



Updated September 1, 2011

## QUALIFIED ENERGY CONSERVATION BONDS

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REQUEST FOR ALLOCATION



# Application & Guidelines

# Qualified Energy Conservation Bonds (QECCBs)

## Guidelines

Updated February 9, 2012

The Arizona Commerce Authority (“Commerce”) is requesting proposals for projects that qualify for the use of Qualified Energy Conservation Bonds (“QECCB”). Effective immediately an application can be submitted to Commerce for an allocation of QECCB volume cap.

At this time, Commerce does not have any QECCB volume cap available. This amount may change if any jurisdiction releases any portion of their allocation to Commerce. Please visit our website at:

<http://www.azcommerce.com/BusAsst/Incentives/QECCB.htm> for up to date information on the amount of available volume cap.

Commerce shall reallocate the available volume cap on a first come first serve basis to eligible applicants. An initial review of each application for project readiness and completeness will be conducted prior to being confirmed for an allocation. After applications are screened, each applicant will be notified of their eligibility for an allocation. All eligibility decisions are final.

### For Questions Contact:

Tiffany Frechette

Phone: 602-845-1254



Email:

[tiffanyf@azcommerce.com](mailto:tiffanyf@azcommerce.com)

### QECCB Available Volume Cap:

- **Total available**
- **\$0**
- 70% Government  
\$0
- 30% Private Activity  
\$0

## Application Requirements

Commerce shall only accept original applications delivered via private delivery service or hand delivery. Any other form of delivery for an application, including mailed, emailed or faxed copies will not be accepted by Commerce.

To facilitate the evaluation of each submission, applicants must complete the application in its entirety and include all required exhibits.

Applicants are required to provide full explanations of bond financing and the project.

Additional information may be requested by Commerce from applicants prior to confirming an allocation.

### *Incomplete applications are subject to disqualification*

In order to be deemed eligible, the applicant must submit the following items to Commerce:

1. A completed Application form.
2. A copy of the issuer’s resolution or other official action taken for the project.
3. A legal statement.
4. Financial commitment letter or Governing body action or direction indicating that a financing process has been initiated
5. Evidence of the authority to retain or the retention of a person or firm to provide an energy audit of the facilities (or the actual audit if completed).

\*See page 5 for a more detailed explanation of the required items above.

## Background

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QECBs are qualified tax credit bonds that were originally authorized by the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 (Pub. L.110-343) with a national limitation of \$800 million. The American Recovery and Reinvestment Tax Act of 2009 (the “Act”), which was signed into law on February 17, 2009, increased the amount of QECBs that may be issued from \$800 million to \$3.2 billion.

This expansion is intended to enable states to issue QECBs to finance, among other purposes, retrofits of existing public and private buildings through loans, grants or other repayment mechanisms to individual homeowners or businesses. Other repayment mechanisms can include periodic fees assessed on a government bill or utility bill that approximates the energy savings of energy efficiency or conservation retrofits. Retrofits can include heating, cooling, lighting, water-saving, storm water-reducing, or other efficiency measures. For additional information on QECBs, please visit: <http://www.irs.gov/pub/irs-drop/n-09-29.pdf>

The Act provides that the term “qualified tax credit bond” means, in part, a qualified energy conservation bond that is part of an issue that meets the requirements of Internal Revenue Code (IRC) §54A(d)(2), (3), (4), (5), and (6) regarding expenditures of bond proceeds, information reporting, arbitrage, maturity limitations, and prohibitions against financial conflicts of interest. As a tax credit bond, holders of QECBs receive payments in the form of tax credits from the federal government. The hiring incentives to restore employment act of 2010, enacted on March 18, 2010, authorized issuers of QECB the option of receiving a federal subsidy in the form of a direct cash payment to offset the interest cost of borrowing rather allowing the tax credit. These incentives permit an issuer of QECB to potentially borrow for “qualified conservation purposes” at rates of interest which may be significantly lower than rates of interest on taxable debt or even tax-exempt bonds. The credit rate is 70% of the credit rate that would allow the QECB to sell at par.

## Key Highlights

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- The U.S. Treasury and the Internal Revenue Service determined individual state QECB volume caps.
- Arizona received a volume cap allocation of **\$67,436,000**.
- The Governor of Arizona issued [Executive Order 2009-12](#), giving Commerce authority to administer the QECB program on behalf of the State.
- The program authorizes QECBs to be issued by the State, municipalities and tribal governments to finance government programs and initiatives designed to reduce greenhouse gas emissions.
- The State will directly allocate the remaining volume cap to projects statewide through a competitive process.
- At least **70%** of QECB authority must be used for government projects. No more than **30%** may be used for private activities. Private activity QECB proceeds may only be used for capital expenditures.
- 100% of the available project proceeds of QECBs are to be used for one or more qualified conservation purposes.

