



CLEAN ENERGY

FINANCE AND INVESTMENT AUTHORITY

AGENDA

Deployment Committee of the
Clean Energy Finance and Investment Authority
845 Brook Street, Rocky Hill, CT 06067

Friday, March 14, 2014
12:30-12:45 p.m.

1. Call to order
2. Public Comments – 5 minutes
3. C-PACE - Sophia's Plaza Project– 5 minutes
4. Adjourn

*Denotes item requiring Board action

Join the meeting online at <https://www4.gotomeeting.com/join/523379519>

Dial +1 (213) 289-0012

Access Code: 523-379-519

***Next Regular Meeting: Thursday, May 15, 2014 from 2:00-3:00 p.m.
Colonel Albert Pope Board Room at the
Clean Energy Finance and Investment Authority, 845 Brook Street, Rocky Hill, CT***



CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

RESOLUTIONS

Deployment Committee of the
Clean Energy Finance and Investment Authority
845 Brook Street, Rocky Hill, CT 06067

Friday, March 7, 2014
3:00-4:00 p.m.

1. Call to order
2. Public Comments – 5 minutes
3. Commercial and Industrial Sector Program Updates and Recommendations* – 5 minutes
 - a. C-PACE – Sophia’s Plaza Project

Resolution

WHEREAS, the CEFIA Board of Directors has approved a \$40,000,000 C-PACE construction and term loan program.

WHEREAS, CEFIA seeks to provide a \$1,500,000 construction and (potentially) term loan under the C-PACE program to Sofia’s Plazas LLC, the property owner of 2 North Road and 12 Prospect Hill Road, East Windsor, CT (the “Loan”), to finance the construction of specified clean energy measures in line with the State’s Comprehensive Energy Strategy and CEFIA’s Strategic Plan;

Now, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, 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 Board of Directors dated November 8, 2013, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 30 days from March 13, 2014; and

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA 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.

RESOLVED, that the proper CEFIA 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. Adjourn

*Denotes item requiring Board action

Join the meeting online at <https://www4.gotomeeting.com/join/523379519>

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[REDACTED] A C-PACE Project in East Windsor, CT

Address	[REDACTED] East Windsor, CT			
Owner	[REDACTED]			
Proposed Assessment	\$1,500,000 (across two parcels)			
Term (years)	20			
Term Remaining (months)	Pending construction completion			
Annual Interest Rate	5.5%			
Annual C-PACE Assessment	\$124,595			
Savings-to-Investment Ratio	1.23			
Average Debt-Service Coverage Ratio	[REDACTED]			
Loan-to-Value Ratio	[REDACTED]			
Proposed Energy Savings		EE	RE	Total
	Per year	-	589,000 kWh	589,000 kWh
	Over term of loan	-	11,780 MWh	11,780 MWh
Estimated Cost Savings	Per year	-	\$153,183	\$153,183
	Life Cycle	-	\$3,063,660	\$3,063,660
Location	Town of East Windsor			
Type of Building	Retail - Strip Mall			
Year of Build	1981 - 1986			
Building Size (total sf)	90,000			
Year Acquired by Current Owner	1980			
As-Is Appraised Value	\$6,930,000			
Status of Mortgage Lender Consent	Pending approval from [REDACTED]			
Proposed Project Description	Two 250 kW photovoltaic systems (one rooftop and one ground mount)			
Est. Date of Construction Completion	Pending closing			
Current Status	Pending Board of Directors approval			
Energy Contractors	Green Earth Energy Photovoltaic			
Additional Comments				



CLEAN ENERGY
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Project Qualification Memo

To: CEFIA Board of Directors

From: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO
Genevieve Sherman, Senior Manager Commercial and Industrial Programs,
Ben Healey, Senior Manager, Clean Energy Finance

CC: Mackey Dykes, Chief of Staff, Brian Farnen, General Counsel

Date: November 8, 2013

Re: C-PACE Transaction – Construction and Term Loan for Solar PV Installations at [REDACTED]
[REDACTED] East Windsor, CT

Summary

The 90,000 combined square foot buildings at [REDACTED] and [REDACTED] were originally constructed over five years between 1981 and 1986 and together comprise a shopping center containing retail, professional, and flex space along a strip mall in East Windsor, CT.

