



**BOARD OF DIRECTORS OF THE
CONNECTICUT GREEN BANK**
Regular Meeting Minutes

Friday, January 24, 2020
9:00 a.m. – 11:00 a.m.

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on January 24, 2020 at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope Board Room.

Board Members Present: Eric Brown (phone), Binu Chandry (phone), Thomas Flynn (phone), John Harrity, Michael Li (for Mary Sotos, phone), Matthew Ranelli (phone), Lonnie Reed, Kevin Walsh (phone)

Board Members Absent: Bettina Bronisz, Betsy Crum

Staff Attending: Mackey Dykes (phone), Brian Farnen, Bryan Garcia, Bert Hunter, Jane Murphy, Selya Price, Cheryl Samuels, Ariel Schneider, Eric Shrago,

Others present: Joe Buonannata from Inclusive Prosperity Capital, Mariana Trief (consultant, Monte Verde Consulting LLC, phone)

1. Call to Order

- Lonnie Reed called the meeting to order at 9:01 a.m.

2. Public Comments

- No public comments.

3. Consent Agenda

- a. Meeting Minutes from December 20, 2019

Resolution #1

Motion to approve the meeting minutes of the Board of Directors for December 20, 2019.

Upon a motion made by Binu Chandry and seconded by John Harrity, the Board of Directors voted to approve Resolution 1. None opposed or abstained. Motion approved unanimously.

4. **Committee Recommendations and Updates**

a. Budget and Operations Committee

i. Proposed Revisions to FY 2020 Targets

- Eric Shrago reviewed the FY 2020 Target revisions which have been approved by the Budget and Operations Committee in their meeting on January 10, 2020.
- Bryan Garcia noted that the Chairperson of the House of Representatives Energy and Technology Committee has reached out to the Green Bank to work on battery storage language, legislation, and to develop policies to support battery storage in Connecticut.

ii. Proposed Revisions to FY 2020 Budget

- Eric Shrago reviewed the proposed changes to the FY 2020 Budget which have been approved and recommended by the Budget and Operations Committee in their meeting on January 10, 2020. He noted the primary changes were due to bond issuance costs. Bond issuance expenses are estimated to be \$1,620,000 and were originally believed to be amortized, but after receiving counsel and reviewing current accounting standards, it was realized those costs must be actualized up front.
- Eric Shrago also explained the revenues from RECs has been updated and detailed the new expenses to Incentive Programs which are all cost recoverable. He continued to the revenue and expense changes to Financing Programs and General Operations.
 - Lonnie Reed asked for clarification as to why the RGGI auctions are doing better after their decline in recent years. Eric Shrago responded that it may be due to the fewer allowances within market currently. Bryan Garcia noted that recently there was a new cap instituted. Those fewer allowances are allowing the RGGI auctions to increase in price.
- Eric Shrago stated that CBRE is the broker for office move for both the Stamford and Rocky Hill offices.
 - Eric Brown stated he said he saw Mayor Luke Bronin recently and said the Mayor is interested in sitting and talking with the Green Bank and will reach out to Bryan Garcia. Eric Shrago said the Green Bank has been in touch with the Mayor's office to set up a meeting and thanked Eric Brown for the additional support.
 - John Harrity said the Budget and Operations Committee reviewed and accepted the changes at their recent meeting. John noted the Green Bank's stability and opportunities now present, which is great in comparison to years past. He stated the Budget and Operations Committee recommends the revisions.

Resolution #2

WHEREAS, the Connecticut Green Bank Staff has assessed program and product performance through the second quarter of the fiscal year 2020,

WHEREAS, the Connecticut Green Bank Staff has revised budget needs to achieve targets,

WHEREAS, the Connecticut Green Bank Board of Directors Budget and Operations Committee has discussed, reviewed & recommended these updated targets and budget,

RESOLVED, the Connecticut Green Bank Board of Directors approves the fiscal year 2020 budget and target adjustments outlined in Attachment A.

Upon a motion made by John Harrity and seconded by Matthew Ranelli, the Board of Directors voted to approve Resolution 2. None opposed or abstained. Motion approved unanimously.

