

CITY OF EUGENE

AGENDA ITEM SUMMARY



Adoption of Resolution 5035 Authorizing Suballocation or Transfer of Qualified Energy Conservation Bonds for Lane Community College

Meeting Date: June 27, 2011
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 2D
Staff Contact: Sue Cutsogeorge
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ISSUE STATEMENT

The council will consider a resolution that would allow the City to transfer or suballocate its share of federal Qualified Energy Conservation Bonds (“QECBs”) to Lane Community College for its Downtown Campus project.

BACKGROUND

The new Downtown Campus for Lane Community College (LCC), to be located at 10th and Charnelton, will include a 90,000 square foot, \$35 million education building and a \$20 million, 75,000 square foot student housing facility. The LEED Platinum education building is intended to both demonstrate and teach sustainable building strategies. It will house approximately 30 state-of-the-art classrooms and lecture halls that will increase the number of students served downtown.

The City and Eugene’s Urban Renewal Agency (URA) are supporting the project in several ways. On May 24, 2010, the council approved an amendment to the Downtown Urban Renewal Plan with support for the project. The amended plan included an \$8 million grant to LCC for the project. In addition to the grant, the URA also donated the land at 10th Avenue and Olive Street valued at \$1.6 million. The City also approved the transfer of a Recovery Zone Bond allocation to LCC in order to help the college access a \$7,839,000 lower cost bond that will go toward the housing portion of the project.

The federal government has enacted programs that authorize the issuance of Qualified Energy Conservation Bonds that may be used by state, local and tribal governments to finance certain types of energy projects. These bonds are limited and must be issued under a volume cap allocation from the federal government. The City of Eugene has been allocated approximately \$1.5 million of the QECB volume cap.

QECBs are interest subsidy bonds that can be issued to finance energy efficiency capital expenditures in public buildings; renewable energy facilities; green community programs; renewable energy production; various research and development applications; mass commuting facilities; several types of energy related demonstration projects; and public energy efficiency education campaigns. No such bonds have been issued in Oregon to date in part because it can be difficult to develop qualifying projects, and because it may not make sense to issue bonds for

the small amount of allocation that each jurisdiction has been granted. The City of Eugene does not currently have any projects that would qualify for or make sense to finance using QECCBs.

As part of the Governor's Cool Schools Initiative, the Oregon Department of Energy (ODOE) has requested that jurisdictions not utilizing their allocation transfer their unused QECCB allocation back to the State. The State is aggregating these unused allocations to issue the bonds as the source capital for a Cool Schools Initiative loan program operated under ODOE's Small Energy Loan Program. The resulting financial product would be a low interest loan with a maximum 15-year term.

ODOE's initial list in March 2011, of potential K-12 school projects that would receive assistance under the Cool Schools program did not include any schools in Eugene. Given this, staff worked with local schools and LCC to determine if there would be a use for the City's allocation locally rather than giving up this allocation to the state-wide effort. From these discussions with Eugene and Bethel School Districts, as well as LCC staff, it became clear that the LCC Downtown Campus project would be the most viable use of Eugene's allocation given the project financial gap that exists for high efficiency and renewable energy elements, LCC's proposed uses meet the bond program requirements, and LCC expressed the greatest interest in issuing the bonds given their current bond activity. On June 14, the LCC Board approved a resolution requesting that the City consider transferring its allocation for use in the Downtown Campus project. The LCC resolution is included as Attachment A.

The City resolution included as Attachment B would allow the City to transfer its QECCB allocation to LCC to lower the cost of borrowing for some of the sustainable building strategies included in the project. Specific elements that would qualify for use of these bonds are the solar and geothermal energy systems to be included in the project. There are many other elements of the project that include energy conservation elements, and those may also qualify for use of QECCBs if the solar and geothermal systems are deemed not eligible for some reason. The use of QECCBs would allow LCC to borrow funds at a lower cost than would otherwise be available for financing and further assist LCC in successfully completing this highly important downtown development project.

RELATED CITY POLICIES

Downtown revitalization and the projects referenced in this material are supported by the Downtown Plan, the council's 2009 Vision and Goals, and a number of plans and reports related to downtown.

COUNCIL OPTIONS

Council options include:

1. Approve the resolution as presented to allow suballocation or transfer of the QECB authorization to LCC.
2. Do not approve the resolution.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approving the resolution.

