*Ohio Government Finance Officers Association*
*34th Annual Conference and Membership Meeting*
*Hilton Netherland Plaza*
*September 22 - 24, 2021*

# FINANCING GREEN PROJECTS

*Presented by:*


**Reginald Staples, Dinsmore & Shohl LLP**
**Eric Prall, Hilltop Securities, Inc.**
**Samuel Hill, TMI Energy Solutions**


OHIO GFOA

# Ohio Energy Profile

- According to the U.S. Energy Information Administration (EIA), as of July 2021:
  - Ohio is among the top 10 states in ***total*** energy consumption (***per capita*** consumption = national average)
  - Prevailing winds that blow across the state provide western Ohio with moderate onshore wind energy resources
  - Winds that blow across Lake Erie provide strong onshore wind energy resources
  - Has 7% of the nation's natural gas reserves and is one of the nation's top 10 natural gas-consuming states
  - Has 5% of the nation's estimated recoverable coal reserves and is one of the nation's top 10 coal-consuming states
  - Has less than 1% of the nation's crude oil reserves and is one of the nation's top 10 petroleum-consuming states
  - As of 2020, coal fueled 37% of electricity generation, natural gas fueled 43% of electricity generation and nuclear power fueled 15% of electricity generation (roughly 95% of non-renewable sources account for electric generation)
  - ***Less than 5% of the electricity generated in Ohio was fueled by renewable energy sources, primarily wind***
  - Nonetheless, Ohio ranks among top 5 in the nation in consumers of electricity

# Ohio Energy Profile (cont'd)

- Breakdown of Renewable Energy Sources
  - Renewable energy resources supplied only about 3% of Ohio's electricity in 2020, primarily wind power
  - By 2021, Ohio had more than 850 megawatts of installed wind generating capacity
  - Most wind farms are located in northwestern Ohio (area has greatest wind potential)
  - Biomass (wood waste, landfill gas and other feedstocks) account for the second largest share of renewable electricity generation in Ohio
  - Solar and hydroelectric power each accounted for a little more than one-tenth of Ohio's total renewable generation in 2020, mainly from small scale (less than 1 megawatt) PV generating systems
  - State is eight-largest biofuel producer
  - ***Little to no hydro-based renewable energy sources***

# Types of Energy Projects

- Energy Conservation Measures ("ECMs")
  - Examples of ECMs include: insulation, windows, doors, lighting, HVAC systems, control systems, light fixtures, caulking, weather-stripping and meter replacement

- Renewable Energy Generation Measures ("REGMs")
  - REGMs produce electricity from renewable energy sources including solar, geothermal, wind, hydroelectric and fuel from solid waste

# Overview of Debt Limitations – Direct Debt

- The State of Ohio
  - Section 17, Article VIII of the Ohio Constitution establishes a cap for the payment of debt service on direct obligations of the state equal **to 5% of the total estimated revenues of the General Revenue Fund and from the net state lottery proceeds** during the fiscal year in which the obligations are issued.

# Overview of Debt Limitations – Direct Debt

- <u>Counties</u>
  - Unvoted Debt: **1%** of Assessed Valuation ("AV")
  - Total Unvoted and Voted Debt:
    - If County AV is less than $100 million, **3% of AV**
    - If County AV exceeds $100 million but does not exceed $300 million, **1.5% of AV plus $3 million**
    - If County AV exceeds $300 million, **2.5% of AV in excess of $300 million plus $6 million**
- <u>Municipalities</u>
  - Unvoted Debt: **5 ½ % of AV**
  - Total Unvoted and Voted Debt:
    - **10 ½ % of AV**

# Overview of Debt Limitations – Direct Debt

- School Districts
  - Unvoted Debt: **One-tenth of 1%** of AV
    - Under R.C. 133.06(G), a school district may issue debt up to **nine-tenths of 1%** of AV for purposes of acquiring and installing ECMs without a vote of the electorate (see under R.C. 3313.372(D))
  - Total Unvoted and Voted Debt: 9% of AV
    - Within **9% AV limit**, a debt issue may not be submitted to a vote of the electorate in amount that exceeds **4% of AV** without consent of Ohio Tax Commissioner and State Superintendent of Public Instruction

- Townships
  - Statutory Townships
    - **5% of AV** and only with a vote of electors (no unvoted limit)
  - Limited Home Rule Townships under Chapter 504
    - Unvoted Debt: **5 ½ % of AV**
    - Total Unvoted and Voted Debt: **10 ½ % of AV**

# Overview of Debt Limitations – Indirect Debt

- Ten Mill Limitation (Indirect Debt Limitation)
  - Section 2, Article XII of the Ohio Constitution and the Section 5705.02 of the Revised Code limit the amount of property taxes which may be levied without a vote to one percent (or ten mills) of the valuation of the property to be taxed
  - General Obligation bonds
  - Measures debt service (principal and interest)
  - Measures millage requirements of all overlapping subdivisions for unvoted debt

# Energy Conservation Statutes – State & Higher Ed

- State of Ohio and Higher Education Institutions
- Installation or modification of an existing building
  - ECM Statutes: Sections 156.01-156.05 and Sections 3345.61-3345.66
  - State can avoid competitive bidding requirements of Chapter 153 with approval from executive director of OFCC
  - Higher Education Institutions can avoid competitive bidding by majority vote of board for installment payment contracts for ECMs
  - Requirements
    - Energy Report: includes cost estimates, costs of design, engineering, installation, maintenance, repairs and debt service
    - Notice/publication regarding RFP process (30 days)
    - RFP must be sent to three vendors
    - Cost of ECMs cannot be expected to exceed amount of energy savings

# Energy Conservation Statutes – State & Higher Ed

- State of Ohio and Higher Education Institutions (cont’d)
  - ➢ Specific savings metrics applicable to cogeneration systems, water saving measures for ECMs
  - ➢ Repayment terms:
    - Not less than one-fifteenth of the costs of the contracts must be paid within two years from date of purchase
    - Remaining balance must be paid within 15 years (20 years for cogeneration systems)
    - Higher Education Institutions must be paid within 15 years
  - ➢ Installment Payment Contract
    - Contract must terminate and be renewed at the end of each fiscal biennium

