

**DEPLOYMENT COMMITTEE OF THE
CONNECTICUT GREEN BANK
Minutes – Regular Meeting
Tuesday, March 3, 2015**

A regular meeting of the Deployment Committee of the Board of Directors of the **Connecticut Green Bank** was held on March 3, 2015 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Mr. Hundt (by phone) noting the presence of a quorum, called the Deployment Committee Meeting to order at 2:17 p.m. Deployment Committee members participating: Patricia Wrice (by phone), Matt Ranelli (by phone).

Members Absent: Bettina Ferguson

Staff Attending: Bert Hunter, Joe Buonannata, Mackey Dykes, George Bellas, Genevieve Sherman, Cheryl Samuels, Rick Ross (by phone), Bryan Garcia (by phone), Brian Farnen (by phone).

2. **Public Comments:** There were no public comments.
3. **Approval of meeting minutes for February 10, 2015:**

The Deployment Committee members were asked to consider the minutes from the February 10, 2015 Special Meeting.

**Upon a motion made by Patricia Wrice, seconded by Matt Ranelli,
Deployment Committee members voted in favor of adopting the minutes
from the February 10, 2015 Special Meeting as presented, unanimously.**

4. **Commercial and Industrial Sector Program Updates and Recommendations:**

Genevieve Sherman highlighted the Hamden C-PACE transaction, 2319 Whitney Avenue, Hamden, CT.

Matt Ranelli questioned why on a larger project they would go over the underwriting criteria even if it were just by a little. Matt Ranelli explained that with a bit more stake from the owner the issue would be avoided. The worry is that it could cause problems when the Green Bank tries to sell it off if it doesn't meet the criteria. The future issue would be the savings to investment ratio, which would stay red for the last five years of the 20-year term.

Genevieve Sherman answered that the loan to value ratio can be mitigated in several different ways. The building owner could put in an equity contribution to reduce the amount of financing. The property could be reappraised with the improvements to bring the loan to value (“LTV”) ratio to, or below 80%. The mortgage lender may require this as a condition to their consenting to the C-PACE benefit assessment. Enough appraisals have been done to know that a new appraisal would support the improvements with a loan to value under 80%.

Bert Hunter added that since the mortgage loan on the property is amortizing, the balance should be less by the time the project is completed, essentially putting the loan back to 80% or less. To date, Clean Fund has not been concerned in the past with small exceptions on loan to value. 2319 Whitney Avenue, is a Class A property, one of only two or three in the town that is a Class A and the property has about 95% occupancy (as noted in the existing appraisal for the property). He also noted that the experience the Green Bank has with the valuation of commercial solar projects for the Solar Lease 2 program suggests that the value of PV systems (which for this project will cost \$1 million) generally add from 70% to 100% of project cost to the value of the property. These factors gave additional comfort to Finance when it approved the slight exception to LTV

Matt Ranelli noted that an equity contribution should be discussed with the owner of the property.

Genevieve Sherman noted that C-PACE projects have in the past been brought to the board with some deviations from the standard underwriting criteria. She noted that the overage is so small given the values that the project should move forward and will fall within their guidelines as the mortgage amortizes.

Bert Hunter offered another option, a sculpted amortization that would have a higher payment requirement in the first 15 years which would permit lower payments in the last 5 years. It would equalize the benefit assessment payments more with the energy savings in the last 5 years.

Matt Ranelli explained that it should be structured in a way that the SIR is one or approaching one in the later years. (It was clarified that Mr. Ranelli was in fact referring to the energy savings vs. benefit assessment payments in particular periods and not “SIR” per se.)

Bert Hunter explained that loan to value limit on their mortgage of \$8.7 million is a small overage in the context of the building, which is appraised at \$15.3 million. If the Deployment Committee wanted to require a pay down or sculpting of the

amortization, the staff would take it to the property owner. He would like to recommend this for approval to the board.

Pat Wrice is interested in having an “as complete” appraisal done prior to the next meeting, since the appraisal is about four years old, but asked staff how feasible this might be from a timing perspective.

Genevieve Sherman explained that having the property appraised inclusive of the solar would be about a six to eight week process. If the 80% threshold is pertinent the property owner has many options to get there.

