



**TESTIMONY
TO THE
OHIO SENATE COMMITTEE
ON AGRICULTURE AND NATURAL RESOURCES
BY
CHRISTINA O'KEEFFE
EXECUTIVE DIRECTOR
OHIO AIR QUALITY DEVELOPMENT AUTHORITY**

April 26, 2023

Introduction

Chairman Schaffer, Ranking Member Hicks-Hudson, and members of the Committee, my name is Christina O’Keeffe, and I am the executive director of the Ohio Air Quality Development Authority (or OAQDA). I appreciate the opportunity to be with all of you today to discuss the Authority’s proposed budget for the next biennium.

For FY24 and FY25, OAQDA is requesting \$3 million and \$3.1 million, respectively, to support our efforts to help Ohio businesses grow and prosper, while meeting their environmental compliance needs. The Governor’s request reflects an increase from our current operating budget with new, anticipated one-time GRF funding focused on accelerating financial relief for small businesses hit hard by recent economic challenges, which I will explain later in my testimony. It also provides increased spending authority to utilize our fee revenue, generated through the issuance of project bonds. This better aligns the Authority’s capacity to meet the growing demand for our programs from the business community.

Today and for more than 50 years, OAQDA has partnered with Ohio businesses of all sizes to help them meet the challenges of complying with federal environmental regulations, namely the Clean Air Act. We accomplish this work with efficiency and focus by a small staff and through the governance of our seven-member board, five of whom are appointed by the Governor along with two ex-officio members from the Ohio EPA and Department of Health.

The Authority’s primary role is to serve as a conduit bond issuer, creating a partnership with investors and lenders to unlock their private capital in support of eligible projects that reduce harmful air emissions, achieve economic prosperity and improve public health. In addition, increased cash flow and lower upfront capital costs are realized through the tax benefits associated with OAQDA’s bonds for qualified projects. In fact, a recent survey of our business customers pointed to these benefits as making a significant difference in their ability to move forward with their projects.

Our bond financing is administered through two signature programs:

- The **Clean Air Improvement Program** that supports larger companies and public entities to make investments in cleaner, more efficient technologies. The program features enhanced transparency, local engagement and accountability standards to ensure desired outcomes are achieved and benefit the local communities.
- The **Clean Air Resource Center**, which aligns with our role as the small business ombudsman, targets financial assistance for those facing compliance challenges with federal regulations. As a result, many neighborhood businesses, like printers, dry cleaners and auto body shops, receive cash grants as part of our bond financing package for their investment in environmentally friendly upgrades to support their growth, while improving workplace conditions for employees and customers.

In addition to these financing programs, OAQDA is the program administrator of the **Solar Generation Fund Program** - created by the Ohio General Assembly to incentivize certain solar facilities for generating clean solar power in Ohio. In this role, OAQDA issues credits for each megawatt-hour (MWh) of electricity generated by these facilities after our verification of performance, which is coordinated with the Public Utilities Commission of Ohio. This program has supported large-scale solar facilities in Highland, Brown, Hardin and Vinton Counties, collectively producing more than 1,000-megawatts of solar power.

Our impact has been meaningful. Since 2018, OAQDA has issued more than \$1.2 billion in bond financing for nearly 100 projects across the state. In Exhibit A, a map of our active projects and a few examples are highlighted to help illustrate the breadth of borrowers, technologies and outcomes featured from our programs. For example, Cargill Incorporated received \$75 million in revenue bonds issued by OAQDA to finance their expanded recycling facility in Sidney that turns waste soybean byproducts into cattle feed, bolstering Ohio's robust agriculture industry. In addition, small businesses, like Fashion & Vanity Cleaners in Lancaster and JAM Best One Fleet Service in Toledo, have used our financing to purchase state-of-the-art pollution control and energy-saving technologies that create safer and cleaner workplaces for employees, as well as supporting their economic growth.

The combined program results achieve multiple benefits, such as creating or preserving more than 2,000 jobs, reducing operating costs totaling more than \$4.4 million annually, and reducing air pollutants that translate into better public health, saving Ohioans money otherwise spent on medical bills. These outcomes are a testament to the hard work of our team, our dedicated board and those who lead the projects we support – all of whom share our commitment for a healthier future.

Priorities in Next Biennium

As we look ahead into the next few years, our agency is experiencing greater demand. More corporations, developers and building owners are pursuing our bond financing to lower operating costs through energy efficiency and using cleaner technologies, as well as to mitigate their borrowing costs due to rising interest rates. We're also seeing these programs serve economic development goals, both as a retention and expansion strategy for existing businesses and to attract companies that have sustainability in their site selection criteria.