# Energy Conservation Statutes - Counties

- Counties
  - R.C. 307.041
  - Avoids Competitive Bidding (R.C. 307.86 – 307.92)
  - Installation or Modification of ECMs (no new construction)
  - Requirements
    - Report by an engineer or an architect
    - Notice/publication in newspaper of RFP for two weeks
    - RFP must be sent to three vendors
    - Winning vendor must produce an energy report
    - Selection is based on lowest and best bid
    - ECM costs cannot be likely to exceed the expected energy savings

# Energy Conservation Statutes - Counties

- Counties (cont'd)
  - A specified percentage, as determined by board of commissioners, must be re-paid within 2 years from date of purchase with remaining balance paid within the lesser of the average system life of ECMs specified in report or 30 years
  - General obligation debt may be issued to finance ECMs (exempt from direct debt limit but not ten-mill limitation) or an installment payment contract subject to annual appropriation may be utilized to finance ECMs
  - Leasing Options (R.C. 307)

# Energy Conservation Statutes - Municipalities

- Municipalities
  - R.C. 717.02
  - Avoids competitive bidding
  - Installation, modification <u>and construction</u> of ECMs (i.e. new building)
  - Requirements
    - Report by an engineer or an architect
    - Notice/publication in newspaper of RFP for two weeks
    - RFP must be sent to three vendors
    - Selection is based on lowest and best bid
    - ECM costs cannot be likely to exceed expected energy savings

# Energy Conservation Statutes - Municipalities

- Municipalities (cont'd)
  - A specified percentage of cost must be repaid within two years from the date of purchase, as determined by legislative authority. Remaining balance must be paid within the lesser of average system life of ECM specified in report or 30 years
  - General obligation debt may be issued to finance ECMs (exempt from direct debt limit but not ten-mill limitation) or an installment payment contract subject to annual appropriation may be utilized to finance ECMs
  - Leasing Options (R.C. 715.011)

# Energy Conservation Statutes - Schools

- School Districts
  - R.C. 133.06(G) and R.C. 3313.372 (or “H.B. 264 Projects”)
    - 133.06(G) = bonds and 3313.372 = notes or installment contracts
  - H.B. 264 offers a way to save energy costs without incurring additional debt
  - Avoids Competitive Bidding (R.C. 3313.46)
  - Energy report (including 3 years of historical data)
  - Report must be submitted to Ohio Facilities Construction Commission (OFCC)
  - BOE must conclude that cost of ECM is not likely to exceed energy savings
  - Approval from OFCC required

# Energy Conservation Statutes - Schools

- School Districts (cont'd)
  - 9/10ths of 1% of AV is a separate debt limitation for ECMs
  - Repayment terms
    - Not less than one-fifteenth of costs of ECM thereof shall be paid within 2 years from date of purchase
    - Remaining balance of costs of ECM must be paid within 15 years of date of purchase
    - General obligation debt may be issued to finance ECMs (exempt from direct debt limit but not ten-mill limitation) or an installment payment contract subject to annual appropriation may be utilized to finance ECMs
  - Leasing Options (R.C. 3313.375)

# Energy Conservation Statutes - Townships

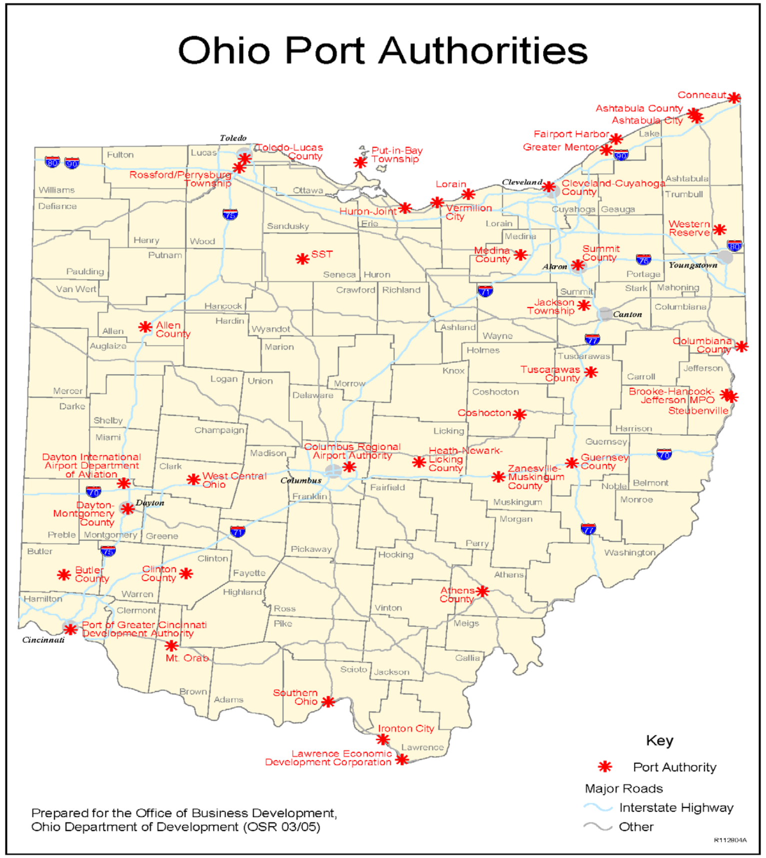
- Townships
  - R.C. 505.264
  - Avoids competitive bidding (R.C. 307.86-307.92)
  - Installment or modification of ECMs
  - Requirements
    - Report by an engineer or an architect
    - Notice/publication in newspaper of RFP for <u>two</u> weeks
    - RFP must be sent to at least three vendors
    - Selection is based on lowest and best bid
    - ECM costs cannot be likely to exceed the expected energy savings

# Energy Conservation Statutes - Townships

- Townships (cont’d)
  - Maximum maturity for obligations cannot exceed useful life of ECM financed (see R.C. 133.20)
  - General obligation debt may be issued to finance ECMs (exempt from direct debt limit but not ten-mill limitation) or an installment payment contract subject to annual appropriation may be utilized to finance ECMs
  - Leasing Options

