Maryland Green Building Council Meeting Summary

Wednesday July 27, 2016 – 10 A.M. -12 P.M.
Olmsted Conference Room – Suite 1105
301 W. Preston Street, Baltimore, Maryland 21201

Attendees:
Tom Liebel MDGBC
Stephen Gilliss - DGS
Christine Varney MDGBC
Martha Shrader USM
Samuel Beirne MEA
Anne Raines MDP
Susan Gore DBM
Ashley Seborowski - MDE

Support:
Ellen Robertson DGS

Guests:
Wyatt Shiflett II - MCEC
Courtney Jenkins – Clean Source Capital LLC
Gerard Nealy – Pace Financial Service
Alicia Moran - AM media + Marketing
Jack Neil – Jack Neil Associates
Sabrina Bachman - USGBCMD

I. Greetings / Introductions / Announcements / Sign In

A. Acting Chair Tom Liebel brought the meeting to order at 10:10 AM. Attendees introduced themselves.
B. Tom said he has already talked with incoming Secretary Churchill and is looking forward to having him meet the Council once he has settled in.
C. Stephen Gilliss said that DGS still has not heard back from the Governor's appointment office re: the membership renewals and new member appointments.

II. Wyatt Shiflett, Director of Financing Programs for the Maryland Clean Energy Center (MCEC) provided a presentation on his organization.
A. MCEC advances the adoption of clean energy, energy efficiency products, services and technologies. MCEC leverages private capital to help homeowners, businesses, and government entities reduce energy costs.
1. Four basic programs for financing
2. MCEC is a small entity with a staff of 2-4 people and a broad mission.
3. MCEC has a nine member board
4. Relies on partnerships with MEA etc.
5. They are not a direct agency of the state and they work in private and public sector
6. They can take on debt which does not affect the state's debt
7. They are not a taxable entity

B. They can own clean energy assets when the taxing authorities approve it. In the same way that the state owns the Hyatt in Cambridge, MD. through DBED.
C. They hold conferences, bringing people together and are always under pressure to be more self-sustaining as these softer parts of their mission takes state

capital. They also provide reports and studies to government entities. These are costly and they are working on their budget to accomplish this.

D. Their public / private partnerships leverage financing

E. Their 5 main functions are to Inform, Promote, Finance, Convene and Advocate

F. Their residential home energy loan program has provided 3,455 loans, all capital from private banks

1. Since 2010 they have leveraged $40 million, $26 million of which has been for residential capital improvements. They have demonstrated that it works.
2. They have a low default rate and a low credit score eligibility of 620 Their next challenge is to build a program for low income users with lower credit scores.
3. The program is not related to EmPowerMD but homeowners can use both if EmPower is available in their area. MCEC's programs are available in all counties while EmPowerMD is not.
4. They can provide an unsecured loan at 9.99% with no interest for a year. For example, if a homeowner's HVAC breaks down and needs to be replaced, they can take a loan out for more energy efficient replacement equipment and pay it off in a year with no interest.
5. This program is not currently designed for renewable energy such as solar and ground source because they didn't want use up the funds too quickly on this more expensive equipment.
6. MCEC tried to get legislation to create a green bank but the legislation led to a task force instead. The task force competes its work later this year.
7. The program is coordinated with a DHCD project which targets lower income families. DHCD underwrites their program while banks underwrite the MCEC program.

G. They also work on larger projects with their MD Clean Energy Capital Program

1. They serve schools, hospitals , municipalities etc. They have funded $15 million to Coppin State, UMBC and the National Aquarium for energy efficiency upgrades. They issue revenue bonds
2. These are usually embedded in energy performance contracts when savings are greater than the debt service. This is off credit.
3. ESCOs are with Siemens, Honeywell, Energy Service Co. and other similar entities. Savings are verified and savings are guaranteed making the loans easier to get.
4. Once the loan is paid off with the energy savings, the future energy savings belong to the project owner.
5. ESCOs are not the cheapest way to borrow money but this works well for owner's cash flow.
6. For a municipality these programs bring capital immediately rather than waiting for budget cycles. Saves money by being able to build the project now.

