The GEO will provide information regarding best practices and RFA guidelines. All written inquiries should be emailed to grants@state.co.us by 5:00pm on Tuesday, December 7, 2010. The GEO will be unable to answer any questions pertaining to individual project proposals. Responses will be answered in writing and posted on the GEO website under this solicitation at www.rechargecolorado.com by 5:00pm, Friday, December 10, 2010. Applicants should not rely on any other statements, either written or oral, that alter any specification or other term or conditions of this application during the open solicitation period. Applicants should consult with bond counsel regarding the legal requirements and issuance of Qualified Energy Conservation Bonds or other ARRA specific requirements. Please visit our webpage on QECBs for additional detailed information.

Q: We are a private corporation seeking to develop & provide third party financing for renewable energy systems for 501 (c)(3) non profits, but not government agencies. Would we be eligible for this program? How do we determine if we are eligible to issue bonds?

A: Yes, 501 (c)(3) non profits both qualify for QECBs, and are eligible for this solicitation. That being said, you are encouraged to seek advice as to whether your finance plan would be marketable for an issuance of QECBs. Remember that QECBs are not a grant; they’re a finance application – We encourage that you solicit financial advice to determine whether your project would actually be financed in the market.

Q: What are the terms on the bonds – ie maturity date, interest rate etc?

With regard to the term of QECBs, the term is currently up to about 17 years. This may change, and has ranged between 14-17 years. The max term is determined based on current treasury rates.

In general, there are two ways to look at it – QECBs are a taxable bond structure in which the investor receives a taxable bond rate based on the credit strength of the borrower and the viability of the project. Similar to Build America Bonds (BABs), the borrower receives an annual reimbursement from Treasury for annual interest payments. The reimbursement for QECBs is 70% of the annual interest – so if you pay $1,000,000 in annual interest for a QECB transaction, you will receive a $700,000 reimbursement. So there is the taxable rate that the borrower pays an investor, and the net interest rate based on the 70% reimbursement.

Q: Will accepting QECB (from ARRA) result in not getting Treasury Direct payments?

This question is somewhat unclear... “Treasury Direct” seems to refer to a program for individual investors to buy treasury securities. This is not the same as the “direct payments” that one would receive from Treasury as a part of a QECB or BAB bond structure.

You will not receive a direct payment from Treasury related to a QECB award until you actually price and close a QECB transaction. A QECB allocation alone does not qualify you for these direct payments – you actually have to close a finance transaction first.

Q: What is required to become an issuer of QECB’s
It should be stated that the State of Colorado and GEO will not be the issuer of QECBs. If an applicant receive an award of QECBs, it will be responsible for closing a QECB transaction. So with respect to what would be “required” to be an issuer, several steps will have to be taken (and if you plan to apply for this solicitation, you should already have a good idea of the viability of the following steps):

- Determine an appropriate finance plan, and how the QECBs would be financed (revenue bonds, COPs, capital lease, etc).
- Solicit interested banking partnerships to assist in underwriting, private placement, and so forth of these bonds (again, your project will have to be strong enough that there is an investor willing to actually invest in the project).
- Seek legal guidance from bond counsel or other entities to determine the viability and qualification of the project. Any QECB will require a legal opinion that the project is a qualified use of QECBs, and that the transaction itself was done legally.

Again – we strongly encourage you to indicate that you have already contemplated the above steps.

Q: What is the minimum size in dollars of a project that will be funded?

There is technically no “minimum” size for a project, but keep in mind that there are certain costs to price and close a QECB. Costs differ depending on the type of bond finance, but some costs are the same regardless of whether the financing is $500,000 or $15,000,000. As the project is smaller in dollar size, you should consider whether the cost of issuance of QECBs are too much to justify using this unique financing structure.

Q: Are we able to fund multiple related projects with a single bond issuance?

You are allowed to fund multiple related projects with a single bond issuance, so long as all projects are a qualified application of QECBs. You should also consider asking for financial advice to determine if this causes a problem depending on how each project differs from one another.

Q: What is the maximum amount of a bond issuance?

There is technically no “maximum” amount of a QECB bond insurance, but keep in mind that the GEO has a limited amount of QECBs available for this award. The GEO expects to make somewhere between $12 and $16 million in awards.

Depending on the popularity and competitiveness of this solicitation, your application should assess whether a partial QECB award. Depending on the quality of applications, the GEO may not wish to award its entire remaining balance of QECBs on one project. It is encouraged to add in your application as to whether a partial award would be okay – for example, if you have a project that needs $10 million in finance, it may be helpful to indicate whether you could use QECBs to finance a smaller fraction of the project.