# Energy Conservation Statutes – Port Authorities

- Port Authorities
  - ➢R.C. 4582.31
  - ➢No competitive bidding



# Energy Loan Fund

- A revolving loan fund administered by the Ohio Development Services Agency
  - Helps small businesses, manufacturers and local governments implement energy efficiency improvements including:
    - LED lighting
    - Energy efficient lighting technologies
    - Energy management control systems
    - HVAC upgrades
    - Weather sealing
    - Door and window replacement
    - Heat and power systems
    - Cogeneration systems
  - Low-interest financing
  - Measures must reduce energy by at least 15 percent

# Energy Loan Fund

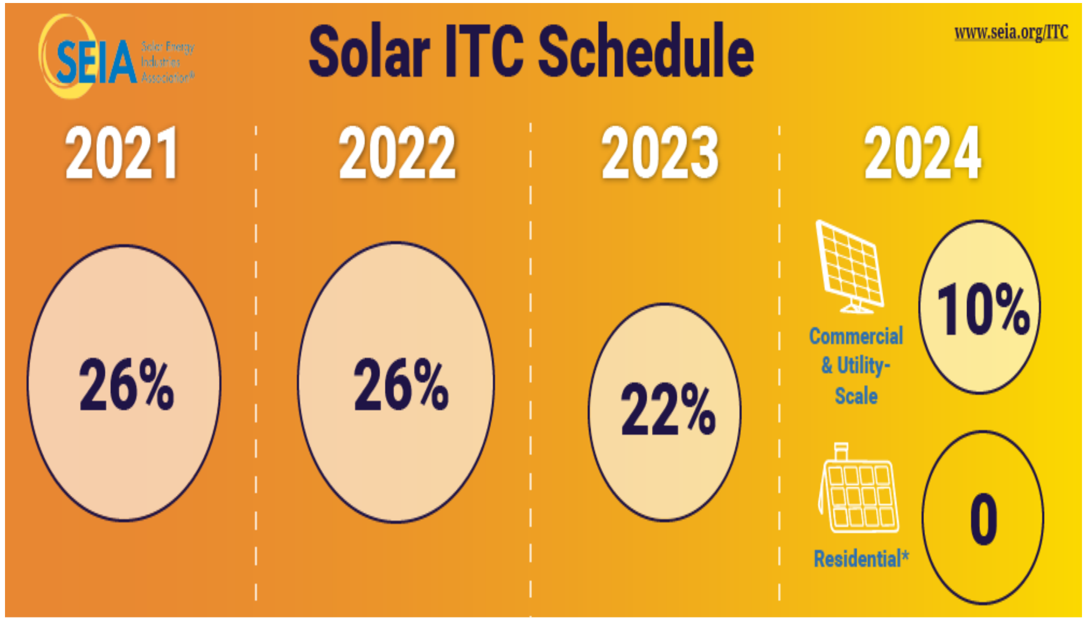
- For FY 2021, funding up to $9.5 million in state funds is available
  - $5.5 million is available to manufacturers, commercial businesses municipalities, hospitals, and non-profits with minimum loan amount being $250k and maximum amount being $2.5 million
  - $4 million is available to Ohio public K-12 schools with minimum loan amount being $250k and maximum amount being $1 million
- Projects are evaluated on a variety of technical and financial criteria under program guidelines
- Funding cannot be used for certain types of projects including, but not limited to, the following:
  - Any work related to the construction of a new building or addition/expansion
  - To conduct or purchase equipment for research, development or demonstration of energy efficiency or renewable energy techniques
  - For non-energy-related alteration or upgrades or repair of a building or structure

# Energy Loan Fund

- Minimum Requirements
  - Project must be installed in Ohio
  - Applicant must be the property owner or hold a long-term lease
  - Expenses incurred prior to term of the loan are not eligible for reimbursement
  - All project components must be new or remanufactured with minimum of a 1-year warranty
  - All projects must be paid back in period no longer than 15 years
  - A minimum of 10% in total project costs for public entities
  - Monthly progress reports during installation that describe the activities and work completed during the reporting period
  - Quarterly energy measurement and verification (M&V) reports for a year after the completion of the projects
  - Annual audited financial statements and certificate of non-default for the term of the loan

# Current Incentives for Solar in Ohio

- Federal Investment Tax Credit (ITC)
  - Currently 26% of project costs
  - Uncapped
  - Site development costs are ineligible for ITC
  - If tax credit exceeds tax liability, it can be rolled over into next tax year




*Some residential solar systems are financed using a lease mechanism that allows the homeowner to take advantage of the Section 48 commercial ITC

# Current Incentives for Solar in Ohio

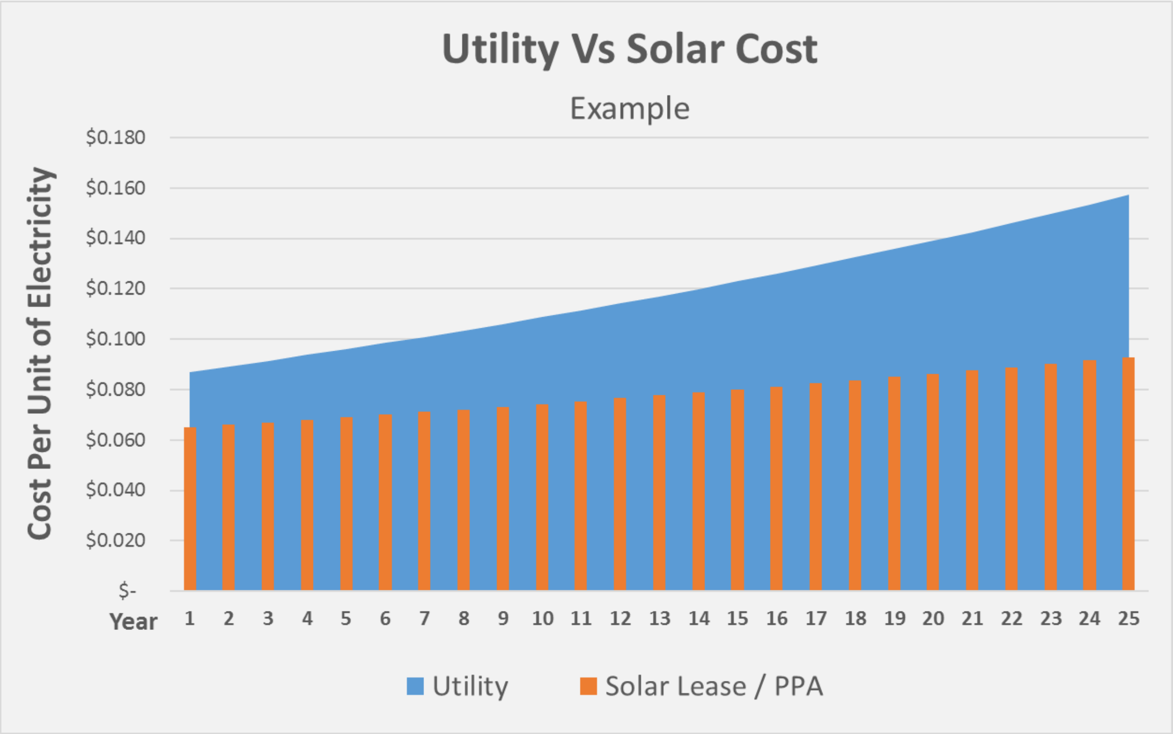
- Accelerated Depreciation
  - Bonus Depreciation
    - Available for federal taxes only
    - 1 year accelerated depreciation schedule
      -Depreciable basis is 87% of tax basis (100% minus 50% of the ITC value)
  - Modified Accelerated Cost Recovery System ("MACRS") Depreciation
    - Available for federal and state taxes
    - 5 year accelerated depreciation schedule
    - Depreciable basis is 87% of federal tax basis, and 100% of state tax basis

