

**Ohio Air Quality Development Authority (OAQDA)  
Clean Air Improvement Program**

**GREEN BONDS FRAMEWORK**

**Draft dated: July 3, 2020**

**Drafted by: PFM Financial Advisors**

The Ohio Air Quality Development Authority (OAQDA) improves air quality by supporting businesses, creating jobs and improving communities while enhancing the health and safety of all Ohioans. OAQDA assists with financing of air quality facilities that provide comfort, health, safety and general welfare for all residents, businesses, institutions, and government agencies located within the State of Ohio.

In order to support its statutorily authorized role<sup>1</sup>, OAQDA has been granted the ability to issue debt on behalf of, and certify tax exemptions for, projects that meet the requirements of an Air Quality Facility<sup>2</sup>; as defined within the statute, and qualified through the Clean Air Improvement Program (CAIP) Guidelines. Financing requirements are defined in the Guidelines for Bond Issuance. OAQDA is adding this GREEN BONDS FRAMEWORK to its portfolio of tools that document the Authority's commitment to facilitating the development, financing and ongoing success of Air Quality Facilities statewide.

OAQDA intends to have this Framework reviewed for compliance with the International Capital Markets Association's Green Bonds Principles. This review will be completed by an accredited verifier, is expected to result in a Second Party Opinion that will allow all bonds issued through OAQDA, as Air Quality Facilities, to be labeled Verified Green Bonds. Capital markets value the verified Second Party Opinion to identify compliance with the Green Bond Principles. Additionally, this Framework is part of OAQDA's commitment to transparency, for the effective application of authorization, with enhanced availability of attributed benefits from financings on an ongoing basis.

[At the discretion of OAQDA, consider including specific mission / policy / statutory language related to the purpose for establishment of a Green Bonds Framework. ]

**Clean Air Improvement Program Guidelines**

The Clean Air Improvement Program Guidelines ("CAIP or Program Guidelines") provide detail for the submission of projects to OAQDA for consideration to become an Air Quality Facility. The CAIP Guidelines include information to define the requirements for Technical, Financing, Impact and Accountability criteria required for approval to meet the Air Quality Facility definition. The application for project submission, along with application review processing, is provided for use by developers, owners and their representatives. This Framework relies upon the detail of the Program Guidelines in order to meet Green Bond Principles 1) Use of Proceeds, 2) Process for Project Evaluation and Selection, and 4) Reporting.

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<sup>1</sup> Reference to full statute

<sup>2</sup> Insert statute section with definition

## **Guidelines for Issuance of Bonds**

The Guidelines for Issuance of Bonds (“Bonds Guidelines”) include the requirements for issuance of debt through OAQDA. Specific to this Framework, the Bonds Guidelines establish compliance requirements for Green Bond Principles 3) Management of Proceeds, and 4) Reporting.

## **Green Bonds Principles**

The Program expects fulfillment of the Green Bonds Principles as promulgated by the International Capital Markets Association (“ICMA”) as follows.

### **A. Use of Proceeds**

OAQDA’s statutory authority grants the provision of financing assistance to qualified Air Quality Facilities as defined in Ohio Revised Code (“ORC”) 3706.01(G). The determination of projects meeting this definition is facilitated through the CAIP Guidelines which provide for an application, review and approval process that incorporates vigorous technical requirements. The ORC Air Quality Facility definition provides an opportunity for alignment with several of the Green Project categories specifically referenced in the ICMA Green Bond categories, identified in the Green Bond Principles.

### **B. Process for Project Evaluation and Selection**

Projects are submitted to OAQDA for approval to qualify as an Air Quality Facility consistent with statutory definition and evaluation for compliance with the Clean Air Improvement Program Guidelines. Only projects meeting these criteria for qualification as an Air Quality Facility will be allowed to issue bonds through this Program.

### **C. Management of Proceeds**

OAQDA requires that all bonds issued through the Program comply with the Guidelines for Bond Issuance contained within the Program Guidelines. These Guidelines require that bond proceeds are deposited to a segregated fund or sub-account for all project funds, and further, that the borrower tracks proceeds disbursements with alignment to approved project components.

### **D. Reporting**

Program compliance requires reporting for both use of proceeds and project impacts as determined by OAQDA, and agreed to by the borrower, prior to bond issuance. Bond issuance documentation will include a Bond Purchase Agreement detailing the specific impact reporting requirements based on the project type and stated benefits.

OAQDA is pleased to have the opportunity to issue verified Green Bonds through CAIP. Our support of the verified Green Bond market and will support continued to evaluation of options to improve transparency, efficiency and efficacy for our authorized purposes.