



Better Buildings Neighborhood Program Peer
Exchange Call on Financing and Revenue:
Bond Funding

Call Slides and Discussion Summary

March 28, 2013

Agenda

- Welcome and Introductions
- Program Experience
- Discussion
- Future Financing and Revenue Calls

Participating Programs and Organizations



- Wisconsin
- New Hampshire
- Toledo, OH
- Washington State
- Clean Energy Finance Center

Program Experience: Toledo Port Authority



- The Toledo Port Authority runs the airport, seaport and train station—and is also an economic development and financing entity
- Has had a bond fund for the last 20 years for financing new or expanding businesses; have done about \$1 billion in projects over that time
 - Energy efficiency financing was an expansion of programs already in place
- Started a revolving loan fund for commercial energy efficiency upgrades using DOE Better Buildings funds as “seed money”
- The revolving loan fund allowed "packaging" of smaller businesses' energy upgrade transactions (i.e., less than \$1 million), giving access to investment-grade, fixed-rate bond financing
- Qualified Energy Conservation Bonds (QECBs) effectively worked as a rate buy down (i.e., tax credit is passed through to the borrowing entity)
 - With QECBs, you can pass on some or all of the subsidy

- The first bond issue was \$5.3 million for the City of Toledo and private buildings
 - Backed by Special Improvement District
 - PACE financing mechanism
- The second bond was \$4 million
 - Nine different transactions; three tranches of debt
 - Revenue backing from special assessment, loan and security agreements, and power purchase agreements
- QECBs
 - Designated this as a green community program to quality projects; lifted the private/public enrollment allotment

- The Port Authority is a quasi-governmental agency, and the bonds are being issued as taxable bonds through the private market
 - Bonds rely on revenue with a security interest in equipment and buildings
 - These are not general obligations on the Port Authority—the borrower is ultimately liable
- Serving smaller part of market, such as smaller municipalities and schools; these are projects under \$500,000 where they do not want to issue their own bond
- Program is overseen by the Port Authority Board and the Energy District Improvement Board
- DOE requires 15% energy savings; Toledo committed to 20% because it is a Better Buildings Challenge Partner
- Port Authority is helping municipalities form other energy improvement districts in Ohio to support capital development for small and medium-sized businesses

Lessons Learned (Toledo Port Authority)



- Issue the largest bond possible to keep the transaction cost down.
 - The minimum value of the bond issuance should be \$3 million; \$5 million-\$6 million dollars is better
 - Bundle many projects for the bond market; a revolving loan fund can allow aggregation
- Have money immediately available for projects that are ready to go
- Provide funding along the entire project lifecycle – from planning to operations
- Make it easy for the borrower
- *Challenge:* Getting the demand and transaction organized and funded without putting up too many barriers to the implementer and without assuming too much liability

Other Program Experience

- Wisconsin: Have energy efficiency programs in Madison, Milwaukee, and Racine: cities not currently using bond funding, but interested in learning about experience with QECBs
- New Hampshire: Not currently using bonds; looking at creating technical assistance support for smaller municipalities with energy efficiency programs and looking at bonding to move/speed up the progress
- Washington: Washington has some local jurisdictions that have used QECBs to improve their own facilities; interested in how they can be used for energy efficiency programs