The proposed investment is a C-PACE transaction under which CEFIA would provide construction financing in the amount of \$1,500,000 to support the installation of two 250 kW solar PV systems (one rooftop and one ground mount) on each of the two individual parcels (both of which would carry benefit assessment liens) that make up the [REDACTED] property.

The combined upgrades are projected to save \$145,055 in year one and \$153,183 on average over the life of the financing, when combining both electricity savings and \$79.89/MWh ZREC payments for the project's first 15 years.

Upon project completion, CEFIA will either retain 100% ownership of the construction loan via conversion to a term loan (envisioned to be 20 years at a 5.5% interest rate), or sell it off partially or in total to a private capital provider. Regardless, a C-PACE assessment through the Town of East Windsor will provide security.

With 5.5% financing for 20 years, annual debt service will be \$124,595 (paid semi-annually via the property tax bill), meaning this project will be immediately cash flow positive, to the tune of about \$20,000 per year. In addition, with C-PACE financing 100% of project costs, the property owner will immediately benefit from the federal Investment Tax Credit (30% of total installed costs), as well as MACRS accelerated depreciation rules.

The contractor for the project will be Green Earth Energy Photovoltaic, a full service design-build solar and renewable energy integrator headquartered in Longmeadow, Massachusetts.

Green Earth Energy's team of professionals have over 140 years of combined nuclear, electrical, and utility experience, ranging from the distribution of electricity in United States to the execution of testing of U.S. Nuclear Navy systems. The firm's electrical engineering experience ranges from the rebuild of major global rapid transit car rebuilds to the development of high voltage safety systems, and its electrical installation group has worked on projects from Portugal to Guatemala, and has completed projects in all segments of industrial, commercial, and government installations. Green Earth Energy's workmanship comes with a 5-year warranty, and its solar photovoltaic equipment comes with a 20-year warranty for inverters and a 25-year, 80% power production warranty for the photovoltaic panels.

The [REDACTED] property features strong financials and a stable tenant base, with 2011 and 2012 revenues greater than [REDACTED] average net operating income over two years, in excess of [REDACTED] current tenant occupancy of about 77%, and a projected average debt service coverage ratio ("DSCR") greater than [REDACTED] after factoring in C-PACE assessment payments. Even assuming that for some reason these solar PV projects produce only 75% of projected savings, the property's DSCR should stay above [REDACTED] under current revenue projections.

Finally, the existing LTV for the property is a conservative [REDACTED] (with an outstanding mortgage of about [REDACTED] to an estimated property value of about \$30,000, based on a 2011 appraisal for [REDACTED]). Adding the entire value of the proposed C-PACE financing to the debt load only serves to increase that LTV to [REDACTED] well within CEFA's underwriting guidelines.

Strategic Plan

Is the project proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

The proposed project is a C-PACE transaction, and as such, is part of a statutorily mandated program that is a key component of the CEFA comprehensive plan and budget for FY 2014. This construction and potential term loans supports that program and consequently is consistent with CEFA's Comprehensive Plan. Statutorily, CEFA is permitted to use its resources "...for expenditures to promote investment in clean energy in accordance with [CEFA's Comprehensive Plan]...."

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the project versus the dollars of ratepayer funds at risk?

Over the 20-year financing term, projected savings are 11,780 MWh, versus \$1,500,000 of ratepayer funds at risk.

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

The construction and term loans will both be set at a fixed 5.5% over the 20-year term. Ratepayer funds will be paid back in one of the following ways: (a) through a take-out by a

private capital provider at the end of construction (project completion); (b) subsequently, when the loan is sold down to a private capital provider; or (c) through receipt of funds from the Town of East Windsor as it collects the C-PACE benefit assessment from the property owner.

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the project?

\$1,500,000 on a construction and (potentially) term loan basis.

Risk

What is the maximum risk exposure of ratepayer funds for the project?

