



**DEPLOYMENT COMMITTEE
OF THE CONNECTICUT GREEN BANK**

845 Brook Street
Rocky Hill, CT 06067

Wednesday, May 29, 2019
2:00 – 3:00 p.m.

The quarterly meeting of the Deployment Committee of the Connecticut Green Bank (the “Green Bank”) was held on May 29, 2019, at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope Board Room.

1. Call to Order

Commissioner Mary Sotos, as Chair of the Deployment Committee, called the meeting to order at 2:01pm

Committee members participating: Bettina Bronisz (by phone), Matt Ranelli (by phone), Mary Sotos (by phone)

Members absent:

Others attending: Joe Buonannata and Kerry O’Neil from IPC

Staff participating: Mackey Dykes, Brian Farnen (by phone), Bryan Garcia, Alex Kovtunencko, Mike Yu, Nick Zuma

2. Public Comments

There were no public comments.

3. Consent Agenda

- a. Approve Meeting Minutes for special meeting on March 27, 2019

Resolution #1

Motion to approve the meeting minutes of the Deployment Committee for March 27, 2019.

Upon a motion made by Bettina Bronisz and seconded by Matt Ranelli, the Committee

unanimously voted to approve the Consent Agenda; Meeting Minutes from the March 27, 2019 meeting.

- b. Approval of Loan Losses Below \$100,000 and No More in Aggregate than \$500,000 – Memo (March 27, 2019)

Bryan Garcia reported through Q3 the Loan Loss performance.

4. Investment Business

- a. Smart-E Loan – Health & Safety

Mr. Garcia began this presentation with a proposal for this program; reclassifying asbestos and mold remediation from the “other/related” energy measure category, which currently limits them [banks and credit unions] to 25% of an approved loan amount, to be stand-alone measures that can be financed in full. This would provide low interest loans to organizations/homeowners for, not only the asbestos and mold remediation, but also; insulation, windows, solar PV, heating & cooling improvements.

The reasoning for this effort is because program contractors are often unable to complete energy assessments and make recommendations for more comprehensive energy improvements due to the presence of health and safety barriers, particularly in Low-to-Moderate Income (“LMI”) households. This request has the support of the utility program administrators of the Energy Efficiency Fund’s Home Energy Solutions program, the Joint Committee of the Connecticut Green Bank (“Green Bank”) and the Energy Efficiency Fund Board.

Contractors in the field may not be allowed to continue a field home energy assessment or audit once they encounter health or safety issues and LMI households likely have higher instances of those issues. All want to see these health & safety issues broken down in order to proceed with energy improvements—especially with asbestos or mold for which home energy solutions cannot proceed.

As Mr. Garcia pointed out, the health & safety barriers are holding up other upgrades like insulation and new window installations. Therefore, the goal is for homeowners to get a loan from Smart-E to fix the problems and commit to an energy efficiency audit right after the loan is approved if not already part of the plan. Then homeowners combine the fixes together and obtain other finances to cover the home efficiency expenses.

Ms. O’Neill of Inclusive Prosperity Capital, Inc. (“IPC”) stated there is a \$25,000 loan proposal which may fit the need for most of these fixes. IPC will continue to monitor these loans and report statistics quarterly to the Green Bank. Ms. O’Neill also stated that utilities have been “talking” about the need for this type of loan program for years and see high deferral rates for Home Energy Solutions (“HES”)/HES-IE (which would be lower with this program) due to the presence of health and safety issues. There is a regulatory limitation on energy efficiency funds that prevents these funds from being used for health & safety measures within the HES/HES-IE program. Staff are confident that we can improve this situation with deferrals by offering the proposed expanded Smart-E Loan for health and safety measures. Ms. O’Neill

shared that the platform IPC is creating with Hewlett funding here in CT is on track, they are also working on developing a similar loan program with counterparts in Colorado.