SUGGESTED MOTION

Move to adopt Resolution 5035 authorizing suballocation or transfer of Qualified Energy Conservation Bonds for Lane Community College.

ATTACHMENT

- A. Resolution 564 of the Lane Community College Board, Request for Qualified Energy Conservation Bond Allocation
- B. A Resolution Authorizing Suballocation or Transfer of Qualified Energy Conservation Bond Authority for Lane Community College

FOR MORE INFORMATION

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Lane Community College
4000 East 30th Avenue
Eugene, Oregon 97405

Board of Education
June 14, 2011

RESOLUTION NO. 564

Request for Qualified Energy Conservation Bond Allocation

WHEREAS, Lane Community College seeks to enhance development in downtown Eugene by constructing an energy efficient, LEED certified Downtown Campus facility; and

WHEREAS, Qualified Energy Conservation Bond Authority allows for cost effective financing of energy features such as geothermal and solar energy development; and

WHEREAS, the City of Eugene is an QECB-eligible local government that has received a Qualified Energy Conservation Bond allocation in the amount of approximately \$1.5 Million; and

WHEREAS, federal law authorizes QECB-eligible governments to sub-allocate their QECB bond authority allocation for qualifying purposes.

NOW THEREFORE, BE IT RESOLVED

That the Board of Education of Lane Community College requests that the City of Eugene City Council sub-allocate its available Qualified Energy Conservation Bond authority to the College to be used for geothermal and solar energy components in the construction of the Lane Community College Downtown Campus and for other qualified energy conservation projects at the Downtown Campus.

Adopted by the Board of Education this 14th day of June, 2011.

ATTEST:

College
President/District Clerk

Mary Spilde,

Chair, Lane Community College
Board of Education

RESOLUTION NO. ____

A RESOLUTION AUTHORIZING SUBALLOCATION OR TRANSFER OF QUALIFIED ENERGY CONSERVATION BOND AUTHORITY FOR LANE COMMUNITY COLLEGE.

The City Council of the City of Eugene, Oregon, finds as follows:

A. The *Energy Improvement and Extension Act of 2008*, enacted in October 2008, authorized the issuance of Qualified Energy Conservation Bonds (QECBs) that may be used by state, local and tribal governments to finance certain types of energy projects. *The American Recovery and Reinvestment Act of 2009*, enacted in February 2009, expanded the allowable bond volume to \$3.2 billion. The City of Eugene (the “City”) has been allocated Qualified Energy Conservation Bonds (“QECBs”) volume cap in an amount estimated to be \$1,563,417.

B. QECBs are interest subsidy bonds that can be issued to finance energy efficiency capital expenditures in public buildings; renewable energy facilities; green community programs (including loans and grants to implement such programs); renewable energy production; various research and development applications; mass commuting facilities that reduce energy consumption; several types of energy related demonstration projects; and public energy efficiency education campaigns.

C. The City is permitted pursuant to Section 54D(e) of the Internal Revenue Code of 1986, as amended, and Internal Revenue Service Notice 2009-29, to use some or all its QECB authority to issue QECBs, to suballocate some or all of its QECB authority to another issuer for a project that is within or attributable to the jurisdiction of the City, and/or to reallocate some or all of its QECB authority to the State of Oregon.

D. Lane Community College (“LCC”) is developing a state-of-the-art education facility within the geographical limits of the City that will be LEED Platinum and include many energy conservation measures.

E. On June 14, 2011, the LCC Board passed a resolution requesting assistance from the City in the form of utilization of the City’s QECB authority to allow LCC to achieve a lower financing rate for energy conservation measures in the new facility.

NOW, THEREFORE,

BE IT RESOLVED by the City Council of the City of Eugene, a municipal corporation of the State of Oregon, as follows:

Section 1. Qualified Energy Conservation Bond Authority for Lane Community College. The City Manager or the person designated by the City Manager to act on behalf of the City under this resolution may suballocate or transfer to, or otherwise arrange for the use by, LCC of all or any portion of the City’s QECB authority.

Section 2. **Delegation.** The City Council hereby authorizes the City Manager and the person designated by the City Manager to act on behalf of the City under this resolution to take any actions that are desirable to carry out this resolution.

Section 3. **Effective Date.** This resolution shall take effect immediately upon adoption.

The foregoing Resolution adopted by the City Council on the 27th day of June, 2011.

Deputy City Recorder