

FINANCING GREEN

PACE BONDS & OTHER ENERGY EFFICIENCY FINANCING TOOLS



Presented by:

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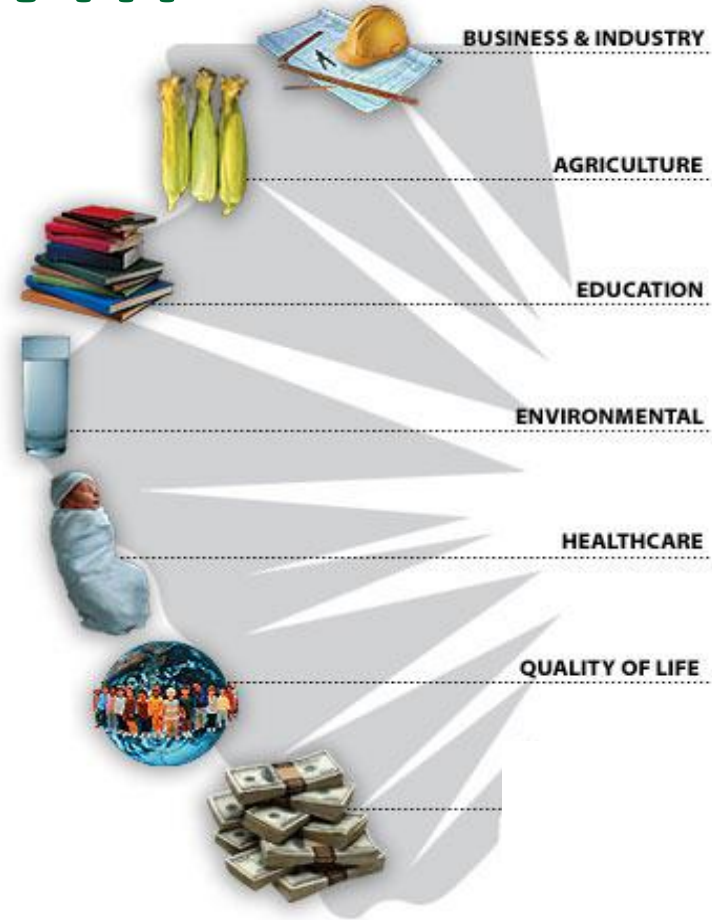
Chicago, IL May 20, 2010

HELPS BUILD PARTNERSHIPS TO FINANCE GROWTH



Serving:

- ❑ Businesses
- ❑ 501(c)(3)'s
- ❑ Local Governments
- ❑ Agriculture
- ❑ Energy Development



AGENCIES COORDINATING TOGETHER IN GREEN



IFA's Coordinated Effort with State and Federal Agencies to Fund the Creation and Implementation of Energy Conservation and Renewable Energy Projects.

- ❑ **IL Department of Commerce and Economic Opportunity (DCEO)**
- ❑ **IL Environmental Protection Agency (IL EPA)**
- ❑ **Department of Energy (DOE)**



GREEN LEGISLATION

Federal



- **American Reinvestment and Recovery Act, ARRA**
 - Economic Incentives: Federal & State Grants, Rebates (Energy Star, “Cash for Caulkers”) Loan Guarantees, Financing, Tax Credits

DCEO GRANT PROGRAM

PUBLIC SECTOR PROGRAM:

■ Electrical Efficiency Portfolio (EEPS)

- Ongoing (Not ARRA)
- Administered by DCEO - Funded by ComEd / Amren
- Contact: Andrea Reiff: andrea.reiff@illinois.gov
- Website: www.illinoisenergy.org

Year	Funding Level	DCEO Share
2008	\$53.2 million	\$12.9 million
2009	\$111 million	\$26.8 million
2010	\$172 million	\$41.6 million
2011 +	\$235 million	\$57 million

GREEN LEGISLATION STATE OF ILLINOIS



- ❑ **SB 1906:** IFA's Bonding Auth / MO Application
- ❑ **SB 390:** IFA's Financing of Clean Coal, Coal, Energy Efficiency, and Renewable Energy Project Financing
- ❑ **IL Special Service Area Tax** (Formerly: **SB 583**)
Public Act 096-0481 (Similar to "PACE")

IL RENEWABLE ENERGY LEGISLATION

(SB 1906)



- Clarified the IFA's Existing Bonding Authority and Ability to Provide Credit Enhancement
 - Loans guaranteed by a pledge of the State's additional security or Moral Obligation for renewable energy and coal projects up to \$3 billion.
- SB 1906 also increases the IFA's loan guarantee limit for Agri-Business projects from \$75 million to \$225 million.
- SB 1906's effective date is January 1, 2010



IL ENERGY EFFICIENCY LEGISLATION

(SB 390)



- Authorizes the IFA to issue bonds to help finance Clean Coal, Coal, Energy Efficiency, and Renewable Energy projects to develop renewable energy resource projects.
- States that there are many opportunities to invest in cost-effective energy efficiency projects throughout the State.
- “Energy Efficiency Project” means measures that reduce the amount of electricity or natural gas required to achieve a given end use, consistent with Section 1-10 of the Illinois Power Agency Act: “Energy efficiency” means measures that reduce the amount of electricity required to achieve a given end use.”



