

Introduced by: The Council President

At the request of: The Administration (Department of Housing and Community Development)

Prepared by: Department of Legislative Reference

Date: August 7, 2017

Referred to: JUDICIARY AND LEGISLATIVE INVESTIGATIONS Committee

Also referred for recommendation and report to municipal agencies listed on reverse.

CITY COUNCIL 17-0112

A RESOLUTION ENTITLED

A RESOLUTION OF THE MAYOR AND CITY COUNCIL concerning

Assignment of Qualified Energy Conservation Bond Allocation

FOR the purpose of assigning the Mayor and City Council of Baltimore's allocation of the national bond volume cap for qualified energy conservation bonds to the Maryland Clean Energy Center to finance solar electric projects for low-income residences located in the City; and setting a special effective date.

****The introduction of an Ordinance or Resolution by Councilmembers at the request of any person, firm or organization is a courtesy extended by the Councilmembers and not an indication of their position.**

Agencies

_____	Baltimore City Public School System
_____	Baltimore Development Corporation
_____	City Solicitor
_____	Comptroller's Office
_____	Department of Audits
_____	Department of Finance
_____	Department of General Services
_____	Department of Housing and Community Development
_____	Department of Human Resources
_____	Department of Planning
_____	Other: _____
_____	Other: _____
_____	Other: _____
_____	Department of Public Works
_____	Department of Real Estate
_____	Department of Recreation and Parks
_____	Department of Transportation
_____	Fire Department
_____	Health Department
_____	Mayor's Office of Employment Development
_____	Mayor's Office of Human Services
_____	Mayor's Office of Information Technology
_____	Office of the Mayor
_____	Police Department
_____	Other: _____
_____	Other: _____
_____	Other: _____
_____	Board of Estimates
_____	Board of Ethics
_____	Board of Municipal and Zoning Appeals
_____	Comm. for Historical and Architectural Preservation
_____	Commission on Sustainability
_____	Employees' Retirement System
_____	Other: _____
_____	Other: _____
_____	Other: _____
_____	Environmental Control Board
_____	Fire & Police Employees' Retirement System
_____	Labor Commissioner
_____	Parking Authority Board
_____	Planning Commission
_____	Wage Commission
_____	Other: _____
_____	Other: _____
_____	Other: _____

Boards and Commissions

CITY OF BALTIMORE
RESOLUTION **17-04**
Council Bill 17-0112

Introduced by: The Council President
At the request of: The Administration (Department of Housing and Community Development)
Introduced and read first time: August 14, 2017
Assigned to: Judiciary and Legislative Investigations Committee

Committee Report: Favorable with an amendment
Council action: Adopted
Read second time: September 18, 2017

A RESOLUTION OF THE MAYOR AND CITY COUNCIL CONCERNING

Assignment of Qualified Energy Conservation Bond Allocation

FOR the purpose of assigning the Mayor and City Council of Baltimore's allocation of the national bond volume cap for qualified energy conservation bonds to the Maryland Clean Energy Center to finance solar electric projects for low-income residences located in the City; and setting a special effective date.

Recitals

Pursuant to § 54D of the Internal Revenue Code of 1986, as amended (the "Code"), and related guidance from the Internal Revenue Service, including, but not limited to, Notices 2009-29, 2010-35 and 2012-44, states, local governments, and other eligible conduit issuers have been authorized to issue qualified energy conservation bonds ("QECBs") to finance qualified conservation purposes in amounts not in excess of certain volume caps allocated among states and large local governments located therein.

The Mayor and City Council of Baltimore (the "City") has received an allocation of the national bond volume cap for qualified energy conservation bonds in the aggregate amount of \$6,659,180.

The City will reallocate \$4,961,492 of the City's national bond volume cap for qualified energy conservation bonds (the "Allocation") to the Maryland Clean Energy Center ("MCEC") (an instrumentality of the State), or to any borrower selected by MCEC to be the beneficiary of a QECB issuance, in each case for use in the financing of solar electric generation systems on low-income residences (the "Project") which satisfies the definition of a "qualified energy purpose" under § 54D(f).

The sites where the solar electric generation systems will be installed will be located within, or attributable to, both the jurisdiction of the City and the jurisdiction of the State of Maryland on behalf of which MCEC issues QECBs.

The City is authorized by applicable federal, state and local law to assign to MCEC, or to any borrower selected by MCEC to be the beneficiary of a QECB issuance, the Allocation for the Project.

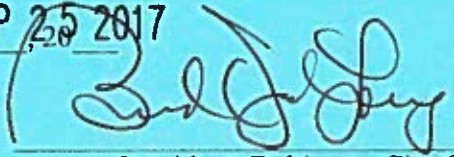
EXPLANATION: Underlining indicates matter added by amendment.
~~Strike-out~~ indicates matter stricken by amendment.

Council Bill 17-0112

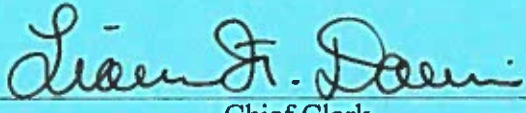
1 SECTION 1. BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE, That the
2 City hereby waives in favor of, and assigns, to MCEC, or to any borrower selected by MCEC to
3 be the beneficiary of a QECB issuance, the Allocation for the Project in order that MCEC, may
4 issue QECBs as described above. The Allocation has not previously been used in the issuance of
5 QECBs by the City nor assigned to any other party and is available to be assigned as provided
6 herein.

7 SECTION 2. AND BE IT FURTHER RESOLVED, That the appropriate staff and officers of the
8 City are authorized and directed to take all necessary or appropriate steps and do such acts to
9 execute, acknowledge, and deliver all such documents as may in their discretion be deemed
10 necessary or desirable in order to carry out or comply with the terms and provisions of this
11 assignment and the related provisions of the Code in connection with the waiver and assignment
12 of the Allocation.


13 SECTION 3. AND BE IT FURTHER RESOLVED, That this Resolution takes effect on the date it
14 is enacted.

Certified as duly passed this _____ day of SEP 25 2017



President, Baltimore City Council

Certified as duly delivered to Her Honor, the Mayor,
this _____ day of SEP 25 2017


Chief Clerk

Approved this 2 day of 10, 2017


Mayor, Baltimore City

Approved For Form and Legal Sufficiency
This 28th Day of September 2017


Assistant Solicitor

9-13-17

AMENDMENTS TO COUNCIL BILL 17-0112
(1" Reader Copy)

By: Judiciary and Legislative Investigations Committee

Amendment No. 1

On page 1, in line 18, after "(MCEC)", insert "(an instrumentality of the State)".

ADOPTED

BALTIMORE CITY COUNCIL
JUDICIARY AND LEGISLATIVE INVESTIGATIONS COMMITTEE
VOTING RECORD

BILL#: CC-17-0112 DATE: 9-18-18

BILL TITLE: Assignment of Qualified Energy Conservation Bond Allocation

MOTION BY: SCOTT SECONDED BY: CLARKE

- FAVORABLE FAVORABLE WITH AMENDMENTS
 UNFAVORABLE WITHOUT RECOMMENDATION

NAME	YEAS	NAYS	ABSENT	ABSTAIN
Costello, E., Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarke, M., Vice Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bullock, J.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pinkett, L.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reisinger, E.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott, B.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stokes, R.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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TOTALS	7	0	0	0

CHAIRPERSON: C.V. Scott
 COMMITTEE STAFF: D'Paul S. Nibber, Initials: DN

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



OFFICE OF COUNCIL SERVICES

LARRY E. GREENE, Director
415 City Hall, 100 N. Holliday Street
Baltimore, Maryland 21202
410-396-7215 / Fax: 410-545-7596
email: larry.greene@baltimorecity.gov

HEARING NOTES

Bill: 17-0112

Assignment of Qualified Energy Conservation Bond Allocation

Committee: Judiciary and Legislative Investigations

Chaired By: Councilmember Eric Costello

Hearing Date: September 12, 2017

Time (Beginning): 10:15 a.m.

Time (Ending): 10:40 p.m.

Location: Clarence "Du" Burns Chamber

Total Attendance: ~15

Committee Members in Attendance:

Eric Costello Mary Pat Clarke Brandon Scott
Leon Pinkett Edward Reisinger Robert Stokes John Bullock

Bill Synopsis in the file? [X] yes [] no [] n/a
Attendance sheet in the file? [X] yes [] no [] n/a
Agency reports read? [X] yes [] no [] n/a
Hearing televised or audio-digitally recorded? [] yes [X] no [] n/a
Certification of advertising/posting notices in the file? [] yes [] no [X] n/a
Evidence of notification to property owners? [] yes [] no [X] n/a
Final vote taken at this hearing? [X] yes [] no [] n/a
Motioned by: Councilman Scott
Seconded by: Councilwoman Clarke
Final Vote: Fav w/ Am, 7-0

Major Speakers

(This is not an attendance record.)

