

# CONNECTICUT GREEN BANK

## Board of Directors

Minutes – Special Meeting

Thursday, March 3, 2016

1. **Call to order:** Bryan Garcia called the meeting to order at 4:33 p.m. Board members participating: Catherine Smith (by phone), Bettina Bronisz (by phone), Norma Glover (by phone), John Harranty (by phone), Reed Hundt (by phone), Rob Klee (by phone), Matthew Ranelli, Patricia Wrice (by phone), Mun Choi (by phone), and Tom Flynn (by phone)

Members Absent: Kevin Walsh

Staff Attending: Bryan Garcia, Brian Farnen (by phone), Ben Healey (by phone), Cheryl Samuels, and Laura Fidaio (by phone).

2. **Public Comments**

There were no public comments.

3. **Staff Transaction Recommendations**

- i. **Cargill Falls – C-PACE Transaction**

Bert Hunter provided an update on the Cargill Falls transaction. He explained that there had been some questions from John Harranty and Matthew Ranelli regarding the transaction and he asked Ben Healey to address them. Ben Healey provided updated information pertaining to the questions. There was a question on whether or not there was town support. Ben Healey stated that the town has been actively involved including working with the Department of Housing. He stated that there is currently a question regarding water flow, but that it will be resolved next week. He advised that there is no siting counsel requirement.

The second question that had been raised was with respect to advocacy groups. Ben Healey explained that there is no new disruption to the run of the river and that there have been no concerns from any environmental groups.

Bert Hunter explained that a revised proposal had been sent out explaining two scenarios. Bert Hunter explained concerning scenario #2 staff contacted Enhanced Capital, a current capital partner. He explained that the transaction fits the target industry of Enhanced Capital, as well as the company size and the employee size restriction. He explained that they have been around since 1999, and that they manage a number of targeted investment programs in 18 other states in addition to Connecticut. He explained that another division of Enhanced Capital is also involved in the low income housing tax credits associated with this project.

Bert Hunter explained that staff had been able to achieve a non-binding term sheet with Enhanced Capital that would set forth the terms and conditions up to a

\$1.2 million investment. He explained that the interest rate would be 7.8% and would be senior to the Green Bank's interests. He explained that there would be no prepayment penalty, but there would be a requirement that the advance be repaid at the five year anniversary. He explained that there would be an interest only period of 12 months. He explained that that would be accommodated by the cash flow streams. He stated that staff is confident that they would be able to bring in another capital provider to refinance the payment to Enhanced Capital once the entire project is stabilized in 2-3 years.

Norma Glover questioned if Enhanced Capital was out of Stamford, CT. Bert Hunter stated, yes and that they are in the same office building as the Green Bank. Norma Glover questioned if there is a history of working in this arena for Enhanced Capital. Bert Hunter stated, not with hydroelectric, but it is a target industry in green technology. Commissioner Smith stated that Enhanced Capital has been an investor in numerous small companies around the state. She stated that she feels that it's a good choice for this project.

Bettina Bronisz explained that her concern was that this was not competitively bid. She stated that the Green Bank should have a stable capital providers on board for the future. Brian Farnen stated that they can still do that if they go with the original deal. He explained that they might be better off with that (i.e., scenario #1) and to sell down at a later date in an orderly fashion.

Bert Hunter stated that the resolutions as they are drafted do not suggest that they take the Enhanced Capital deal, but sell down the \$1 million upon construction completion. He stated that they should use this as a placeholder, and that they could approach Hannon Armstrong on it. He stated that the concern is that once they take that option (i.e., Hannon Armstrong), the Green Bank would be in a very weak position to re-trade the deal (given that the funding would fall under our existing agreement with Hannon Armstrong). He explained that staff would plan to keep Enhanced Capital in for about two to three years and the transaction will be very attractive to another investor by that point.

Ben Healey stated that the combo of no prepayments and the 12 month interest only period provide a lot of flexibility. Bettina Bronisz stated that this reduces the Green Bank's exposure, but dollar for dollar she questioned if it increases the amount of money that this overall project is going to cost. Bert Hunter explained that this is precisely the tradeoff. He explained that the Green Bank has put forward a 9% interest rate for two years while Enhanced Capital prices at 7.8% - saving the project interest costs. At the same time, after the interest only period, the Green Bank's funding rate to the project drops to 6-1/4%, which does disadvantage the project in the last 3 years (i.e., years 3 through 5). Ben Healey stated that there is also a slightly earlier amortization so there will be some cash flow impact. He explained that it's relatively minimal, but it will reduce the net cash available after debt service and for cash available to service the Green Bank's funding to the project.

**Upon a motion made by Pat Wrice and seconded by Matt Ranelli  
Resolution Two (supporting scenario #2 outlined in the**

**memorandum to the Board with a change to reflect reducing the Green Bank's risk by at least \$1,000,000 be accomplished by December 31, 2016 rather than by the project's completion date) passed unanimously.**

**Resolution #2**

**WHEREAS**, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the "Act"), the Connecticut Green Bank (Green Bank) is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

**WHEREAS**, the Green Bank Board of Directors (the "Board") has approved a \$40,000,000 C-PACE construction and term benefit assessment program;

**WHEREAS**, the Deployment Committee previously approved a C-PACE benefit assessment with a not-to-exceed amount of one hundred and ten percent (110%) of \$2,250,000 to Historic Cargill Falls Mill, LLC ("HCFM"), the property owner of 58 Pomfret Street, Putnam, CT to finance the construction of specified clean energy measures (the "Project") in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

**WHEREAS**, the Green Bank now seeks to provide a further \$2,350,000 to HCFM for a new total combined investment not to exceed \$4,700,000 (the "Benefit Assessment"), to finance the completion of the Project and get repaid over a longer period than was originally approved by the Deployment Committee, including an interest only period of approximately two (2) years and an amortization period of twenty-five (25) years.

**NOW**, therefore be it:

**RESOLVED**, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized to execute and deliver an amended Benefit Assessment in a total amount not to exceed one hundred percent of the combined Benefit Assessment amount with terms and conditions consistent with the memorandum submitted to the Board dated February 19, 2016, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from February 26, 2016;

**RESOLVED**, that the Board direct staff, prior to December 31, 2016, to sell down the Green Bank's risk in the transaction to a capital provider, by not less than \$1,000,000 so that the maximum retained risk following such sell down will not exceed \$3,700,000.

**RESOLVED**, that before executing an amended Benefit Assessment, the President of the Green Bank and any other duly authorized officer of the Green Bank shall receive confirmation that the C-PACE transaction continues to meet the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

**RESOLVED**, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instrument.

**4. Adjournment**

**Upon a motion made by Reed Hundt and seconded by Commissioner Klee the meeting was adjourned at 5:17 p.m.**

Respectfully Submitted,

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Catherine Smith, Chair