



Rhode Island
Economic Development Corporation

Building the 21st Century Innovation Economy

**Presentation to
RI Business Plan Competition
Green Economy Track
March 10, 2010**

Green Business Financing

1. Renewable Energy vs. Energy Efficiency

Sources and Incentives vary greatly between renewable energy production and energy efficiency (conservation).

2. Direct vs. “Indirect” Sources

Funding sources and come in the form of Programs (direct) support or Incentives (indirect) financing. Not all incentives result in cash flow to the business/project. It is important to understand the “cash” vs. “non-cash” differences.

3. Project Financing vs. Business Financing

Many sources and incentives available are focused on the “project” or end-user vs. the actual “green business”. Understanding how these financing tools work will support the growth of your business.

Renewable Energy

State Direct Sources	Federal Direct Sources
RI Renewable Energy Fund RI Small Business Loan Fund RI Industrial Facilities Corporation Bonds RI Industrial/Recreational Building Authority Bond/Mortgage Insurance	Renewable Energy Tax Credit Clean Renewable Energy Bonds Renewable Energy Loan Guarantee 1

State Indirect Sources	Federal Indirect Sources
RI Renewable Energy Tax Credit Property Tax Exemption Sales Tax Exemption	Modified Accelerated Depreciation Energy Efficiency Mortgages

State Direct Sources Renewable Energy

RI Renewable Energy Fund

Type of Financing:	Loans, Recoverable Grants, Grants	
Funding Areas	Funds Available	Per Project
Municipal:	\$1,000,000	\$500,000
Affordable Housing	\$200,000	\$100,000
Technical/Feasibility	\$200,000	\$N/A
Commercial/Other	Balance	\$750,000
Approved Use of Funds:	"Generation" Projects	
Rates, Fees and Terms:	Varies	
Funding Criteria:	Technological/Financial Viability, Project Management, RE Benefits, Etc.	

RI Small Business Loan Fund

Type of Financing:	Direct Loan
Eligible Applicants:	Existing Manufacturing, Processing, and Selected Services
Dollar Limit Per Project:	\$250,000
Approved Use of Funds:	Acquisition and Improvements of Land/Building, M&E, Working Capital
Rates:	6.5%
Fee:	Up to 1%
Term:	10 Years

State Direct Sources Renewable Energy

RI Industrial Facilities Corporation Bonds

Type of Financing:	Tax Exempt and Taxable Bonds
Eligible Applicants:	Manufacturing Projects and Select Commercial Facilities
Dollar Limit Per Project:	\$20MM (Usually)
Approved Use of Funds:	Fixed Assets: Land, Building, M&E, Certain “Soft” Costs
Rates:	Varies: Recent Rates: 4.5% (Tax-exempt) 6.5% (Taxable)
Fee:	1/8 th of 1% (Tax Exempt) ½ 1% Present Value (Taxable)
Term:	20 – 25 Years (dependent on bond purchaser)

RI Industrial/Recreational Building Authority Bond/Mortgage Insurance

Type of Financing:	Debt Insurance on Taxable and Tax Free Bonds
Eligible Applicants:	Manufacturing, Processing, Office, Wholesale, Retail, Tourism
Dollar Limit Per Project:	\$5MM
Approved Use of Funds:	New building acquisition, rehabilitation, M&E
Rates:	1% - 3% (average)
Fee:	1%
Term:	20 – 25 Years

State Indirect Sources Renewable Energy

RI Renewable Energy Tax Credit

Type of Incentive:	Corporate/Personal Tax Credit
Eligible Applicants:	Residential Renewable Energy Installations (Solar, Wind Geothermal)
Amount of Incentive:	25% of Costs (up to \$15,000 (\$7,000 for hot water and geothermal))
Notes:	Tax Credit may be taken by Homeowner <i>OR</i> Corporate installer

Property Tax Exemption

Type of Financing:	Tax Exemption
Eligible Applicants:	Renewable Energy Installations (Solar Hot Water, PV, Wind, Biomass, Hydro)
Amount of Incentive:	Varies
Notes:	RI law <u>allows</u> cities and towns to exempt renewable-energy systems from property taxation via ordinance.

Sales Tax Exemption

Type of Financing:	Sales Tax Exemption
Eligible Applicants:	Renewable Energy Installations (Solar Water Heat, Solar Space Heat, Photovoltaics, Wind, Biomass, Small Hydroelectric)
Amount of Incentive:	100%
Notes:	Certain renewable energy systems and equipment sold in RI are exempt from the state's sales and use tax.

Federal Direct Sources Renewable Energy

Renewable Energy Tax Credit

Type of Incentive:	Tax Credit (Grant)
Eligible Applicants:	Renewables (solar, small wind, fuel cell, geothermal, hydro)
Amount of Incentive:	30% - solar, fuel cells, small wind. 40% - other
Notes:	Businesses may elect to take Tax Credit as a Cash Grant

Clean Renewable Energy Bonds

Type of Incentive:	Federal Loan (Bond)
Eligible Applicants:	Renewables installed/owned by State/local governments, Tribal Government, Municipalities
Amount of Incentive:	Varies
Notes:	Provide the equivalent of a 0% interest rate loan for projects.

Renewable Energy Loan Guarantee

Type of Incentive:	Loan Guarantee
Eligible Applications:	Solar, Wind, Hydro, Geothermal, Fuel Cells, Wave, Biodiesel
Amount of Incentive:	Up to 90%
Notes:	Focus on 3 areas: Manufacturing Projects, Stand-alone projects and Large Scale integration

Federal Indirect Sources Renewable Energy

Modified Accelerated Depreciation

Type of Incentive:	Tax (Depreciation Expense)
Eligible Applicants:	Renewable Energy Installation
Amount of Incentive:	50% of depreciation may be taken in Year 1 of service
Notes:	

Energy Efficiency Mortgages

Type of Incentive:	Federal Loans for Homeowners
Eligible Applications:	Residential Energy Efficiency and Renewable Energy installations
Amount of Incentive:	Up to 100% of Energy Improvements – FHA Loans
Notes:	Loans may not exceed the projected savings of the improvements.

Advanced Energy Manufacturing Investment Tax Credit

Type of Incentive:	Tax Credit
Eligible Applications:	Manufacturing of Efficiency and Renewable
Amount of Incentive:	30%
Notes:	Qualified investments include tangible, depreciable property that is required for the manufacturing

Energy Efficiency Sources

State Direct Sources	Federal Direct Sources
<p>National Grid</p> <ul style="list-style-type: none"> •Commercial (Electric) Efficiency Programs •Commercial (Gas) Efficiency Programs •Residential (Electric) Efficiency Program •Residential (Gas) Efficiency Programs •Small/Mid-Sized Business Efficiency Program 	<p>Energy Efficiency Mortgages Loan Guarantee Program</p>
State Indirect Sources	Federal Indirect Sources
<p>State Programs run along side State Programs</p>	<p>Corporate Tax Deduction Corporate Tax Credit for Homebuilders Manufacturing Tax Credit</p>

Resources

RI Economic Development Corporation

www.riedc.com

RI State Energy Office

www.energy.ri.gov/

National Grid

www.thinksmarthinkgreen.com

Database of State Incentives for Renewables and Efficiency

www.dsireusa.org

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