- Jim Hicks, Department of Housing and Community Development
• Sharon Daboin, Department of Housing and Community Development

Major Issues Discussed

1. Chairman Costello introduced the proceedings and explained the purpose of the Bill.
2. Ms. Elena DiPietro discussed the Law Department's report. She explained that the process of reallocating bonds to the State is required by federal law. Ms. DiPietro added that the introduction of 17-0112 is intended to be a cautious approach to federal guidelines. She noted that there are several different mechanisms available to reallocate bonds.
3. Chairman Costello called for a vote on an amendment proposed by the Law Department that clarifies that the Maryland Clean Energy Center is an instrumentality of the State. A motion was made by Councilwoman Clarke and seconded by Councilman Scott. The amendment passed 7-0.
4. Councilman Pinkett asked whether sites receiving subsidies for solar panels needed to be in the City, and was told that they do.
5. Ms. Sharon Daboin discussed the report of the Department of Housing and Community Development ("HCD"). She stated that HCD operates the Baltimore Shines program, which will now be a partnership with the State to subsidize solar panels for low-income residents and train individuals to install said panels, amongst other functions. Ms. Daboin noted that by reallocating bonds to the State, the City will benefit by incurring no bond debt.
6. Mr. Jim Hicks discussed other aspects to Baltimore Shines. He stated that most are deterred from using solar panels because of the high upfront costs, which Baltimore Shines addresses through subsidies. Mr. Hicks stated that recipients of subsidies end up paying less for energy than from traditional sources, despite also paying for the panels over an extended period of time.
7. Councilwoman Clarke asked how low-income is defined by HCD, and was told that it is up to the State since recipients are a part of the State's weatherization program for low-income individuals. She asked whether subsidies would be granted to apartment buildings, and was told that they are geared toward homeowners. The Councilwoman also asked whether the Baltimore Shines program will repair roofs so that they are structurally sound for panels, and was told that said roofs should already be sound since panel recipients are already enrolled in the State's weatherization program, which amounts to 10,000 Baltimore residents.
8. Councilman Pinkett posed several questions to HCD. He asked how many, with the funds available, will be able to receive solar panels under Baltimore Shines, and was told that there will be roughly 1,000 homes. Councilman Pinkett also asked what the criteria is for recipients, and was told that recipients must show interest, not have homes in the shade, not have slate roofs, etc. He asked when the bonds for Baltimore Shines were initially issued, and was told that issuances occurred in 2009 and 2010. The Councilman asked why it had taken so long to use the bond issuance, and was told that many local governments feared the amount of debt they would take on by their use. He asked if there were any pilot programs concerning solar panels in the City, and was told that there are several including Johnston Square. Councilman Pinkett asked whether anyone present knew of any other similarly unused bond issuances, and those present were unsure. He asked whether the City could acquire additional bond allocations from other local governments that have not used their share, and was told that this is unknown. Councilman Pinkett asked which entities will be disbursing bond funds, and was told that Baltimore Shines is vetting Community Development Financial Institutions. The Councilman asked how many jobs will be created as a result of this program, and was told 103. He asked how the unallocated funds of \$1.7 million have been used, and was told that this is unknown.
9. Councilman Stokes noted that there are barriers to application processes for many programs geared toward low-income individuals, and that HCD should be prepared to help them.

- 10. Councilwoman Clarke requested that the program broaden in scope.
- 11. Councilman Pinkett asked whether businesses would be eligible for the program, and was told that only individual residents may apply.

Further Study

Was further study requested?

Yes No

If yes, describe. N/A

Committee Vote:

E. Costello: Yea
M. Clarke: Yea
J. Bullock: Yea
L. Pinkett: Yea
E. Reisinger: Yea
B. Scott: Yea
R. Stokes: Yea

D'Paul Nibber
D'Paul Nibber, Committee Staff

Date: September 15, 2017

cc: Bill File
OCS Chrono File

received
9-11-17

Nibber, Dpaul

From: Daboin, Sharon <Sharon.Daboin@habc.org>
Sent: Monday, September 11, 2017 11:20 AM
To: Nibber, Dpaul
Cc: Costello, Eric; Daboin, Sharon - (Baltimore Housing)
Subject: FW: Questions about 17-0112 Assignment of city's QECB to MCEC
Attachments: Baltimore Shines - Quick Overview 3.docx; Introduction to The Maryland SAVES Green Community Program v4 8-7-16 (1) (4).pdf; HCD - support - 17-0112 - energy conservation bond allocation.pdf

Good Morning, D'Paul – In preparation for our hearing tomorrow on CC Bill 17-0112 we have prepared a few bullets to describe the reason for the bill. I also attached a copy of our bill report and some background information on the Federal Qualified Energy Conservation Bonds (QECB) Program and the Baltimore Shines program which is focused on providing solar energy for low income residents. Please reach out to me with any questions. Thank you.

1. The City has had a Federal QECB allocation since 2009 that has not been used. We want to use it, and we risk having the Federal Government, as well as Maryland Energy Administration pulling the QECBS back from jurisdictions where they have not been used.
2. The "borrower" will be an entity such as a CFDI (ex. Healthy Neighborhoods) who will borrow the bond money from MCEC's Maryland Saves program. The "borrower" will in turn then provide the funding to the low-income residences to receive solar installations
3. Job training is included and the bond money helps pay for that – job training will be done by Civic Works
4. The financing model has been developed over the course of a year with HCD, a Consultant, and the Department of energy
5. Congressman Sarbanes is pushing this program on HCD's behalf and is eager to see us use this Federal financing instrument (QECBS)

Sharon Daboin
Baltimore Housing
410-361-9015
410-844-2807 (cell)



Baltimore Shines

Baltimore Shines' goal is to demonstrate a replicable and scalable model for workforce training and deployment in low-income residential rooftop solar installation, and to attract community-focused private investment in these rooftop solar projects for low-income owner-occupied single-family residences in the City of Baltimore.

Baltimore Shines will install solar on the roofs of 1,000 low-income owner-occupied homes in the City, for a total of 2.5 Megawatts of nameplate capacity city-wide. The U.S. Department of Energy estimated that these projects will support and maintain 103 jobs for installation, operation, and maintenance and program management. The City of Baltimore and Civic Works have estimated that this project would support 150 solar trainees receiving solar job training. The Baltimore Energy Challenge will provide solar education and outreach to at least 1500 residents – educating residents on the benefits of onsite solar installations as well as community solar opportunities. The solar installations are projected to save homeowners approximately 31% on their BGE electric bills during the 20-year term of the solar agreement, and 70% after the 20-year term ends.

Statement of Need

The City of Baltimore is home to the most significant low-income energy needs, costs and challenges in the Baltimore Gas and Electric service territory in the State of Maryland. The City regularly administers over \$25 million in Energy Assistance benefits to over 30,000 Baltimore households yearly, which represents 54% percent of the entire BGE territory's energy assistance recipients. Furthermore, Baltimore suffers from the largest obstacles to low-income energy efficiency with challenges that lead to unsustainable public costs and repeated energy and financial crises for low-income families. In addition to low-income energy needs, the City of Baltimore faces a large percentage of under and unemployed individuals. According to US Census data, in 2013, the unemployment rate for African American men between the ages of 20 and 24 was 37%. In addition to high unemployment, close to one-quarter of Baltimore's population lives below the poverty line. The need for higher paying, high quality jobs and the training to obtain those jobs is great.

To address these difficulties, since 2009, the City of Baltimore's weatherization program, energy assistance program, and Baltimore Energy Challenge have been utilizing three game-changing objectives in the delivery of energy efficiency and energy assistance services for Baltimore City low-income residents that has included energy savings and job training opportunities:

1. Transforming energy service delivery to stabilize low-income households currently in energy crisis: The goal has been to measurably decrease cases of arrears, shut-offs and excess usage. This strategy can permanently break the cycle of energy crisis for repeat energy assistance applicants by stabilizing their home infrastructure and finances. We have focused on (1) coordinating energy services such as weatherization, within the City, (2) integrating non-energy resources into the program suite, and (3) aligning programs with strategic community, state and utility partners.

2. Delivering extensive energy education to prevent new clients from falling into crises: The Baltimore Energy Challenge, the City's primary agency promoting behavior change on energy usage, has been equipped to serve as a continuous outlet that utilizes community partnerships to deliver broader and

more targeted energy education to low-income customers in coordination with energy assistance and weatherization services.

3. Training residents in the energy sector has been a high priority as a way to increase the social benefits of energy services. The Baltimore Energy Challenge has been training AmeriCorps members on lower skilled energy installations as well as customer service, and delivery of education services. The City's Weatherization program utilized Civic Work's Energy Ready program and the Green, Healthy Homes Initiatives program for on the job training as part of weatherization contract work. Both the Energy Challenge and Weatherization utilize Civic Works' cool roof program which trains residents in roofing work.

The City of Baltimore has created a model that coordinates resources to effectively align and transform energy services. Core to this model is the maxim that energy programs do not and cannot operate in a vacuum. Traditional energy programs working within silos fail to fundamentally shift low-income programs and customers out of reactionary "firefighting." The alignment of a wide nexus of energy and non-energy programs into a highly coordinated and integrated system has enabled the City to proactively address the core problems that lead to a constant state of energy and job insecurity.

The City also aims to not only integrate services within the City, but also to align effectively with strategic community, State, and utility partners. Baltimore Shines, the new low-income solar program, builds upon the City's strong foundation of success over the past three years in aligning energy services and breaking down traditional program silos. Since 2009, the City of Baltimore's Department of Housing and Community Development has weatherized over 9800 units, and its Baltimore Energy Challenge has provided education, outreach and installations to over 30,000 units. The City of Baltimore's Office of Employment Development has supported solar job training programs with non-profit partners such as Civic Works.

Simultaneously, the Maryland Clean Energy Center has been working diligently to advance the renewable energy market in the State of Maryland by leveraging private capital and private sector capabilities. In 2014, the City of Baltimore and the Maryland Clean Energy Center began to explore options on how to further help low-income residents in Baltimore save money through solar installations. It is recognized that opening the door to a new market in low-income solar installations would also spur job training and job growth in the local solar industry.

Baltimore Shines not only increases energy savings for low-income residents, but also provides much needed job training and job placement. In order to create a sustainable financing for onsite solar low-income solar installations, the Baltimore Shines team has created a sustainable solar power purchase agreement model consisting of the following two components:

- **\$8,625,000** Construction of 2.5 MW of rooftop solar PV installations on 1,000 owner-occupied homes across the city of Baltimore. Estimated at \$3.45 / watt all-in costs.
- **\$795,884** Baltimore Shines Low Income Solar Guarantee Fund

Program Description

The new program, Baltimore Shines, will help low-income residents of Baltimore access solar energy through either roof-top installations, or community solar projects. Baltimore Shines utilizes the City of Baltimore and Maryland Clean Energy Center's expertise and successes, which has been assisting low-income residents through low tier energy saving product installations, weatherization, and education since 2009, to create a new market and attract new capital. We believe we are poised to succeed, and

take our project to scale due to market demand, and the creation of a new financing option to meet the demand.

