

Voluntary Environmental Improvement Bonds

A Tool for Producing Low-Cost Incentives

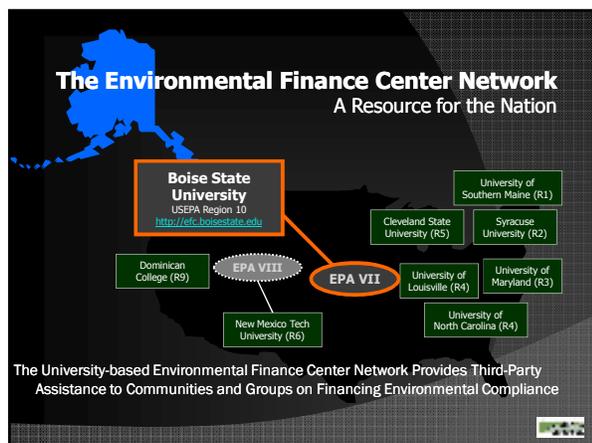
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The Environmental Finance Center Network

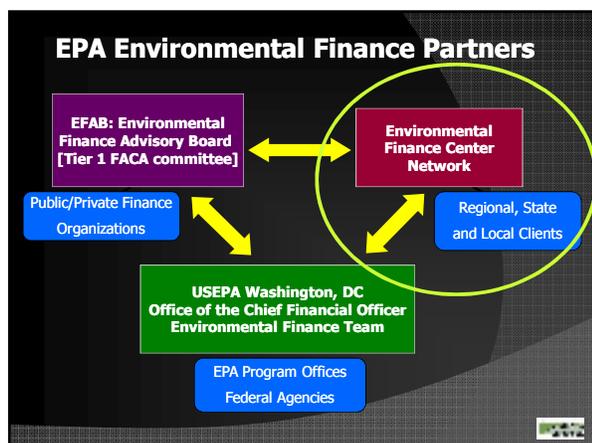
A Resource for the Nation



The University-based Environmental Finance Center Network Provides Third-Party Assistance to Communities and Groups on Financing Environmental Compliance



EPA Environmental Finance Partners



The Center Provides Services to Communities on the "How to Pay" Issues of Environmental Compliance



Macro – EF

multi-community focus

Micro – EF

single community focus

- Watershed restoration finance
- Non-point source pollution reduction
- Watershed financing database
- Community charrettes
- Strategic planning tools for local decision-makers
- Strategic decision models
- Water system finance & management
- Wastewater finance & management
- Utility rate setting tools & training
- Asset management and "gap" financing
- *Guidebook of Financing Tools*
- Brownfield redevelopment financing
- Financial & management capacity measurement & technical assistance
- Financial analysis for exemptions



BSU's EFC Creates Tangible Software Tools Designed to Save Communities Time and Money











Download these tools at <http://efc.boisestate.edu>



Voluntary Environmental Improvement Bonds

Promoted by the EPA's Environmental Finance Advisory Board (EFAB) in June 2009 Report to EPA Administrator Lisa Jackson.

EFAB recommended that the EPA encourage states and local governments to adopt VEIB programs that embrace a wide variety of environmental improvements. As shown in the next slide, many that could be used in the context of a healthy homes program.

The VEIB produces long-term, low-cost incentives for installing improvements to reduce green house gas emissions, improve air quality, and reduce non-point source water pollution.



What Can VEIBs Finance?

VEIBs can be used to finance a host of improvements including, but not limited to:

- Solar panels
- Insulation
- Insulating doors and windows
- New energy efficient tankless water heaters
- New EPA-certified wood stoves and hydronic heaters
- Geothermal loops
- Green roofs
- Rain gardens
- Permeable pavement
- Septic tank replacement
- New clean agricultural diesel engines
- Livestock feeding stations
- Animal waste management facilities
- Stream crossings
- Stream buffers (trees and fences), and probably more!



Where did the idea of VEIBs come from?

The concept began in Berkeley, California in 2008. The City formed a special taxing district, the "Sustainable Energy Financing District," to finance the purchase and installation of solar panels on homes of individual citizens if they consented to pay for the improvement through an annual tax assessment on the home to be paid along with their real property taxes.

A homeowner can finance up to \$37,500 per home for new solar panels through property secured debt. Given that solar panels have a long useful life, the City's special taxing district can issue bonds with a term of 20 years or use PSO or "Property Secured Obligation" authority to secure other sources of long-term debt.

The City supports this program as a means to address climate change risk.



Where did the idea of VEIBs come from?

VEIBs are a form of a "Property Secured Obligation."

Attractive features of properly designed VEIBs:

They provide long-term financing – *longer than conventional financing*. This drastically reduces monthly payments.

They offer lower interest rates than conventional financing, in part because the rate is based upon the improved property securing the debt. The longer the term, the lower the annual payment

VEIBs are a completely voluntary program.



EFAB Recommendations to EPA

1. The EPA Administrator should request that the President create an inter-agency task force to define the characteristics of a Property Secured Obligation (PSO) based VEIB program and encourage the adoption of such VEIB programs by state and local governments. The task force could be composed of EPA, the Department of Agriculture, the Department of Housing and Urban Development, the Department of Energy, the Department of Treasury and other agencies.
2. The EPA Administrator could encourage this inter-agency task force to study and recommend changes to the Federal Tax Code and other initiatives to enable the issuance of tax-exempt bonds to finance energy efficiency and environmental improvements owned and operated by property owners with appropriate linkages to the wider public good.



VEIB – The Bottom Line

Americans generally believe that we must all do our part to reduce the risks to climate change and improve the environment.

The VEIB concept opens up whole new vistas of individual environmental initiatives.

Under a VEIB program, individual families will have many low cost opportunities to do their part to reduce climate change and to improve environmental quality.

The lower the cost, the more families will seize these opportunities.



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