

## American Association of Port Authorities - 2014 Environmental Improvement Awards

### PROJECT SUMMARY

The Toledo-Lucas County Port Authority's BetterBuildings Northwest Ohio energy efficiency and alternative energy program is a program that provides financing for energy efficiency and alternative energy projects throughout a twenty-eight county region in Northwest Ohio. The program has offered creative solutions to business and property owners by offering Property Assessed Clean Energy (PACE) and bond financing for energy efficiency upgrades and renewable energy installations and has established itself as a key economic development tool for revitalizing cities and buildings. The Toledo Lucas County Port Authority (TLCPA) BetterBuildings Northwest Ohio energy efficiency and alternative energy program, collectively "the Program" meets each of the six criteria in the significant manner:

1. ***The level and nature of the benefits to environmental quality, beautification or community involvement:*** The Program generates significant energy conservation and savings to local government and businesses which is directly tied to reducing green house gas. In addition, the program is a key economic development tool extending the life and comfort of local buildings. Lastly, the program has been one of six catalyst projects to the recently released City of Toledo and Lucas County Community Sustainability Plan "Going Beyond Green" for improving the building infrastructure and energy efficiency of city building stock.
2. ***The level of independent involvement and effort by the Port:*** The Program was a Board level strategic initiative to expand the Port's economic development and business financing options as well as improving its own infrastructure assets. The CEO and many staff resources in several functional areas such as legal, development, operations, finance, and accounting have been dedicated to ensure the successful development and launch of the Program. The Port has provided the primary leadership and funding resources to the community to make the Program a success. Other actions include providing the investment and governance oversight.
3. ***The creativity of the solution program:*** The Port has taken traditional bond financing and morphed it into being able to provide on-demand financing to building owners seeking immediate completion of building energy efficiency upgrades often replacing complete building electrical and mechanical systems. This was accomplished by combining both revolving loan funds integrated with bond fund with a pooling capability with revenue backed by Property Assessed Clean Energy Assessments. The creativity is validated by the national recognition of the program through DOE, CDFA and PACENow, the requested speaker presence at state, regional and national energy conferences and the solicitation and advice from municipalities and States across the country.
4. ***Program Results and Achievements: The program results are significant having attracted \$30M of capital for the completion of 85 building projects that on average are achieving 20% or more in energy savings along with a significant pipeline of future projects.***
5. ***Cost Effectiveness:*** The cost effectiveness can be demonstrated by the fact that our rates to the customers and the fees charged are among the lowest in the country of similar PACE programs.
6. ***Transferability To Port Industry:*** The transferability to the Port Industry can be demonstrated by the two recent contracts entered into with the Dayton Montgomery County Port Authority and the Columbus Franklin County Finance Authority to develop similar Programs other port authorities in the state of Ohio are attempting to do the same and we can consult with Port Authority in St Paul MN and have been contacted by a national vendor that does Port Authority improvements.

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## Toledo-Lucas County Port Authority's BetterBuildings Northwest Ohio Energy Efficiency & Alternative Energy Programs

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## I. Introduction

In 2010, the Toledo-Lucas County Port Authority (Port) was awarded a \$15 million grant from the Department of Energy (DOE) as part of the American Recovery and Reinvestment Act's (ARRA) Retrofit Ramp-Up project, an economic stimulus initiative designed to save and create jobs in the energy efficiency and renewable energy fields. The Port, one of twenty-five awardees selected nationally, utilized the DOE funds to establish the BetterBuildings Northwest Ohio program which provides financing for energy efficiency and alternative energy projects throughout the twenty-eight county Northwest Ohio region. Since inception, the program has created and manages one of the most active Energy Special Improvement Districts (ESID) in the nation, utilizes a creative method of financing called, Property Assessed Clean Energy (PACE), and has financed over \$30 million of energy efficiency and alternative energy projects; improving over 80 commercial buildings and saving consumers approximately 7,637,176 kWh of electricity, 90,926 Therms of natural gas, 97,680 MMBTU in total energy consumption and \$1,396,773 in annual energy costs (Navigant report as of 9/30/2013).



Additionally, the program has now matured beyond the original grant period into a long-term sustainable financing program that is fully integrated into the marketing and operations of the Port's economic development, financing and job creation efforts. BetterBuildings Northwest Ohio also serves as a model program by recently partnering with the Dayton-Montgomery County Port Authority and the Columbus-Franklin County Finance Authority to develop similar programs in their communities.

