

# **The Latest on Qualified Energy Conservation Bonds (QECBs)**

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# What are QECBs?

- \$800 million of QECBs authorized in 2008 Energy Improvement and Extension Act, expanded to \$3.2 billion under ARRA in 2009
- Allocated to states based on population; states “shall” suballocate to large local governments (LLGs) (population of 100,000 or more)
- To be used for qualified energy conservation programs including:
  - to reduce energy consumption in publicly owned buildings by at least 20%
  - to implement green community programs (including the use of grants, loans, or other repayment mechanisms to implement such programs)
  - for rural development (including the production of renewable energy)
  - for certain renewable energy facilities (such as wind, solar, and biomass)
  - for certain mass commuting projects



# How QECBs work

- No more than 30% of allocation can be used for private activity bonds
  - QECBs issued to implement Green Community Programs are not treated as private activity bonds for this purpose
- Low cost financing tool – tax-credit bond or direct subsidy bond
- In the more popular direct-pay QECB, the issuer pays a taxable coupon to the investor and repays principal at the end of the term. Treasury pays the issuer the lesser of the taxable coupon rate or 70% of “qualified tax credit rate” as of the date of issuance
  - you can find the daily Qualified Tax Credit Rate (QTCR) as well as historical rates at: <https://www.treasurydirect.gov/GA-SL/SLGS/selectQTCDate.htm>
  - subsidy is currently subject to sequester

# QECCBs Nationwide



- Of \$3.2 billion, around \$1.24 billion (39%) are known to have been issued

# QECB Project Examples

# Reducing Energy Consumption in Publicly-Owned Buildings



- Retrofits can include certain heating, cooling, lighting, water-saving, storm water-reducing, or other efficiency measures. Examples:
  - Schools/Universities
  - Municipal buildings/facilities
  - Wastewater facilities
  - Correctional facilities
- Projects as small as \$650,000 (Gilbert City, AZ, 2012) up to \$30 million (Louisiana Department of Corrections, 2011)
- ESPCs – ESCOs always interested in using QECBs for their projects with local governments and schools/universities
- IRS Notice 2012-44 provides guidance
  - See <http://www.irs.gov/pub/irs-drop/n-12-44.pdf>



# QECBs for Renewables

- Over 40 known issuances, primarily solar and wind projects, including solar at schools
- Largest issuance - Los Angeles Department of Water and Power
  - issued \$131 million in 2010
- Washington State Housing Finance Commission
  - issued \$9 million in QECBs as a conduit issuance to construct 5 wind turbines on privately owned land in Kittitas County, WA

# Green Community Programs

- Must promote “energy conservation, energy efficiency or environmental conservation initiatives related to energy consumption, broadly construed”
- Involving “general public use” or loans/grants that have “broad public availability”.
- Often involve governmental declaration of a GCP





# GCP Examples

- **LED Streetlights**

- San Diego, CA issued \$13.1M of QECBs to replace 39,000 streetlights (approximately 60% of the city's lights) with LEDs (expected lifetime of 20 years and typical energy savings of 40% per light)

- **Residential Energy Efficiency Loan Program**

- St Louis SAVES – Issued \$10.3 million in 2011 for residential energy efficiency loans

- **Solar**

- NC Agricultural Authority – commercial solar developers can apply for a loan to install solar on agricultural land

- **Commercial Energy Efficiency Loan Program**

- Kitsap County, Washington – open to local businesses who want to finance EE project; one issuance to date - \$1,150,000 for energy efficiency upgrades for a supermarket

# GCP Examples cont. -

## PACE Programs

- **Commercial PACE**
  - Boulder County, CO issued \$1.515 million in QECCBs for a Property Assessed Clean Energy (PACE) commercial program
- **Multifamily PACE**
  - In 2014 Missouri Clean Energy District issued \$571,430 for energy efficiency improvements at 88-unit Wornall Plaza Condominiums in Kansas City
- **PACE for Affordable Housing**
  - Westchester NY has a QECCB funded PACE program for affordable housing; one issuance to date (North Salem, NY affordable multifamily building, January 2016)



# QECBs for Transportation

- **Commuter Trains**

- Spotsylvania County, VA issued \$1.2 million of QECBs in 2012 for construction of a commuter train station and parking facility
  - only known “mass commuting” issuance

- **Commuter Buses**

- Roaring Fork Transportation Authority has had 2 QECB issuances for Compressed Natural Gas (CNG) buses; \$6,650,000 in 2012 and \$1,300,000 in 2014

- **Business vehicles**

- \$2 million in 2014 under SC SAVES GCP for Randolph Trucking to convert truck fleet to CNG vehicles

# Questions? Comments?

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