# Eligible Projects

**According to QECB Federal Guidance and the Recovery Act, qualified projects include:**

- A. Capital expenditures incurred for purposes of:
  - i. reducing energy consumption in publicly-owned buildings by at least 20 percent
  - ii. implementing green community programs
  - iii. rural development involving the production of electricity from renewable energy resources
  - iv. any qualified facility (as determined under IRC §45(d) without regard to paragraphs (8) and (10) thereof and without regard to any placed in service date).
- B. Expenditures with respect to research facilities, and research grants, to support research in:
  - v. development of cellulosic ethanol or other non-fossil fuels
  - vi. technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels
  - vii. increasing the efficiency of existing technologies for producing non-fossil fuels
  - viii. automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation
  - ix. technologies to reduce energy use in buildings.
- C. Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting.
- D. Public education campaigns to promote energy efficiency.
- E. Demonstration projects designed to promote the commercialization of:
  - i. green building technology
  - ii. conversion of agricultural waste for use in the production of fuel or otherwise
  - iii. advanced battery manufacturing technologies
  - iv. technologies to reduce peak use of electricity
  - v. technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity

*For more Federal information on QECBs visit the IRS Website!*

<http://www.irs.gov/pub/irs-drop/n-09-29.pdf>

## Arizona's Volume Cap

Arizona received a volume cap allocation of **\$67,436,000**. QECCB provisions instruct the states to distribute separate allocations to each large city or county (greater than 100,000 in population) and all tribes within the state based on a ratio of the jurisdiction's population to the State's population as a whole.

Based on federal guidance, Commerce allocated:

- \$63,890,733.63 to nine counties and nine cities that met the population requirement and are eligible for volume cap allocation,
- \$1,905,004.99 to twenty tribes in Arizona eligible for volume cap allocation, and
- \$1,640,261.38 is the State's initial allocation. That initial allocation along with any allocation released back to the state by a county, city or tribe will be distributed by Commerce through a competitive application process open to rural, urban and tribal communities statewide.

For more details on the breakdown of the allocations see page 8 for the [QECCB Allocation Matrix](#).

## Prior to submitting an application

Applicants will need to work with their bond counsel to determine the eligibility of their projects for QECCB. It is important to confirm with bond or tax counsel that the project meets all the criteria in federal law, as well as state law and is eligible prior to applying to Commerce for QECCB volume cap.

## Criteria

In accordance with the intent of Federal and state law, Commerce intends to use the following criteria to screen allocation requests for eligibility (not all criteria need to be demonstrated in a single project):

- At least 70 percent of the State's allocation must be used for government projects and no more than 30 percent for private activities.
- The extent to which the project demonstrates the potential to directly conserve energy.
- The number of citizens benefiting from the project.
- The extent to which the project supports the development or implementation of innovative energy conservation technology.
- The extent to which the project uses renewable resources to produce energy.
- The readiness of the project to proceed.
- The number of jobs produced by the projects and the amount of QECCB authority per job produced (for private activity allocations).
- The certainty of the issuer closing the allocation within the program timelines.

# Applying for an Allocation

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Allocations will be made on a first-come, first-served basis. Applications will be accepted by Commerce starting on **March 7, 2011 at 9am**. Commerce shall only accept original applications delivered via private delivery service or hand delivery. Any other form of delivery for an application, including mailed, emailed or faxed copies will not be accepted by Commerce.

All volume cap allocations are conditioned upon veracity of information provided by the applicant and will require accountability and reporting. At this time, Commerce has \$0 in QECB volume cap available for allocation.

