Alternative Funding Mechanisms... for Energy Related Projects
Alternative Funding Mechanisms

- Anthony J Amendola-MacDonald Miller
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- David Clifton-WA State Housing Finance Commission (HFC)
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Sources of Funding?

Have I got a deal for you!
Sources of Funding ?
Sources of Alternative Funding

- Existing State Programs
  - “LOCAL” Program- Local Option Capital Asset Lending- www.tre.wa.gov
  - ESPC Program - Energy Services Performance Contracting

- ARRA Funded State Programs through Dept of Commerce (DOC)
  - MacDonald Miller Energy Capital Solutions (Seattle Steam/EEFC)
  - Housing Finance Commission /MacDonald Miller Sustainable Energy Trust

- “HIRE” Legislation (HR 2847-March 18)
  - Build America Bonds (BAB’s)
  - Clean Renewable Energy Bonds (CREBs)
  - Qualified Energy Conservation Bonds (QCEB’s)
Sources of Alternative Funding

Existing State Programs
“LOCAL” Program

- Local Option Capital Asset Lending-www.tre.wa.gov

- Expanded version of State lease/purchase program

- Low fees and expenses

- Access to the public bond markets

- Real Estate rates -10yr mid 4’s and 20 yr low 5’s

- Equipment rates –3 to 10 yrs, high 2’s to low 3’s

- Money available Mid March, Mid June, Mid November
Sources of Alternative Funding

Existing State Programs
ESPC Program

- Energy Services Performance Contracting
- State General Administration acts a Project Manager
- State Treasury funding at 4%
- Maximum term 10 yr term
- Prequalified ESCO-Energy Svc’s Companies
Sources of Alternative Funding

Existing State Programs
ARRA Funded State Programs through Dept of Commerce (DOC)

MacDonald Miller Energy Capital Solutions (Seattle Steam/EEFC)

- Energy Efficiency and Renewable Energy (EERE) Loan and Grant Programs
- Competitive Process through DOC - Aug’09
- Awarded $1.5 m in seed money - 3% (2% distressed area) Loans
- Term – 5 yr Private / 15 yr Governmental
Sources of Alternative Funding

Existing State Programs
ARRA Funded State Programs through Dept of Commerce (DOC)

Housing Finance Commission Sustainable Energy Trust (MacDonald Miller/EEFC)

- Energy Efficiency Credit Enhancement (EECE) Grant Program
- Competitive Process through DOC - Nov’09
- Awarded $1 m in seed money – Grant
- Non-Profits & Multifamily
- Term - Approx 10yr
Sources of Alternative Funding

“HIRE” Legislation (HR 2847)

- Signed into law March 18, 2010

- Build America Bonds (BAB’s) expanded to include energy, i.e. Qualified Private Activity Bonds
  - BAB’s Direct Pay

- Clean Renewable Energy Bonds (CREBs)
  - $2.4 B Nationally

- Qualified Energy Conservation Bonds (QCEB’s)
  - $3.2 B Nationally

- Issuer designate CREB or QECB at time of issue
- Borrower 2% or under
- Bond Holder market rate by Treasury
Sources of Alternative Funding

- Other ARRA Re-Funded
  - Private Activity Bonds
  - Qualified School Construction Bonds (QSCB)
  - Recovery Zone Bonds
  - Qualified Academy Zone Bonds
Alternative Funding Mechanisms

Washington State Housing Finance Commission

David Clifton
Who Is The Commission?

The Washington State Housing Finance Commission is a self-funding state entity that works with the lending community to bring below-market financing to Washington’s:

- multifamily housing providers
- first-time homebuyers
- beginning farmers/ranchers
- renewable/sustainable energy
And?

- The Commission is self-funding, receives no taxpayer support for operations

- Since 1983 over $8 billion in bonds issued bringing investment dollars and work to Washington State

- Bonds are federally authorized (tax-exempt or tax credit)
Why a Tax-Exempt Bond?

- In general tax-exempt interest rates are lower than conventional borrowing

- Lower interest rate means borrowers can
  - Borrow more for same debt service
  - or
  - Reduce debt service and improve bottom line
More than just our name

The Commission acts as a conduit for nonprofit organizations, for-profits, and other governmental entities.

Recent legislation put us in the energy business- Sustainable Energy Trust
Multifamily Housing Program

- Apartments or assisted living only
- New construction / energy retrofits and renewables
Nonprofit Program

- Nonprofit 501(c)(3) organizations only
- Project must serve nonprofit’s purpose
- Bonds for most financings e.g.:
  - new construction
  - retrofits
  - acquisition
  - rehabilitation
Streamlined Tax-Exempt Placement (STEP) Program

- STEP is streamlined bond-funding
- typical STEP Bonds range from $300,000 to $5 million
- private placement to your bank
- standardized bond documents save time and money
How does it work?

• The loan is underwritten and issued in the same way as a conventional commercial loan.

• You make payments of principal and interest as you would with any loan.

• You get a lower interest rate!
Commission Bonds for Energy

- Multifamily bonds for for-profit retrofits/energy efficiencies
- 501(c)(3) bonds – nonprofits (renewables retrofits/sustainable energy)
- BABs (Build America Bonds) gov’ts only
- QECBs (Qualified… - renewables/gov’t and limited private use)
Alternative Funding Mechanisms…
for Energy Related Projects

Q&A

Thank You

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