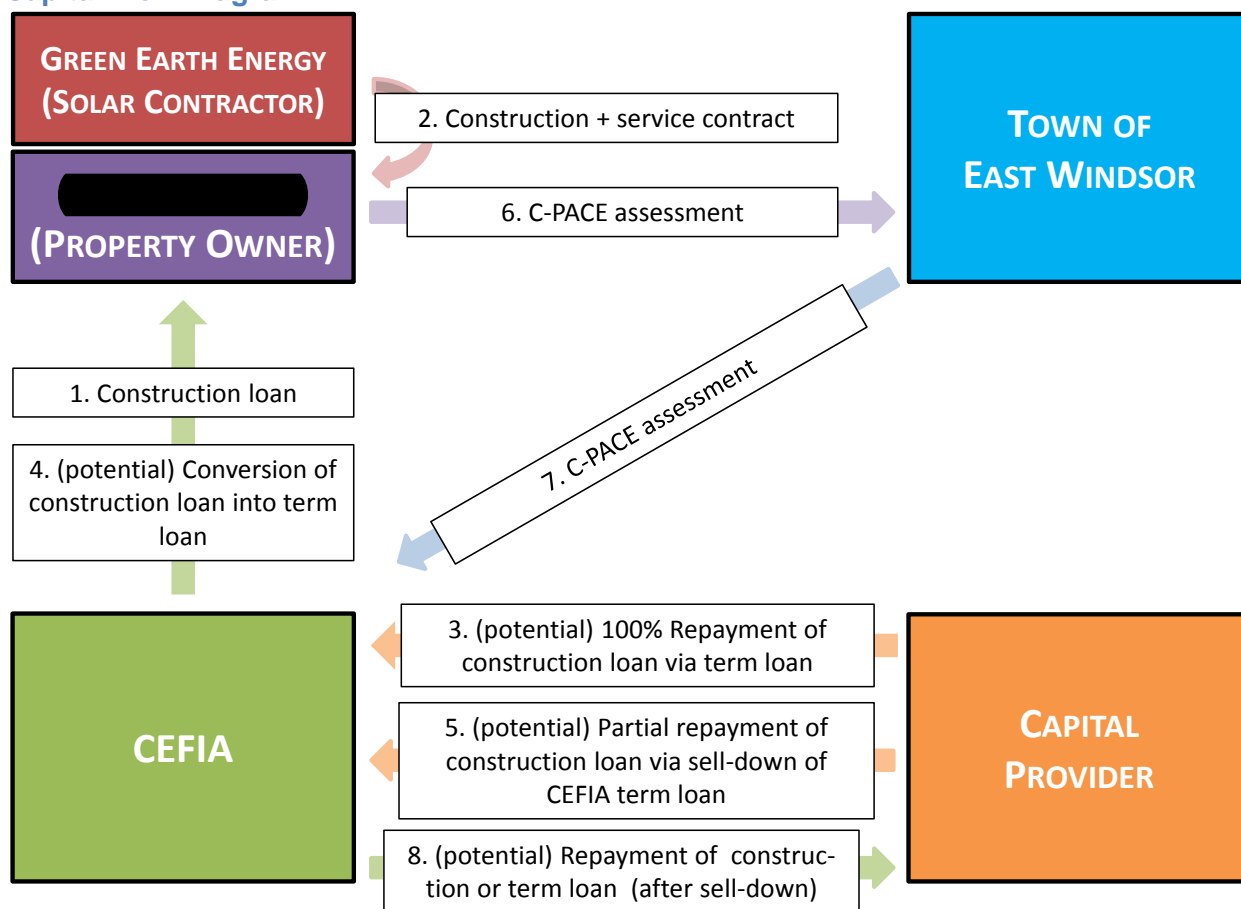
The maximum risk exposure of ratepayer funds will be the \$1,500,000 invested as a construction and (potentially) term loan.

Financial Statements

How is the project investment accounted for on the balance sheet and profit and loss statements?

As funds are advanced, there will be a reduction in the “CEFIA Cash and Cash Equivalents Account” (Current Asset on the Balance Sheet) and a corresponding increase in “Promissory Notes – C-PACE Construction / Term Loan Program” (Non-Current Asset on the Balance Sheet).

Capital Flow Diagram



Target Market

Who are the end-users of the project?

The end-users of the project are the current owner of the property – [REDACTED] in East Windsor, CT – as well as any future property owners upon transfer of title.

CEFIA Role, Financial Assistance & Selection/Award Process

As the statutorily designated administrator of C-PACE, CEFIA officially launched the program statewide on January 24, 2013. The graphic on the following page illustrates the major tasks that CEFIA staff has accomplished over the course of the past year.