Only applications deemed eligible for readiness and completeness will be given an allocation. The material should be in the sequence listed below. Applications and exhibits shall be contained in some form of binder, with section tabs and/or separated sections clearly labeled. A separate application and exhibits must be submitted for each project. **Applications with missing elements will be rejected and returned to applicants with no action being taken on them.**

*Readiness and Completeness are demonstrated through submittal of the following items:*

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1. **Application-** Submit one (1) original and one (1) copy of the application form including all required exhibits. The application form must be fully completed and executed. The original copy of the application should be clearly labeled "ORIGINAL."
2. **Resolution-** or reviewed plan identifying the proposed energy projects and evidence of official action to proceed
3. **Legal Statement-** Attach a statement by bond counsel to the effect that:
  - a. The issue does not appear to be in conflict with applicable State and Federal legislation.
  - b. Is the type of issue that must be counted against the State's Qualified Energy Conservation Bond volume cap limitation.
4. **Financial Commitment Letter-**  
**PAB-**Attach a tentative commitment to purchase the bonds  
**Government Projects-** Governing body action or official action indicating that a financing process has been initiated, such as:
  - a. Resolution- Attach evidence of the issuer's resolution or other official action indicating its intention to issue bonds for the project and describing the proposed financing plan; or
  - b. Completed notice of declaration of intent to be reimbursed from tax exempt proceeds relating to the proposed energy projects; or
  - c. Resolution or official action authorizing staff to pursue the financing of the proposed energy projects.
5. **Energy Audit-** Evidence of the authority to retain or the retention of a person or firm to provide an energy audit of the facilities (or the actual audit if completed);  
  
*Additional information may be requested by Commerce from applicants prior to allocation determination.*

## Ability to Issue Bonds

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By submitting an application, the applicant affirms its acceptance of the terms and requirements of the QECB program as established by the U.S. Treasury and the State of Arizona. The applicant must be willing and able to issue QECBs within six months of the volume cap award. If the QECBs are not issued by the six month deadline, the allocation will automatically be returned to the State for reallocation to other projects.

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## Eligible Applicants

Commerce will endeavor to make volume cap allocation decisions within 15 days after receipt of a request for allocation. If your project is eligible for an allocation, the applicant and the applicant's bond counsel will be sent an e-mail notification. The applicant will have **no more than two (2) business days** to decide if they will be accepting the allocation received.

**The applicant must notify Commerce in a written response confirming whether or not they will be using their allocation.** After Commerce receives the required statement, Commerce will issue a confirmation for the allocation.

Commerce reserves the right to vary from the allocation criteria as necessary or appropriate based on guidelines given by the U.S. Treasury and the Internal Revenue Service.

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## Submitting QECB Application

Applications will be accepted by Commerce starting on March 7, 2011 at 9am, on a first-come, first-serve basis. Commerce shall only accept original applications delivered via private delivery service or hand delivery. Any other form of delivery for an application, including mailed, emailed or faxed copies will not be accepted by Commerce. Application and all required items need to be addressed to:

**Attn: Annabelle Molina**  
Arizona Commerce Authority  
1700 W. Washington St. Suite 600  
Phoenix, AZ 85007

**Questions:**

Phone: 602-845-1235



Email: [annabellem@azcommerce.com](mailto:annabellem@azcommerce.com)

## Reporting

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Awarded Applicant(s) shall comply with the reporting requirements as determined by the U.S. Treasury, the Internal Revenue Service, and the State Treasurers' Office and/or the Department of Commerce. Each applicant receiving an allocation must submit a closing certificate to Commerce after the issuance of the bonds. All forms will be provided by Commerce.


### Commerce's reporting requirements are as follows:

Each applicant receiving an allocation must submit a closing certificate to Commerce after the issuance of the bonds. All forms will be provided by Commerce.

- After QECB allocations are issued, the applicant must submit a Certificate of Closing form and attach proof of delivery and payment of the bonds.
- The Closing certificate report includes a one page summary of: new jobs created, jobs retained, economic impacts and environmental impacts of the project as well as any assumptions used to determine that information.

Reporting and all required items need to be addressed to:

**Attn: Tiffany Frechette**  
Arizona Commerce Authority  
333 North Central Avenue | Suite 1900  
Phoenix, AZ 85004



For more information on  
QECBs visit the Web!