# Current Incentives for Solar in Ohio

- Solar Renewable Energy Certificates (“SREC’s”)
  - Performance based incentive (PBI)
  - Issued for every 1,000 kWh (1MWh) of energy produced
  - Entitle the owner to the “green” attributes of solar generation
- Market for SREC’s
  - Ohio has a renewable portfolio standard (RPS)
  - Utilities can buy SREC’s to meet those standards
  - Some companies purchase SREC’s to own rights of green energy (offset carbon)

# Third Party Ownership

- Most popular among non-taxable entities
  - Nonprofits, Schools and Government Buildings
- Allows 3rd party to own & operate system and sell power to off-taker
- Benefits to 3rd Party Investor
  - Access to all tax benefits
  - Long term revenue from selling power
- Benefits to Off-taker
  - Zero capital invested
  - Operational savings & predictability (solar costs lower than utility costs)



# How Third Party Ownership Works

- Agreement between 20-30 years
- System owner agrees to purchase, own, operate, and maintain solar system
- Off taker agrees to purchase power from the system for the duration of the agreement
- Off taker can usually extend the agreement or purchase the system at fair market value at the end of the contract

# Types of Third Party Ownership Agreements

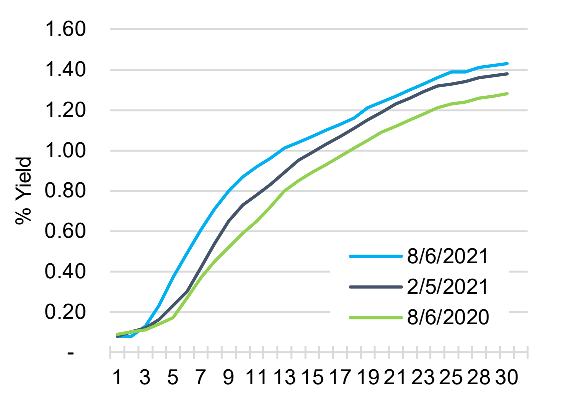
- Solar Lease
  - Off taker purchase 1/12$^{th}$ of expected annual production monthly
- Power Purchase Agreement (PPA)
  - Off taker purchase the real production from the system every month
- Solar Services Agreement (SSA)
  - Used to circumvent regulated state or utility policies
  - Might look like an equipment lease
  - Agreement operates very similar to PPA

# Solar For Schools

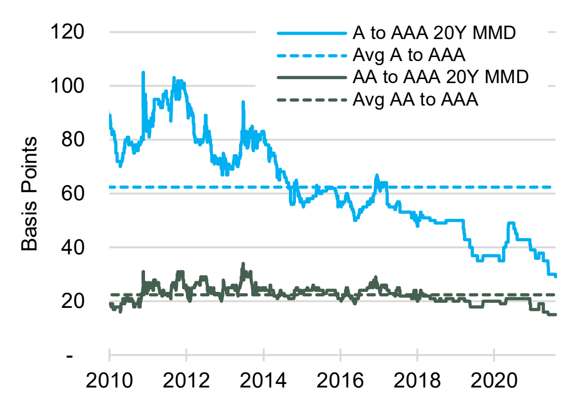
- Solar offers various benefits to district
- Options with no upfront expense
  - When a 3rd party is used
- Reduce schools operational costs
- Offers STEM learning opportunities
- Increase environmental awareness among students and community