Ms. Sotos asked about barrier categories and related costs. Ms. O'Neill stated the utilities have the best information/records. Ms. O'Neill went on to state that there is a wide swing on costs and that there is an effort to get a handle on the variable expenses to determine how much funding is needed for each health & safety issue statewide. For instance, mold eradication can be costly depending on how prevalent in a household or building. Discussion continued with Committee members considering whether there is a removal or fix to these health & safety issues, do we know the median costs (only from a utility survey) and Mr. Ranelli asked if these Smart-E loans should be limited to LMI? Ms. O'Neill stated more data is needed to address Ms. Sotos' question.

Ms. O'Neill went on to share that these health & safety issue projects are only coming to the IPC/Green Bank attention through contractor channels working in the HES/HES-IE programs but there is not a single contractor marketing Smart-E loans – there are hundreds. She went on to state that the utilities advise this program should align with the contractors' business models working in the HES/HES-IE programs; they further advise that without a program such as is proposed, health & safety issues may not be removed if not obtaining financing such as is proposed under this expanded Smart-E model.

Mr. Ranelli stated he is sold on the overall process but asked if it is “our” role to give loans for these types of issues? Ms. O'Neill addressed these questions by stating that IPC tries to be efficient with Smart-E loan approvals, requiring minimal process changes for contractors and lenders. There is a lot of energy savings with these types of deferred efficiency projects which may drive interest. With lending partners, there have been calculated decisions to widen the underwriting box (580 on credit score), issue 15-to-20-year loans with partner banks and credit unions and continue to do loans with IPC support. This is how Green Bank “spent” the good will/good loan performance that has been seen in the program to date.

Mr. Ranelli asked “what about limiting to LMI” rather than to homeowners that can fund on their own? Ms. O'Neill stated they tried not to do anything with the Smart-E program model that requires special treatment/processes for certain populations. Joe Buonannata added that they could compile a quarterly report from their contractors and lending partners and report back to the committee their findings, based on running the proposed program. Mr. Garcia suggested that this be established as a ‘pilot’ program and then complete a survey of the different health & safety issues with the median repair funding for the Committee to review. Mr. Ranelli reiterated his opinion that the Smart-E loans be limited to LMI households. Ms. O'Neill stated that would be difficult as there is no income screen for approval but to adopt Joe Buonannata's suggestion that team track statistics after the fact—possibly through the HES/HES-IE channel—for future review. Mr. Ranelli feels strongly about LMI as other (non-LMI) borrowers would have more opportunity for funding. Ms. O'Neill also confirmed that the LMI census tract is one potential avenue to investigate and may also be used as a resource.

A scenario – HES or HES-IE assessment completed but held up due to a health and/or safety issue. Homeowner then goes to the lender. Per Ms. O'Neill, the lender process does not

include income questions ('pilot' process through LMI census tract). Joe Buonannata asked if this is okay as a 'pilot' program? Mr. Garcia asked Mr. Ranelli if he approves of this census tract approach? Mr. Ranelli okay with that as they may get data sooner to review. Ms. Bronisz and Ms. Sotos also approve the census tract as the 'pilot' program. Ms. Sotos shared that mapping out these types of LMI loans would be helped by this kind of program to assist with health & safety issues that are not hit by government or other grants, etc. and understanding the market need at this time.

Ms. Sotos stated DSS has given part of budget to DEEP to assist in these endeavors as well, for the federal weatherization program. Mr. Ranelli asked the 'Amendment' or Resolution be updated to include the approval of the 'pilot' program. Mr. Ranelli recommended changes to the Amendment and does not want to put the brakes on at all.

Ms. O'Nei;l stated she does not want to cause friction between contractors and homeowners at all, to separate information from lenders and no income from lenders under Smart-E as this information may be obtained on the front end (HES EE).

Resolution #2

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80, "An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut's Energy Future," which created the Connecticut Green Bank (the "Green Bank") to develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in CGS Section 16-245n(a);

WHEREAS, in May of 2013, Green Bank launched the Smart-E Loan program, statewide as of November 2013, with a network of local lenders providing low-cost and long-term financing for home energy improvements that are consistent with the state energy policy and the implementation of the CES; and

WHEREAS, Green Bank intends to develop and implement the Smart-E Loan program, as amended pursuant to staff recommendations as explained in the memorandum to the Board dated May 22, 2019, to further leverage private capital and continue to offer Connecticut homeowners a financing solution;

NOW, therefore be it:

RESOLVED, that the Green Bank Deployment Committee (the "Deployment Committee") approves of a pilot program that includes the reclassification of health and safety measures - specifically, asbestos and mold remediation - as standalone measures that can be financed by the Smart-E Loan in full, up to \$25,000 for Option 1 – HES Channel for income eligible only and Option 2 and Option 3 provided such improvement is in an Low to Moderate Income Census Tract, and otherwise consistent with the memorandum submitted to the Deployment Committee dated May 22, 2019.