Baltimore Shines has five main goals:

1. Create and demonstrate a low-income financing structure that is replicable
2. Provide solar energy to 1000 homes – all of which are 100% low-income
3. Replicate and expand throughout Baltimore and the State of Maryland
4. Reduce energy costs for low-income residents
5. Develop new solar job training and placement opportunities

Baltimore Shines will reach these goals through a program outline that uses the City of Baltimore and its Baltimore Energy Challenge program to focus on education and outreach, targeting the 9800 households that have received weatherization since 2009. These households then, based on their needs, style of home, location, shading, and various other considerations would then be funneled to financing options for on-site solar installations, or to a number of low-income community solar projects being developed in the State of Maryland. Maryland Clean Energy Center is responsible for fully developing the financing mechanism for installation of solar on 1000 homes, and for assisting in identifying \$8,000,000 in tax credit investments, as well as an additional \$800,000 for the escrow fund that would be used as a back-stop.

Having prepared a robust program outline which includes identifying the financing mechanisms and outreach needed to move forward, we are prepared to immediately take next steps. Simultaneously working to identify tax-credit investors, fully build the financing mechanism, and fund the guarantee fund, while simultaneously conducting outreach and building the pipeline. Having initial support for the guarantee fund is critical in order to attract the tax-credit investors, as well as the additional funds for the guarantee fund.

Currently in the marketplace, Baltimore City does not have access to capital. Traditional solar vendors are not offering PPAs, or knocking on the doors of low-income residents to offer ways to finance solar installations. Currently, there is no cost of capital, and the first three months of the program will be spent identifying tax-credit investors, and the private capital needed. Baltimore Shines will unlock the capital and bring it to a community that does not currently have financing options. We will also evaluate how to reduce the cost of capital needed through aggregate purchasing, the escrow fund, and potential leveraging with additional funding sources. A key to our program will be the identification of tax credit investors interested in serving the low-income community in the City of Baltimore.

Through a robust outreach and education program, utilizing an existing pool of low-income residents who have been weatherized, and by fully developing a unique financing mechanism, Baltimore Shines has a goal of reaching 1000 solar installations on low-income homes, and to refer at least 1000 low-income residents to community solar projects.

Baltimore Shines will mobilize private capital and leverage the nascent Maryland Community Solar opportunity to increase low-income solar adoption in the City. It also represents an exciting opportunity to expand the solar industry in the region. Additionally, Baltimore Shines incorporates a job-training component that will expand workforce opportunities for underemployed and unemployed Baltimore residents.

As the Baltimore Shines effort moves from pre-development to program implementation and construction, the work ahead is divided into three distinct phases:

1. Ramp-Up toward first financial closing;
2. Construction;
3. Ongoing Program Oversight and Asset Management.

The Baltimore Shines program has been structured to be financially self-sufficient from private investment, from tax equity investors and private lenders. As is the case with market-rate solar developments, the cost of each individual Baltimore Shines' low-income solar installation includes allocation not just for equipment, engineering and labor but also for homeowner outreach and enrollment; customer education; related legal expenses; program management; accounting expenses; solar payment collection; escrow for operation and maintenance.

CLEAN SOURCE

The MarylandSAVES™ Green Community Program

MARYLAND SAVES™
Sustainable and Verifiable Energy Savings



QUALIFIED ENERGY CONSERVATION BONDS

MARYLAND SAVES™
Sustainable and Verifiable Energy Savings

- **Congress authorized \$3.2B in Qualified Energy Conservations Bonds (“QECCBs”) to use in subsidizing financing costs associated with “qualified conservation purposes” (“QCCPs”).**
 - QCCPs include energy efficiency measures, water conservation measures, and alternative transportation modalities and fuels and associated infrastructure.
 - QCCPs also include “Green Community Programs” for in turn funding QCCPs within a jurisdiction providing the QECCB allocation for use in funding the GCP.
- **QECCBs provide for a direct pay subsidy from Treasury to offset interest on financing QCCPs.**
 - Calculated at 70% of published qualified tax credit bond rate – currently around 3.3%.
 - Term of financing up to 29 years currently.
 - Payment subject to sequestration currently set at 6.8%, so effective subsidy is 3.1%.
- **QECCBs allocated to States based on population and then to Cities/Counties >100,000 population (“Large Local Governments” or “LLGs”).**
 - Result is that allocations and sub-allocations are scattered across all 50 states and the LLGs in varying sizes from as little as \$1M at local level to \$30M at state level.
- **Estimated that at least \$2B in QECCBs remain outstanding at the State and local levels due to dispersed nature of allocations/suballocations and complexity of rules.**
- **Currently no sunset provision.**

CLEAN  SOURCE

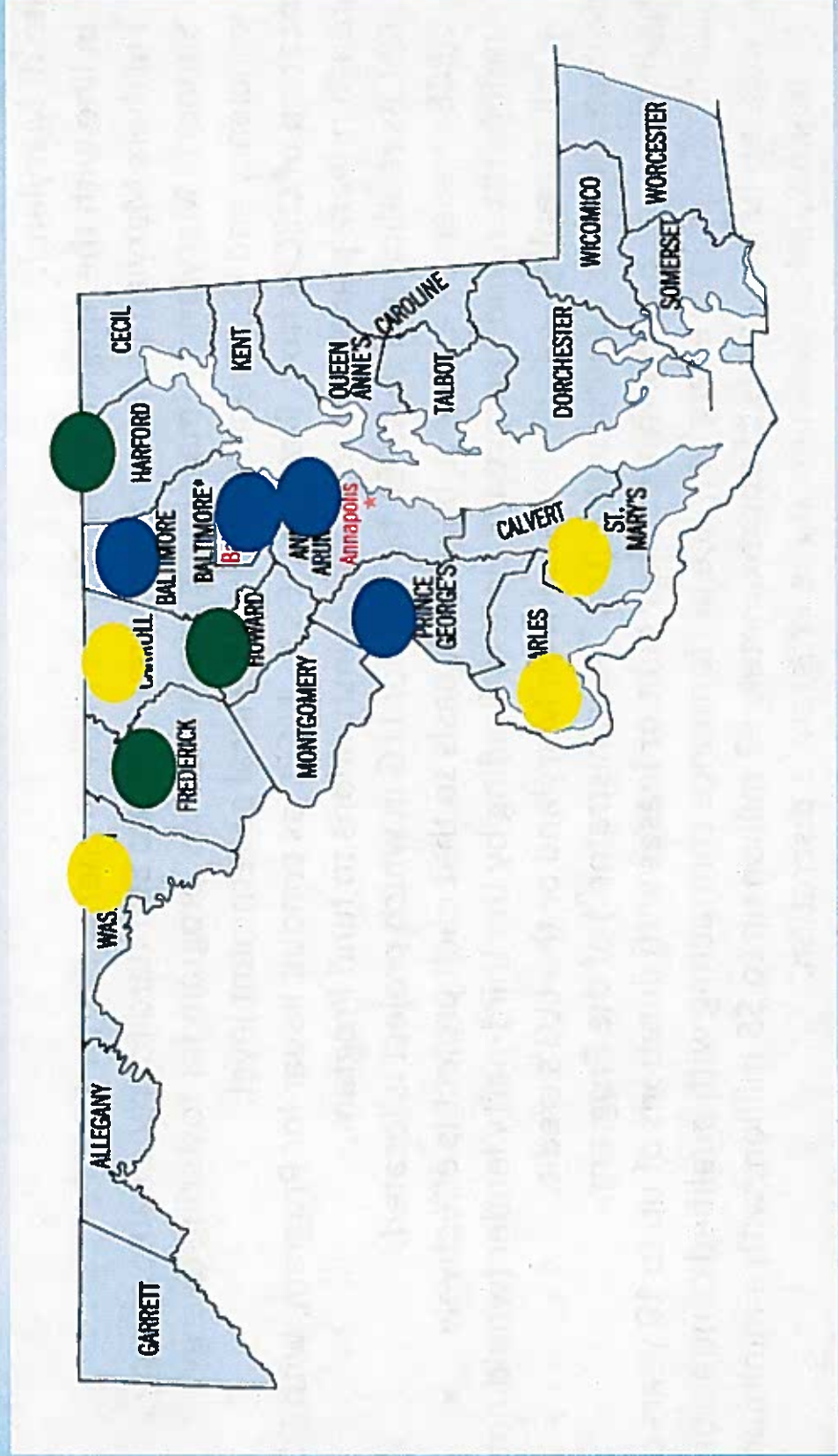
2012 Notice Interpretation broadens use of QECCB allocations through GCPs

- **June 2012 IRS Notice clarified what constitutes a “green community program” (GCP) for purposes of funding through QECCBs.**
- **GCPs can be set up at both the local government level and at the state level,**
 - The program’s purpose is tied to policy at the jurisdictional level – governmental or utility sponsored – that supports energy efficiency and energy savings.
 - The program benefits buildings generally available to the public (i.e. governmental and institutional) and/or is generally available to the public (individuals and business) within the program’s guidelines (i.e. credit underwriting standards).
 - QECCBs are issued through a conduit issuer on behalf of the borrower.
- **Using a GCP to fund overcomes limitations otherwise present with QECCBs.**
 - No private activity limitation – so QECCBs funded through a GCP can be used for both public and private up to 100% (not subject to 30% PAB limit).
 - Funding of public buildings through a GCP removes the requirement of 20% energy savings test on public buildings when otherwise funded directly by the LLG issuer/borrower.

MARYLAND MARKET OPPORTUNITY

MARYLAND SAVES™
Sustainable and Verifiable Energy Savings

- Maryland originally received an \$58.4MM allocation of QECBs with \$6.3MM being retained at the State level and \$52.1MM sub-allocated to 12 LLGs. \$42MM remains.



- **MarylandSAVES Green Community Program** (the “Program”) uses QECCBs to fund loans for qualified projects in commercial, industrial, institutional and local government buildings within the State of Maryland.

- In line with the mission of the Maryland Clean Energy Center (“MCEC”).
- Furthers Maryland’s Renewable Energy Portfolio Standard for renewable energy.
- Supports Maryland’s Smart Energy Communities’ program for fostering energy efficiency and renewable energy at the local government level.