IL SPECIAL SERVICE AREA TAX

Financing Legislation Created by SB 583 (PA 096-0481)



Contractual Assessments to Finance Energy Efficiency

“A Municipality may enter into Voluntary Agreements with the Owners of Property within the Municipality to provide for contractual assessments to finance the installation of distributed generation renewable energy sources or energy efficiency improvements that are permanently fixed to real property.”

- ❑ IL SSA property tax “SB 583” modeled after PACE
- ❑ “Opt In” only participation of the property owners
- ❑ Full upfront cost of improvements is loaned
- ❑ Complements existing tax credit and incentive programs
- ❑ SB2505 – Trailer Legislation (Currently in the House)



LEGISLATIVE FINANCING TOOLS:



APPLICATION BY CLASSIFICATION

ENERGY EFFICIENCY

Examples:

Insulation

Windows, Doors &
Skylights

HVAC

Lighting

Reflective Roofs

RENEWABLE ENERGY

Examples: Wind

Solar/
Photovoltaic

Hydro

Nuclear

Agri-Based Fuels

Geo-Thermal

MICRO R.ENERGY

Solar
Photovoltaic
Geo-thermal


SB 1906 / SB 390 – State of IL MO Credit Enhancement

US DOE – Federal Guarantees

SB 583 / SB 2505 - St of IL MO Credit Enhancement

ENERGY EFFICIENCY FINANCING MATRIX



	Governments	Not-For-Profits	Business & Industry
ESCOs	X	X	X
State Loan Guarantees	X	X	X
Dual Exemption	X		
State and Federal Grants	X	X	X
Industrial Revenue Bonds (IRBs)			X