Q: Can you clarify if the GEO is going to issue bonds or if the applicants are the bond issuer?

The GEO will not be the issuer. The applicant will be the issuer, or should indicate who will be the issuer of the QECBs if given the award.
Q: Can you clarify if this QECB is a “direct payment” or a “tax credit” bond issue?

QECBs can be used both a “direct payment” similar to BABs, or it can be a “tax credit” bond issue. Initially, QECBs could only be priced as a tax credit issue, but in 2010 Congress allowed for a direct payment structure as well. While this answer should not serve as financial advice, it should be noted that the more popular structure has been the direct payment structure, but you should contact a financial advisor to determine the most appropriate structure for your project.

Q: If this QECB is a “direct payment” bond, does the GEO believe a 501(c)3 can benefit as the bond issuer?

The GEO believes that QECBs provide a unique opportunity that may provide a lower cost of capital for qualified projects. But it is hard to say with certainty that any entity would benefit without knowing the strength of the project, borrower, and other factors that must be weighed as a part of a bond transaction. It can’t be said enough – the GEO highly recommends that prospective applicants seek financial advice to determine the financial viability of their project before applying.

Q: Are 501(c)3’s viable applicants to this RFA?

Yes, 501(c)3’s may apply for this allotment of QECBs. But, as said above, it is highly recommended you seek advice as to the viability of your project with respect to the bond market. Remember that QECBs are not a grant; they’re a finance application – We encourage that you solicit financial advice to determine whether your project would actually be financed in the market.

Q: Is there a minimum or maximum amount of allocation that an applicant can apply for?

There is no defined minimum or maximum amount. However, the GEO will have a limited amount of QECBs available, ranging up to $12-$16 million. Depending on the quality of applications, the GEO may not wish to award its entire remaining balance of QECBs on one project. It is encouraged to add in your application as to whether a partial award would be okay – for example, if you have a project that needs $10 million in finance, it may be helpful to indicate whether you could use QECBs to finance a smaller fraction of the project.

Q: What does the GEO project the average amount of allocation per applicant will be for this RFA?

Please see above.

Q: Is the principle of the bond issue from the applicant in any way secured by this RFA, State of Colorado or the Federal government? Or is just the subsidy of the interest secured? Or neither?

No QECB transaction (or BABs, Recovery Zone Bonds, or any other ARRA-related bond mechanism for that matter) are secured by this RFA, the State of Colorado or the federal government. While there are certain options to purchase credit enhancement as a bond issuance, the bonds themselves are not secured by any type of government-related credit enhancement.

Keep in mind that a QECB award does not guarantee that your project will be financed. It is highly recommended that you seek financial advice as to whether the bond market would find your project worthy of investment.
Q: Can you clarify the statement in the scoring section of the RFA, project development, “The applicant has demonstrated that the project will result in a minimum 3% reduction in community energy consumption” Was this a holdover from the public QECB RFA?

Yes, this looks like a holdover from the public QECB RFA. While the previous RFA was geared generally to public projects that would promote energy and utility savings, the current RFA is for private projects, and may include other qualified uses for these QECBs.

Q: Under a consumer financing program can we draw down on the loan generated from the QECB on an incremental basis or does it come in a lump sum payment? If lump sum, are there restrictions upon reinvestment of unused portions of the funds until the funds have been transitioned over to the customer loan/sale of ex. a solar panel?

As mentioned several times above, you may want to seek financial advice to make sure your project is viable with respect to whether bond investors would want to invest in your project. While an incremental draw down structure could be used for a QECB transaction, that would be a complicated structure that may not solicit much interest in the bond market. As said above, especially when you’re thinking of using complicated finance structures, please seek financial advice as to the financial viability of your project before applying.

If a QECB is in the form of a lump sum, there are many things to consider. First, there are requirements and restrictions as to how long you hold unused portions of the funds. These are often related to arbitrage – for example, there are certain spend-down provisions over a three year period for municipally financed bonds.

Q: I know this is a silly question, but please provide some more clarification about who, when and how the bonds are issued. We assume that the State is issuing the bond on behalf of "private partners" who are submitting under this application. I am sorry but the application was confusing in this regard. How long do we have to fully repay the bond?

The State of Colorado will not be issuing these bonds. If an applicant is awarded a QECB allocation, it will be responsible for developing a finance plan, pricing and closing a finance transaction in order to receive funding. Again – a QECB award does not necessarily guarantee you will successfully be able to close your transaction. It would be helpful for you to indicate that you have started to seek financial advice and started to develop a finance plan within your application.