FINANCING GREEN

RENEWABLE & ENERGY EFFICIENCY FINANCING TOOLS

Panelist / Presenter:
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Executive Director
Illinois Finance Authority

Panel: “Show Me The Money”
University of Illinois at Urbana-Champaign
Renewable Energy Summit for Public Sector Buildings
March 3, 2010
HELPS BUILD PARTNERSHIPS TO FINANCE GROWTH

Serving:
- Businesses
- 501(c)(3)’s
- Local Governments
- Agriculture
- Energy Development
AGENCIES COORDINATING TOGETHER IN GREEN


- 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
DCEO GRANT PROGRAM

PUBLIC SECTOR PROGRAM:

- Electrical Efficiency Portfolio (EEPS)
  - Ongoing (Not ARRA)
  - Administered by DCEO - Funded by ComEd / Amren
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<table>
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<tr>
<th>Year</th>
<th>Funding Level</th>
<th>DCEO Share</th>
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<tr>
<td>2008</td>
<td>$53.2 million</td>
<td>$12.9 million</td>
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<tr>
<td>2009</td>
<td>$111 million</td>
<td>$26.8 million</td>
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<tr>
<td>2010</td>
<td>$172 million</td>
<td>$41.6 million</td>
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<td>2011+</td>
<td>$235 million</td>
<td>$57 million</td>
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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”) SB 2505 Pending
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 RENEWABLE ENERGY 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.”
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
- See also SB 2505 (pending)
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

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

US DOE – Federal Guarantees
# ENERGY EFFICIENCY FINANCING MATRIX

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<th>Governments</th>
<th>Not-For-Profits</th>
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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.
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 Kostal 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 usable and can be a model for the state."

The initial loans will go to 366 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.
PROPERTY TAX ASSESSED FINANCING BENEFITS FOR PROPERTY OWNERS

- Tax stays with the property not the property owner after sale of property
- Overcomes barriers of bank financing
- Lower transaction costs over bank financing
- Lower energy bills and substantially reduced upfront costs for energy retrofits
- Improved return on investment / positive cash flow on retrofits (annual savings > cost)
- Resale marketability of improved property
PROPERTY TAX ASSESSED FINANCING BENEFITS FOR LOCAL GOVERNMENTS

- Immediate job creation

- No general obligation risk. Obligation is liability of property owner.

- OPT IN: Only those property owners who want to finance through SSA Tax participate

- Property tax liens are senior to mortgage debt. 97% of property taxes are current & losses are less than 1%

- Greenhouse gas reduction / energy independence
PROPERTY TAX ASSESSED FINANCING BENEFITS FOR EXISTING MORTGAGE LENDERS

- Borrowers’ cash flow/credit profile improves (energy savings > annual tax cost)
- Property / collateral value increases
- Property Tax Assessment is **not viewed as debt** against the property owner
STATE’S COMPETITIVE SUBMISSIONS WITH THE DEPARTMENT OF ENERGY

- **$75 Million “Rebuilding Illinois Program” for the Energy Efficiency Retrofit Ramp-up**
  - State’s submission lead by the Illinois Energy Office (DCEO) in partnership with the Illinois Finance Authority and Midwest Energy Efficiency Alliance to provide financing and retrofit the Public, Private, Not-For-Profit, Residential and Commercial Sectors throughout IL.

- **IFA as a Delegated Lender for the DOE**
  - Providing approximately $3 Billion* in Federal loan guarantees to renewable energy project ($150 million maximum project amount through a Delegated Lender)

  * = finances up to $300 Billion in project amounts
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