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

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A specialized state initiative of the Council of Development Finance Agencies

Financing Ohio's Energy Future - Energy SIDs in Action

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Energy SIDs and PACE Financing In Ohio



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

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





Energy SIDs





Energy SIDs



- 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 SIDs



“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.”



Energy SIDs



- 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 **cannot** 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 SIDs



- 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.



Energy SIDs



“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)



Energy SIDs



“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



Energy SIDs



- 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 Special Assessment Payments 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 “special obligation” revenue bonds.





Energy SID Financing: Debt Options



- “Special obligation” revenue bonds would be issued by another entity, like an Ohio Port Authority, OAQDA or ODOD.
- 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



- Solar improvement owners may be eligible for a federal Investment Tax Credit equal to 30% of the eligible cost of their project.
- Property owners engaged in a trade or business:

- 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



- 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 zoning-related 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 Cleveland/First Suburbs Solar SID Program and the Clermont County Energy SID Program.





Energy SIDs and PACE Financing in Ohio



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Audience Questions



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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



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