

# Innovative Financing Tools for Cleaner-Burning Appliances

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## Scope of Presentation

- Finance Tools
  - Tax Credits
  - Low interest loan program

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## Financial Goal

Provide the most favorable financing terms for homeowners to purchase cleaner-burning appliances

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## Tax Credits

- Allows tax payers to deduct a specified amount from their taxes for buying a cleaner-burning appliance
- Total cost for a wood stove is \$3500
- Tax credit examples:
  - Federal: 30% (up to \$1500) for purchase of 75% efficient stoves in 2009 and 2010.
  - Montana: \$500 for “alternative energy systems” includes wood stoves
  - Idaho: 40% percent of the total cost plus professional installation
  - Oregon: 25% percent of the net cost of wood and pellet stoves up to \$300

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## Voluntary Environmental Improvement Bonds (VEIBs)

- Low interest loan program for homeowners that use property as collateral for a loan
- Finance concept for local govts to reduce air pollution and make cleaner burning appliances affordable for homeowners
- No upfront cost to the property owner
- May require state enabling legislation

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## VEIBs: How it Works for a Wood Stove Changeout

- The local government creates a property secured financing district.
- Property owners voluntarily sign up for financing and install energy projects.
- Proceeds from local govt's Clean Energy Bond provided to property owner to pay for energy projects.
- Property owner repays bond through property tax bill over 30 years.

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## VEIBs: Benefits for States and Consumers

- Creates “green” jobs
- No new taxes or fees
- Utility bills decrease due to energy savings
- Low cost to homeowner
- Additional financial incentives may be available from the Recovery Act

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## VEIBs can be used to fund many energy efficient and environmental projects

- Can finance one program or several at a time.
- Example energy efficient programs:
  - Wood stoves, fireplaces, outdoor wood heaters
  - Insulation
  - Solar panels
  - Tankless water heaters
  - Permeable pavement
  - Stream buffers
  - Agricultural diesel equipment on farms

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## Example of VEIB Finance Program

### **Berkley, CA: Financial Initiative for Renewable and Solar Technology (FIRST)**

- City pays for solar panels with a city bond
- Homeowners pay it back by property tax assessments for 20 yrs
- Charter city, so no legislation was required to incur debt and assess tax

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## Other Successful Finance Programs

### **SmartWay Clean Diesel Loan Program:**

- Finances certified trucks and retrofit technologies that conserve fuel and reduce emissions.
- Loan program backed by \$3.4M in EPA grants

### **Pendleton, OR:**

- Wood stove replacement program offers low interest loan program backed by HUD Block Grant.
- City hoped program would keep them out of non attainment

### **Puget Sound:**

- Pursuing state legislation that will create "climate benefit districts" that have taxing authority and debt capacity independent of the city.

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