- **Re-allocation of QECCBs** from State or LLGs to MCEC as conduit issuer for Program, with QECCBs sold through private placement to qualified institutions to fund Program.

- QECCBs re-allocated to MCEC by State or LLG in which project is located.
- QECCBs issued on a project-by-project basis so that each project is effectively underwritten and approved at time of funding by the third-party lender (would not be a “blind pool”) and not dependent on Maryland or the LLG’s credit.

- **CleanSource serves as administrator** (the “Administrator”) of the Program.

- **Funding in the form of amortizing senior debt or leases** with durations of up to 10 years or longer (up to 25+ yrs) for energy service performance contracting with qualified contractors.

- Targeted funding sizes of approximately \$2 million up to \$5 million, with a minimum of \$1 million and a maximum at the Program’s discretion.
- Taxable interest rates are offset by the subsidy afforded under the QECCBs.

MARYLAND SAVES GREEN COMMUNITY PROGRAM

MARYLAND SAVES™

Sustainable and Verifiable Energy Savings

- **Eligible Borrowers:**
 - Institutional – Properties and fleets owned by universities, hospitals, non-profits.
 - Commercial/Industrial – Private borrowers with acceptable credit.
 - Local Government – Public properties and fleets owned by counties, municipalities, school districts.
- **Eligible Measures:**
 - Energy Efficiency Measures: to expand or improve energy infrastructure in public and private buildings that meet the eligibility criteria (e.g.'s: lighting and control upgrades; HVAC maintenance/replacement; insulation; retro-commissioning).
 - Distributed Energy Generation: systems using renewable sources of energy such as solar, wind, hydro, biomass, water and other alternative resources such as CHP.
 - Alternative Fueling Measures for converting fleets and infrastructure as well as stationary power generation from diesel or gasoline to propane, natural gas or biofuels.
- **Eligibility Criteria:**
 - Payback within the maximum term of amortization permissible under the QECB regulations, with exceptions for measures “above and beyond” code.
 - Use of proven commercial technologies with strong vendor warranties.
 - Involve qualified contractors and parties with credit worthy profiles and proven track records.



CLEAN SOURCE

- **Eligible Service Providers:** Program works with contractors who are on the DOE list of approved ESCOs or have registered to become eligible service providers based on experience and qualifications for performing the work proposed on behalf of the Program.
- **Conduit Issuer:** Program has partnered with MCEC as sponsor of the Program in furtherance of its mission of creating jobs, fostering economic development, assisting in the commercialization of energy technologies, reducing energy costs, and reducing GHG emissions.
 - MCEC is state-chartered conduit issuer with jurisdiction to issue taxable bonds across the State of Maryland for both private and public borrowers under the Program.
 - Application fee of \$5,000 due at time of applying to use MCEC as conduit issuer.
- **Davis Bacon Act Compliance:** Borrower responsible for ensuring compliance with DBA wages and reporting during implementation of Project being funded through Program.
- **On-Going Servicing of QECBs:** Borrower enters into administrative services agreement with Administrator to service the paperwork associated with receiving the subsidy under the QECBs over life of the loan under the Program.

Maryland can expect economic and environmental benefits from a GCP

- **Economic Benefits:**
 - Scalable, economical financing program for efficient deployment of state level QECBS
 - Reducing business operating expenses through energy savings to maintain competitiveness.
 - Job creation through capital investing – 20 direct jobs per \$1MM invested – and through energy savings – 17 indirect jobs per \$1MM saved.
 - Facilitate deployment of un-used QECBs across the state.
- **Environmental Benefits:**
 - Estimated energy savings of 1,500 MWh's per \$1MM invested.
 - Estimated reduction in GHG emissions of 1,000 MT's per \$1MM invested.

MARYLAND SAVES ORIGINATION CHANNELS

MARYLAND SAVES™
Sustainable and Renewable Energy Savings

The Program has established relationships in the right channels to originate a robust pipeline and drive funding.

ESCOs/
Contractors

Utilities

NGO's

Governmental
Entities

Vendors/
Distributors/
Suppliers

Engineers/
Professionals

Associations

Economic
Development
Authorities

MD SAVES TWO STEP PROCESS FOR UNDERWRITING

MARYLAND SAVES™
Sustainable and Verifiable Energy Savings

Process in place to stream line loans from origination, through underwriting, to closing and funding.



CLEAN SOURCE

ENERGY EFFICIENCY FINANCING PARTIES

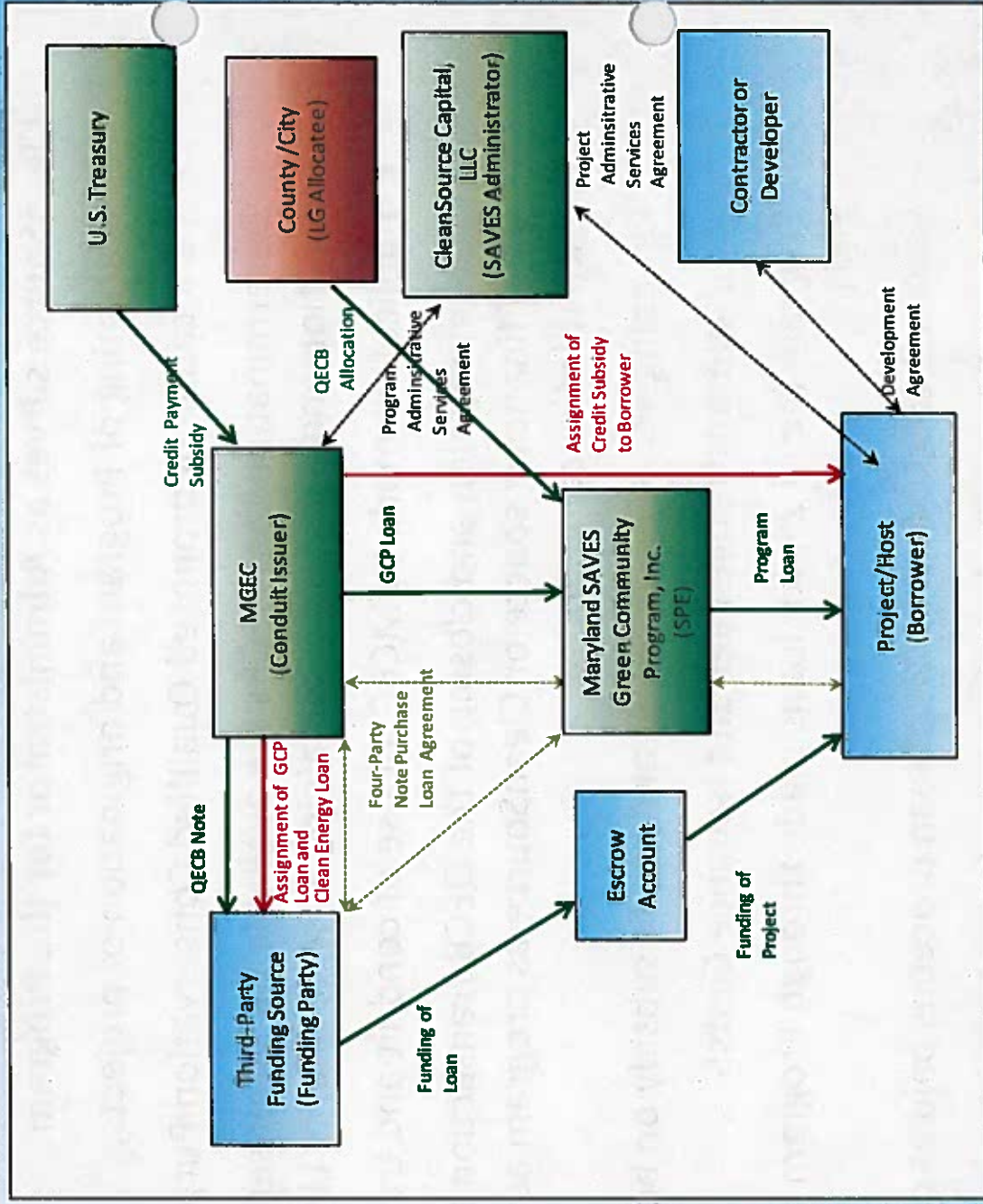
MARYLAND SAVES™
Sustainable and Verifiable Energy Savings

Increasing market place of financing parties interested in funding energy efficiency loans.



MD SAVES PROGRAM – SUBSIDIZED FUNDING

- **Key concepts:**
- Funding Party funds transaction and assumes credit risk.
- Funding Party sets governing interest rate and terms (the "Terms").
- Conduit issues QECB note mirroring Terms.
- MCEC makes GCP Loan to GCP, and then GCP makes Program Loan to Borrower, both mirroring Terms.
- GCP Loan and Program Loan assigned to Funding Party.
- Conduit assigns QECB credit payment subsidy to Borrower to offset interest to Funding Party.
- Proceeds fund into escrow which is then used to fund Project.
- Funding Party services Program Loan and Borrower makes loan payments to Funding Party.
- Program Loan payments credited to payments owing under QECB Note and GCP Loan.



- **CleanSource serves as Administrator for the Program:**
 - Marketing of Program and origination of projects.
 - Verification of proposed Qualified Conservation Purposes and energy savings.
 - Determination that QECCBs are available for proposed project based on location and allocations remaining at state and/or LLG level .
 - Application made to MCEC for use of conduit and transfer of QECCBs.
 - Documentation and closing of the QECCB transaction with customer's third-party financing source or CleanSource as program administrator can assist with third-party financing.
- On-going servicing of QECCBs and credit subsidy on behalf of GCP.
- **Program/Administrative Fees and Issuance Costs:**
 - Program fee of 2% for loans made through Program paid out of proceeds at closing
 - Issuance costs of up to 2% of loan proceeds paid at closing
 - On-going servicing fee of 25 bps of principal outstanding paid out of credit subsidy

CONTACT

MARYLAND SAVES™
Sustainable and Verifiable Energy Savings



For more information on the CleanSource SAVES platform, please contact:

Courtney Jenkins
CleanSource Capital
Senior Advisor
917.842.6531

t.courtney.jenkins@gmail.com

Greg Montgomery
CleanSource Capital
Managing Director
704.271.9889

gmontgomery@abundantpower.com

WHO WE ARE



Energy Management
Technology

Abundant Power is an energy management services company focused on providing transformative financial and technology solutions for the built environment ecosystem.