OAQDA lowers upfront costs associated with constructing sustainable features and leverages private investment to these projects. Overall, this program demand has more than doubled in recent years compared to our 5-year average, and the budget proposal supports using our non-GRF funding for additional staff to serve this growing need.

While our programs have been very successful, we recognize more can be done to reach underserved communities of the state who also have federal compliance as a requirement in their development efforts. To that end, we're exploring strategies with private lenders that can

better drive their capital into smaller communities, especially in Appalachia. One mechanism to help increase the viability of loan repayments and more favorable lending terms for borrowers is the use of Property Assessed Clean Energy, or PACE. The Governor's budget includes recommendations for OAQDA to utilize PACE assessments at the request of property owners on their commercial buildings. This would only be authorized by the local municipality or township in which the property is located. It would offer these local governments a streamlined, less-costly option to support these types of commercial projects.

Furthermore, many small business owners have been hit hard by the pandemic and the current economic conditions. For example, many Ohio dry cleaners are experiencing more significant financial hardships as the needs of customers drastically shifted. OAQDA is working proactively with these businesses to help upgrade their equipment and facilities, while reducing harmful air emissions to comply with environmental regulations.

The Governor's budget requests additional GRF monies at \$1 million per state fiscal year for OAQDA to accelerate relief for eligible small businesses owners, including dry cleaners, with facilities located in the state's priority investment areas, which is described in Exhibit B. The entirety of these funds would be used for increased grant subsidies to replace equipment that can eliminate or reduce carcinogenic air emissions, create healthier working conditions and provide an opportunity for these neighborhood businesses to prosper in their community.

We are excited about the prospect of expanding this valuable program with this additional support to accelerate economic relief for even more small businesses, especially those in traditionally underserved communities in Ohio.

Conclusion

OAQDA remains committed to meeting the growing demand of Ohio businesses, protecting jobs and improving communities, while enhancing the health and safety of all Ohioans. Moving forward, we are focused on expanding our reach to serve more underserved communities and are actively building relationships with our partners in Appalachia to ensure OAQDA and its resources are known to businesses in this region of the state.

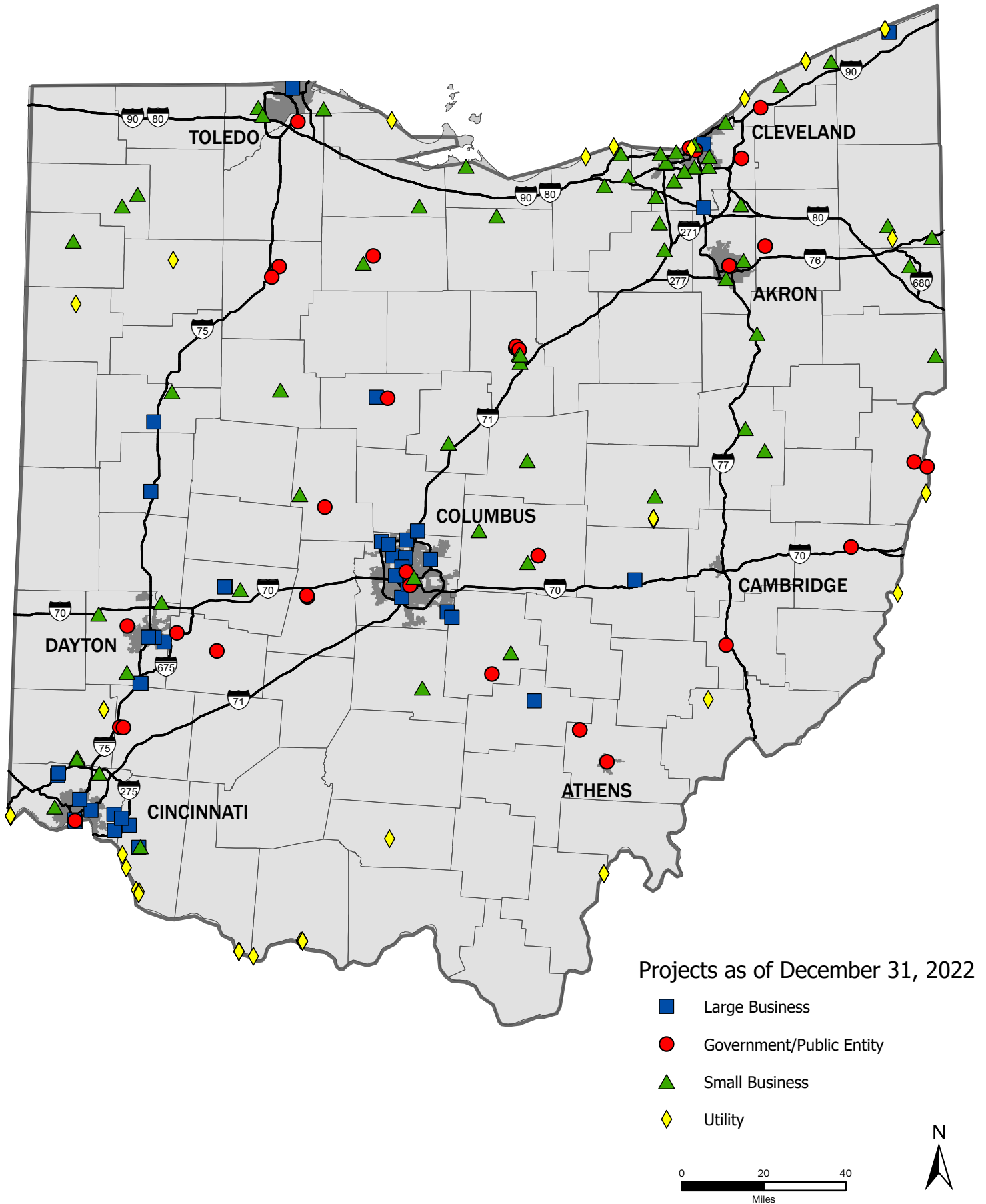
Additionally, we remain laser-focused on providing outstanding customer service, raising the overall visibility of our agency and improving efficiencies. We maintain a keen eye on emerging economic trends and use data-driven approaches to better understand the market needs of our business customers.

