

Deployment Committee of the Connecticut Green Bank

**Minutes – Special Meeting
Monday, August 17, 2015
9:30-10:00 p.m.**

A special meeting of the Deployment Committee of the Board of Directors of the **Connecticut Green Bank** was held on July 14, 2015 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT.

1. Call to order:

Bryan Garcia called the Deployment Committee of the Connecticut Green Bank meeting to order at 9:32 a.m. Deployment Committee members participating: Pat Wrice (by phone) Reed Hundt (by phone), Katie Dykes (by phone), and Bettina Ferguson (by phone).

Staff Attending: Brian Farnen, Bert Hunter (by phone), Genevieve Sherman, Anthony Clark, Nickolas Zuba, Cheryl Samuels, and Mike Yu (by phone).

Absent:

2. Public Comments

There were no public comments.

3. Approval of Special Meeting Minutes for July 14, 2015*

Reed Hundt suggested that there needs to be a change in the way that the meetings are run regarding the discussions of the C-PACE transactions. Bryan Garcia suggested that in the future we create a consent agenda item for C-PACE transactions since there is a standard for materials submitted for review and approval by the Board. If there are irregular C-PACE transactions, then those transactions will not be included on the consent agenda. Bryan Garcia stated that he will work with Reed Hundt and Genevieve Sherman on this for future Deployment Committee meetings.

Bryan Garcia proposed resolutions be made on 1 through 6 then discussion ensued.

A motion was made by Bettina Ferguson and seconded by Pat Wrice. The committee voted unanimously in favor to approve the meeting minutes.

Resolution #1

Motion to approve the minutes of the Deployment Committee for July 14, 2015 Special Meeting.

4. Commercial and Industrial Sector Program Updates and Recommendations

a. C-PACE Transactions*

Genevieve Sherman provided an overview on C-PACE transactions.

i. Danbury – C-PACE Transaction

Genevieve Sherman explained that this is a high school and that the savings to investment ratio has been identified by our technical advisor as high risk. She stated that this risk is mostly driven by large cost items. She stated that the property owner and contractor are presenting the maximum financing that the project can support and this will be contingent on an additional technical review.

Resolution #2

WHEREAS, pursuant to Section 16a-40g of the Connecticut General Statutes, as amended, (the “Act”), the Connecticut Green Bank (the “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 \$879,377 construction and (potentially) term loan under the C-PACE program to the Bridgeport Roman Catholic Diocesan Corporation, the building owner of 73 Southern Boulevard, Danbury, Connecticut (the 2 "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 Act, 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 President of the Green Bank and any duly authorized officer of the Green Bank is authorized to execute and deliver the 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 August 10, 2015, 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 Deployment Committee;

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 CPACE transaction meets 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 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.

ii. Newtown – C-PACE Transaction

Genevieve Sherman stated that this is a large transaction. The LTV exceeds 80% and will take up to a 90% LTV. Genevieve stated that staff will underwrite to that higher threshold based on the underwriting criteria of a registered C-PACE capital providers that is considering financing the transaction pursuant to our recent RFP.

Bettina Ferguson suggested that this transaction could be used as a marketing tool for Green Energy. Genevieve Sherman stated that the building is in need of significant capital improvements and that they are switching from fuel oil to natural gas. She stated that the property owner is also doing a solar project with it. Genevieve agreed that the property owner and the Green Bank can utilize each other for marketing.

Resolution #3

WHEREAS, pursuant to Section 16a-40g of the Connecticut General Statutes, as amended, (the “Act”), the Connecticut Green Bank (the “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 \$2,500,000 construction and (potentially) term loan under the C-PACE program to Curtis Packaging Corporation, the building owner of 44 Berkshire Road, Newtown, 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 Act, 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 President of the Green Bank and any duly authorized officer of the Green Bank is authorized to execute and deliver the Loan in an amount not to be greater than the Loan amount with terms and conditions consistent with the memorandum submitted to the Deployment Committee dated August 10, 2015, 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 Deployment Committee;

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 CPACE transaction meets 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 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.

iii. Norwalk – C-PACE Transaction

Genevieve Sherman explained that this transaction exceeds 80% LTV. She stated that the building was recently purchased out of foreclosure by a property management company with a track record in turning around distressed properties and has partnered with CBRE to lease the building. They expect that new tenants will be added bringing the LTV to under 80%. She stated that they anticipated that a registered C-PACE capital provider (the capital provider that won the recent RFP) will be financing this project and staff has established that the capital provider is comfortable with the approach to estimating the LTV.