5. Financing Programs Recommendations and Updates

a. Cargill Falls – Update / Recommendation

- Bert Hunter summarized the background of the Cargill Falls Mill project which has been in development for over 5 years. He stated the developers are working within an old mill and it is also the site of a hydroelectric project. The developers are working to re-establish the hydroelectric project with the dam to bring energy to the area which includes 82 units of workforce as well as affordable housing and commercial spaces. The energy from the hydroelectric property is at a discount to the residents, but even so it is still at a substantial price to support the hydroelectric project. Between that and the revenue from rentals and commercial space leases, it's an attractive property.
- Bert Hunter stated that all awards to the project total about \$32,000,000 and as its nearing completion, there is a funding gap that has been identified by the developers. The developers are looking for \$2,500,000 for various change orders and want to know if the Green Bank can contribute \$300,000. He clarified that the Green Bank is looking at the investment as the last money to be added, and only if needed, since the developer's other sources may be able to contribute more, and sooner. He noted this Green Bank project loan is to be fully secured through C-PACE as is the existing project loan for the hydroelectric facility itself, and the Green Bank has a ZREC assigned to secure the project loan. There are 2 turbines, the first came online and was producing power until it needed to be taken offline so the rest of the project could be completed. He noted the project should be completed by early Fall.
- Bert summarized the project's Debt Service Coverage. He stated the Green Bank has about \$960,000 accrued interest currently and expects to accrue another \$202,042 by the end of June. The total CGB C-PACE loan would be \$7,662,042. The Debt Service Coverage Ratio is healthy whether the additional \$300,000 is needed or not, averaging approximately 2.61 without the additional funds in the first 6 years, or 2.50 with the funds included. He noted the ZREC will end after another 12-13 years, in 2029. It began in 2014, and once over although the DSCR will be lower, at 2.43 without the additional funds or 2.33 with it, it is still a comfortable ratio. The Green Bank staff are comfortable with the transaction under the condition that the \$300,000 is needed as the absolute last money added. Bert stated the Green Bank wants to be prepared in case of the eventuality since the Board would have to approve as the Deployment Committee can only approve up to \$2,500,000.
 - Lonnie Reed asked for clarification about the last money in component. Bert Hunter stated it would be heavily stressed into the developers. He continued to say that the interest rate is at 5% as a construction rate but it could be changed. He clarified 5% is a standard rate for C-PACE construction and that he had discussed it with Mackey Dykes, and that the rate could be increased going forward, but may not do that now as the financing agreement is set (unless the developer borrows more). He also said the team will leverage the Green Bank being the first to back the project as a means to be the last to contribute

additional funds now. The developers had also asked for an interest rate decrease, but Bert Hunter said he advised the developers that they would not receive it.

- He noted the project is an unusual case, and there may be a need to add a condition to C-PACE agreements in which the construction interest rate cannot be reduced after a set term such as 1 year. After that the interest rate would increase to term rate, such as 6.5% - as is the case here. However for this project, once it completes the interest rate will go to 6.5% regardless.
- Lonnie Reed asked for clarification about the Green Bank's liability once construction is complete and whether there is there a Held Harmless Clause in effect. Bert Hunter and Brian Farnen stated the C-PACE agreement does have a Held Harmless Clause. Bert Hunter continued to say the Dept of Housing is also involved in this project and they have been working with Haynes Company, the contractor, throughout. The Dept of Housing is very confident in their capabilities as the Hayes Company has been in business for 50 years and has worked with the State numerous times. He stated if there are any issues, the Green Bank is confident they would be prompt in fixing it.
- John Harrity noted that he saw the project location last summer and though it is a bit out of the way, it should be a real focal point for the area. He stated it is also good that it has an affordable housing component and hopes there may be a display noting the involvement of the Green Bank, which could be a good opportunity for visitors to appreciate the Green Bank's role and contributions to Connecticut.
- Bert Hunter stated the presentation is because it is senior through commercial C-PACE financing, and as a commercial C-PACE lender the Green Bank is entitled to the entire revenue stream ahead of other mortgages, second only to property taxes. When underwritten, when the Green Bank started to advance funds, it was unclear whether the rest of the project would come through. Staff was looked at a worst-case scenario – hydro revenues only. Thus, it was underwritten looking at the revenue stream to sell into the wholesale market, getting ZRECs, and getting wholesale repayments. However, when the energy conservation measures were added and as the project is nearing completion, it's now possible to underwrite it holistically as a full residential and hydroelectric project.
- Kevin Walsh asked if the repayment of the loan is from the tenants and wants to know more about where the "lease up" stands as it is nearing completion. He wanted clarification that the Green Bank will or won't get repaid unless there are tenants. Bert clarified the Green Bank will earn revenue even if none of the leases are signed, but the revenue streams will be more limited. If the commercial leases never begin, the Green Bank would recover over about 30 years instead of 25 years. The developer has not begun to start leasing yet, but that is because the construction is not far enough along to present to customers. He stated the team did do a market scan of the area and the asking prices (contained in the Cohn Reznick projections recently confirmed) are within 10% of other redeveloped units. The benefit is that this is a brand-new property compared to other properties done 30 years ago, so the estimates are very reasonable and attainable. Kevin Walsh appreciated the clarification and Bert Hunter continued to say that any surplus power would be sold back into the grid at wholesale price (3 to 4 cents).
- Matthew Ranelli stated the project has been going a long time, lots of work has been put in, and it's really a credit to the team to all of their work. However, he