Upon a motion made by Matt Ranelli and seconded by Bettina Bronisz, (with two modifications), the Committee voted to unanimously approve Resolution #2.

b. C-PACE Transaction – Newington

Mr. Dykes presented a new project for review at 385 Stamm Road, Newington, CT. The terms of the deal are good with a beneficial ZREC and the building owner has a large portfolio with additional properties and opportunities for more projects. Mr. Dykes reviewed more details of the deal and asked if there were any questions. With no questions from attendees, Ms. Sotos presented Resolution #3 for a vote.

Resolution #3

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 \$581,625 construction and (potentially) term loan under the C-PACE program to RPG Stamm, LLC., the building owner of 385 Stamm Road, Newington, 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 Committee dated May 23, 2019, 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 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

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.

Upon a motion made by Bettina Bronisz and seconded by Matt Ranelli, the Committee voted to unanimously approve Resolution #3.

5. Other Business

a. Bond Strategy and Bond Authorization Resolution

Mr. Garcia began by acknowledging all involved on the bond team and their contributions to this endeavor including; financial advisor Bob Lamb at Lamont Financial (helping to determine the right bond structure for the Green Bank), legal advisor Bruce Chudwick at Shipman & Goodwin, Board Member advisor Bettina Bronisz from the Office of the Treasurer (who brings her strong background and experience of bond issuance) and the Green Bank team of Mackey Dykes, Brian Farnen, Bryan Garcia as Facilitator, Bert Hunter as Lead and Eric Shrago. In development for the Bond Team will be Underwriter(s), a Trustee, Rating Agencies and Green Bond Certifiers. Bond Team has been meeting once a month to work on and expand the team to develop bond products and strategy.

Master Bond Indenture goals include: i) scaling-up the investment; expand deployment of clean energy project finance and infrastructure development to achieve greater societal benefits, deploy funding beyond SBC and existing revenue sources, and citizen engagement as retail purchasers and; ii) lower the cost of capital; raise lower cost capital from institutional investors and “friends and family” through “green bonds” for clean energy and infrastructure investments.

Mr. Garcia reviewed the 2019 timeline of the Bond issuance with the plan being the Board adopting an appropriation and bond authorization resolution in September, presentation of the Master Bond Indenture to the Board in October, presentation of all the documents and instruments necessary based on the Master Bond Indenture for the Board’s review in November and then a public hearing (in accordance with IRS) and approval from Board and subsequent bond issuance in December.

Funds are necessary to cover the administrative costs (financial advisor and legal) of this bond work but opens a new revenue stream. Regarding an Inducement Resolution? May not be needed if project comes after funds have been raised through bond issuance. This information is a heads up and more information will follow. A draft Resolution has been provided for Committee members review.

Mr. Garcia pointed out that certain C-PACE projects could be compiled together as a single bond issuance to raise funds.

Ms. Bronisz has done ‘bonding’ her whole career and is excited for this opportunity and potential success. She stated, “This will be a home-run!” Mr. Ranelli shares Ms. Bronisz’ excitement for this direction and Ms. Sotos voiced her eagerness and is “excited” to see these opportunities to funding which are new to her.

Ms. Sotos asked if Bond Team is looking for specific feedback regarding the sample Resolution? Mr. Garcia stated this is just a sample Resolution, but any feedback would be welcome.

6. Adjourn

Upon a motion made by Bettina Bronisz and seconded by Matt Ranelli the Committee unanimously agreed to adjourn meeting at 3:02 p.m.

Respectfully submitted,

Deputy Commissioner Mary Sotos, Chair