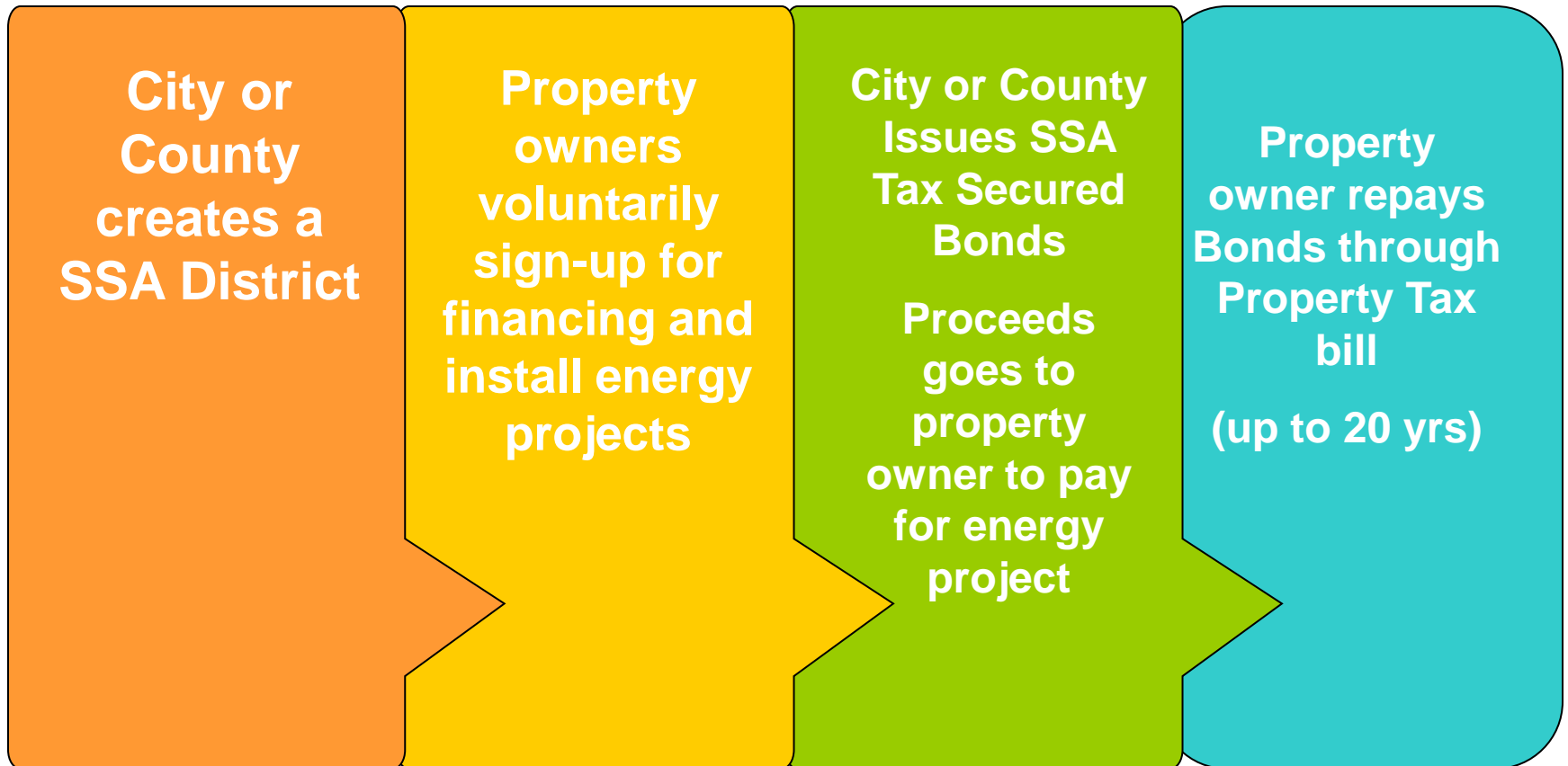
PACE BONDS

PROPERTY ASSESSED CLEAN ENERGY BONDS



- Legislative energy efficiency financing tool used in CA & CO
- PACE is a Property tax lien financing tool for energy efficiency retrofits (efficiency measures and micro renewable energy).
- A PACE bond is a bond where the proceeds are lent to commercial and residential property owners to finance energy retrofits, who then repay their loans over 10- 20 years via an annual assessment on their property tax bill.
- PACE bonds are issued by municipal financing districts or finance companies and the proceeds can be typically used to retrofit both commercial and residential properties.

HOW PACE WORKS



THE BOND BUYER



Boulder County, Colo., Issues First Bonds for Energy District

DALLAS - In what is thought to be the first deal of its type in the public market, Boulder County, Colo., on May 19 plans to price \$7.8 million of special assessment bonds for clean energy projects.

The issue for the Clean Energy Options Local improvement District is the first of \$40 million authorized by voters last November. D.A. Davidson & Co. is the underwriter, with Kutak Rock LLP as bond counsel.

The bonds, which are awaiting an initial rating from Standard & Poor's, will be sold in two series. Series A will consist of \$2.4 million of tax-exempt bonds, while the \$5.4 million Series B will be taxable. The Series A bonds will be used for low- and moderate-income property owners in the affluent county. Both series will carry maturities of 2014, 2019 and 2024.

Under the program, residential and commercial property owners can finance renewable energy improvements, such as installing a solar power system, or retrofitting a home to increase energy efficiency. Participants who volunteer for the program choose a loan value based on the energy improvements they select.

Loans are paid back through an annual special assessment on the property itself. When the current owner sells the property, the lien remains with the property under the new owner. Thus, the loan does not work like a home equity loan that must be repaid when the property is sold.

"It's one of the most interesting concepts for a local improvement district that I've ever seen, having spent 20 years on the implementation of special districts in the assessment process," said Boulder County Commissioner Cindy Domenico. "It offers financing opportunities to people in a way that is truly useable and can be a model for the state."

The initial loans will go to 385 homeowners with an average loan of \$17,000, said Russ Caldwell, vice president of D.A. Davidson, which is also working as financial adviser. The minimum loan must be \$3,000 and the maximum \$50,000, he said.

Solar voltaic projects will take the lion's share of the proceeds, \$2.4 million, or 37%, followed by exterior window and glass doors at \$1.2 million, or 18%.

Other projects covered include high-efficiency furnaces, new roofs, insulation and tankless water heaters.

Creation of the Clean Energy Options District was authorized by the Colorado Legislature's passage of HB 1350 last year.



For more information visit www.assuredguaranty.com



**Special Service
Area Tax
Financing
Project
Boulder County, CO**

PACE FINANCING BENEFITS FOR PROPERTY OWNERS



**Saves \$
on utility
bills**



**Not based
on
personal
credit**



**Repayment
can transfer
to new owner**



PACE FINANCING BENEFITS FOR LOCAL GOVERNMENTS



Helps meet energy and climate goals



Benefits homeowners and businesses



Promotes local jobs



PACE FINANCING BENEFITS FOR EXISTING MORTGAGE LENDERS



Energy savings >
Annual tax cost

Borrowers'
CF/Credit improves



Property Tax
Assessment not
viewed as debt
against property
owner



Property &
Collateral
Value
Increases



IFA ENERGY PROGRAM CONTACTS



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