said the developers always seem to come back to the Green Bank for more money. He is not inclined to agree with the expense since \$2,500,000 of additional capital isn't much given the scope of the project and asked if they can raise the money through other means. He said the money isn't for the hydroelectric part of the project, so he feels it should be raised privately. He noted the Green Bank has essentially more than doubled its initial investment and it's worrisome that the developers feel they need to come back for \$300,000 more. Bert Hunter stated the Green Bank has the additional capacity under the C-PACE Energy Efficiency Measures, but \$300,000 is the limit. It's where the additional \$1,500,000 came from when the Board approved that advance in 2018. The developers were coincidentally fortunate to ask for \$300,000 as they didn't seem to be aware of the limit.

- Thomas Flynn says he also feels the additional cost being incurred is not related to the Green Bank's mission, and that the Green Bank is only being looked at as a source of funding. He stated the project is just overbudget and doesn't think it's something that should be considered because of that. He asked if they are overbudget because of things directly related to the Green Bank mission, or if it is just because the project was in a historic building which may have caused more issues than expected. Bert clarified it is due to the condition of the original building, but the project's completed is in the interest of the Green Bank. He reiterated the money would only be used if there is no other source, which will be hard-pressed to the developers, and that this request is just to secure the funding but not to advance it right now. Bert Hunter noted he agrees with the sentiment but wants to make sure the project is completed and doesn't want to present this to the Board later when time may be sensitive.
- Binu Chandry asked if the Green Bank funds can be used for things unrelated to its mission but for a project it has contributed to. Bert Hunter stated that again the funds are just for the Energy Efficiency Measures. Marianna Trief stated there is actually ample room against the Measures, but Bert Hunter clarified in terms of a savings versus investment ratio, \$300,000 is the limit.
- Matthew Ranelli said the Energy Efficiency Measures are integrated into the costs and asked if the developers have given a breakdown of what the \$300,000 represents. He stated he would just like to know where this money is going. Bert Hunter said yes, the developer's change orders have been identified. This has been also been identified and clarified at length for the Dept of Housing and the other stakeholders. The presentation now is just a summary.
- Kevin Walsh gave his experience and perspective on how overbudgeting commercial transactions has happened in the past and stated his confusion as to why this money is needed from the Green Bank specifically. Bert Hunter said that the developer may not be one Kevin would typically work with due to the unique nature of the project but reassured him of their needs.
- Eric Brown said he shares concerns with Matthew Ranelli, Thomas Flynn, and Kevin Walsh but given where the Green Bank sits financially, he trusts Bert Hunter's judgement to make sure it is the last money contributed. He also stated he would vote to approve the cost, but has to leave the meeting early, before the Resolution vote.

