industry expertise in both construction and equipment financing. Together or independently, KeyBank and KEF can help streamline the process and connect you to a network of trusted industry resources to plan and execute your facility's improvement initiatives.



We invite you to discover how you can benefit from construction financing and create better business opportunities for your dealerships. To learn more, please contact Brian Bateman at brian_p_bateman@keybank.com.



Key@Work®

Now more than ever, retaining employees is one of the greatest challenges faced by HR departments. While companies recognize the many benefits of keeping qualified talent in their ranks — including reduced costs and increased productivity — investing the time and resources in a robust employee retention strategy can be difficult.



Free, flexible, tried, and true

Key@Work is a comprehensive, no-cost program that makes good business sense for both you and your employees. Tailored to employees' individual financial goals and managed by dedicated Key@Work personnel, the program is easy to implement. Here's how it works:

1. Employees complete an anonymous survey to identify areas of interest among a broad range of financial topics.
2. A Key@Work Relationship Manager tabulates survey responses to develop a customized financial wellness program for the company.
3. Working together with the employer, the relationship manager arranges a series of onsite or virtual seminars based on employees' survey responses and schedules (employees' spouses are welcome to participate in the program).

Seminar topics include:

- Budgeting
- Saving and investing
- Building emergency savings
- Expense management in economic downturns
- Planning for healthcare costs
- Understanding a credit score
- Homeownership and refinancing
- Managing debt
- Credit options

4. Additionally, a variety of banking services are offered to help employees achieve their financial goals. They can register onsite with KeyBank personnel, offsite via individual appointments with a KeyBank representative, or online at their convenience.
5. Participants have the option to receive ongoing, personalized support to help them set goals and monitor progress at every step of their financial wellness journey.

Key@Work in action

Three months after introducing Key@Work at Honda of Seattle and Toyota of Seattle, General Manager Melissa Miller was pleasantly surprised with the program's success. More than 100 employees completed the Key@Work survey and within three weeks the first seminar was scheduled.

"I'd wanted to implement a program on financial wellness for years, but knowing where to start and how to make it employee-focused was a challenge."

– Melissa Miller

Turnkey and tailored

Because of the myriad tasks and responsibilities that burden most businesses, an employee-retention initiative needs to be easy to implement and manage. Furthermore, when the program's benefits are financially focused, it's important the content is relevant and unbiased, and that the employees have trust in confidentiality.

For Honda of Seattle and Toyota of Seattle, Key@Work fulfills these requirements and more. From program goal setting to ongoing enrollment updates, attendance status, and progress reports, Ms. Miller and her program relationship manager are in constant contact.

Ancillary benefits

Furthermore, Key@Work supports other organizational values Ms. Miller hadn't anticipated as part of their employee financial education program, such as:

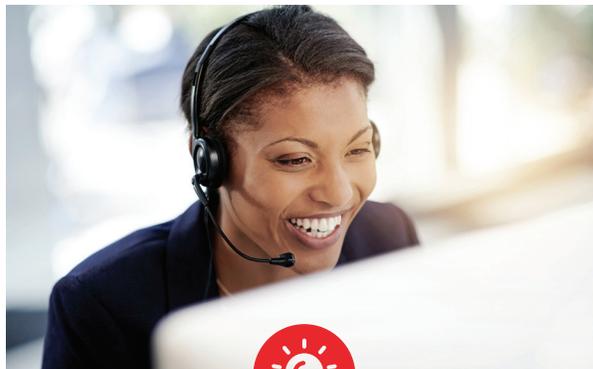
Expertise: The seminars are presented by KeyBank specialists who cover a broad range of relevant topics prioritized by the employees' survey results.

Inclusion: Financial information is empowering and actionable for employees at all levels of the organization, regardless of their knowledge base or pay scale.

Leadership: Open to management and employees alike, Key@Work seminars promote a collaborative, "lead-by-example" learning culture.

Convenience: Workplace seminars can be scheduled to accommodate multiple shifts and operational responsibilities, with KeyBank representatives available to open accounts onsite.

Fun: The presenters bring a unique personality and sense of humor that appeals to technicians at 7:00 a.m.!



Did you know? Employees who learn to better manage their money:

- Are happier and more productive at work
- Have less stress about everyday finances
- Can make more informed and confident financial decisions
- Cultivate healthier financial habits

A win-win workforce solution

Financial wellness is not only integral to an employee's well-being, but an important driver of organizational success and brand equity, as well. As a no-cost benefit that helps employees achieve their financial goals and minimize stress, Key@Work is a purpose-driven, practical retention and recruitment tool for workforce sustainability.

To learn more about a Key@Work program for your organization, contact Brian Bateman at brian_p_bateman@keybank.com.

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