Bettina Ferguson had a concern with so much empty space. She questioned if the Green Bank had done financing such as this in the past. Genevieve Sherman explained that yes, this type of financing had been done in the past. She stated that the expectation is that the building will lease up. She stated that it is common for an appraiser to make assumptions on what they think will occur in a period of time. She stated that there is a very detailed analysis that has been done and that staff is comfortable with the analysis which demonstrates even at existing lease contracts in place an adequate debt service coverage ratio. Genevieve Sherman also stated that this is the line of business for the owner of the building.

Katie Dykes questioned how the low occupancy factors into the savings. Genevieve Sherman stated that the program requires contractors to create an energy model as if the location were occupied. She stated that the analysis needs a baseline for energy consumption. Genevieve Sherman stated that staff uses existing billing data and in a fully vacant facility they use the existing code as a standard to the baseline model. She stated that anything over and above that they would weigh the financing to that.

Reed Hundt asked if Genevieve Sherman could discuss the savings to investment ratios. He questioned if the range was random. Genevieve Sherman stated that it is a random assortment. The energy cost savings have to pay for the investment over the life of the measures. Some property owners have a goal to improve the cash flow by retrofitting. Other property owners have a goal of maxing out potential C-PACE financing (under the SIR) to implement needed capital improvements. She stated that the varying cost of energy upgrades also results in a range. For example, solar projects will see a range because not all installers have the same cost.

Resolution #4

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 \$549,223 construction and (potentially) term loan under the C-PACE program to Matrix Norwalk LLC, the building owner of 535 Connecticut Ave, Norwalk, 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 President of the Green Bank and any other duly authorized officer of the Green Bank is authorized 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 August 10, 2015, 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 Deployment Committee; 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 CPACE 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.

iv. Stamford – C-PACE Transaction

Genevieve Sherman explained that this is a high school and that the savings to investment ratio has been identified as high risk. She stated that this risk is mostly driven by large cost items. She stated that they are presenting the maximum financing that the project can support and this will be contingent on an additional technical review.

Resolution #5

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 \$448,036 construction and (potentially) term loan under the C-PACE program to The Bridgeport Roman Catholic Diocesan Corporation, the building owner of 914 Newfield Avenue, Stamford, 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 the Connecticut Green Bank is authorized to execute and deliver the 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 August 10, 2015, 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 Deployment Committee;

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 CPACE transaction meets 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 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 instrument.

v. Vernon – C-PACE Transaction

Resolution #6

WHEREAS, pursuant to Section 16a-40g of the Connecticut General Statutes, as amended, (the “Act”), the Connecticut Green Bank (the “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 \$514,640 construction and (potentially) term loan under the C-PACE program to 777 Realty LLC, the building owner of 777 Talcotville Road, Vernon, 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 Act, 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 President of the Green Bank and any duly authorized officer of the Green Bank is authorized to execute and deliver the 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 August 10, 2015, 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 Deployment Committee;

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 CPACE transaction meets 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 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.

vi. Hartford – C-PACE Transaction – revision

Genevieve Sherman explained that that there is no material change to the previously approved project, however the memo has been changed to clarify that the solar component of the project is not being financed through the C-PACE program or by the Connecticut Green Bank but rather through a PPA from a separate capital provider.

IS THERE A RESOLUTION TO NOTE THE CHANGE?

b. C-PACE Transactions – Extension of Resolutions

Genevieve Sherman stated that some of the transactions that have been previously approved need more time to close. She stated that there are a variety of reasons for this, but it’s a good learning curve. She stated that an example is 77 Leibert Road, Hartford, the utility did not approve the original interconnection. They required a new study be done. She stated that a lot is not in the control of C-PACE.