- Binu Chandry asked how many affordable housing units there are. Bert Hunter clarified there are 30 units.
- Lonnie Reed asked Bert Hunter to make sure to communicate with the developer the strong discussions being had. Bert Hunter said if it does come to that, then it will be made very clear.
- Thomas Flynn asked for clarification that the Green Bank meeting minutes are public, since the developer could access them. Bert Hunter stated yes, but as the Chairperson said, we will be discussing that the Green Bank's condition to only contribute if it is the last to do so, and that the interest rate may increase as a result.
- Matthew Ranelli stated he cannot imagine a scenario where \$300,000 would put a project, especially of this scale, to a halt, and that the other stakeholders likely have more incentive to make sure that money is found. He said it isn't a critic of all the team's hard work, but this discussion needs to happen when private capital should be available and the Green Bank's funds should only be put to furthering its mission.
- Bert Hunter proposed an interest increase to 7.0% instead of 6.5% to cover the additional funds if used, if it would put the Board at ease. He stated if the developers do have to draw on the \$300,000, then their interest would increase immediately.
- Brian Farnen suggested adding in another resolution amendment: "and as revised to the Board on the January 23, 2020 memorandum."

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 Board of Directors ("Board") of the Green Bank previously approved a construction and term loan, secured by a C-PACE benefit assessment, not-to-exceed amount of \$6,200,000 (the "Current Loan") to Historic Cargill Falls Mill, LLC ("HCFM"), the property owner of 52 and 58 Pomfret Street, Putnam, Connecticut, to finance the construction of specified clean energy measures (the "Project") in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan;

WHEREAS, the Project as part of a larger property redevelopment effort (the "Mill Redevelopment") requires additional gap financing from the Green Bank in the amount of \$300,000 to achieve closing on approximately \$33,000,000 in total funds;

WHEREAS, the Mill Redevelopment includes numerous energy conservation measures that align with the goals and priorities of the Green Bank's multifamily housing program;

WHEREAS, the Green Bank now seeks approval to amend the Current Loan to HCFM to provide up to \$300,000 in additional funding (the "Loan Amendment") for the Mill Redevelopment effort, inclusive of finalizing the existing Project work.

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 Amendment in a total amount not to exceed the sum of (i) the existing C-PACE benefit assessment, plus any and all interest accrued, plus (ii) \$300,000, with terms and conditions consistent with the memorandum submitted to the Board dated January 17, 2020 and as further revised on January 23, 2020, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 180 days from January 24, 2020; and

RESOLVED, that the proper 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.

Upon a motion made by John Harrity but to include Bert Hunter's proposed amendment to the interest rate and seconded by Lonnie Reed, the Board of Directors voted to approve Resolution 3. None opposed or abstained. Motion approved unanimously.

b. Open Request for Proposals ("RFP") Framework:

- Brian Farnen stated that in response to feedback from the last Board of Directors meeting, the Green Bank decided not to go forward with Staff Authorization through the open RFP process but still wants it to be separate from the Strategic Selection process. He clarified if the Board approved the RFP process, then they would not have to go through the additional Strategic Selection. If the project is below \$2,500,000 then it would be presented to the Deployment Committee for approval, and if over \$2,500,000 then it would return to the Board for approval.
- Brian Farnen explained that pursuant to the Green Bank's enabling statute, any changes to the operating procedures requires a public comment period, and if we receive other worthy ideas or proposals, we will present them to the Board for consideration.

Resolution #4

WHEREAS, the Green Bank Board of Directors (the "Board") and the President and CEO support alternatives for developers and capital providers to gain access to Green Bank resources while affording staff the ability to consider additional investment opportunities;

WHEREAS, the Green Bank President and CEO proposed the introduction of an open and ongoing "Request for Proposals" program to create pathways to access Green Bank support;

WHEREAS, staff has diligence the concept for an open Request for Proposals program (the "Open RFP Program") with other green banks, namely the New York Green Bank and Australia's Clean Energy Finance Corporation, which demonstrated the success and utility of an open and ongoing solicitation program for project proposals;

WHEREAS, the Comprehensive Plan and FY 2020 budget identify the need as well as the capacity to manage an initial Open RFP Program; and

WHEREAS, Green Bank staff recommends that the Board approve the establishment of the Open RFP Program as explained in a memorandum to the Board dated December 17, 2019.