🌐 Website: <http://www.azcommerce.com/BusAsst/Incentives/RZBs.htm>

## Arizona's QECBs Volume Cap Allocations

Jurisdiction	Population	QECB Population	Volume Cap Allocation	70% of Allocation To Be Used For Government Projects	30% Maximum Allocation Amount Used For Private Activities
State of Arizona <sup>^</sup>	*6,338,755	154,179	\$1,640,261.38	\$1,148,182.97	\$492,078.41
Ak-Chin Indian Community	742**	742	\$7,893.90	\$5,525.73	\$2,368.17
Chandler city	246,399	246,399	\$2,621,360.66	\$1,834,952.46	\$786,408.20
Cochise County	127,866	127,866	\$1,360,325.74	\$952,228.02	\$408,097.72
Coconino County	127,450	102,590	\$1,091,422.41	\$763,995.68	\$327,426.72
Cocopah Tribe	1,025**	1,025	\$10,904.65	\$7,633.25	\$3,271.39
Colorado River Indian Tribe	7,466**	7,466	\$79,428.40	\$55,599.88	\$23,828.52
Fort McDowell Yavapai Nation	824**	824	\$8,766.27	\$6,136.39	\$2,629.88
Fort Mohave Indian Tribe	773**	773	\$8,223.70	\$5,756.59	\$2,467.11
Fort Yuma-Quechan Tribe	36**	36	\$382.99	\$268.09	\$114.90
Gila River Indian Community	11,257**	11,257	\$119,759.65	\$83,831.75	\$35,927.89
Gilbert town	207,550	207,550	\$2,208,058.49	\$1,545,640.94	\$662,417.55
Glendale city	253,152	253,152	\$2,693,203.68	\$1,885,242.57	\$807,961.10
Havasupai Tribe	503**	503	\$5,351.26	\$3,745.88	\$1,605.38
Hopi Tribe	6,946**	6,946	\$73,896.29	\$51,727.40	\$22,168.89
Hualapai Tribe	1,353**	1,353	\$14,394.14	\$10,075.90	\$4,318.24
Kaibab-Paiute Tribe	196**	196	\$2,085.18	\$1,459.63	\$625.55
Maricopa County	3,880,181	594,256	\$6,322,100.73	\$4,425,470.51	\$1,896,630.22
Mesa city	452,933	452,933	\$4,818,610.25	\$3,373,027.17	\$1,445,583.07
Mohave County	194,944	192,629	\$2,049,318.71	\$1,434,523.10	\$614,795.61
Navajo County	111,273	68,035	\$723,802.74	\$506,661.92	\$217,140.82
Navajo Nation	104,565**	104,565	\$1,112,433.80	\$778,703.66	\$333,730.14
Pascua-Yaqui Tribe	3,315**	3,315	\$35,267.23	\$24,687.06	\$10,580.17
Peoria city	146,743	146,743	\$1,561,152.14	\$1,092,806.50	\$468,345.64
Phoenix city	1,552,259	1,552,259	\$16,513,990.20	\$11,559,793.14	\$4,954,197.06
Pima County	967,089	435,446	\$4,632,571.61	\$3,242,800.13	\$1,389,771.48
Pinal County	299,246	289,151	\$3,076,185.60	\$2,153,329.92	\$922,855.68
Salt River Pima-Maricopa Indian Community	6,405**	6,405	\$68,140.76	\$47,698.53	\$20,442.23
San Carlos Apache tribe	9,385**	9,385	\$99,844.03	\$69,890.82	\$29,953.21
Scottsdale city	235,677	235,677	\$2,507,292.71	\$1,755,104.89	\$752,187.81
Tempe city	174,091	174,091	\$1,852,098.82	\$1,296,469.18	\$555,629.65
Tohono O'odham Nation	10,787**	10,787	\$114,759.46	\$80,331.63	\$34,427.84

Jurisdiction	Population	QECB Population	Volume Cap Allocation	70% of Allocation To Be Used For Government Projects	30% Maximum Allocation Amount Used For Private Activities
Tonto-Apache Tribe	132**	132	\$1,404.31	\$983.01	\$421.29
Tucson city	525,529	525,529	\$5,590,936.02	\$3,913,655.21	\$1,677,280.81
White Mountain Apache Tribe	12,429**	12,429	\$132,228.18	\$92,559.73	\$39,668.45
Yavapai County	212,635	211,710	\$2,252,315.41	\$1,576,620.79	\$675,694.62
Yavapai-Apache Nation	743**	743	\$7,904.54	\$5,533.18	\$2,371.36
Yavapai-Prescott Indian Tribe	182**	182	\$1,936.24	\$1,355.37	\$580.87
Yuma County	190,557	189,496	\$2,015,987.72	\$1,411,191.41	\$604,796.32
<b>TOTALS</b>		<b>6,338,755</b>	<b>\$67,436,000.00</b>	<b>\$47,205,200.00</b>	<b>\$20,230,800.00</b>

\* Population numbers are based on July 1, 2007 US Census Population Estimates

\*\* Tribal population numbers are from the 2000 Census.