A motion to approve the extension resolutions was made by Reed Hundt and seconded by Bettina Ferguson. The Committee voted unanimously in favor.

Resolution #7

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, pursuant to the C-PACE program the Green Bank Board of Directors (the “Board”) or the Connecticut Green Bank Deployment Committee (the “Deployment Committee”) has approved and authorized the President of the Green Bank to execute financing agreements for the five (5) C-PACE projects described in the Memo submitted to the Board on August 10, 2015 (collectively, the “Finance Agreements”);

WHEREAS, the Finance Agreements were authorized to be consistent with the terms, conditions, and memorandums submitted to the Board or the Deployment Committee and shall be executed no later than 120 days from the date of Board or Deployment Committee approval; and

WHEREAS, due to delays in fulfilling pre-closing requirements for the C-PACE transactions listed above the Green Bank will need more time to execute the Finance Agreements.

NOW, therefore be it:

RESOLVED, that the Deployment Committee extends authorization of the Finance Agreements to no later than 120 days from August 17, 2015 and consistent in every other manner with the original Board or Deployment Committee authorization for each Finance Agreement.

c. Timeliness Reserve – Proposed Revisions

Bert Hunter provided an overview of the Timeliness Reserve. He stated that C-PACE has successfully closed the second sell down and that approximately \$8 million in capital is being returned to the Green Bank over about 20 transactions. He stated that the only issue with the bond structure the Green Bank and Clean Fund (the buyer of the Class A bonds) is that occasionally there are delays in the receipt of payment – sometime owing to a delay in payment by the property owner and in other cases due to delays in the municipality forwarding payments to the Green Bank in time for payments to be made to the bond holders. With the delay of receipt of payment, sometimes the Green Bank needs to utilize the Timeliness Reserve to ensure timely payment to bond holders while awaiting payments from property owners or municipalities. Bert Hunter explained that the Green Bank did utilize the reserve approved by the Board to the extent of \$278,000 of the \$300,000 available, utilizing pretty much near the full amount of the reserve. He stated that the amount outstanding today is about \$113,000, which all relates to two transactions under payment arrangements with the property owner. He stated that the property owner is making the scheduled payments.

Bert Hunter stated that it’s prudent to increase the reserve so that the bond structure stays intact. He stated that they are requesting the reserve be bumped to \$1 million instead of \$300,000. Reed Hundt questioned why it was such a large increase. Bert Hunter stated that with the existing bonds that are outstanding against the \$18 million that has been sold, about \$800,000 is required to satisfy 100% payment failure against the A Bonds. He stated that the \$1 million reserve would provide a little cushion in case some of the reserve is utilized for workout situations. Reed Hundt questioned if they feel that there would be 100% failure and wanted to know how they were coming to the \$1 million. Bert Hunter stated that it’s just a worst case scenario. He stated that since four transactions in the first sell down utilized just under \$300,000 of the reserve that it’s too close to the threshold to cover additional

delayed payments. He stated that staff bumped the reserve up to an amount where there is no issue to bother the committee or the Board for approval for an increase, although utilization of the reserve would still be subject to approval by staff, the Deployment Committee or the Board depending upon the amount utilized. Reed Hundt disagreed. He stated that he wants it to be a reflection of risk. Bert Hunter stated that staff does a report when they utilize the reserve, and has previously reported utilization of the reserve to the Deployment Committee. Reed Hundt stated that on an as needed basis, staff should approach the Committee. Bert Hunter stated that it would need to be done on very short notice since in many cases it is not known until quite close to the bond payment date whether adequate funds have been received or not from the property owners and municipalities. Genevieve Sherman explained that tax collectors have a certain number of days in which to remit funds. In a case where the last day is utilized to remit the funds, she explained that the Green Bank could be in a situation where they're expecting funds, but waiting for that to occur. She stated that if the municipalities are a day late etc., the Green Bank would draw on the reserve. She stated that every six months there are additional projects that start to rebill, and occasionally there are delays associated with this process, delaying payment to the Green Bank. Bert Hunter explained that it's more of a failure to receive funds in a timely manner than 100% failure of the portfolio. He stated that the proposed reserve is approximately 5% of an \$18 million portfolio. He stated that the delays could be a cash flow or a timeliness issue.

