



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

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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

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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 <sup>th</sup> 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

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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

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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

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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

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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

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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

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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

<b>State Direct Sources</b>	<b>Federal Direct Sources</b>
<p>National Grid</p> <ul style="list-style-type: none"> <li>•Commercial (Electric) Efficiency Programs</li> <li>•Commercial (Gas) Efficiency Programs</li> <li>•Residential (Electric) Efficiency Program</li> <li>•Residential (Gas) Efficiency Programs</li> <li>•Small/Mid-Sized Business Efficiency Program</li> </ul>	<p>Energy Efficiency Mortgages Loan Guarantee Program</p>
<b>State Indirect Sources</b>	<b>Federal Indirect Sources</b>
<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](http://www.riedc.com)

## **RI State Energy Office**

[www.energy.ri.gov/](http://www.energy.ri.gov/)

## **National Grid**

[www.thinksmarthinkgreen.com](http://www.thinksmarthinkgreen.com)

## **Database of State Incentives for Renewables and Efficiency**

[www.dsireusa.org](http://www.dsireusa.org)

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