#### Welcome

#### CDFA Ohio Financing Roundtable Webcast: Financing Ohio's Energy Future - Energy SIDs in Action

This Webcast is a listen-only event. Please make sure your computer speakers are turned on to hear the presentation.

You can also listen by telephone using the instructions provided in the email from GoToWebinar.

To ask a question, type your question into the Question box in the GoToWebinar control panel. The moderator will field your question to the appropriate panelist.

CDFA is recording this Webcast, and it will be available to view online at www.cdfa.net.





A specialized state initiative of the Council of Development Finance Agencies

#### Financing Ohio's Energy Future - Energy SIDs in Action

#### **Speakers**

Raymond Headen
Of Counsel
Bricker & Eckler

Emmett Kelly
Partner
Bricker & Eckler

#### **Nathan Kelly**

Director of Planning & Development City of Lakewood





A specialized state initiative of the Council of Development Finance Agencies



# **Energy SIDs and PACE Financing In Ohio**



Energy Special Improvement Districts (Energy SIDs) and Property Assessed Clean Energy (PACE) Financing in Ohio



September 23, 2010

Bricker & Eckler LLP Emmett M. Kelly Raymond C. Headen





## PACE Financing



- PACE means "Property Assessed Clean Energy"
- PACE is a federal effort to encourage states and localities in pursuing legislation permitting property-based financing for alternative energy and energy efficiency projects



 Ohio's PACE Authority is contained within HB 1 and SB 232 (codified in O.R.C. Ch. 1710)





#### HB 1 and SB 232: Legislative History





- SB 221: Ohio Renewable Portfolio Standard requires utilities to reach certain alternative energy benchmarks (i.e., 0.5% solar) by 2025. The utility mandate may lead to more "utility scale" projects.
- HB 1: Driven by the City of Athens, Ohio, this legislation complements SB 221 and may be more attractive for smaller projects.
- SB 232: Expands the authority in HB 1 beyond solar to include other forms of alternative energy.





### HB 1 and SB 232





- New provisions allow <u>municipalities and</u> <u>townships</u> to work with property owners to provide <u>up-front</u>, <u>assessment-based financing</u> <u>for property owners that want to install their</u> <u>own alternative energy improvements but lack</u> <u>the funds to make the investment</u>.
- Ohio's law modeled after the success of Berkeley, California's FIRST ("Financing Initiative for Renewable and Solar Technology") program.

















- Energy SID: special type of financing district created under ORC Chapter 1710 for the purpose of financing:
  - solar photovoltaic (i.e., roof-top and ground-mounted solar arrays)
  - solar thermal systems (i.e., solar water heating systems)
  - geothermal
  - wind
  - biomass
  - gasification
  - energy efficiency improvements









#### "Energy efficiency improvements":



 includes "technologies, products, and activities that reduce or support the reduction of energy consumption, allow for the reduction in demand, or support the production of clean, renewable energy and that are or will be permanently fixed to real property."







- An Energy SID is unlike a traditional SID in that the property included within the Energy SID can be from different parts of a City/Township and does not have to be one contiguous district.
- I.e., separate parcels are OK!
- A property owner <u>cannot</u> be compelled to join an Energy SID.
- Energy SIDs are available for residential, commercial, industrial, non-profit and government property.
- Petition procedure and legislative approval of City/Township required.









 Energy SID financing can be used for solar photovoltaic, solar thermal, geothermal and energy efficiency improvements regardless of size and regardless of whether they add energy on the customer or utility side of the meter.



The definition of "customer-generated project" allows Energy SID financing for wind, biomass and gasification improvements if these improvements (i) add energy only on the customer side of the meter, or (ii) add less than 250kW on the utility side of the meter. Wind, biomass and gasification improvements designed to add more than 250kW on the utility side of the meter cannot be financed using Energy SID financing.







#### "Non-Mercantile Customers":



 Utilities may count any efficiency savings or reduction in demand produced by an Energy SID located in utility territory toward the utility's compliance with energy efficiency and peak demand reduction requirements mandated by Ohio law (O.R.C. 4928.66)









#### "Mercantile Customers":

- Realize energy efficiency savings or reduction in demand produced by its participation in Energy SID
- May elect to commit savings or reduction to the electric distribution utility in exchange for exemption from energy efficiency cost recovery mechanism
- Quarterly report describing energy efficiency projects sent to utility by Energy SID Board









- SB 232 expressly authorized Energy SID Boards to aggregate Renewable Energy Credits (RECs) generated by renewable and advanced energy projects in the Energy SID financed with special assessments and to negotiate the sale of RECs.
- RECs may only be aggregated and/or sold upon the consent of the affected property owner.
- Money from the sale of RECs may be applied proportionately to lower the special assessments payable by the property owner.