OAQDA demonstrates every day that environmental and economic development policies can work in tandem to affect change. It is our passion and responsibility to serve the people of Ohio and give them a healthier future.

Thank you, Mr. Chairman. I will be happy to answer any questions.

Exhibit A

Total Active Projects Financed by OAQDA



OAQDA – Project Examples

District 11

Borrower Name: A&D Consulting Group, LLC dba 2-SCALE

Program: Small Business – Clean Air Resource Center (CARC)

Financial Assistance: \$116,365 bond financing, \$20,000 grants

Address: 7710 Hill Ave, Holland, OH 43528

Date Approved: March 2022

Bondholder: Waterford Bank, N.A.

Project Summary:

This project involved the installation of indoor spray paint booth, which limits exhaust emissions to create a healthier working environment. In addition to improving the working conditions and indoor air quality, the project preserved and created 15 jobs.

Borrower Name: JAMLAND2 LLC

Program: Clean Air Improvement Program (CAIP)

Financial Assistance: \$2,800,000 bond financing

Address: 4934 Lewis Ave, Toledo, OH 43612

Date Approved: June 2022

Bondholders: Toledo-Lucas County Port Authority and Signature Bank, N.A.

Project Summary:

This project involved rehabilitation and renovation of a warehouse that was vacant for 11 years with energy efficient technology, rooftop solar generation, and a new tire curing machine which contains and reduces air contaminants. The company is consolidating two of its locations into cleaner, safer operations. In addition, the project preserved and created nearly 200 jobs.

Borrower Name: Pride Dry Cleaners

Program: Small Business – Clean Air Resource Center (CARC)

Financial Assistance: \$50,000 bond financing, \$10,000 grants

Address: 6811 Spring Valley Dr, Holland, OH 43528

Date Approved: August 2021

Bondholder: Key Bank National Association

Project Summary:

This project involved the installation of dry cleaning equipment that now utilizes a hydrocarbon fluid cleaning solution, thereby eliminating the use of perchloroethylene (PERC), a more toxic solvent that is a known carcinogen. In addition to improving the working conditions and indoor air quality, the project preserved and created 8 jobs.

District 17

Borrower Name: Hocking Valley Community Hospital

Program: Qualified Energy Conservation Bond (QECCB)

Financial Assistance: \$1,918,748 bond financing

Address: 32915 Pin Oak Parkway, Avon Lake, OH 44012

Date Approved: May 2016

Bondholders: Key Government Finance, Inc. and The Citizens Bank of Logan

Project Summary:

The project included energy conservation measures including lighting retrofits, chiller and boiler upgrades and replacements, building automation systems, and water fixture replacements.

District 20

Borrower Name: Fashion & Vanity Cleaners

Program: Small Business – Clean Air Resource Center (CARC)

Financial Assistance: \$200,000 bond financing, \$20,000 grants

Address: 2585 E Main St, Lancaster, OH 43130

Date Approved: February 2021

Bondholder: Standing Stone Bank

Project Summary:

This project involved the installation of dry cleaning equipment that replaced old equipment at the end of its useful life, with equipment that utilizes environmentally-friendly hydro-carbon cleaning technology. In addition to preserving and improving the working conditions and indoor air quality, the project preserved and created 10 jobs.

