MassDevelopment

• Works with businesses, nonprofits, financial institutions, and communities to **stimulate economic growth** throughout Massachusetts.

• Promotes capital investment and economic development **by providing financing and development solutions**.

• In FY15, MassDevelopment financed or managed projects generating investment of more than **$2.5 billion** in the Massachusetts economy.

• These projects are projected to create more than **6,100** jobs and build or rehabilitate more than **2,000** residential housing units.
Energy Incentives

**Bonding**
- Tax-exempt and Taxable Bonds
- Qualified Energy Conservation Bonds (QECBs)
- Infrastructure Bond Financing Options
- C-PACE

**Sources of Funds**
- REC payments
- DOER grants
- MassWorks grants
- Mass CEC grants
- Net metering

**Tax Credits**
- Investment tax credit ("ITC" – capital cost for renewable energy)
- Production tax credit ("PTC" – large scale wind, biomass, etc.)

**Credit Enhancements**
- Department of Energy Loan Guarantees
- USDA Loan Guarantees

**Tax Deductions**
- Accelerated depreciation on capital cost of energy projects
- Commercial energy efficiency deduction on capital costs

**Third Party Models**
- Power Purchase Agreements (PPA)
- Energy Savings Performance Contract (ESPC)
- Leases
- Non-profit Energy Services Company (ESCO)
Financing Options for Microgrids

Publicly Owned
- Tax-exempt and Taxable Bonds
- Qualified Energy Conservation Bonds (QECB)
- Infrastructure Bond Financing Options

Privately Owned
- Private Financing
- CPACE

Third Party
- Power Purchase Agreements (PPA)
- Energy Savings Performance Contract (ESPC)
- Non-profit Energy Services Company (ESCO)
- Leases
Tax Exempt and Taxable Bond Financing

- **General obligation bonds**
  - Can be financed with municipal bonds backed by the *general obligation* credit and/or tax revenues of the public entity.

- **Rate payer financing**
  - Financeable on a “project” basis off of guaranteed or highly predictable *revenue streams* and/or energy sales.
Qualified Energy Conservation Bonds ("QECB")

• Low interest cost bond.

• Interest rate is either subsidized by the US Treasury or issued as a tax credit (as of 6/27/16 = 2.90% for up to 30 years).

• Can be used for renewable energy, energy efficiency and/or distributed generation initiatives.

• $5+ million available. DOER will be finalizing the amount available and issuing an PON shortly for this allocation.

• Scituate Wind and Fairhaven Wind are privately owned wind turbines with a PPA with the each town.
Infrastructure Bond Financing Programs

- Infrastructure Investment Incentives Act ("I-Cubed")
- District Improvement Financing ("DIF")
- Local Infrastructure Development Program ("23-L")

- All programs create a district and pay for public infrastructure through taxes
- All programs can be used independently or in combination to meet a project’s financing needs
- A microgrid and any other infrastructure, must benefit the district and must be owned or conveyed to a public entity to be eligible for tax exemption.
Way to grow.
Infrastructure Investment Incentives Act ("I-Cubed")

- $600 million total investment state-wide with a maximum of 8 projects per community.

- Designed for larger development projects with public infrastructure costs between $5 and $50 million that can be applied for in phases.

- Applications to Commonwealth must show that:
  
  ➢ **But-For:** The Project would not happen or achieve the contemplated level of development, jobs, or other economic activity without support from I-Cubed.

  ➢ **1.5x Debt Service Coverage:** The projected annual new state tax revenues will be a minimum of 1.5 times the debt service on I-Cubed bonds.

  ➢ **Feasibility:** The Project must be financially feasible and the developer must demonstrate that it has sufficient resources to carry out the project.
District Improvement Financing ("DIF")

- **Uses future, incremental property tax revenues** collected from a predefined geographic area to pay infrastructure project costs either up front through bond or pay as you go annually.

- Incremental property taxes are **from new growth in a district** that will benefit from infrastructure investment.

- Bonds may be issued with or without a general obligation pledge from the municipality.
District Improvement Financing ("DIF")

• **Municipality creates District** and holds local public hearings and obtains local approvals. Requires Town meeting or City Council approval.

• Why DIF?

  ➢ It’s a way to direct funds to a targeted investment.

  ➢ Borrowing is not included in municipality’s debt limits.

  ➢ Municipality has flexibility to segregate debt service from general funds and employ debt structures that would not otherwise be available as financing terms are negotiable.
Local Infrastructure Development Program ("23-L")

- Property owner(s) can **finance public infrastructure improvements** with tax-exempt bonds.

- **Credit** on bonds **based on property owner** and/or credit enhancement from developer or locality.

- Bonds issued by MassDevelopment and **debt service paid through special assessments** on property.

- Special Assessments **stay in place if the property is sold**.

- **Shifts burden** for infrastructure **to private sector**, landowner consent needed.
Local Infrastructure Development Program (“23-L”)

- **Developer(s)/Landowner(s) file petition** requesting municipal approval to create district and special assessments.

- Municipality holds public hearings and approves by the planning board then its governing board.

- **Can be standalone or used with DIF.** If used together, special assessments may be levied to pay any tax increment shortfall in a given year.

- Private sector benefits include **non-recourse financing, long-term financing**, reduces equity/third party borrowing need, 100% debt financing, **tax-exempt** interest rates, interest reserves, no acceleration and no cross-collateralization.

- Public sector benefits include **shifting burden** of infrastructure to private sector, preserves debt capacity, new source of capital funding, off balance sheet financing and economic development growth (jobs, taxes, etc.)
Example Infrastructure Projects

**Fan Pier** I-Cubed bonds financed $34.6 Million in infrastructure improvements.

*Developer: The Fallon Company*

**Assembly Row** I-Cubed bonds financed $10 million and DIF bonds financed $25 million in infrastructure improvements.

*Developer: Federal Realty Investment Trust*
Commercial Property Assisted Clean Energy Programs ("CPACE")

- Legislation currently proposed in Massachusetts

- More than 30 states have passed legislation that authorizes a special assessment, secured by a lien, on properties as a means of repaying funds for resiliency, energy efficiency and renewable energy projects.

- Allowable projects will depend upon legislation.
Commercial Property Assisted Clean Energy Programs ("CPACE")

- Private capital can provide up to 100% low-cost, long-term financing securing through senior tax lien and repaid through property bills.
- Capital costs are assessed to end-users on a pro-rata basis based on their projected ‘benefit’.
- Microgrid developer locks in repayment of fixed costs for up to 20 years.
- Can be a combined energy efficiency and microgrid project.
  - Savings from energy efficiency projects helps project pencil out.
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