Financial Solutions
and Underwriting

CleanSource Capital is an affiliate established to provide design and administration of proprietary funds dedicated to energy efficiency financing.



Building Science and
Engineering

EXPERIENCE WITH ENERGY EFFICIENCY FINANCING

AP designs and manages energy efficiency financing programs nationwide, enabling more than \$428 million in energy efficiency implementation.

ALABAMASAVES™
Sustainable and Verifiable Energy Savings

alabama wise
Verifiable Investments
Save Energy

ST. LOUIS COUNTY SAVES™
Sustainable and Verifiable Energy Savings

SOUTH CAROLINA SAVES™
Sustainable and Verifiable Energy Savings

VIRGINIASAVES™
Sustainable and Verifiable Energy Savings

DC
PACE COMMERCIAL
an energy finance solution

EPX™
ENERGY PERFORMANCE
COMMERCIAL FINANCING

Leveraged Revolving Loan Fund (RLF)

- Alabama SAVES™ – \$65MM Med/Large C&I, Non-profits
- Alabama WISE™ – Pilot program for residential retrofits

Qualified Energy Conservation Bonds (QECB's)

- St. Louis County SAVES™ – \$10.3MM Residential, C&I, Non-profits
- South Carolina SAVES™ – \$28MM Government, C&I, Non-profits
- NC Ag Finance Authority - \$35MM Renewable Energy
- Virginia SAVES™ – \$40MM Government, C&I, Non-profits

Property Assessed Clean Energy (PACE)

- DC Green Forward – \$250MM C&I

Energy Management Services Agreements (EMSA)

- EPX™ – 12 million SF Small/Med Commercial



CLEAN SOURCE

SAVES GREEN COMMUNITY PROGRAM PLATFORM

SAMPLE PROJECT CASE STUDIES

The SAVES Green Community Programs use Qualified Energy Conservation Bonds (QECS) to subsidize the cost of financing energy efficiency, renewable energy, and alternative fuels for local government, private, and institutional projects.

WARREN COUNTY PUBLIC SCHOOLS



VIRGINIASAVES™
Sustainable and Verifiable Energy Savings

LOCAL GOVERNMENT ENERGY EFFICIENCY

PROGRAM: VirginiaSAVES Green Community Program

BORROWER: Warren County Public Schools

FUNDING AMOUNT: \$8,691,000

EFFECTIVE INTEREST RATE*: 0.89%

USE OF PROCEEDS: Energy efficiency improvements including LED lighting, propane boiler retrofit, HVAC replacements, irrigation wells, and cooling towers implemented via an energy performance contract

ST. ANNE'S BELFIELD SCHOOL



VIRGINIASAVES™
Sustainable and Verifiable Energy Savings

INSTITUTIONAL ENERGY EFFICIENCY

PROGRAM: VirginiaSAVES Green Community Program

BORROWER: St. Anne's Belfield School

FUNDING AMOUNT: \$2,500,000

EFFECTIVE INTEREST RATE*: 0.00%

USE OF PROCEEDS: Energy efficiency upgrades including lighting and lighting controls, boilers, chillers, pumps, motors, HVAC units and building controls and automation implemented via an energy performance contract

BRADLEY SOLAR



RENEWABLE ENERGY PROJECTS

PROGRAM: North Carolina Agricultural Finance Authority Green Community Program

BORROWER: Fresh Air Energy (Bradley Project)

FUNDING AMOUNT: \$4,500,000

EFFECTIVE INTEREST RATE*: 0.00%

USE OF PROCEEDS: Acquisition, development, and construction of 6.2MW ground mounted photo-voltaic (PV) solar project on rural farmland in Hertford County, NC

RANDOLPH TRUCKING, LLC



SOUTH CAROLINA SAVES™
Sustainable and Verifiable Energy Savings

ALTERNATIVE FUEL CONVERSION

PROGRAM: South Carolina SAVES Green Community Program

BORROWER: Randolph Trucking, LLC

FUNDING AMOUNT: \$2,932,434

EFFECTIVE INTEREST RATE*: 2.10%

USE OF PROCEEDS: Purchase of compressed natural gas (CNG) trucks and upgrades to convert existing diesel trucks

*Effective interest rate noted is prior to sequestration and servicing fee

SAVES PLATFORM

SAVES™ (Sustainable and Verifiable Energy Savings) is Abundant Power's proprietary, core energy financing platform for designing and administering programs:

- Credit and financial underwriting standards incorporating multiple security instruments and repayment mechanisms.
- Established origination and servicing standards designed to create transparency and meet requirements of secondary markets.
- Energy underwriting protocols, including prescriptive and performance options to maximize energy savings and optimize cash flows.
- Energy measurement and verification, including QA/QC protocols, as well as contractor and auditor standards and monitoring and overall process management.

CleanSource is the affiliate Abundant has established to expand the SAVES program into other jurisdictions using Qualified Energy Conservation Bonds as the funding mechanism.

- Of the \$3.2B authorized nationally, \$2.0B estimated to remain unused nationally
- CleanSource targeting eight states with over \$1.0B of remaining allocation to establish Green Community Programs.



CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF LAW

101 City Hall
Baltimore, Maryland 21202

September 8, 2017

The Honorable President and Members
of the Baltimore City Council
Attn: Natawna B. Austin, Executive Secretary
Room 409, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

Re: City Council Bill 17-0112 – Assignment of Qualified Energy Conservation
Bond Allocation

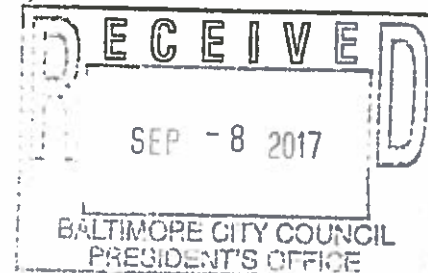
President and City Council Members:

The Law Department has reviewed City Council Bill 17-0112 for form and legal sufficiency. The bill would authorize the Mayor and City Council of Baltimore to reallocate its allocation of the national bond volume cap for qualified energy conservation bonds (QECB'S) to Maryland Clean Energy Center (MCEC)..

A Qualified Energy Conservation Bond (QECB) is a bond that enables qualified state, tribal, and local government issuers to borrow money at attractive rates to fund energy conservation projects. (it is important to note that QECBs are not grants). A QECB is among the lowest-cost public financing tools because the U.S. Department of the Treasury subsidizes the issuer's borrowing costs. QECBs may only be issued for qualified conservation purposes as defined in section 54D of the U.S. Internal Revenue Code. "Qualified conservation purposes" include capital expenditures:

1. To reduce energy consumption in publicly owned buildings by at least 20%
2. To implement green community programs (including the use of grants, loans, or other repayment mechanisms to implement such programs)
3. For rural development (including the production of renewable energy)
4. For certain renewable energy facilities (such as wind, solar, and biomass)
5. For certain mass commuting projects

For w/ comment



Under IRC §54D a local government that has received an allocation of the national bond volume cap from the State may reallocate it back to the State. Under the Md. Code Ann., Econ. Dev. Art., §10-806, MCSC is established as an instrumentality of the State of Maryland. The State has granted authority to MCEC to borrow money and issue bonds to finance any part of the cost of a project or for any other corporate purpose of MCEC. See §10-822. Since MCEC is an instrumentality of the State and has the power to issue bonds, the reallocation is consistent with federal law. To make this abundantly clear, the Law Department suggests inserting “(an instrumentality of the State)” on page 1, line 18, after “(MCEC)”.

There has been some confusion regarding the appropriate method to reallocate a local government’s allocation. In June 2015, the IRS revised its “Frequently Asked Questions on Tax Credit Bonds and Specified Tax Credit Bonds”. The updated FAQ states that “The IRS will defer to any reasonable process under applicable State law by which a large local government, acting through its governing body or a duly authorized official of a large local government, voluntarily reallocates its volume cap for QECBs back to the State in which such large local government is located.” Pursuant to this language, this resolution of the Mayor and City Council is legally sufficient to accomplish the proposed reallocation.


The Law Department, therefore, approves the bill for form and legal sufficiency.

Sincerely,


Elena R. DiPietro

Division Chief

cc: Andre M. Davis, City Solicitor
David Ralph, Deputy City Solicitor
Karen Stokes, Director, Mayor’s Office of Government Relations
Kyron Banks, Mayor’s Legislative Liaison
Jennifer Landis, Assistant Solicitor
Hilary Ruley, Chief Solicitor
Victor Tervalá, Chief Solicitor

FROM	NAME & TITLE	LISA MCNEILLY, Sustainability Director <i>mm</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	DEPARTMENT OF PLANNING 417 EAST FAYETTE STREET, 8 th FLOOR		
	SUBJECT	CITY COUNCIL BILL #17-0112 – Assignment of Qualified Energy Conservation Bond Allocation		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400
100 North Holliday Street

September 6, 2017

The Commission on Sustainability is in receipt of City Council Bill #17-0112, for the purpose of assigning the Mayor and City Council of Baltimore's allocation of the national bond volume cap for the qualified energy conservation bonds to the Maryland Clean Energy Center to finance solar electric projects for low-income residents located in the City; and setting a special effective date.