H. Another program is their Property Assessed Clean Energy (PACE) program. Gerard Nealy explained this program.

1. Its not new. Started in 2008 in California.

2. 32 states and DC have it. 16 are active. There are 730 PACE projects nationwide for over $250+ million
3. In Maryland in 2014 (SB 186) the law was passed to allow counties to opt in. The county crafts the ordnance for eligibility and terms of the loans. Mortgage holders must consent by law.
4. Five MD counties are currently signed in. AA, Montgomery, Queen Anne, Howard and Garrett. Baltimore City, Charles and Kent counties are close and Prince Georges and Frederick counties are starting to work on their programs. The burden is on the county to determine what is best for their residents.
5. Residential PACE is not in Maryland.
6. Commercial, industrial, multi-family, community based organizations, hospitals, houses of worship and others are eligible.
7. PFS is contracted to administer PACE so the counties don't have that burden.
8. Financed by private banks. You can bring your own bank.
9. They are trying to get the different jurisdictions programs to be as similar as possible to make it easier for contractors to work throughout the state without having to know many different sets of rules.
10. PACE is attractive for renewable and energy efficiency projects:
    a. Cash flow is positive from day 1.
    b. $0 down financing
    c. 5-20 year terms
    d. Fixed low interest loans - 5-6%
    e. Secured by the property and transfers with the property. Allows a lot of flexibility
    f. Can be a toolbox for contractors to go to clients with financing to do projects. A great economic development tool for the counties. Contractors register with the program.
    g. MD-PACE.com
    h. The White House announced last week that FannieMae and FreddieMac are now accepting PACE loans.
    i. Also helps developers and owners perform improvements for their tenants. Operational expenses go down making building owners better credit risk with the lenders. If the bank doesn't like PACE you can refinance somewhere else. It takes education for the banks to get on board.
    j. PACE residential legislation has been proposed in Maryland but hasn't advanced. It will likely be back. MCEC is currently studying further. Residential usually follows as it did in CA.

I. Courtney Jenkins of CleanSource Capital LLC spoke about MD SAVES, another program of MCEC.
1. Qualified Energy Conservation Bonds (QECB), a federal benefit largely unused in Maryland until recently. Multiple states are using this program.
2. Federal program started in 2008 and funded in 2009 thru the federal stimulus bill. $3.2 billion dollars was allocated for the country. Maryland got $58 million. It's for jurisdictions of over 100,000 population. 12 jurisdictions in Maryland qualify.

3. The federal government will pay 70% of the interest on loans from private borrowers.
4. Eligible borrowers are institutional, commercial, industrial, local government, non-profit and others. Mainly for energy retrofits .
5. The county doesn't have to borrow the funds. They can transfer the allocation. A private business can borrow.
6. Projects eligible for the funding are energy efficiency, distributed energy and alternative fuel.
7. They target larger projects, usually $1 million and above as they will work better.
8. Maximum loan terms are for 10-30 years but most borrowers want to keep to 20 years or less.
9. Funds are available on a first come first serve basis.
10. There will be a pool of lenders but you can use your own lender as well.
11. There is $42 million left in the allocation but this is a finite amount which will not be available again. But there is no sunset.
12. Used for community benefit projects. Can also be used for small transportation and other projects.
13. Montgomery County has planned to use most of its allocation at this time.
14. CleanSource has done projects in other states including Alabama and North Carolina and have had success. Courtney is working to get this working better in Maryland.
15. Website will be up soon.
16. There is an initial $5,000 fee to get started. There are some additional fees as well which are rolled into the lending. This is why larger projects make more sense and are more efficient.
17. Contractors have to comply with the Davis Bacon Act.
18. Courtney described several case study projects in Virginia, North Carolina, South Carolina where the effective interest rate was around 1% or less.
19. Some of the counties still don't know they have allocations. Others don't understand how they work and are concerned about their debt ratio.

J. Questions on the presentation

1. Tom asked if MCEC is getting productive help from the administration? Wyatt said they had a very productive meeting last week. MEA's director is on their board giving them a good tie to the Governor's office. They were given a homework assignment to meet with every state agency and come back with a work paper on how they plan to work with that agency. This is just MCEC authoring this work as opposed to a task force. This will help them complete this task sooner.
2. Tom asked how the Council can work with MCEC. Does Wyatt see a connection with the Council? Wyatt said they have an advisory board and it would be good to have Council representation on that board and he would appreciate staying in touch.
3. Sam asked about what they are doing with Baltimore City. Wyatt said they have written a MOU with the US Dept of Energy, the City and the Clean Energy Center to build an energy hub and to focus resources, time, effort and money into Baltimore City. There is a lot of

political will to get money flowing into the City, however the MOU doesn't speak about dollars. They will be trying to impact low to moderate income communities. They are working on a project with Grid Alternative, a not for profit solar contractor. They are committed to 31 projects in the City. They get 2nd generation solar equipment and install systems for about $3 thousand dollars a system. They are exploring lots of other alternatives. DOE has lots of consultants available. MCEC is meeting the 2nd week of August on this with all the players. Once these programs are underway they can become a model for other places.

V. Once Around the Table

A. Stephen Gilliss suggested that, due to all the vacations in August and the less than usual turnout here in July, the Council consider reconvening in September. All agreed and Tom gave out a homework assignment for everyone to think about what we can work on until the uncertain status of the Council members, leadership and the new DGS Secretary is resolved.
B. Sam said he is handling a $1 million program for FY2017. He is handling all the wind programs.
C. Ashley said that MDE is finishing up some of last year's grant projects and will have a new grant in September that will start new projects.
D. Sabrina said that USGBC will be having a presentation by Gerard on PACE at a lunch and learn in September.

VI. The meeting was adjourned at 11:24 A.M. The next meeting is scheduled for Wednesday September 28, 2016 at 10:00 AM at a location to be determined.

The preceding is intended as a paraphrase / summary only of the discussions held on this meeting date. Council members are requested to review the summary and notify the writer of any errors, omissions, additions or unintended misrepresentations of the discussion.