Matt Ranelli would like to see the project within the guidelines.

Reed Hundt questioned why a solar only project is being placed into the C-PACE program.

Bert Hunter advised that this is more than just a solar project.

Reed Hundt explained that he'd like this question to be considered when it is just a solar project at a future meeting.

Bert Hunter noted that it seems the committee's preference is to recommend the transaction to the board with the provision that the transaction is brought within the LTV guidelines, and that the staff work with the property owner to better align the energy savings and the benefit assessment payments in the last 5 years of the term of the financing.

Matt Ranelli advised that he'd vote for that resolution and subsequently made the motion incorporating the agreed modification to the proposed resolutions. Pat Wrice seconded the motion. All members voted unanimously in favor.

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 loan program;

WHEREAS, the Green Bank seeks to provide a \$3,553,938 construction and (potentially) term loan under the C-PACE program to Twenty Three Nineteen Hamden Center, LLC, the building owner of 2319 Whitney Avenue, Hamden, Connecticut (the "Loan"), to finance the construction of specified clean energy

measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

WHEREAS, the Green Bank may also provide a short-term unsecured loan (the "Feasibility Study Loan") from a portion of the Loan amount, to finance the feasibility study or energy audit required by the C-PACE authorizing statute, and such Feasibility Study Loan would become part of the Loan and be repaid to the Green Bank upon the execution of the Loan documents.

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommend that the Board of Directors authorize the President of the Green Bank and any other duly authorized officer of the Green Bank, to execute and deliver the Loan and, if applicable, a Feasibility Study Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Deployment Committee dated February 24, 2015, contingent upon the transaction being brought within the loan to value guidelines, and that Green Bank staff work with the property owner to better align the energy savings and the benefit assessment payments in the last five years of the term of the financing, 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 the date of authorization by the Board of Directors; and

RESOLVED, that before executing the Loan, the President of the Green Bank and any other duly authorized officer of the Green Bank shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements, and that the lease on the property does not impact the Green Bank's ability to foreclose on the building.

Mackey Dykes with the approval of the members, decided to move to the Bridgeport Micro Grid Project since it required a vote, due to limited time.

5. Statutory and Infrastructure Sector Program Updates and Recommendations:

Genevieve Sherman speaking in place of Dale Hedman, highlighted the Bridgeport CHP and Micro Grid Project, requesting a loan in the amount of \$502,860.

Reed Hundt, noting that the committee had received from staff the particulars of the Micro Grid Project made the motion to approve. Pat Wrice seconded the motion. Members voted unanimously in favor.

WHEREAS, this microgrid project meets the requirements of the statutorily mandated Combined Heat and Power (CHP) Pilot program set forth under Public Act 11-80, Section 103, which is administered by the Connecticut Green Bank (Green Bank); and

WHEREAS, this microgrid project is consistent with the Green Bank's approved Fiscal Year 2015 budget and Comprehensive Plan.

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 a sub-debt loan in the amount of \$502,860, to be funded from the CHP Pilot program budget, and with terms and conditions consistent with the memorandum and term sheet submitted to the Deployment Committee dated February 23, 2015; and

RESOLVED, that the proper the 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 instruments.

6. Report out on Delinquent C-PACE Transactions and Timeliness Reserve

Bert Hunter highlighted C-PACE transactions that were sold down to the Clean Fund last May. There are two transactions delinquent by the same property owner. There has been a renegotiation of a defaulted lien. There had been an administrative mistake that has since been corrected associated with one of the properties. No loss of funds is anticipated.

Reed Hundt pointed out that he had an extensive conversation with Mr. Hunter before the meeting and that he concluded that the Green Bank is handling the payment delinquency in a manner similar to how municipalities do when faced with similar payment issues. Also, it does not appear that the Green Bank would lose money on this deal. He also advised the committee members if they had further questions or concerns to see Bert Hunter.

Mackey Dykes advises that remaining topics will be discussed at the next meeting.

7. Adjournment:

Upon a motion made by Reed Hundt, seconded by Pat Wrice the Deployment Committee Members voted unanimously in favor of adjourning the meeting at 3:02 p.m.

Respectfully submitted,

Reed Hundt, Chairperson of the
Deployment Committee