This bill would increase the ability of the Baltimore Shines Program (City Department of Housing and Community Development) to use the Federal Qualified Energy Conservation Bonds as a funding source in partnership with the Maryland Clean Energy Center, without increasing the debt burden of the City. As such, the intent of this bill addresses the following goals of the Baltimore Sustainability Plan as approved by City Council on March 2, 2009:

- Resource Conservation Goal 1: Reduce Baltimore's energy use by 15% by 2015
 - Strategy C: Increase renewable energy generation in Baltimore City

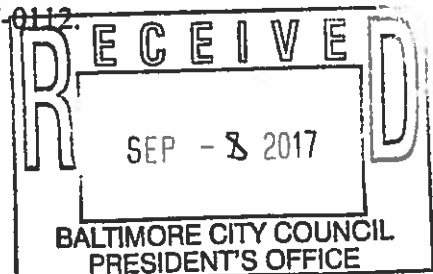
Furthermore, the Bill also addresses the following goal of the Baltimore Climate Action Plan as approved by City Planning Commission on November 29, 2012:

- Energy Savings and Supply Strategy 2: Promote generation of renewable energy

As the executive staff to the Commission on Sustainability, I have consulted with current Commissioners and recommend approval of City Council Bill #17-0112.

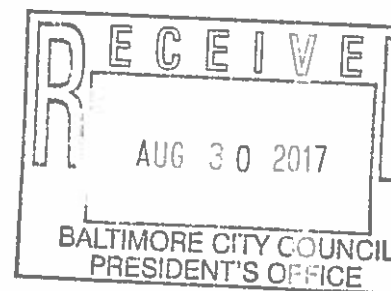
If you have any questions, please contact me at 410-396-8360.

cc: Ms. Karen Stokes, Mayor's Office
Mr. Kyron Banks, Mayor's Office
Mr. Tom J. Stosur, Department of Planning



Fw/ comments

The Baltimore City Department of
HOUSING & COMMUNITY
DEVELOPMENT



MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Natawna Austin, Executive Secretary

From: Michael Braverman, Acting Housing Commissioner *MB*

Date: August 29, 2017

Re: City Council Bill 17-0112 – Assignment of Qualified Energy Conservation Bond Allocation

The Department of Housing and Community Development (HCD) has reviewed City Council Bill 17-0112, for the purpose of assigning the Mayor and City Council of Baltimore's allocation of the national bond volume cap for qualified energy conservation bonds to the Maryland Clean Energy Center to finance solar electric projects for low-income residences located in the City; and setting a special effective date.

If enacted, this bill would allow the City to transfer a portion of their share of funds received from Federal Qualified Energy Conservation Bonds (QCEBs) to the Maryland Clean Energy Center (MCEC). One benefit of having the ability to transfer the city allocation to MCEC would be preventing the city from taking on additional bond debt. Baltimore City received over \$6.6 million from the \$58.4 million allocated to the State of Maryland. Federal guidelines stipulate that funds be used to fund projects that meet the requirements of "Qualified Conservation Purposes" (QCPs), such as subsidizing financing costs associated with energy efficiency and water conservation measures and researching alternative transportation modalities and fuels and associated infrastructure.

The MCEC has been working diligently to advance the renewable energy market in Maryland by leveraging private capital and private sector capabilities. One on-going partnership effort with MCEC and the City is the exploration of options on further assisting low-income residents in the City to save money through solar installations. In addition, the MCEC developed the Maryland Saves Green Community Program specifically to assist local jurisdictions in using the QCEBs so they are already very familiar with the Federal requirements, and will be the issuer of the bond debt.

The City Department of Housing and Community Development initiated the Baltimore Shines Program, a new low-income solar program. The goal of the program is to demonstrate a replicable and scalable model that combines solar workforce training and deployment of low-income residential rooftop solar installations. It will also attract community-focused private investment to assist with the installation of rooftop solar units for low-income owner-occupied single-family residences in the City. The Baltimore Shines program would not only increase access to solar for low-income residents, but also increase job training and job placement for low-income residents as well. The program lowers bills, and increases wages for some of the City's most vulnerable residents, which supports a growing, sustainable and resilient Baltimore.

A key component of the Baltimore Shines program is the ability to use the QECBs as a funding source, which qualifies as a Green Community Program that meets energy efficiency measures, to advance the goals of the program. This bill would provide a partnership that would result in the use of funds that have been available for over five years to assist with the installation of rooftop solar panels for low income residents to reduce their energy bills by over 30%.

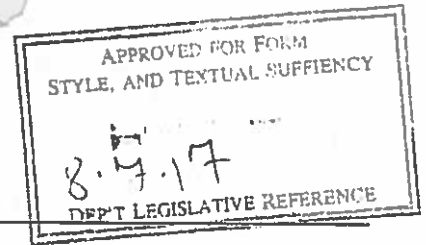
The Department of Housing and Community Development strongly encourages the passage of City Council Bill 17-0112.

MB:sd

cc: Ms. Karen Stokes, *Mayor's Office of Government Relations*
Mr. Kyron Banks, *Mayor's Office of Government Relations*

INTRODUCTORY*

**CITY OF BALTIMORE
COUNCIL BILL _____**



Introduced by: The Council President

At the request of: The Administration (Department of Housing and Community Development)

A RESOLUTION ENTITLED

A RESOLUTION OF THE MAYOR AND CITY COUNCIL concerning

Assignment of Qualified Energy Conservation Bond Allocation

FOR the purpose of assigning the Mayor and City Council of Baltimore's allocation of the national bond volume cap for qualified energy conservation bonds to the Maryland Clean Energy Center to finance solar electric projects for low-income residences located in the City; and setting a special effective date.

Recitals

Pursuant to § 54D of the Internal Revenue Code of 1986, as amended (the "Code"), and related guidance from the Internal Revenue Service, including, but not limited to, Notices 2009-29, 2010-35 and 2012-44, states, local governments, and other eligible conduit issuers have been authorized to issue qualified energy conservation bonds ("QECBs") to finance qualified conservation purposes in amounts not in excess of certain volume caps allocated among states and large local governments located therein.

The Mayor and City Council of Baltimore (the "City") has received an allocation of the national bond volume cap for qualified energy conservation bonds in the aggregate amount of \$6,659,180.

The City will reallocate \$4,961,492 of the City's national bond volume cap for qualified energy conservation bonds (the "Allocation") to the Maryland Clean Energy Center ("MCEC"), or to any borrower selected by MCEC to be the beneficiary of a QECB issuance, in each case for use in the financing of solar electric generation systems on low-income residences (the "Project") which satisfies the definition of a "qualified energy purpose" under § 54D(f).

The sites where the solar electric generation systems will be installed will be located within, or attributable to, both the jurisdiction of the City and the jurisdiction of the State of Maryland on behalf of which MCEC issues QECBs.

The City is authorized by applicable federal, state and local law to assign to MCEC, or to any borrower selected by MCEC to be the beneficiary of a QECB issuance, the Allocation for the Project.

SECTION 1. BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE, That the City hereby waives in favor of, and assigns, to MCEC, or to any borrower selected by MCEC to be the beneficiary of a QECB issuance, the Allocation for the Project in order that MCEC, may

*** WARNING: THIS IS AN UNOFFICIAL, INTRODUCTORY COPY OF THE BILL.
THE OFFICIAL COPY CONSIDERED BY THE CITY COUNCIL IS THE FIRST READER COPY.**

issue QECBs as described above. The Allocation has not previously been used in the issuance of QECBs by the City nor assigned to any other party and is available to be assigned as provided herein.

SECTION 2. AND BE IT FURTHER RESOLVED, That the appropriate staff and officers of the City are authorized and directed to take all necessary or appropriate steps and do such acts to execute, acknowledge, and deliver all such documents as may in their discretion be deemed necessary or desirable in order to carry out or comply with the terms and provisions of this assignment and the related provisions of the Code in connection with the waiver and assignment of the Allocation.

SECTION 3. AND BE IT FURTHER RESOLVED, That this Resolution takes effect on the date it is enacted.

**CITY OF BALTIMORE
COUNCIL BILL 17-0112
(Resolution)**

Introduced by: The Council President

At the request of: The Administration (Department of Housing and Community Development)

Introduced and read first time: August 14, 2017

Assigned to: Judiciary and Legislative Investigations Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Department of Housing and Community Development, Commission on Sustainability

A RESOLUTION ENTITLED

1 A RESOLUTION OF THE MAYOR AND CITY COUNCIL concerning

2 **Assignment of Qualified Energy Conservation Bond Allocation**

3 FOR the purpose of assigning the Mayor and City Council of Baltimore's allocation of the
4 national bond volume cap for qualified energy conservation bonds to the Maryland Clean
5 Energy Center to finance solar electric projects for low-income residences located in the City;
6 and setting a special effective date.

7 **Recitals**

8 Pursuant to § 54D of the Internal Revenue Code of 1986, as amended (the "Code"), and
9 related guidance from the Internal Revenue Service, including, but not limited to, Notices
10 2009-29, 2010-35 and 2012-44, states, local governments, and other eligible conduit issuers have
11 been authorized to issue qualified energy conservation bonds ("QECCBs") to finance qualified
12 conservation purposes in amounts not in excess of certain volume caps allocated among states
13 and large local governments located therein.

14 The Mayor and City Council of Baltimore (the "City") has received an allocation of the
15 national bond volume cap for qualified energy conservation bonds in the aggregate amount of
16 \$6,659,180.

17 The City will reallocate \$4,961,492 of the City's national bond volume cap for qualified
18 energy conservation bonds (the "Allocation") to the Maryland Clean Energy Center ("MCEC"),
19 or to any borrower selected by MCEC to be the beneficiary of a QECCB issuance, in each case for
20 use in the financing of solar electric generation systems on low-income residences (the "Project")
21 which satisfies the definition of a "qualified energy purpose" under § 54D(f).

22 The sites where the solar electric generation systems will be installed will be located within,
23 or attributable to, both the jurisdiction of the City and the jurisdiction of the State of Maryland on
24 behalf of which MCEC issues QECCBs.

25 The City is authorized by applicable federal, state and local law to assign to MCEC, or to any
26 borrower selected by MCEC to be the beneficiary of a QECCB issuance, the Allocation for the
27 Project.

EXPLANATION: Underlining indicates matter added by amendment.
Strike-out indicates matter deleted by amendment.