## II. Goals & Objectives

The Toledo-Lucas County Port Authority established goals and objectives to create a program that would transform energy use and delivery, improve buildings, establish partnerships, create unique and innovative financing options, and generate and retain jobs. It was also important to the Port to design a program that would become sustainable and serve as a model to other communities. Additionally, the Port established management and reporting goals important to the measure and verification of energy savings.

## III. Discussion

### a. Background

In its initial application to the Department of Energy, the Toledo-Lucas County Port Authority set forth to create an "Advanced and Alternative Energy Utility District Project" (AAEUD) that would focus on fundamentally and permanently transforming energy use and the delivery of energy conservation retrofitting and alternative energy technology in a way that would make energy efficiency, conservation and renewable energy the "options of first choice." In the process, create a program financially sustainable far beyond the grant period that harnesses the enormous



financial power of area energy expenditures while maximizing the use of local and regional renewable energy and energy conservation system providers to strengthen the local energy services economy, support alternative energy businesses, and create long-term jobs and careers. The project's initial scope was to develop a series of "districts" starting with the City of Toledo and expand to other cities and townships within Lucas County and throughout Northwest Ohio. In addition, the Port gained support from local and state leaders to join together to engage the community to reduce fossil fuel consumption, maximize energy efficient economic development, deliver verifiable energy savings while creating a pilot building retrofit program that would create and maintain high paying jobs in the region.

## **b. Objectives & Methodology**

***Transforming Energy Use & Delivery*** - The key objectives of the program were to transform energy use by local businesses, governments and non- profits by reducing energy consumption in buildings and incorporating alternative energy into the delivery of power where feasible. Energy assessments and implementation plans with cost and energy savings levels are required for each project with engineering feasibility studies and additional financial modeling required for more complex projects such as solar and geothermal.

The program targets energy savings of 15% per building across its project portfolio and has a stretch goal of obtaining 20% energy savings by 2015 in 7,500,000 square feet of buildings as part of the President's BetterBuildings Challenge. The program also searches for multi-measure deep retrofit opportunities in buildings 15 years or older that can achieve 30% or more energy savings and serve as good transformation examples to the community.

***Innovative Financing*** - Energy and maintenance savings will pay for the investment over time and the program considers the economic life of the equipment as well as the term over which the building



improvement is paid back. The savings to investment ratio is targeted to be greater than 1:1. The program also helps building owners identify and incorporate utility rebates and tax incentives to help pay for the project. 100% financing is available for the project at fixed rates for up to 15 years, giving unrated businesses and not for profits the ability to finance at attractive rates with access to investment grade financing instruments.

**Improve Buildings** - Another key objective is to improve the buildings by making them not only more energy efficient but more comfortable and productive for employees as well as extending the economic life and competitiveness of the building for the owner. The program has a wide reach and is available to all types and sizes of buildings and businesses from small to large for both for profit and not for profit businesses. The program has improved transportation infrastructure buildings, warehouse and distribution facilities, retail space, offices, education, government and social services buildings.

The program can provide for single measure retrofits to fix lighting or replace a boiler, chiller or HVAC system or for top to bottom full building retrofit with multi-measure energy conservation measures including building envelope, lighting, building control and automation system, HVAC and air handling. The program also provides the opportunity to incorporate renewable technologies such as solar and geothermal which may require additional emerging feasibility study and design and financial modeling.

**Establish Partnerships** - Establishing business partnerships with the public and private sector was both an objective as well as key to our go to market methodology. We partnered with the City of Toledo and Lucas County to form and govern the energy special improvement district as well as with many other local governments as the energy district is expanded. Local and area economic development professionals and agencies in conjunction with local governments help identify building and business opportunities to revitalize their cities. Working closely with and educating local contractors, engineering firms, architects and energy service companies, we facilitate the energy efficiency projects for their customers.

**Sustainability & Job Creation** – Lastly, one of the other objectives of the program was to create a



nationally recognized program and business model that would be sustainable for years to come. The program has grown to be one of the top three programs in the country in terms of amount of financing and the number of projects completed. It has been recognized by the Department of Energy, the Council for Development Finance Agencies and others with speaking engagements and webinars that have been conducted with numerous organizations across the country. The program has been utilized by both the Ohio Development Services Agencies as well as contracted with the Columbus Franklin County Finance Authority (a port authority) and the Dayton Montgomery County Port Authority to assist with state-wide energy efficiency efforts as well as launch PACE districts and energy efficiency finance programs with other port authorities in large metropolitan areas. The City of Toledo also entrusted a significant portion of their building portfolio with the program and is a President's Better Buildings Challenge Partner. The program has been recognized for its unique creation of innovative energy efficiency financing. Key elements of this is the availability of "on-demand financing" when the building owner needs it, the programs ability to support a wide variety of commercial building and businesses and it ability to aggregate and pool large and small transactions into significant high quality investment grade financing. Job creation has also been a key program element with over 60,000 job hours to date.

