



# Energy Services Coalition (ESC)

## Biggest Bang for the Buck Leveraging Funds

An ESC Webinar  
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Presented by four Finance Industry Experts:

- Karen Keeler
- Joseph McLiney
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- Peter Flynn



# Bonds, Making Tax Incentives Work for the Public Sector, and More

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# Bonds, Making Tax Incentives Work for the Public Sector, and More

Qualified Energy Conservation Bonds  
Energy Efficiency and Conservation Block Grants  
New Markets Tax Credits for Eligible Locations

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# Qualified Energy Conservation Bonds

- ARRA authorizes a total of \$3.2 billion in Qualified Energy Conservation Bonds (increase from last year's \$800 million)
- May be issued only by state and local governments
- Should Result in Near-Zero Interest Debt Terms
- May be issued for qualified conservation purposes. Includes:
  - Reducing energy use in publicly-owned buildings
  - Implementing green community programs
- Guidance recently issued
  - No application process
  - Allocations determined by population



# Top 10 QECB State Allocations

State	QECB Allocation
California	\$381,329,000
Texas	252,378,000
New York	202,200,000
Florida	190,146,000
Illinois	133,846,000
Pennsylvania	129,144,000
Ohio	119,160,000
Michigan	103,780,000
Georgia	100,484,000
North Carolina	95,677,000



# Energy Efficiency Grants

- \$5 billion to fund grants to states under the existing Weatherization Assistance Program to assist low-income families in reducing energy costs
- \$4.5 billion to fund construction, repair, and alteration of Federal buildings for projects focused on increasing energy efficiency and conservation
- \$250 million for grants or loans to property owners to upgrade HUD-sponsored low-income housing to increase energy efficiency, including new insulation, windows, and furnaces



# Energy Efficiency & Renewable Energy Grants

- Over \$2.7 billion in direct formula Energy Efficiency and Conservation Block Grants (“EECBG”) available to states, localities, and private entities to reduce fossil fuel emissions and energy use.
  - Cities eligible for direct grants from the DOE include cities with population of 35,000 or the 10 largest cities in each state.
  - Counties eligible for direct grants from DOE are those with 200,000 or one of the 10 largest counties in the state.
  - Cities and counties not qualifying for direct grants may receive sub-grants through their states.
- Up to \$456 million in competitive grants
- EECBG funds application deadline: June 25, 2009.



# EECBG Eligible Activities

- Eligible activities include:
  - financial incentive programs for energy efficiency improvements;
  - grants to non-profit organizations to perform energy efficiency retrofits;
  - programs to conserve energy used in transportation;
  - energy efficiency building codes and inspections;
  - installing LEDs
- EECBGs may be combined with QECBs for additional leverage



# Energy Efficiency & Renewable Energy Grants

- **State Energy Program** - \$3.1 billion to the states and state energy offices to address energy priorities and adopt emerging energy efficiency technologies. Includes residential, commercial and governmental building energy efficiency retrofits.
- **Additional grants available** if Governor has “obtained necessary assurances” that state utility commission will seek to implement a decoupling policy



# Federal New Markets Tax Credits

- **New Markets Tax Credit (“NMTC”) Program** is one of the largest economic development incentive programs ever created to stimulate investment in low income communities
- The **purpose** of NMTC Program is to encourage private capital investment in low-income communities
- Individual and corporate taxpayers receive a credit against federal income taxes for making qualified equity investments in **Community Development Entities (CDEs)**
- NMTC totals **39%** of the cost of the investment and is claimed over a **7 year credit period**



# Increased NMTC Allocation

- Because the NMTC program results in **very low cost financing**, projects located in an eligible location should be considered.
  - Creates a tax credit for equity investments in **Community Development Entities** (CDE's)
  - Amount allocated in both 2008 and 2009: **\$5 billion**, increased from \$3.5 billion in the Stimulus Bill
  - Final **\$1.5 billion** of allocations for 2008 were awarded in May 2009



# NMTC Tax Investor

- Receives **federal tax credit** equal to **39%** of the amount of the original investment
- Credit taken over a **7-year period**
- May “**leverage**” **credits** by borrowing for equity investment in CDE
- Mainly banks, insurance companies as **investors**
- Leveraged lenders **include party with interest in QALICB**, commercial lenders to project



# NMTC CDE

- For-profit entities established specifically to obtain NMTC allocation.
- CDEs must have a primary mission of serving or providing investment capital for, low-income communities (“LIC’s”) or Low-Income Persons and be accountable to LICs they serve
- Sample of entities that have set up CDE and received allocations: PNC Bank, Wachovia Bank, ESIC (Enterprise), Trammel Crow Company, Prudential Insurance, McCormack Baron, Morgan Stanley
- List of Allocatees: [www.cdfifund.gov](http://www.cdfifund.gov)



# NMTC Qualified Active Low-Income Community Business (“QALICB”)

- An energy efficiency project located in low income census tract may qualify as a QALICB
- Interest only loans for 7-year credit period
- CDE required to provide loan on more favorable terms, such as below market interest rates, lower organization fees, more flexible borrower credit standards, higher than standard amortization period
- Portion of the value of the NMTC to investor passed on to QALICB (forgiveness of debt, very long amortization period)