

Alternative Funding Mechanisms... for Energy Related Projects



The Washington State
HOUSING FINANCE COMMISSION



MacDonald-Miller
FACILITY SOLUTIONS

Alternative Funding Mechanisms

- ❖ Anthony J Amendola-MacDonald Miller
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 - Sources of Funding for Energy Projects
- ❖ David Clifton-WA State Housing Finance Commission (HFC)
 - Who is the HFC
 - HFC Programs
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Sources of Funding ?

*Have I
got a
deal for
you !*



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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

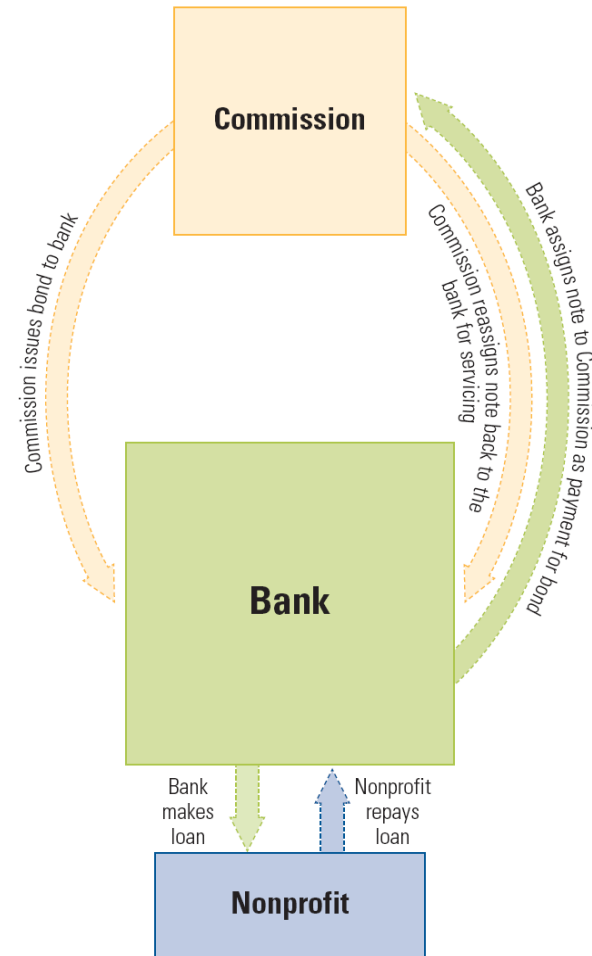
- ❑ Nonprofit 501(c)(3) organizations only
- ❑ Project must serve nonprofit's purpose
- ❑ Bonds for most financings e.g.:
 - ❑ new construction
 - ❑ retrofits
 - ❑ acquisition
 - ❑ rehabilitation

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)

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Q&A

Thank You

For more Information:

Washington State Housing Finance Commission

Tia Peycheff or David Clifton

(800) 767-4663 ext. 416 (407)

(206) 287-4416 ((206)- 287-4407)

tia.peycheff@wshfc.org

david.clifton@wshfc.org

jason.hennigan@wshfc.org

www.wshfc.org



The Washington State
HOUSING FINANCE COMMISSION

MacDonald Miller Facility Solutions

Anthony J. Amendola 480-510-9197

ajamendola@amendolaenterprises.com

J. Perry England 206-255-6497

perry.england@macmiller.com



MacDonald-Miller
FACILITY SOLUTIONS