Council Bill 17-0112

1 **SECTION 1. BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE,** That the
2 City hereby waives in favor of, and assigns, to MCEC, or to any borrower selected by MCEC to
3 be the beneficiary of a QECCB issuance, the Allocation for the Project in order that MCEC, may
4 issue QECCBs as described above. The Allocation has not previously been used in the issuance of
5 QECCBs by the City nor assigned to any other party and is available to be assigned as provided
6 herein.

7 **SECTION 2. AND BE IT FURTHER RESOLVED,** That the appropriate staff and officers of the
8 City are authorized and directed to take all necessary or appropriate steps and do such acts to
9 execute, acknowledge, and deliver all such documents as may in their discretion be deemed
10 necessary or desirable in order to carry out or comply with the terms and provisions of this
11 assignment and the related provisions of the Code in connection with the waiver and assignment
12 of the Allocation.

13 **SECTION 3. AND BE IT FURTHER RESOLVED,** That this Resolution takes effect on the date it
14 is enacted.

100-100-100-100

ACTION BY THE CITY COUNCIL

FIRST READING (INTRODUCTION) _____

~~_____~~ AUG 14 2017
20 _____

PUBLIC HEARING HELD ON _____

SEPTEMBER

12

20

17

COMMITTEE REPORT AS OF _____

SEPTEMBER

18

20

17

____ FAVORABLE

____ UNFAVORABLE



____ FAVORABLE AS AMENDED

____ WITHOUT RECOMMENDATION

C. V. [Signature]

Chair

COMMITTEE MEMBERS:

COMMITTEE MEMBERS:

SECOND READING: The Council's action being favorable (unfavorable), this City Council bill was (was not) ordered printed for Third Reading on:

SEP 18 2017

20 _____

Amendments were read and adopted (defeated) as indicated on the copy attached to this blue backing.

THIRD READING _____

SEP 25 2017

20 _____

____ Amendments were read and adopted (defeated) as indicated on the copy attached to this blue backing.

THIRD READING (ENROLLED) _____

20 _____

____ Amendments were read and adopted (defeated) as indicated on the copy attached to this blue backing.

THIRD READING (RE-ENROLLED) _____

20 _____

WITHDRAWAL _____

20 _____

There being no objections to the request for withdrawal, it was so ordered that this City Council Ordinance be withdrawn from the files of the City Council.

[Signature]

President

[Signature]

Chief Clerk

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor

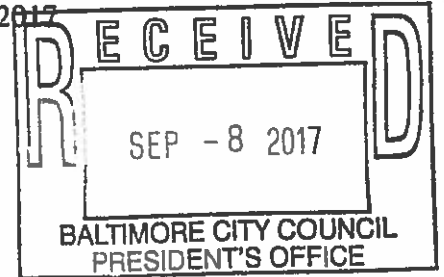


DEPARTMENT OF LAW

101 City Hall
Baltimore, Maryland 21202

September 8, 2017

The Honorable President and Members
of the Baltimore City Council
Attn: Natawna B. Austin, Executive Secretary
Room 409, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202



Re: City Council Bill 17-0112 – Assignment of Qualified Energy Conservation
Bond Allocation

President and City Council Members:

The Law Department has reviewed City Council Bill 17-0112 for form and legal sufficiency. The bill would authorize the Mayor and City Council of Baltimore to reallocate its allocation of the national bond volume cap for qualified energy conservation bonds (QECB'S) to Maryland Clean Energy Center (MCEC)..

A Qualified Energy Conservation Bond (QECB) is a bond that enables qualified state, tribal, and local government issuers to borrow money at attractive rates to fund energy conservation projects. (it is important to note that QECBs are not grants). A QECB is among the lowest-cost public financing tools because the U.S. Department of the Treasury subsidizes the issuer's borrowing costs. QECBs may only be issued for qualified conservation purposes as defined in section 54D of the U.S. Internal Revenue Code. "Qualified conservation purposes" include capital expenditures:


1. To reduce energy consumption in publicly owned buildings by at least 20%
2. To implement green community programs (including the use of grants, loans, or other repayment mechanisms to implement such programs)
3. For rural development (including the production of renewable energy)
4. For certain renewable energy facilities (such as wind, solar, and biomass)
5. For certain mass commuting projects

Fav w/ comments


Under IRC §54D a local government that has received an allocation of the national bond volume cap from the State may reallocate it back to the State. Under the Md. Code Ann., Econ. Dev. Art., §10-806, MCSC is established as an instrumentality of the State of Maryland. The State has granted authority to MCEC to borrow money and issue bonds to finance any part of the cost of a project or for any other corporate purpose of MCEC. See §10-822. Since MCEC is an instrumentality of the State and has the power to issue bonds, the reallocation is consistent with federal law. To make this abundantly clear, the Law Department suggests inserting "(an instrumentality of the State)" on page 1, line 18, after "(MCEC)".

There has been some confusion regarding the appropriate method to reallocate a local government's allocation. In June 2015, the IRS revised its "Frequently Asked Questions on Tax Credit Bonds and Specified Tax Credit Bonds". The updated FAQ states that "The IRS will defer to any reasonable process under applicable State law by which a large local government, acting through its governing body or a duly authorized official of a large local government, voluntarily reallocates its volume cap for QECBs back to the State in which such large local government is located." Pursuant to this language, this resolution of the Mayor and City Council is legally sufficient to accomplish the proposed reallocation.

The Law Department, therefore, approves the bill for form and legal sufficiency.

Sincerely,

Elena R. DiPietro
Division Chief

cc: Andre M. Davis, City Solicitor
David Ralph, Deputy City Solicitor
Karen Stokes, Director, Mayor's Office of Government Relations
Kyron Banks, Mayor's Legislative Liaison
Jennifer Landis, Assistant Solicitor
Hilary Ruley, Chief Solicitor
Victor Tervalva, Chief Solicitor

FROM	NAME & TITLE	LISA MCNEILLY, Sustainability Director <i>LMcNeilly</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	DEPARTMENT OF PLANNING 417 EAST FAYETTE STREET, 8 th FLOOR		
	SUBJECT	CITY COUNCIL BILL #17-0112 – Assignment of Qualified Energy Conservation Bond Allocation		

DATE:

TO

The Honorable President and
Members of the City Council
City Hall, Room 400
100 North Holliday Street

September 6, 2017

The Commission on Sustainability is in receipt of City Council Bill #17-0112, for the purpose of assigning the Mayor and City Council of Baltimore's allocation of the national bond volume cap for the qualified energy conservation bonds to the Maryland Clean Energy Center to finance solar electric projects for low-income residents located in the City; and setting a special effective date.

This bill would increase the ability of the Baltimore Shines Program (City Department of Housing and Community Development) to use the Federal Qualified Energy Conservation Bonds as a funding source in partnership with the Maryland Clean Energy Center, without increasing the debt burden of the City. As such, the intent of this bill addresses the following goals of the Baltimore Sustainability Plan as approved by City Council on March 2, 2009:

- Resource Conservation Goal 1: Reduce Baltimore's energy use by 15% by 2015
 - Strategy C: Increase renewable energy generation in Baltimore City

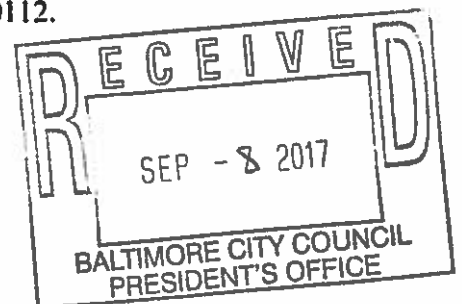
Furthermore, the Bill also addresses the following goal of the Baltimore Climate Action Plan as approved by City Planning Commission on November 29, 2012:

- Energy Savings and Supply Strategy 2: Promote generation of renewable energy

As the executive staff to the Commission on Sustainability, I have consulted with current Commissioners and recommend approval of City Council Bill #17-0112.

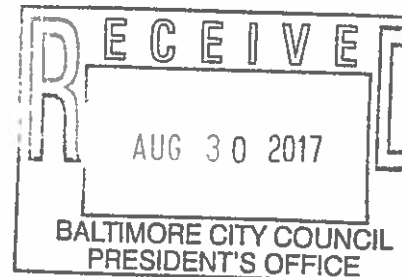
If you have any questions, please contact me at 410-396-8360.

cc: Ms. Karen Stokes, Mayor's Office
Mr. Kyron Banks, Mayor's Office
Mr. Tom J. Stosur, Department of Planning



F w/ comment

The Baltimore City Department of
HOUSING & COMMUNITY
DEVELOPMENT



MEMORANDUM

To: The Honorable President and Members of the Baltimore City Council
c/o Natawna Austin, Executive Secretary

From: Michael Braverman, Acting Housing Commissioner *MB*

Date: August 29, 2017

Re: **City Council Bill 17-0112 – Assignment of Qualified Energy Conservation Bond Allocation**

The Department of Housing and Community Development (HCD) has reviewed City Council Bill 17-0112, for the purpose of assigning the Mayor and City Council of Baltimore's allocation of the national bond volume cap for qualified energy conservation bonds to the Maryland Clean Energy Center to finance solar electric projects for low-income residences located in the City; and setting a special effective date.

If enacted, this bill would allow the City to transfer a portion of their share of funds received from Federal Qualified Energy Conservation Bonds (QCEBs) to the Maryland Clean Energy Center (MCEC). One benefit of having the ability to transfer the city allocation to MCEC would be preventing the city from taking on additional bond debt. Baltimore City received over \$6.6 million from the \$58.4 million allocated to the State of Maryland. Federal guidelines stipulate that funds be used to fund projects that meet the requirements of "Qualified Conservation Purposes" (QCPs), such as subsidizing financing costs associated with energy efficiency and water conservation measures and researching alternative transportation modalities and fuels and associated infrastructure.

The MCEC has been working diligently to advance the renewable energy market in Maryland by leveraging private capital and private sector capabilities. One on-going partnership effort with MCEC and the City is the exploration of options on further assisting low-income residents in the City to save money through solar installations. In addition, the MCEC developed the Maryland Saves Green Community Program specifically to assist local jurisdictions in using the QCEBs so they are already very familiar with the Federal requirements, and will be the issuer of the bond debt.