Borrower Name: Southeastern Correctional Complex (Brewer-Garrett)

Program: Clean Air Improvement Program (CAIP)

Financial Assistance: \$2,598,439 bond financing

Address: 5900 BIS Road SW, Lancaster, OH 43130

Date Approved: November 2017

Bondholder: U.S. Bancorp Government Leasing and Finance, Inc.

Project Summary:

The project included energy conservation measures including lighting retrofits, facility controls upgrades, steam pipe and fitting insulation, and steam plant efficiency improvements. The equipment and upgrades involves oversight by the Ohio Facilities Construction Commission to achieve over 1 million kWh annual energy savings at these state facilities, guaranteed under a performance contract with a private energy service company (ESCO).

District 31

Borrower Name: Midtown Dry Cleaners

Program: Small Business – Clean Air Resource Center (CARC)

Financial Assistance: \$86,787 bond financing, \$17,357 grants

Address: 6811 Spring Valley Dr, Holland, OH 43528

Date Approved: August 2021

Bondholder: Key Bank National Association

Project Summary:

This project involved the installation of dry cleaning equipment that now utilizes a hydrocarbon fluid cleaning solution, thereby eliminating the use of perchloroethylene (PERC), a more toxic solvent that is a known carcinogen. In addition to improving the working conditions and indoor air quality, the project preserved and created 5 jobs.

Borrower Name: AMG Vanadium

Program: Clean Air Improvement Program (CAIP) – Federal Tax Exempt

Financial Assistance: \$307,200,000 bond financing

Address: Eastpointe Dr, Zanesville, OH 43701

Date Approved: June 2019

Bond purchase: Public Offering via Underwriters Citigroup Global Markets Inc. and Morgan Stanley & Co LLC

Project Summary:

This project involved financing of a facility that can handle, contain and recycle spent refinery catalyst (known as a hazardous waste) as an alternative to disposal at a landfill in or near Ohio. The project created over 100 jobs.

District 32

Borrower Name: Klaben Ford Lincoln of Warren

Program: Small Business – Clean Air Resource Center (CARC)

Financial Assistance: \$141,385 bond financing, \$35,707 grants

Address: 3853 Youngstown Rd SE, Warren, OH 44484

Date Approved: March 2017

Bondholder: Key Bank National Association

Project Summary:

This project involved the installation of indoor spray paint booth, which limits exhaust emissions to create a healthier working environment. In addition to improving the working conditions and indoor air quality, the project preserved and created 9 jobs.

Borrower Name: Ashta Chemicals
Program: Clean Air Improvement Program (CAIP) – Federal Tax Exempt
Financial Assistance: \$85,000,000 bond financing
Address: 3509 Middle Road, Ashtabula, OH 44004
Date Approved: November 2017
Bondholder: Ashta Chemicals Inc. with U.S Bank National Association as Trustee