# Tax-Exempt Market Overview - MMD

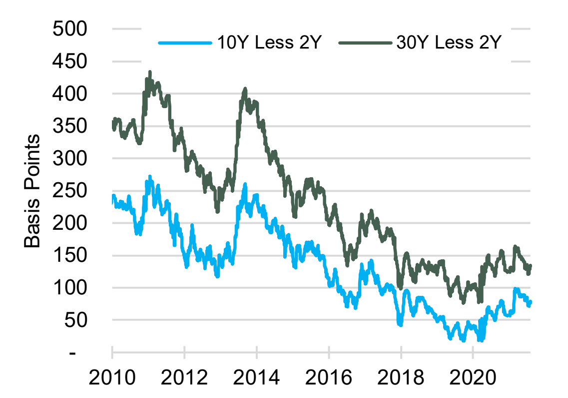
### AAA MMD Yield Curve Comparison



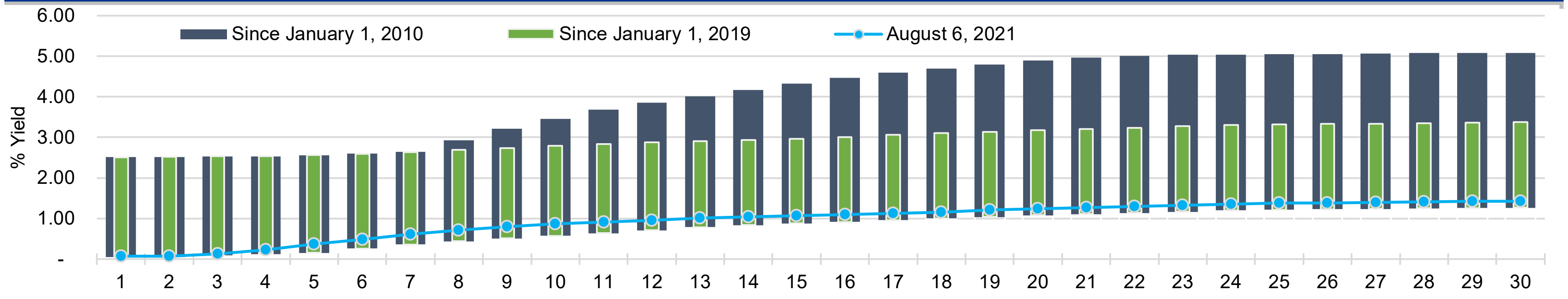

### MMD Credit Spreads to AAA – 1/1/10 to 8/6/21



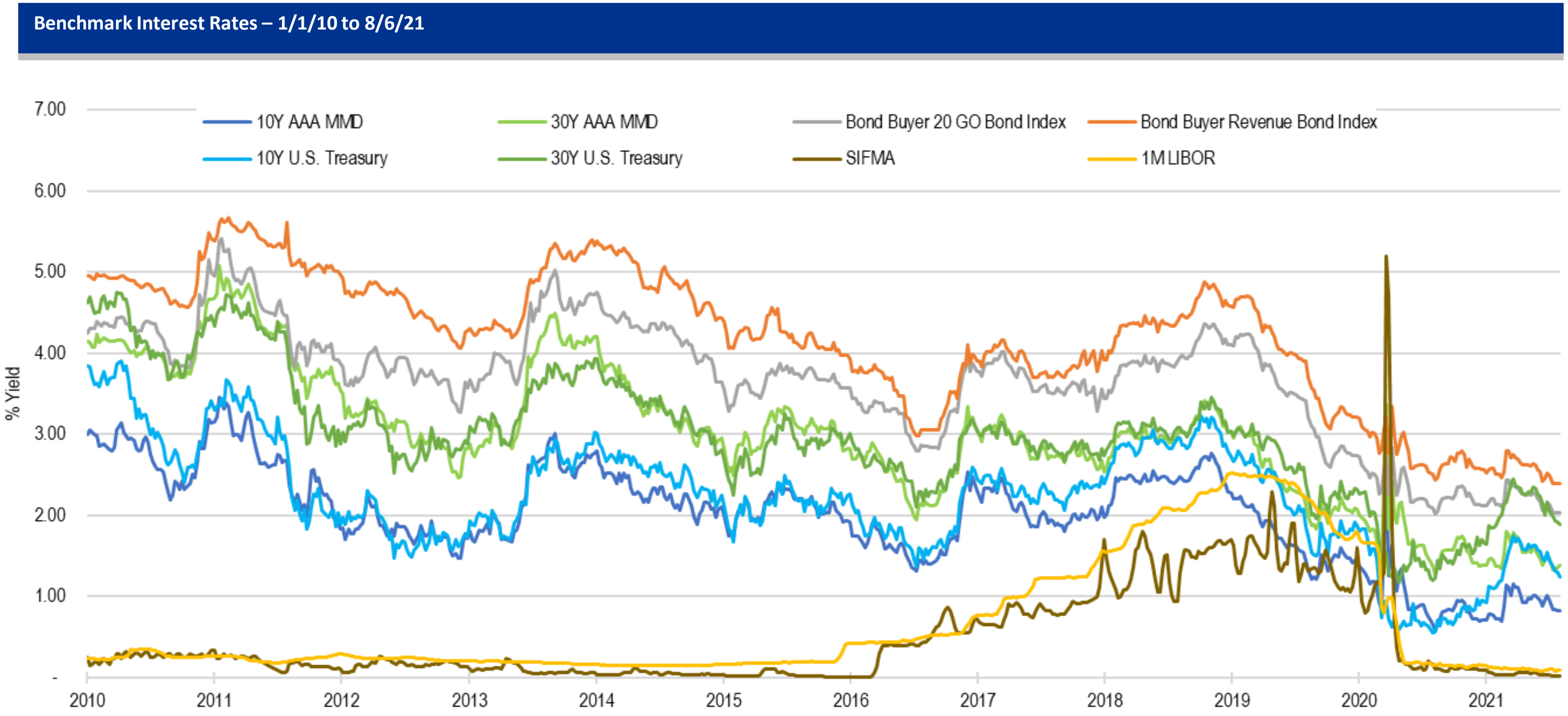

### AAA Yield Curve Steepness – 1/1/10 to 8/6/21




### Maximum and Minimum AAA MMD Yields



# Weekly Benchmark Interest Rates

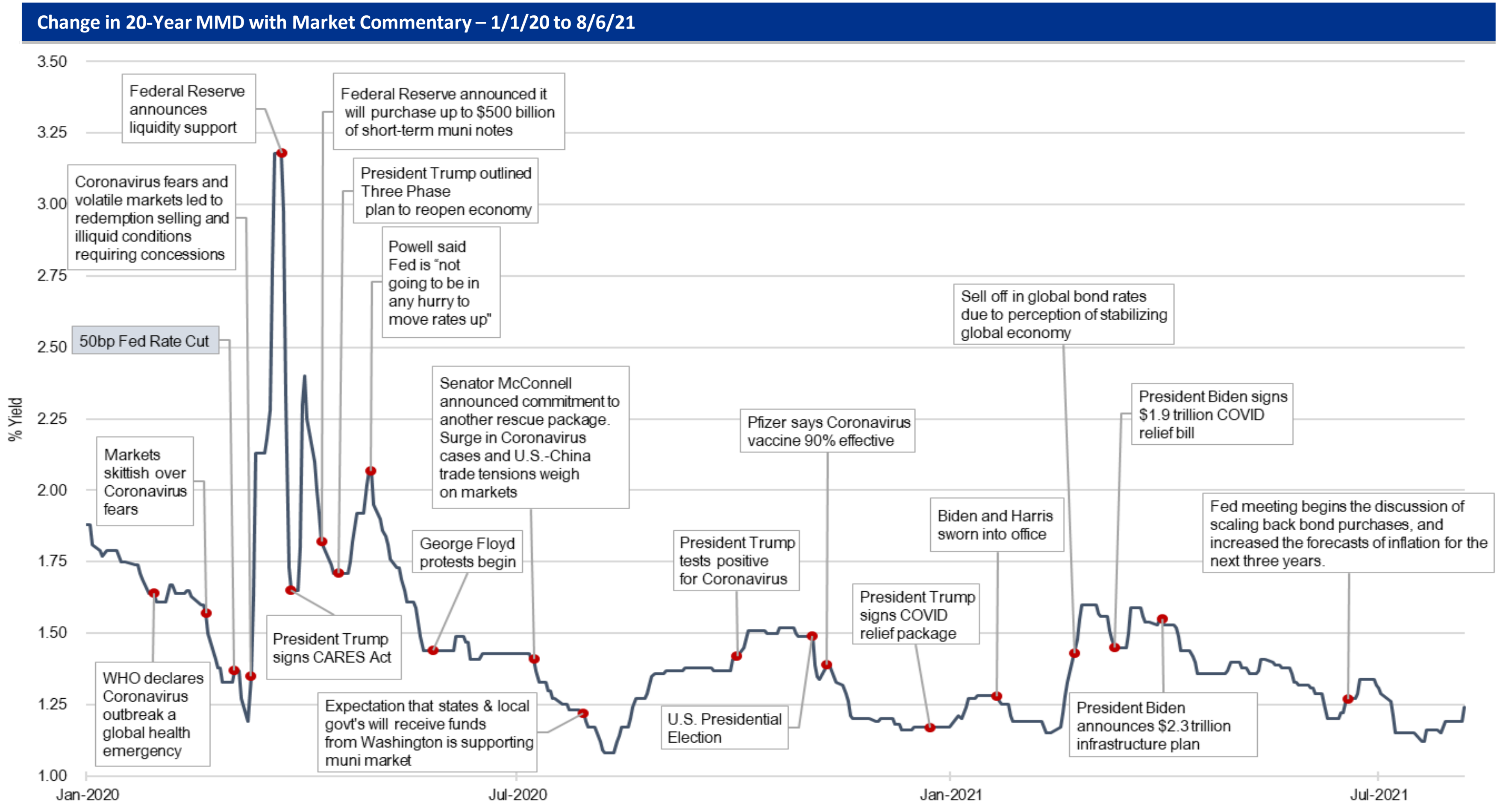


# Weekly Benchmark Interest Rates

**Rates Analysis – 1/1/10 to 8/6/21**

| | 10Y AAA MMD | 30Y AAA MMD | Bond Buyer 20 GO Bond Index | Bond Buyer Revenue Bond Index | 10Y U.S. Treasury | 30Y U.S. Treasury | SIFMA | 1M LIBOR |
|---|---|---|---|---|---|---|---|---|
| Current | 0.87 | 1.43 | 2.04 | 2.40 | 1.31 | 1.94 | 0.02 | 0.10 |
| Maximum | 3.46 | 5.08 | 5.41 | 5.67 | 3.90 | 4.75 | 5.20 | 2.52 |
| Minimum | 0.58 | 1.27 | 2.02 | 2.39 | 0.55 | 1.17 | 0.01 | 0.07 |
| Average | 2.01 | 3.00 | 3.67 | 4.20 | 2.22 | 2.99 | 0.47 | 0.67 |
| % Time Lower | 5.8% | 3.0% | 0.3% | 0.2% | 8.7% | 8.7% | 3.1% | 1.3% |

