

NASEO Energy Financing Task Force Call Notes
Tuesday, October 12, 2010
12:30-1:30pm

Attendees

Al Christopher, VA
Eric Steltzer, NH
Joy Adamson, ME
John Quartararo, ME
John Kerry, ME
Cory Goodenow, IA
John Osterman, NE
Bonnie Ziemann, NE

Trish Jerman, SC
Robert Jackson, MI
Dan Bresette, MD
Mark Wolfe, Energy Programs Consortium
Jeff Genzer, NASEO
Diana Lin, NASEO
Chuck Guinn, NASEO
Garth Otto, NASEO

Opening Comments

Jeff Genzer opened the meeting and announced that notes from the NASEO 2010 Annual Meeting financing sessions had been sent out for reference. The presentations from the sessions are linked in the document. Discussion ranged from building retrofit markets, examples of innovative state programs, and the future of public building retrofits after ARRA. If you have any questions, please contact Diana Lin (dlin@naseo.org).

Legislative Update

On PACE, federal legislative action has come to a complete halt. Secondly, a separate piece of legislation was introduced before Congress let for recess. S.3780, introduced by Senator Shaheen (NH) and Senator Landrieu (LA), focuses on energy efficiency in commercial buildings and is, in part, modeled on Texas' Loan Star program. The legislation would give grants for state loan programs. On Home Star, there is an outside chance that this could come up during the lame duck session.

In addition, there is discussion on expanding the existing loan guarantee program to include energy efficiency. NASEO is being asked if we will support this. Jeff Genzer stated he thinks that the program been hard enough to administer for large projects and has doubts on whether and if this could work for smaller, disaggregate projects.

- John Kerry agreed with Jeff Genzer's assessment, but since others in the community, like the Alliance to Save Energy, are working to get energy efficiency included as an eligible loan activity, he thinks we should support it anyway.

Lastly, NASEO will be meeting with John Christmas from Hannon Armstrong to discuss the possibility of a commercial building performance contracting initiative. NASEO is also scheduled to meet with DOE and Stockton Williams from HUD on the modified Title 1 program. Please let us know if you are interested in learning more about these two activities.

Discussion on Future Topics for Task Force

In order to maximize time on the financing task force's upcoming calls, NASEO would like to learn from states what are the priority issues and challenges they face currently. Conversely, what are some recent successful experiences that states would like to share with others?

New Hampshire

- QECCBs
- With their Better Buildings program, NH is working with Neil Zobler and intends to add a commercial buildings component; however, Davis-Bacon has been a roadblock in that area. Have others explored the possibility of using ARRA to purchase loans that have already been made to avoid triggering Davis-Bacon?
 - o Jeff Genzer has looked at this before, but would need to dig into it deeper. If Eric could write out the issue for him, Jeff can get more information.
- On-Bill financing (also being worked on in NY and MA)
- Split incentives – can we come up with some solutions with tenant-occupied buildings?

Maine

- PACE has been their primary focus.
 - o Jeff Genzer asked if there has been any progress in getting an official blessing from FHFA for Maine's secondary lien PACE program.
 - o John Quartararo is not aware of anything yet.
- Maine has an RFP out for a Master Servicer for the Maine Energy Savings Revolving Loan Fund. (Proposals due Oct. 22). [View the RFP online.](#)
 - o Jeff Genzer would be interested in sharing with other states how many bids you get and what the final agreement looks like.
 - o Efficiency Maine will share that information once the proposal period closes.

Iowa

- Iowa has a residential RFP to be released tomorrow. They are also looking for a master servicer, to administer ARRA funds for pilot projects.
- Iowa will also share their RFP with other members of this task force for their reference.
- Also interested in accessing additional capital in a secondary market, potentially in partnership with other states.
 - o Mark Wolfe and Corey Goodenow will connect offline on this topic.

Nebraska

- QECCBs
 - o Diana Lin will connect Brett Johnston (CO) with Jack Osterman (NE)(see MD below)

South Carolina

- On QECCBs, SC has state legislation for local jurisdictions to renounce their claims and allow states to reclaim and aggregate.
 - o Trish Jerman can share legislation and other information on this process.
- On-bill financing: state legislation allows it, and we're just waiting for funds to capitalize it. Hoping for Rural Star to pass to get things rolling with their electric co-ops.

- Trying to expand their loan program to commercial and industrial, but running into a problem on collateral or securing loans. Are there others who can help in this area?
 - o Dan Bresette (MD): MD has an RLF that includes commercial builders. Typically these projects use equipment liens for collateral. So far this seems fine for borrowers, and they haven't had any pushback. MD worked with their State Department of Business & Economic Development to ensure that the business community would find these documents acceptable.
 - Dan can provide some example agreements and contracts to share with SC and others on the task force.
 - Trish will follow up with Dan on specific questions.

Michigan

- Nothing to add currently.

Maryland

- On QECBs, MD has been tracking them in the state, and will probably do an issuance in the spring with the state treasury. MD is primarily considering project financing rather than program financing for capital raised from bonds. Chuck Guinn noted that Colorado has done a lot of project financing with bonds, and Brett Johnston would be a good resource on that.
 - o Diana Lin will connect Dan Bresette and Eric Steltzer with Brett Johnson from Colorado on this issue.

Update from Mark Wolfe, Energy Programs Consortium (EPC)

- Even with major efforts in conforming loan standards to create an energy efficiency loan product, the financial community is still very unfamiliar with the product and when faced with a choice, they tend to go with more familiar products.
- PA's \$25 million loan portfolio will be the first sale into the secondary market and this will take place soon. Mark will provide more updates as things progress.
- Fannie Mae has reduced its interest rate for unsecured energy efficiency loans to 12.75% marking a positive shift and recognition for energy efficiency.
- This next week, EPC is going out to states to collect loan documents and information to evaluate similarities and differences among states and see how that might impact aggregation on the secondary market.
- Also, with Ford Foundation, EPC is planning to establish a working group on how to leverage financing for low-income households and help that market work better.
- Lastly, foundations, despite their interest in this area, haven't found a successful mechanism for working with DOE and our community. There may be a potential meeting this fall with foundations and others to tackle this issue. There will be more progress to report on this in the next couple weeks.
- Please contact Mark Wolf (mlwolfe@energyprograms.org) with any questions on the above.

Next Meetings – Please mark your calendars

- Thursday, November 4, 12:30-1:30pm ET
- Friday, December 3, 12:30-1:30pm ET