Reed Hundt suggested that they should vote for the absolute minimum before the next Committee meeting. Pat Wrice asked for clarification. Bert Hunter stated that there are times when the property owner does not receive a bill and then payment is not made to the municipality, or property owners for one reason or another don't pay on time, or the municipality (for reasons noted by Ms. Sherman) is delayed in remitting funds to the Green Bank. He stated that this causes a delay in remitting the payment to the trustee and then to the holders of the A Bonds. Pat Wrice questioned if this has happened. Bert Hunter stated that yes, it has happened for a small amount (\$278,000 in total).

Bryan Garcia questioned if Bert Hunter could recommend a reduction to get to the next meeting. Bert Hunter stated that he will suggest a lower amount, but that \$300,000 is too low. He stated that it should be made somewhere in the vicinity of \$700,000 to be proportional to the amount originally approved in respect of the first \$8 million of bonds. He stated that staff doesn't expect to utilize it, but if a need for more than \$300,000 arose, staff would have to come to the Committee prior to use.

Reed Hundt suggested that they discuss monitoring ideas. He stated that they should discuss how to monitor and how to react. He stated that this should be done in the next meeting. Bert Hunter noted that there already is a process in place for monitoring payments, which is what the Loan Administrator does, and that staff would present at the next Deployment Committee meeting a review of this process. Bryan Garcia stated that he will take comments and suggestions from Bert Hunter. Bert Hunter suggested that for the present time a \$500,000 level be considered, but that staff would subsequently propose a higher level for approval by the Deployment Committee. Bryan Garcia proposed that they change the resolution from \$1 million to \$500,000 and add that the Deployment Committee recommends that the staff come

back with information on how they are currently monitoring and estimating utilization of the timeliness reserve, as well as, request additional funds if necessary.

Bert Hunter stated that if the Committee agrees to \$500,000 level that would work and they can approve a larger amount at the next meeting. Brian Farnen stated that this should be brought to the next Committee meeting for approval. Pat Wrice stated that they should look at steps and what triggered the concern at the next meeting.

A motion to approve the resolution was made by Pat Wrice and seconded by Bettina Ferguson. The Committee voted unanimously in favor of the resolution.

Resolution #8

WHEREAS, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly (the “Act”), 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”), and Green Bank established the C-PACE program;

WHEREAS, Green Bank established the \$40 million C-PACE Warehouse Facility in support of the C-PACE program to fund C-PACE transactions approved at the requisite authorization level by staff, the Deployment Committee or the Board of Directors (the “C-PACE Warehouse Facility”);

WHEREAS, the Board of Directors directed staff to sell down such funded C-PACE transactions to private capital providers in order to continually replenish funding capacity for the C-PACE program on an ongoing basis;

WHEREAS, at its November 15, 2013 meeting, the Board of Directors authorized the sale of C-PACE assets from the C-PACE Warehouse Facility to a private capital provider through a competitive bid process, as well as the creation of an initial timeliness reserve to support this asset sale at a not-to-exceed level of \$300,000; and

WHEREAS, staff’s request for an increase to the timeliness reserve is consistent with Green Bank’s comprehensive plan and budget for FY 2015 with respect to anticipated budget investments for the C-PACE program and other program requirements.

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommends to the Green Bank Board of Directors an increase, from \$300,000 to \$500,000, in the not-to-exceed amount of the timeliness reserve associated with the C-PACE asset sale previously authorized by the Board of Directors on November 15, 2013;and

RESOLVED, that the Deployment Committee directs staff of the Green Bank to bring back and present to the Deployment Committee at its next meeting a description of the current process and monitoring of the timeliness reserve for C-PACE.

5. Adjourn

A motion to adjourn the meeting was made by Pat Wrice and seconded by Bettina Ferguson at 10:17 a.m.

Respectfully submitted,

Reed Hundt, Chairperson