# Change in 20-Year MMD

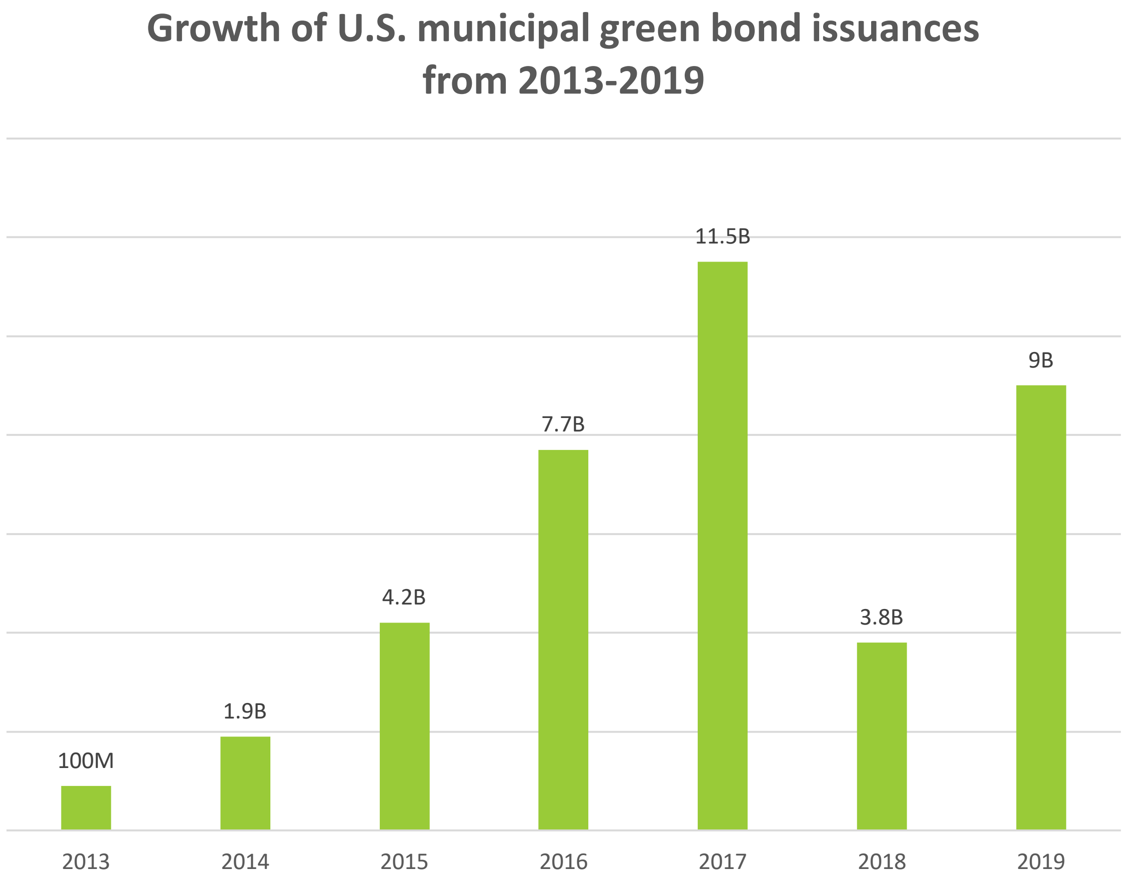


# Green Bonds: Overview

- What is it?
  - Debt instruments where proceeds are used to fund qualifying green investments
  - Are essentially conventional bonds with an environmentally friendly use of proceeds
- Who Buys Green Bonds?
  - Same or similar buyers as traditional municipal bonds
  - Purchasers are typically institutional investors, often with either an “environment, social and governance” mandate or an environmental focus
  - Labeling investment products that meet certain criteria as “green” allows investors to effectively channel capital toward their ESG goals
  - Green bonds is an attempt to access and leverage capital markets to address climate goals

# Green Bonds: Overview

- According to the Climate Bond Initiative, municipal green bond issuances grew by 450 percent from $2 billion in 2014 to almost $9 billion in 2019.
  - ➢ In 2013, only 1 bond issue was issued as a green bond; in 2019, there were a total of 91 green bond issues.



# Green Bonds: Framework

- Green Bond Frameworks have been created to ensure confidence and integrity in the development bond market and to ensure investors that the proceeds of bonds will be used to finance green projects
- These frameworks work to help distinguish true green bonds from “greenwashing”
    - “Greenwashing” is an attempt to capitalize on the growing demand for environmentally sound products that is more concerned with sustainable branding and public perception than substantive sustainability
- The most common green bond labeling frameworks include the International Capital Markets Association’s (ICMA) Green Bond Principles, the Climate Bond Initiative’s Climate Bond Standards and the European Union’s Green Bond Standard
- The ICMA’s Green Bond Principles is the most common framework; market participants use Green Bond Principles as a basis to create own internal framework

# Green Bonds: Framework

- ICMA's Green Bond Principles was developed in 2018
- Completely voluntary process that recommends transparency and disclosure
- One of the most commonly used frameworks for labeling green bonds
- Includes 4 main pillars to Green Bond Principles ***(see pie chart)***

# Green Bonds: Framework

- Use of Proceeds
  - Green projects should provide clear environmental benefits that can be quantified by an issuer
  - Examples of eligible green projects:
    - *Renewable energy*
    - *Energy Efficiency*
    - *Pollution Prevention and Control*
    - *Environmentally Sustainable Management of Living Natural Resources and Land Use*
    - *Terrestrial and Aquatic Biodiversity*
    - *Clean Transportation*
    - *Sustainable Water and Wastewater Management*
    - *Climate Change Adaption*
    - *Circular Economy Adapted Products, Production Technologies and Processes*
    - *Green Buildings*

- Process for Project Evaluation
  - Issuers should communicate the following to investors:
    - The environmental sustainability objectives of the project
    - The process by which the issuer determines how the project fits within the eligible green projects categories
    - Information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the project

# Green Bonds: Framework

- Management of Proceeds
  - Net proceeds of Green Bonds should be credited to a sub-account or moved to a sub-portfolio or otherwise tracked by the issuer
  - So long as Green Bonds are outstanding, the balance of tracked net proceeds should be adjusted to match allocations to Eligible Green Projects
  - The proceeds of  Green Bonds can be managed per bond or on an aggregate basis if multiple Green Bonds have been issued
  - ***GBP stress a high level of transparency***

- Reporting Requirements
  - Issuers should have an annual report available with respect to the of proceeds from Green Bonds
  - Annual report should include a list of Eligible Green Projects to which proceeds have been allocated, including description of project, the amount allocated and the expected environmental impact

# Green Bonds: Framework

- Other Considerations
  - Explain alignment of its green bond program with four components of Green Bond Principles in offering document and/or bond for investors
  - Hire a third party to conduct a pre-issuance external review to assess green bond program alignment with Green Bond Principles and render opinion
  - Issuer’s management of proceeds should be verified and supplemented by an independent auditor after issuance
  - Consider other Green Bond Frameworks used by underwriters and banks
  - Shortfalls with Green Bond Principles (process vs scientific-based environmental performance standards = ‘greenwashing’)
  - Role of rating agencies (Moody’s “Green Bond Assessment” program; terminated in 2020)
  - Ranking of Green Bonds

# PACE Financing

- Property Assessed Clean Energy
  - 37 States have enacted PACE legislation, including Ohio
  - Mechanism to finance energy efficiency and renewable energy projects
  - Secured by special assessments on property
  - Commercial and Residential projects
- Public-Private Cooperation
  - Municipalities or townships (or any combination) may create Energy Special Improvement Districts (ESIDs) under R.C. 1710.02
  - OAQDA/Port Authorities as issuer
  - Lender or other source of financing
  - Financing secured by special assessments

# PACE Financing

- Projects Eligible for PACE Financing
  - "<u>Special energy improvement project</u>" defined as any property, device structure, or equipment necessary for the acquisition, installation, equipping, and improvement of any real or personal property used for the purposes of creating:
    - A solar photovoltaic project
    - A solar thermal energy project
    - A geothermal energy project
    - A customer-generated energy project
    - An energy efficiency improvement
      - *"<u>Energy efficiency improvement</u>"* defined as energy efficiency technologies, products, and activities that reduce or support the reduction of energy consumption, allow for the reduction in demand, or support the production of clean, renewable energy and that are or will be permanently fixed to real property
      - Eligible projects include lighting, replace/upgrade equipment, HVAC, insulation, windows, doors, roofs, wind along with related soft costs and financing costs
    - Real or personal property may be publicly or privately owned