The [REDACTED] solar PV projects come to CEFIA as the result of the extensive marketing and outreach conducted by the C-PACE team since the program's inception. The property's owner has now gone through the C-PACE intake process and has cleared the technical underwriting requirements overseen by CEFIA's third-party program administrator, Buonicore Partners, including demonstrating a savings-to-investment ratio greater than 1. Based upon the strength of the project application and the clear and significant benefits to be realized through implementation of the proposed clean energy upgrades, CEFIA staff is ready to move this project through to funding.

Project Partners

The chief project partners are the property owner [REDACTED] and the solar PV contractor, Green Earth Energy Photovoltaic. Beginning with the latter, Green Earth Energy Photovoltaic is an experienced commercial solar PV developer, having completed numerous projects since the firm was founded in 2007, including several under the C-PACE program this past year. Green Earth Energy will be installing two systems using well-established solar technology, including either Solectria PVI-250 or Power One PVI-250 inverters and Yingli 250 Watt YL250P-29b or Canadian Solar CS6P-250 modules with Iron Ridge Mounting. The modules will carry a 25-year power production warranty, and the inverters will have an extended 20-year warranty.

[REDACTED] itself is a family owned business in operation since 1981, wholly controlled by [REDACTED]. Relevant financials for the property appear on the following pages.

REDACTED

Risks and Mitigation Strategies

There are two major risks associated with this project.

The first is the performance risk associated with the installed renewable energy systems. Mitigating performance risk are the extended warranties on the systems, as outlined above, as well as the annual inspection and maintenance contract into which Sofia's Energy and Green Earth Energy have entered to ensure the systems operate optimally throughout their life. In addition, as with all solar PV systems that CEFIA supports, a Locus Energy monitoring system will be installed to ensure any dips in system performance are quickly caught and repaired.

The second major risk associated with this project is the future ability for the property's cash flows to service the combined property's debt, including both the existing mortgage and the proposed C-PACE assessments. Mitigating this risk is the long and diverse tenant mix enjoyed by the property both over its recent history and going back more than 30 years. Even with the current 23% vacancy rate and leases priced at 10% below market in a tough economic climate, the property continues to produce healthy cash flows and strongly positive net operating income. Further quantitative underwriting analysis appear on the following pages.

Underwriting Metrics

Key Financial Metrics from Project Scenario Report

Attached to this diligence memo are two full scenario reports on the ██████████ solar projects from Sustainable Real Estate Solutions ("SRES"), a member of CEFIA's third-party C-PACE administrator team. SRES uses all contractor savings projections through their platform to help validate claims made by energy service companies, project developers, engineering firms and contractors participating in the C-PACE program. Below are extracts from each report, which focus on relevant financial metrics for these projects, as considered through the lens of projected energy costs. The first looks at the ██████████ parcel, and the second at the ██████████ parcel.

Pro Forma

Project-specific projections presented first; pro forma of CEFIA cash flows follow after.

REDACTED

CEFIA Cash Flows

Note that these numbers may change based on final deal terms, including the potential capitalization of the construction interest payment into the final C-PACE benefit assessment amount.

REDACTED

Resolutions

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"), CEFIA 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 CEFIA Board of Directors has approved a \$40,000,000 C-PACE construction and term loan program.

WHEREAS, CEFIA seeks to provide a \$1,500,000 construction and (potentially) term loan under the C-PACE program to [REDACTED] the property owner of [REDACTED] [REDACTED] East Windsor, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and CEFIA's Strategic Plan;

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, 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 Board of Directors dated November 8, 2013, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 30 days from March 14, 2014; and

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA 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.

RESOLVED, that the proper CEFIA 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.

Submitted by: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO and Genevieve Sherman, Senior Manager of Commercial and Industrial Programs

Due Diligence Questions

Question #1 – What is the most recent market value appraisal?

Response:

\$6,930,000

Question #2 – Who is the primary mortgage holder? What is the outstanding balance on the mortgage?

Response:

████████████████████

Question #3 – What has been the vacancy rate of the property over the last 5 years?

Response:

The current vacancy rate is about 23%. Looking back and averaging the past five years, the vacancy rate for the individual portions of the property are as follows:

- ██████████ (front): 0%
- ██████████ (rear): 50%
- ████████████████████ 10-20%

Question #4 – In relation to similarly situated properties, how do the property's lease rates compare?

Response:

About 10% below market given current economic conditions, in line with the trend for similarly situated properties

Question #5 – Other than the proposed clean energy upgrades, are there any other major (>\$25,000) capital expenditures planned for the next 5 years?

Response:

No