

# NextGeneration

News about Northeast Ohio's Emerging Sustainable Economy from The Generation Foundation

## Lease Revenue Bonds to Finance Municipal Energy Retrofits

**L**et's say that you live in a suburb like Seven Hills. The city spends about 10% of its budget on energy. Trouble is, a lot of its infrastructure needs energy upgrades. More trouble: cities aren't keen about using their general obligation authority for energy efficiency upgrades.

A nonprofit, Emerald Cities Cleveland, thinks it has the answer. Its RENEW program (Retrofits for ENergy Efficiency Works) will provide 100% financing and technical assistance for energy conservation measures like HVAC systems, LED lighting and insulation in municipal, university, school and hospital facilities across Cuyahoga County. Seven Hills will be the first to participate.

Using lease revenue bonds issued by a local bond issuer, or other common municipal finance tools, cities can upgrade their buildings.

"This lease finance structure is a well-accepted method of off-balance sheet financing for cities and institutions," said Eric Small of Public Finance and Energy Advisors, LLC, a SEC and Municipal Securities Rulemaking Board registered financial advisor and program manager for the RENEW Program. "The new energy-saving equipment will be owned by the bond issuer and held as collateral for the term of the lease, and at the end of the least term will be sold to the building owner for a nominal amount as the bonds are repaid."

"RENEW's innovation is that it brings sunshine and transparency to the energy efficiency contracting process, lowering project costs and providing technical assistance for municipalities to ensure that projects perform as expected," said Emerald Cities Cleveland Director Shanelle Smith. "For every \$1 million invested in energy



Seven Hills is scheduled to be the first Cuyahoga County municipality to participate in the RENEW energy retrofit program by replacing inefficient equipment like the heating and air conditioning unit on the roof of its recreation center. Public Service Director Stewart Lovece and Emerald Cities Director Shanelle Smith review plans for the project.



Gas boilers like these vintage 1930 Kewanees still heat some city-owned buildings. Besides the environmental pollution and high energy cost to operate, cities usually don't have money for replacements. An ingenious solution is being implemented by the nonprofit Emerald Cities Cleveland.

efficiency, RENEW can help create 21 direct and indirect, high-quality jobs. All contractors will be local and are pledged to hire local workers."

In addition to Seven Hills, 50 municipalities have received investment grade audits. Those audits identified nearly \$30 million in energy conservation upgrades needed and \$3 million in annual energy savings. By addressing our municipalities' needs, RENEW feels it can reduce Cuyahoga County's energy footprint by 15,648 carbon emissions tons.

Funding for the pilot program has been provided by the Washington, DC-based Emerald Cities Collaborative, the Joyce Foundation, The Generation Foundation and the Northeast Ohio Regional Energy Alliance.

"Besides the environmental impact of the program, RENEW will have a substantial economic development payoff," said Generation Foundation President Peter K. Ranney. "When you add Cuyahoga County municipalities' properties to the County's, the estimated total of \$100 million in energy efficiency investments would stimulate the creation of about 1,100 jobs."

Current project partners are the Cuyahoga County Planning Commission, Office of County Executive, County Council, Northeast Ohio Regional Energy Alliance, Public Finance and Energy Advisors LLC, Partnership for Working Families and a local bond issuer.