### **c. How the Project Fulfills the Award Criteria**

#### ***i. Level And Nature Of Benefits To Environmental Quality***

The Toledo-Lucas County Port Authority has shown commitment to improving the quality of the environment by forming and sustaining the BetterBuildings Northwest Ohio energy efficiency and alternative energy program. To date, the program has made energy efficient upgrades to over 80 types of commercial buildings which include government and non-profits, industrial and manufacturing, office buildings, a day care center, auto dealerships, a sports complex, airport facilities, and a charter school. In addition, the program has provided financing for two solar installations and a future geothermal project. The





improvements resulted in reduction of greenhouse gas emissions, use of renewable energy, lower energy usage and costs, and improvements to the overall quality and comfort of the buildings.

***ii. Level Of Independent Involvement***

The Toledo-Lucas County Port Authority has dedicated its leadership, staff and resources to create the BetterBuildings Northwest Ohio energy efficiency program and lead it to success. By making energy efficiency improvements to its own facilities and headquarters, the Port has led by example its commitment to the importance of creating a sustainable green community. The BetterBuildings NW Ohio program utilization and integration of the Port's resources, such as, its accessibility of the Northwest Ohio Bond Fund, marketing and communications, construction and project management, and financial underwriting and accounting departments has been key to the overall program success.

***iii. Creativity Of The Program***

The program is the first successful use of Energy Special Improvement District legislation enacted in the state of Ohio in 2009 and 2010. This was accomplished through strong strategic leadership and resource dedication as well as putting in place unique and creative financing and an effective governance structure. PACE financing is a new economic development and financing tool that the program has help pioneer and expand across the country. The program has been able to integrate customer friendly on- demand financing with simple documentation and streamlined processes with complex institutional investment grade rated bond financing that includes pooling and aggregation of projects



into multi-tranche offerings to the private placement investment market. Most of the revenue backing for the bond issuance came from the property assessed clean energy (PACE) assessments. The funding also incorporated Qualified Energy Conservation Bonds to drive financing costs lower. Projects have been driven with a strong orientation to partnering and project development and facilitation.

#### ***iv. Program Results And Achievements***

The BetterBuildings Northwest Ohio program and its PACE financing has established itself as a key economic development tool for revitalizing cities and buildings that has been widely recognized by the Council for Development Finance Agency (CDFA), Department of Energy, and national organization PACENow. Recently, the program was featured in a national white paper, published by PACENow and Johnson Controls, identifying the program as one of the top programs in the country. In addition to speaking at numerous state and local conferences, the BetterBuildings Northwest Ohio program has been featured in newspaper articles and columns, at press conferences and media events. The program was also chosen to participate in the US President's Better Buildings Challenge to generate 20% energy savings by 2020.

#### ***v. Cost Effectiveness***

One of the unique features of the BetterBuildings Northwest Ohio program is that the energy savings typically pay for themselves. It offers investment grade, long-term competitive financing and works with clients to obtain the best Return On Investment (ROI) and payback of the Energy Conservation Measures installed. By utilizing PACE financing,



property owners are able to save capital funds for other projects, extend their borrowing capacity, and pay for improvements through semi-annual property assessments.

***vi. Transferability To Port Industry***

The Toledo-Lucas County Port Authority's BetterBuildings Northwest Ohio program has been designed and implemented to serve as a model to other port authorities and economic development organizations. Recently, the Columbus-Franklin County Finance Authority and the Dayton-Montgomery County Port Authority entered into agreements with the Port to assist with the design and launch of their PACE districts and energy efficiency finance programs.

## **IV. Conclusion**

In conclusion, the Toledo-Lucas County Port Authority has proven that the BetterBuildings Northwest Ohio is a sustainable program that other port authorities and organizations can emulate. The program's unique PACE financing and bonding capabilities make it possible for all types of businesses to obtain funding to implement energy efficiency upgrades to existing buildings which saves energy consumption and costs, improves quality and comfort of buildings, and most importantly, enhances the environment by reducing greenhouse gas emissions.