NOW, therefore be it:

RESOLVED, that the Board approves Green Bank to establish the Open RFP Program as explained in a memorandum to the Board dated December 17, 2019;

RESOLVED, that the Board directs the Green Bank staff to publicize revisions to the Green Bank's Operating Procedures, as submitted to the Board for its meeting held on January 24, 2020, in the Connecticut Law Journal and a notice of Intent to Amend Operating Procedures in accordance with Section 1-121 of the Connecticut General Statutes;

RESOLVED, that the Board approves of the revised Operating Procedures contingent upon receiving no material adverse public comment; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all any documents as they shall deem necessary and desirable to effect the establishment and operation of the Open RFP Program.

Upon a motion made by John Harrity and seconded by Lonnie Reed, the Board of Directors voted to approve Resolution 4. None opposed or abstained. Motion approved unanimously.

It was difficult to determine if someone on the phone was opposing or agreeing, but no one announced they were opposing.

6. Other Business

a. Smart-E Loan – ARRA IRB

- Bryan Garcia introduced Joe Buonannata, the Manager of Program Operations at Inclusive Prosperity Capital (IPC), who, under CGB guidance, manages the administration of the Smart-E Loan financing program. Joe stated due to the Board's approval to increase the pool of appropriated ARRA-SEP dollars for Smart-E Loan Interest Rate Buydowns ("IRB") from \$1.5M to \$6M in 2017, the Smart-E program staff launched a very aggressive special offer rate of 0.99% for certain loans. Over the 8-month promotion in 2017, Smart-E deployed about \$4,000,000 in ARRA-SEP funds through approximately 1,300 loans. Smart-E now has about \$1,000,000 allocated for IRBs that program staff have proposed to CGB Senior Staff to deploy with a more strategic approach. The plan is to buy-down the standard interest rates of 5, 7, and 10-year loans down to 2.99%. Those loans will be for technologies that support CT's climate change mitigation wedges: decarbonizing buildings (e.g., heat pump technology), electricity generation (e.g., battery storage systems that enable better grid integration of renewable generation), and transportation (e.g., by supporting deployment of EV recharging equipment).
- Joe stated program staff want to maintain a key pillar of the Smart-E program which allows for loans on a large number and variety of residential energy improvements (i.e., 40+ measures). For measures which are not eligible for the special offer, such as solar PV, a blended interest rate calculator will be created to allow these homeowners to use a single loan for multiple measures, even if some measures are not eligible for the special rate (i.e., the 2.99% would blend with the standard rate for technologies that aren't covered by the special rate alone). He said program staff anticipates that the \$1,000,000 will support 500 to 1,000 new loans. Joe also confirmed he and his team will

report to the Green Bank regularly and will track other metrics, including annual carbon savings per IRB dollar.

- Joe also thanked John Harrity specifically for the feedback provided to frame the message that heat pumps specifically can result in carbon savings. Joe noted that program staff is working with the utility companies and contractors to develop a strategy on how to best educate and market lesser known technologies like heat pumps to homeowners. John Harrity thanked Joe for seriously considering his feedback.
 - Lonnie Reed asked if there are any clients that will allow potential customers to see their systems. Joe stated there are a few case studies and contractors that program staff could consult. Lonnie accepted the response and said real home environments to see things in action are always very well received.
 - John Harrity noted the environmental community also needs to be made aware of heat pumps as they are the opinion leaders.
- Bryan Garcia thanked Joe and his team and noted that when the Green Bank had \$8,200,000 in ARRA-SEP funds a few years ago that were used to drive private investments and back loan losses. However, customers have been diligent in repaying their loans, and the losses haven't been occurring as predicted, so the Green Bank had shifted that money to interest rate buydowns which had been catalytic in engaging with more contractors. He stated the Green Bank has taken about \$6,500,000 to \$7,000,000 of those ARRA funds to date and there have been about \$10,000,000 in private capital invested.

- b. Ethics Training
- c. Other Business

Discussion for agenda items 6b and 6c has been postponed.

7. Adjourn

Upon a motion made by John Harrity and seconded by Lonnie Reed, the Board of Directors Meeting adjourned at 10:19 a.m.

Respectfully submitted,

Lonnie Reed, Chairperson