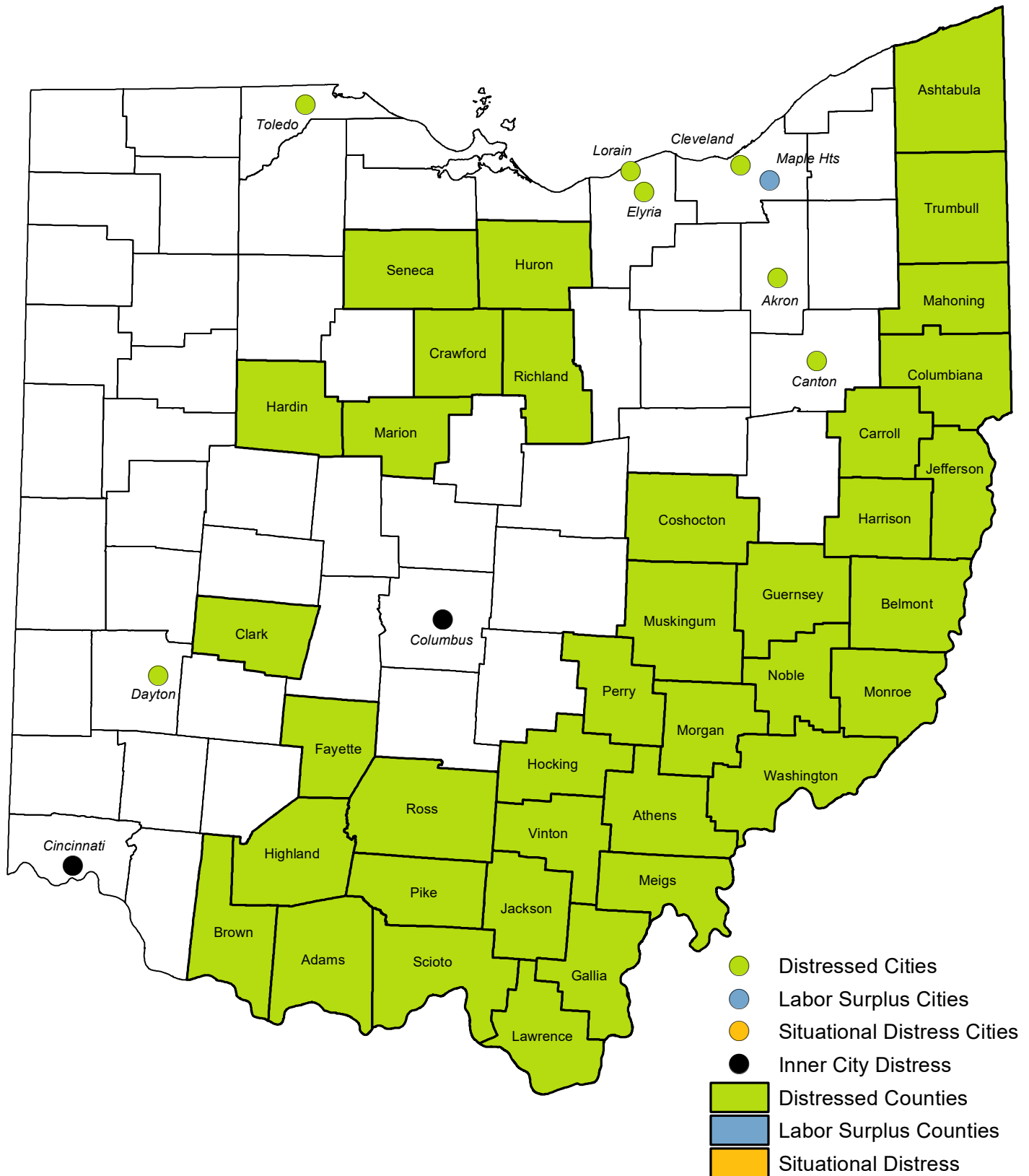
Project Summary:

This project involved financing of a new membrane cell technology facility in Ashtabula, Ohio for the production of chemical products to replace the company's existing mercury cell technology facility, resulting in a substantial reduction in energy requirements and an anticipated 20% increase in manufacturing capacity. The project preserved and created over 100 jobs.

Exhibit B

Priority Investment Areas for 2021

(Distressed - Labor Surplus - Inner City - Situational Distress)



Distressed

The Ohio Department of Development has identified a) any county, or b) any city with a population of 50,000 or more, as distressed if two of the three following criteria are met:

1. **Unemployment** must be 125% or greater of the most recent U.S. 5-year average unemployment rate. **(2015-2019)**
2. **Per Capita Income** must be at or below 80% of U.S. per capita income.
3. **Poverty** is defined for counties as a percentage of transfer payment income to total county income equal to or greater than 25%. For qualified cities (b) 20% or greater of persons with incomes below the federal poverty level.

Labor Surplus Areas

The classification “Labor Surplus Area” is assigned by the U.S. Department of Labor on a county base unless a county contains a city or cities with a population of 25,000 or more. In that case, the city or cities and the balance-of-county are classified separately. To qualify as a “Labor Surplus Area” during the current period, the average unemployment rate of the specified area for the two-year period **January, 2018 through December, 2019 must be at least 6.00 percent.**

Inner City Areas

Cities having a population in **excess of 100,000** people, which do **not** meet the “Distressed” or “Labor Surplus Area” definitions, may establish, by letter to the Ohio Department of Development, **Targeted Investment Areas**. Areas would be comprised of the most current census block tracts that individually have 20 percent or greater of the tract’s general population living at or below the published poverty level and other census block tracts contiguous to such census block tracts within the municipal boundary.

Situational Distress

Cities or counties that experience a closing or downsizing of their major employers, that will adversely affect the local area’s economy, may petition the Director of the Department of Development to be declared a situational distress area. Designation is for twelve months with an option to renew. The petition should include written documentation of the adverse effects on the local economy. Petition should make a compelling case as to the unique and deteriorating conditions of the community compared to similar communities across the state.

Additional Information

Maps: http://development.ohio.gov/reports/reports_pra.htm

Contact: Office of Research
614-466-2116