The City Department of Housing and Community Development initiated the Baltimore Shines Program, a new low-income solar program. The goal of the program is to demonstrate a replicable and scalable model that combines solar workforce training and deployment of low-income residential rooftop solar installations. It will also attract community-focused private investment to assist with the installation of rooftop solar units for low-income owner-occupied single-family residences in the City. The Baltimore Shines program would not only increase access to solar for low-income residents, but also increase job training and job placement for low-income residents as well. The program lowers bills, and increases wages for some of the City's most vulnerable residents, which supports a growing, sustainable and resilient Baltimore.

A key component of the Baltimore Shines program is the ability to use the QECBs as a funding source, which qualifies as a Green Community Program that meets energy efficiency measures, to advance the goals of the program. This bill would provide a partnership that would result in the use of funds that have been available for over five years to assist with the installation of rooftop solar panels for low incomes residents to reduce their energy bills by over 30%.

The Department of Housing and Community Development strongly encourages the passage of City Council Bill 17-0112.

MB:sd

cc: Ms. Karen Stokes, *Mayor's Office of Government Relations*
Mr. Kyron Banks, *Mayor's Office of Government Relations*

**CITY OF BALTIMORE
COUNCIL BILL 17-0112
(Resolution)**

Introduced by: The Council President

At the request of: The Administration (Department of Housing and Community Development)

Introduced and read first time: August 14, 2017

Assigned to: Judiciary and Legislative Investigations Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Department of Housing and Community Development, Commission on Sustainability

A RESOLUTION ENTITLED

1 A RESOLUTION OF THE MAYOR AND CITY COUNCIL concerning

2 **Assignment of Qualified Energy Conservation Bond Allocation**

3 FOR the purpose of assigning the Mayor and City Council of Baltimore's allocation of the
4 national bond volume cap for qualified energy conservation bonds to the Maryland Clean
5 Energy Center to finance solar electric projects for low-income residences located in the City;
6 and setting a special effective date.

7 **Recitals**

8 Pursuant to § 54D of the Internal Revenue Code of 1986, as amended (the "Code"), and
9 related guidance from the Internal Revenue Service, including, but not limited to, Notices
10 2009-29, 2010-35 and 2012-44, states, local governments, and other eligible conduit issuers have
11 been authorized to issue qualified energy conservation bonds ("QECBs") to finance qualified
12 conservation purposes in amounts not in excess of certain volume caps allocated among states
13 and large local governments located therein.

14 The Mayor and City Council of Baltimore (the "City") has received an allocation of the
15 national bond volume cap for qualified energy conservation bonds in the aggregate amount of
16 \$6,659,180.

17 The City will reallocate \$4,961,492 of the City's national bond volume cap for qualified
18 energy conservation bonds (the "Allocation") to the Maryland Clean Energy Center ("MCEC"),
19 or to any borrower selected by MCEC to be the beneficiary of a QECB issuance, in each case for
20 use in the financing of solar electric generation systems on low-income residences (the "Project")
21 which satisfies the definition of a "qualified energy purpose" under § 54D(f).

22 The sites where the solar electric generation systems will be installed will be located within,
23 or attributable to, both the jurisdiction of the City and the jurisdiction of the State of Maryland on
24 behalf of which MCEC issues QECBs.

25 The City is authorized by applicable federal, state and local law to assign to MCEC, or to any
26 borrower selected by MCEC to be the beneficiary of a QECB issuance, the Allocation for the
27 Project.

EXPLANATION: Underlining indicates matter added by amendment.
~~Strike-out~~ indicates matter deleted by amendment.

Council Bill 17-0112

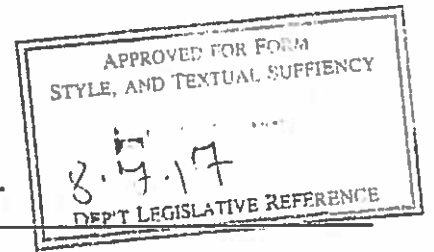
1 **SECTION 1. BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE,** That the
2 City hereby waives in favor of, and assigns, to MCEC, or to any borrower selected by MCEC to
3 be the beneficiary of a QECCB issuance, the Allocation for the Project in order that MCEC, may
4 issue QECCBs as described above. The Allocation has not previously been used in the issuance of
5 QECCBs by the City nor assigned to any other party and is available to be assigned as provided
6 herein.

7 **SECTION 2. AND BE IT FURTHER RESOLVED,** That the appropriate staff and officers of the
8 City are authorized and directed to take all necessary or appropriate steps and do such acts to
9 execute, acknowledge, and deliver all such documents as may in their discretion be deemed
10 necessary or desirable in order to carry out or comply with the terms and provisions of this
11 assignment and the related provisions of the Code in connection with the waiver and assignment
12 of the Allocation.

13 **SECTION 3. AND BE IT FURTHER RESOLVED,** That this Resolution takes effect on the date it
14 is enacted.

INTRODUCTORY*

CITY OF BALTIMORE
COUNCIL BILL 17-0112



Introduced by: The Council President

At the request of: The Administration (Department of Housing and Community Development)

A RESOLUTION ENTITLED

A RESOLUTION OF THE MAYOR AND CITY COUNCIL concerning

Assignment of Qualified Energy Conservation Bond Allocation

FOR the purpose of assigning the Mayor and City Council of Baltimore's allocation of the national bond volume cap for qualified energy conservation bonds to the Maryland Clean Energy Center to finance solar electric projects for low-income residences located in the City; and setting a special effective date.

SLI
HCD
Law
office
SUS

Recitals

Pursuant to § 54D of the Internal Revenue Code of 1986, as amended (the "Code"), and related guidance from the Internal Revenue Service, including, but not limited to, Notices 2009-29, 2010-35 and 2012-44, states, local governments, and other eligible conduit issuers have been authorized to issue qualified energy conservation bonds ("QECBs") to finance qualified conservation purposes in amounts not in excess of certain volume caps allocated among states and large local governments located therein.

The Mayor and City Council of Baltimore (the "City") has received an allocation of the national bond volume cap for qualified energy conservation bonds in the aggregate amount of \$6,659,180.

The City will reallocate \$4,961,492 of the City's national bond volume cap for qualified energy conservation bonds (the "Allocation") to the Maryland Clean Energy Center ("MCEC"), or to any borrower selected by MCEC to be the beneficiary of a QECB issuance, in each case for use in the financing of solar electric generation systems on low-income residences (the "Project") which satisfies the definition of a "qualified energy purpose" under § 54D(f).

The sites where the solar electric generation systems will be installed will be located within, or attributable to, both the jurisdiction of the City and the jurisdiction of the State of Maryland on behalf of which MCEC issues QECBs.

The City is authorized by applicable federal, state and local law to assign to MCEC, or to any borrower selected by MCEC to be the beneficiary of a QECB issuance, the Allocation for the Project.

SECTION 1. BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE, That the City hereby waives in favor of, and assigns, to MCEC, or to any borrower selected by MCEC to be the beneficiary of a QECB issuance, the Allocation for the Project in order that MCEC, may

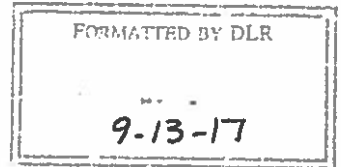
* WARNING: THIS IS AN UNOFFICIAL, INTRODUCTORY COPY OF THE BILL.
THE OFFICIAL COPY CONSIDERED BY THE CITY COUNCIL IS THE FIRST READER COPY.

issue QECEBs as described above. The Allocation has not previously been used in the issuance of QECEBs by the City nor assigned to any other party and is available to be assigned as provided herein.

SECTION 2. AND BE IT FURTHER RESOLVED, That the appropriate staff and officers of the City are authorized and directed to take all necessary or appropriate steps and do such acts to execute, acknowledge, and deliver all such documents as may in their discretion be deemed necessary or desirable in order to carry out or comply with the terms and provisions of this assignment and the related provisions of the Code in connection with the waiver and assignment of the Allocation.

SECTION 3. AND BE IT FURTHER RESOLVED, That this Resolution takes effect on the date it is enacted.

AMENDMENTS TO COUNCIL BILL 17-0112
(1st Reader Copy)



By: Judiciary and Legislative Investigations Committee

Amendment No. 1

On page 1, in line 18, after “(“MCEC”)”, insert “(an instrumentality of the State)”.

CITY OF BALTIMORE
RESOLUTION _____
Council Bill 17-0112

Introduced by: The Council President
At the request of: The Administration (Department of Housing and Community Development)
Introduced and read first time: August 14, 2017
Assigned to: Judiciary and Legislative Investigations Committee
Committee Report: Favorable with an amendment
Council action: Adopted
Read second time: September 18, 2017

A RESOLUTION OF THE MAYOR AND CITY COUNCIL CONCERNING

Assignment of Qualified Energy Conservation Bond Allocation

1
2 FOR the purpose of assigning the Mayor and City Council of Baltimore's allocation of the
3 national bond volume cap for qualified energy conservation bonds to the Maryland Clean
4 Energy Center to finance solar electric projects for low-income residences located in the City,
5 and setting a special effective date.

Recitals

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27 Project.

EXPLANATION: Underlining indicates matter added by amendment.
Strike-out indicates matter stricken by amendment.

Council Bill 17-0112

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10 necessary or desirable in order to carry out or comply with the terms and provisions of this
11 assignment and the related provisions of the Code in connection with the waiver and assignment
12 of the Allocation.

13 **SECTION 3. AND BE IT FURTHER RESOLVED,** That this Resolution takes effect on the date it
14 is enacted.

Certified as duly passed this _____ day of _____, 20____

President, Baltimore City Council

Certified as duly delivered to Her Honor, the Mayor,

this _____ day of _____, 20____

Chief Clerk

Approved this _____ day of _____, 20____

Mayor, Baltimore City