# The Cleveland First Suburbs Development Council Case Study



- 16 member communities and the City of Cleveland
- Purpose for PACE Collaboration
- Legislation
- Development opportunities
- Outcomes







## **Energy SID Financing**











## **Energy SID Financing**



#### Pros / Cons

- Upfront Cost v. Installment Payment
- High Interest Rates v. Low Interest Rates



 Mortgage Lien Status v. Tax Lien Status





## **Energy SID Financing**





- Cities/Townships have options.
- Financing from <u>Special Assessment</u> <u>Payments</u> from property owners in installments for up to 30 years
- Department of Energy Loan Guarantee Program
- Federal Tax Credits and Grants
- Revolving Loan Funds. Cities have new authority in HB 1/SB 232 (ORC Section 717.25) to create alternative energy revolving loan funds.





# Energy SID Financing: Debt Options



- Assessment revenue can pay debt service on "general obligation" bonds.
- Assessment revenue can pay debt service on <u>"special obligation" revenue</u> bonds.







# Energy SID Financing: Debt Options



- "Special obligation" revenue bonds would be issued by another entity, like an <u>Ohio Port</u> <u>Authority</u>, <u>OAQDA</u> or <u>ODOD</u>.
- Port Authority "Bond Fund" programs may be available.



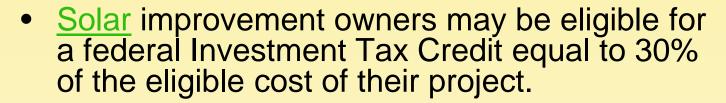
 Five Ohio port authorities and the OAQDA are approved "development finance organizations" and as such special obligation revenue bonds issued by these issuers would be eligible for U.S. Department of Energy loan guarantees.





### Energy SID Financing: Federal Investment Tax Credit/Grant





- Property owners <u>engaged in a trade or business</u>:
  - Investment Tax Credit
     OR
  - Grant

Residential property owners:

Investment Tax Credit Only







### Energy SID Financing: Other Federal Tax Credits



- Federal Production Tax Credits are available for wind, geothermal, biomass and gasification improvements
- PTC varies by technology and is granted based on kWh production
- Mix of Federal Tax Credits available for energy efficiency improvements.





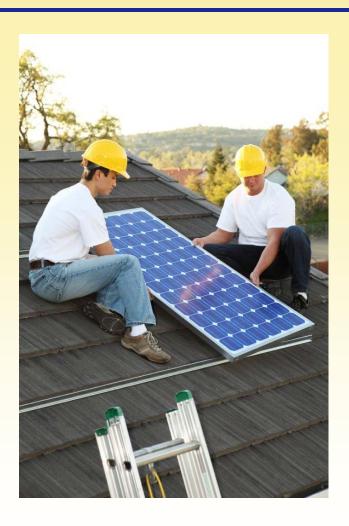


## Implementing Energy SID Projects











## Implementing Energy SID Projects



FIRST SUBURBS

DEVELOPMENT COUNCIL

- Intergovernmental cooperation required.
- Energy SID Board and City/Township will:
  - administer program
  - determine general criteria for eligible improvements (including parameters such as cost and size and zoningrelated considerations)
  - can pre-qualify installers/PPA providers
- Third-party administrative assistance may be helpful/desirable.





### Conclusion



- Bricker & Eckler's energy and public finance attorneys assisted in drafting HB 1 and SB 232.
- Current projects include the <u>Cleveland/First</u> <u>Suburbs Solar SID Program</u> and the <u>Clermont</u> <u>County Energy SID Program</u>.









# **Energy SIDs and PACE** Financing in Ohio

**Emmett M. Kelly** 

614-227-2308

ekelly@bricker.com









**Nathan Kelly** 216-529-6635 nathan.kelly@lakewoodoh.net

Columbus | Cleveland | Cincinnati



#### Financing Ohio's Energy Future - Energy SIDs in Action

#### **Audience Questions**



A specialized state initiative of the Council of Development Finance Agencies

#### **Upcoming Events at CDFA**

#### **Intro Revolving Loan Fund Course**

November 9-10, 2010 Washington, DC

#### Intro Tax Credit Finance WebCourse

December 7-9, 2010 Daily: 1-5pm (EST)

#### Register online at www.cdfa.net



A specialized state initiative of the Council of Development Finance Agencies