# PACE Financing

- Property owner petition
  - Create an ESID
  - Adoption of special energy improvement plan
  - Levy of special assessments on property within the district
- Project Plan
  - Sets forth purpose and terms and conditions of ESID
  - Includes description of subject property, the improvements to be installed and estimated project costs
  - Includes provision that all subsequent owners are subject to special assessment obligations
  - Plan is approved by participating subdivision(s)

# PACE Financing

- Creation of ESIDs
  - ➢ Is a public body created under statute and controlled by a board of directors of a non-profit corporation
    - *Board shall include at least five directors, including a person appointed by the municipality/township of each participating political subdivision and the municipal executive of each municipal corporation  with territory within boundaries of ESID*
  - ➢ Limited to specific parcels of land; may be expanded to include additional parcels
  - ➢ At least one project must be identified prior to creation
  - ➢ Formed upon a property owner petition identifying project components and costs and development of plan for undertaking improvements
  - ➢ Parcels in ESID need not be contiguous

# PACE Financing

- Participating Subdivision Approval
  - ➢ Participating subdivision must approve the ESID and pass legislation to levy and collect special assessments
- Special Assessment Legislation
  - ➢ Participating subdivision adopts special assessment legislation (Resolution of Necessity, Resolution to Proceed and Resolution to Levy Special Assessments)
  - ➢ Special assessment may be levied for up to 30 years to repay project costs
  - ➢ Amount of special assessment is equal to the annual principal and interest associated with the financing
  - ➢ Charges are levied and collected in same manner as real property taxes
- Project Capital
  - ➢ Public lending programs
  - ➢ Private lending institution
  - ➢ Bond or loan financing
    - Port Authority or OAQDA
    - Revenue bonds secured by special assessments (not general obligation)

# PACE Financing

<u>Benefits</u>

- Improve cash flow (reduce annual energy costs):
  - Long-term fixed interest rates (typically up to 20 years, subject to life of assets and lender approval)
- Non-recourse financing:
  - Bonds are secured solely by the special assessments
  - No mortgage
  - No corporate guarantee
  - No financial covenants
- 100% financing, plus:
  - Transaction costs
  - Interest during construction/installation
- Possible off-balance sheet treatment (subject to accountant's review)
- Assessments can be passed on to tenants (subject to terms of lease)

# PACE Financing

<u>Other Considerations</u>

- Existing secured lenders may need to consent to PACE financing (subject to existing loan documents)
  - Special assessments, if not paid, become a senior lien to any mortgage (similar to real estate taxes)
- In the event of the default, lenders cannot accelerate the financing
- Typically, the maximum amount of any PACE financing is equal to 15-30% of the true market value of the property (subject to type of real estate, owner, etc.)
- Appraisal is usually required
- If property is sold, the buyer typically assumes the payment of the future special assessments
  - If buyer declines to assume the future special assessments, the financing must be prepaid
- Financing Obligation runs with the property

# PACE Financing

- Ohio Air Quality Development Authority
  - Bonds issued by OAQDA must be an “air quality facility” which includes:
    - Any method or modification that removes, reduces, prevents, contains, disperses or disposes air contaminants
    - Motor vehicle inspection stations
    - Ethanol or other biofuel facilities, including equipment used at facility
    - Property used for the collection, storage, treatment or disposal of solid waste resulting from method or device that removes, reduces, prevents, contains or disperses air contaminants
    - Any property, device or equipment that promotes the reduction of emissions of air contaminants
    - Any coal research and development facility
    - Any property that is used for the collection, storage, treatment, or disposal of a by-product resulting from a coal R&D project or from the use of clean coal technology
    - Any property that is part of the FutureGen project
    - Any property, device, or equipment that promotes the reduction of emissions of air contaminants through the generation of clean renewable energy
    - Any property, structure or equipment necessary for the manufacture and production of equipment described as an air quality facility under R.C. 3706
    - Any property, device, or equipment related to the recharging re refueling of vehicles that promotes the reduction of emissions of air contaminants through the use of alternative fuel or the use of a renewable energy resource

# PACE Financing

<u>PACE Financing Documents</u>

- Cooperative Agreement
- Energy Audit (optional)
- Security Agreement
- Trust Indenture
- Bond Purchase Agreement
- Authorizing Resolution

# S.B. 232 and Solar and Wind Projects

- Passed in 2010, S.B. 232 aims to reduce tax burden on renewable energy projects (wind and solar)
- H.B. 166 extended program through 2022 (projects must be approved no later than December 31, 2022)
- S.B. 232 is administered by Ohio Development Services Agency but must be approved by Ohio Power Sitting Board (which has authority to grant large-scale electric generating projects)

# S.B. 232 and Solar and Wind Projects

- Gives counties a way to tax renewable energy projects through the use of PILOTs
  - Developer must remit to county a fixed annual amount per megawatt in lieu of real and personal property taxes
  - Intended to reduce the tax liability that a developer would otherwise pay for renewable energy projects
  - Fixed amount of PILOTs paid to county is directly linked to the number of individuals employed during construction of a "qualified energy project"
    - Project must be certified by the Director of Development Services
- Developer requirements un R.C. 5727.75
  - Repair all roads and bridges affected by construction of the of the project
  - Provide training for fire and emergency personnel to respond to emergencies related to project
  - Establish a relationship between the project and a state institution of higher learning to train and educate students in wind or solar energy
    - *Exemption does not expire so long as developer/project continues to meet requirements under R.C. 5727.75*

# Contact Information

Eric Prall
Hilltop Securities, Inc.
9757 Fairway Drive
Powell, Ohio 43065
Direct: 740-953-6251
eric.prall@hilltopsecurities.com

Samuel Hill
TMI Energy Solutions
423 W. Wyoming Avenue
Cincinnati, Ohio 45215
Direct: 513-918-1234
shill@dtmielectric.com

Reginald Staples, Esq.
Dinsmore & Shohl LLP
255 East Fifth Street, Suite 1900
Cincinnati, Ohio 45202
Direct: 513-639-9213
reginald.staples@dinsmore.com