

DEPLOYMENT COMMITTEE OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

Minutes –Special Meeting
Friday, August 24, 2012

A special meeting of the Deployment Committee of the Board of Directors of the **Clean Energy Finance and Investment Authority (“CEFIA”)** was held on August 24, 2012, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Noting the presence of a quorum, Reed Hundt, Chairperson of the Deployment Committee, called the meeting to order at 3:00 p.m. Deployment Committee members participating: Reed Hundt; Donald Kirshbaum representing Denise Nappier, State Treasurer; and Matthew Ranelli (by phone).

Absent: Patricia Wrice.

Other Board Member Attending: Catherine Smith, Chairperson of the CEFIA Board (by phone).

Staff Attending: Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter (by phone), and Shelly Mondo.

2. **Public Comments:**

There were no public comments.

3. **Approval of Meeting Minutes:**

Mr. Hundt asked the Deployment Committee members to consider the minutes from the July 23, 2012 meeting.

Upon a motion made by Mr. Kirshbaum, seconded by Mr. Ranelli, the Deployment Committee members voted unanimously in favor of adopting the minutes from the July 23, 2012 meeting as presented.

4. **Review and Approval of Commitment Letter for HUD Energy Innovation Fund Grant Program:**

Staff was asked to clarify the action being requested by the Deployment Committee regarding the U.S. Department of Housing and Urban Development (“HUD”) Energy Innovation Fund Grant Program. Mr. Garcia noted that staff is asking the Deployment Committee to consider approving a conditional commitment letter for up to \$2,000,000 with the Connecticut Housing Finance Authority, HUD, Winn Development (“Winn”) and Local Initiatives Support Corporation (“LISC”) under HUD’s Energy Innovation Fund and to authorize staff to continue negotiating final terms and conditions for a pilot program. Staff would come back to the Deployment Committee for final approval of the terms and

conditions of a program at a later date. NRG, an affiliate of Winn, has been preliminarily selected by HUD to receive a federal grant of up to \$5,250,000 to pilot an innovative energy efficiency contract program to serve multifamily low-income housing developments. If staff is successful with the negotiations, Mr. Hundt stated that there may be a need to have a special Deployment Committee meeting to approve the final terms and conditions for a program. Attorney Farnen stated that the Deployment Committee can approve loans up to \$2,500,000, and the funding commitment for this proposed program is anticipated to be up to \$2,000,000.

In response to a question, Attorney Farnen indicated that he is not aware of any time limits from HUD regarding contract execution but noted that HUD's fiscal year ends September 30, 2012 and HUD has requested receipt of all third party commitment letters by the end of August to permit them time internally to complete their approval process. However, CEFIA's commitment is conditioned upon acceptable due diligence and the Deployment Committee's review and approval of the final agreement. CEFIA can decide not to proceed with the transaction if it is not deemed to be in its best interests.

Mr. Hunter explained the negotiation process between HUD and NRG and noted that HUD has indicated that it is confident that the negotiations with NRG will be successfully concluded. He noted that if any of the milestones are not completed under the work plan by NRG at any time to the satisfaction of HUD, HUD can terminate the transaction.

Mr. Garcia explained that following an internal meeting with staff and the Deployment Committee Chair, changes were made to the draft commitment letter to allow CEFIA to look at other financial instruments outside the loan loss reserve but still consistent with the needs of HUD. He stated that the changes give more flexibility to CEFIA with negotiating with WINN/LISC. Attorney Farnen reviewed the specific changes made to the draft commitment letter, noting that reference to "loan loss reserve" was changed to "credit enhancement." Mr. Hunter briefly explained that the credit enhancement could take the form of a loan loss reserve, whereby CEFIA would have risk exposure in providing support for the LISC/Winn loans following a 25% risk undertaking by HUD. Mr. Hunter explained the possible alternate structure which would involve CEFIA providing subordinated debt, noting that CEFIA's funds would be 25% of the proposed loan fund up to a maximum of \$2,000,000 and subordinated and second in priority to the LISC/Winn senior debt. However, CEFIA would still benefit from any insurance proceeds. In response to a question, Mr. Hunter stated that if the credit enhancement took the form of a loan loss reserve, the guarantee would be on both principal and interest.

Before disconnecting from the meeting, Ms. Smith indicated her support for moving forward with negotiations on the potential pilot program.

In response to a question, Mr. Hunter clarified that the HUD grant to Winn and its affiliate, NRG Solutions, is for \$5,250,000. The credit enhancement by CEFIA is up to \$2,000,000. Questions arose as to whether the leveraged amount of credit

enhancements of up to \$8,000,000 to be used for loans should be referenced in the commitment letter, but following clarification it was concluded that the reference to the \$8,000,000 facility in the term sheet, attached to the commitment letter, is sufficient.

Mr. Kirshbaum indicated his support for the pilot program and noted that this is a way for CEFIA to get into the multifamily housing area and learn more about energy retrofits and efficiency for multifamily housing. It was noted that the properties being considered are properties where the owners have the capacity to pay back the loans. There was general consensus that staff can learn from this pilot program and eventually expand to a broader audience and provide assistance to the multifamily tenants who pay energy bills themselves.

Upon a motion made by Mr. Kirshbaum, seconded by Mr. Ranelli, the Deployment Committee members voted unanimously in favor of adopting the following resolution approving a conditional commitment letter and authorizing staff to proceed with negotiations for the Pilot HUD Energy Innovation Fund Grant Program:

WHEREAS, NRG Solutions LLC, an affiliate of Winn Companies (“Winn”), with a letter of support from the Clean Energy Finance and Investment Authority (“CEFIA”), was awarded an Energy Innovation Fund grant in the amount of \$5,250,000 from the U.S. Department of Housing and Urban Development (“HUD”) in support of the establishment of a Multifamily Energy Loan Fund Pilot Program; and

WHEREAS, the Board of Directors of CEFIA approved of a budget allocation through its strategic plan that included credit enhancement funds for a loan loss reserve to support a public-private partnership for the low-income multifamily market segment; and

WHEREAS, the Connecticut Housing Finance Authority and the Connecticut Department of Economic and Community Development have recently announced a \$300,000,000 10-year affordable housing initiative to strengthen communities through economic development, and CEFIA can support energy improvements for these efforts by attracting private capital for the deployment of energy efficiency and renewable energy technologies in these properties; and

WHEREAS, per Section 101 of Public Act 11-80, the Connecticut Department of Energy and Environmental Protection filed a report to the Joint Legislative Committee on Energy and Technology regarding the equitable distribution of conservation and renewable energy funds in Connecticut that found that CEFIA funds were not equitably distributed to economically disadvantaged communities in 2010.

NOW, therefore be it:

RESOLVED, that the Deployment Committee hereby approves of the execution and filing of a conditional commitment letter to HUD for the Multifamily Energy Loan Fund Pilot Program as set forth in the attached Exhibit A;

RESOLVED, that the Deployment Committee requests that the CEFIA staff present the final definitive terms and conditions of the Multifamily Energy Loan Fund Pilot Program for approval;

RESOLVED, that this Board action is consistent with CEFIA's Comprehensive Plan and Section 5.3.3 of CEFIA's Bylaws; and

RESOLVED, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents as they shall deem necessary and desirable to effect this Resolution.

5. **Adjournment**: Upon a motion made by Mr. Kirshbaum, seconded by Mr. Ranelli, the Deployment Committee members voted unanimously in favor of adjourning the August 24, 2012 meeting at 3:37 p.m.

Respectfully submitted,

Reed Hundt, Chairperson of the
Deployment Committee