^Populations of large local governments and tribal communities within Counties are subtracted out of the State of Arizona's population number per Federal Guidance for the purposes of volume cap allocation. The State's allocation is the remaining amount after all large local governments and tribes have received their allocations in proportion to the ratio of their population to the state's population.

Notes:

1. Under QECB regulations, at least 70 percent of each jurisdiction's allocation must be used for government projects, and no greater than 30 percent may be used for private activities.
2. Six counties did not meet the QECB population of 100K or more and will not receive an initial allocation. These counties are: Apache, Gila, Graham, Greenlee, La Paz and Santa Cruz. If any of the jurisdictions who received an initial allocation releases all or a portion of its volume cap to Commerce, that cap can be reallocation to either; 1) any jurisdiction submitting an eligible application via a competitive process or, 2) to a statewide issuer such as GADA to issue the bonds on behalf of eligible borrowers.

**Disclaimer**

All statistical and fiscal information contained within this application, and any amendments and modifications thereto, reflect the best and most accurate information available to Commerce at the time of preparation of the QECB Guidelines.

**\*\*Attention Applicant\*\***

Please keep this page and all previous pages for your records; they do not need to be submitted to Commerce.

# QUALIFIED ENERGY CONSERVATION BONDS

## Application

**DO NOT WRITE IN  
THIS SPACE**  
*For Commerce use only*

All submissions are public record filings and subject to anti-fraud and false filing laws. A.R.S. § 13-2407

Type of Project (check one)		
Government project <input type="checkbox"/>	Amount of Allocation Requesting:	\$
Private Activity <input type="checkbox"/>	Amount of Allocation Requesting:	\$
APPLICANT		
Beneficiary/Recipient of bond proceeds:		
Contact name/ Title:		
Phone:	Fax:	E-mail:
Exact address of project:		
City:	State:	ZIP Code:
Legislative District of Project Location:		
ISSUING AUTHORITY		
Name:		
Address:		
City:	State:	ZIP Code:
Issuing Authority Officer:	Title:	
Telephone:	Fax:	E-mail:
BOND COUNSEL FIRM		
Firm Name:	Contact Name:	
Address:		
City:	State:	ZIP Code:
Phone:	Fax:	E-mail:





# QUALIFIED ENERGY CONSERVATION BONDS

## Application



Indicate the category from which the project is requesting an allocation. Select only one category.

1.  **Capital expenditures incurred for purposes of** (check one below):

- Reducing energy consumption in publicly-owned buildings by at least 20 percent.
- Implementing green community programs.
- Rural development involving the production of electricity from renewable energy resources.
- Any qualified facility (as determined under section 45(d) without regard to paragraphs (8) and (10) thereof and without regard to any placed in service date).

Describe:

2.  **Expenditures with respect to research facilities, and research grants, to support research in** (check one or more below):

- Development of cellulosic ethanol or other non-fossil fuels.
- Technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels
- Increasing the efficiency of existing technologies for producing non-fossil fuels.
- Automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation.

3.  **Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting.**

4.  **Demonstration projects designed to promote the commercialization of** (check one or more below):

- Green building technology.
- Conversion of agricultural waste for use in the production of fuel or otherwise.
- Advanced battery manufacturing technologies.
- Technologies to reduce peak use of electricity.
- Technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity.

5.  **Public education campaigns to promote energy efficiency.**

# QUALIFIED ENERGY CONSERVATION BONDS

## Application



### BORROWER / ISSUER CERTIFICATION

An application and all attachments and all legal proceedings submitted to Commerce are an “instrument” for purposes of A.R.S. §39-161. The knowing inclusion of any false information is a Class 6 felony.

The information contained in this Application for Re-Allocation of QECBs volume cap and related attachments is, to the best of our knowledge, true and accurate.

### SIGNATURES

#### Borrower

_____	_____
_____	_____
_____	_____
Name (print)	Title
_____	_____
Authorized Signature	Date
_____	_____

Before submitting this application, ensure that the application is completed in its entirety and includes all required exhibits listed below. Incomplete applications are subject to disqualification. **See page 5 of the guidelines for more detail information of the exhibits.**

1. A completed Application form. The applicant is required to submit one (1) original and one (1) copy including all required exhibits.
2. A copy of the issuer's resolution or other official action taken for the project.
3. A legal statement.
4. Financial commitment letter or Governing body action or direction indicating that a financing process has been initiated.
5. Evidence of the authority to retain or the retention of a person or firm to provide an energy audit of the facilities (or the actual audit if completed).