

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 28, 2017

8:02 a.m.

MEMBERS PRESENT

Representative Justin Parish, Co-Chair
Representative Harriet Drummond
Representative Dean Westlake
Representative George Rauscher
Representative Dan Saddler
Representative David Talerico

MEMBERS ABSENT

Representative Zach Fansler, Co-Chair
Representative Jonathan Kreiss-Tomkins
Representative DeLena Johnson

COMMITTEE CALENDAR

HOUSE BILL NO. 156

"An Act relating to a municipal tax exemption or deferral for economic development property."

- HEARD & HELD

PRESENTATION: CONNECTICUT GREEN BANK

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 156

SHORT TITLE: MUNI TAX EXEMPTION: ECON DEVEL PROPERTY

SPONSOR(S): REPRESENTATIVE(S) TILTON

03/06/17	(H)	READ THE FIRST TIME - REFERRALS
03/06/17	(H)	CRA
03/23/17	(H)	CRA AT 8:00 AM CAPITOL 106
03/23/17	(H)	Heard & Held
03/23/17	(H)	MINUTE(CRA)
03/28/17	(H)	CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

JOHN MOOSEY, Manager
Matanuska-Susitna (Mat-Su) Borough
Palmer, Alaska

POSITION STATEMENT: Testified in support of HB 156.

GEORGE PIERCE
Kasilof, Alaska

POSITION STATEMENT: Testified in opposition to HB 156.

JEREMY PRICE, Director
Americans for Prosperity - Alaska
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 156.

KEN SLAUSON
Wasilla, Alaska

POSITION STATEMENT: Expressed concern about some aspects of HB 156.

DAN TUCKER
Wasilla, Alaska

POSITION STATEMENT: Testified during the hearing on HB 156.

MICHAEL SHIELDS
Palmer, Alaska

POSITION STATEMENT: Testified during the hearing on HB 156.

CHRIS ROSE, Founder/Executive Director
Renewable Energy Alaska Project (REAP)

POSITION STATEMENT: Offered opening remarks for the Connecticut Green Bank presentation.

BERT HUNTER, Chief Investment Officer
Connecticut Green Bank
Rocky Hills, Connecticut

POSITION STATEMENT: Gave a presentation regarding the Connecticut Green Bank model and its possible applications for Alaska.

ACTION NARRATIVE

[8:02:42 AM](#)

CO-CHAIR JUSTIN PARISH called the House Community and Regional Affairs Standing Committee meeting to order at 8:02 a.m. Representatives Talerico, Rauscher, Westlake, and Parish were

present at the call to order. Representatives Saddler and Drummond arrived as the meeting was in progress.

HB 156-MUNI TAX EXEMPTION: ECON DEVEL PROPERTY

[8:03:28 AM](#)

CO-CHAIR PARISH announced that the first order of business would be HOUSE BILL NO. 156, "An Act relating to a municipal tax exemption or deferral for economic development property."

CO-CHAIR PARISH opened public testimony on HB 156.

[8:03:51 AM](#)

JOHN MOOSEY, Manager, Matanuska-Susitna (Mat-Su) Borough, Palmer, Alaska, testified in support of HB 156. He mentioned the state's heavy reliance on oil and municipalities being asked "to share in that burden." He said the proposed legislation would give municipalities the tools other states currently have to compete in a world market and have a part in raising revenue to cover governmental costs and provide jobs for their communities.

[8:05:11 AM](#)

GEORGE PIERCE testified in opposition to HB 156. He said legislators have taken an oath to represent all Alaskans, but he opined that instead of doing so, they instill exemptions, tax breaks, and incentives for "special people," corporations, and non-profit organizations. He said the City of Soldotna owns prime acreage along the Kenai River, yet its Chamber of Commerce is allowed extended time to get enough funding to get land and build a structure on it. He questioned why, if the city needs financial support from the state every year, it does not sell its prime acreage. Mr. Pierce emphasized that everyone should pay equally, but when special interest groups are exempted, the people pay the price. He stated, "It's a revenue killer - it's not a helper. People who want to invest in Alaska should not be getting special treatment." He urged the committee not to support HB 156.

[8:08:44 AM](#)

JEREMY PRICE, Director, Americans for Prosperity - Alaska, testified in support of HB 156, which he said would give local governments greater control over managing long-term investments

that would provide greater tax revenue for municipalities. He opined that local governments should have greater flexibility to provide property tax exemptions based on the knowledge of local elected officials who often have firsthand experience and knowledge of development projects within their jurisdictions. He stated that the current statute of five years seems arbitrary and unnecessary when local officials should be able to make decisions at the local level. He concluded, "Flexibility is needed now more than ever for local governments to determine where scarce resources should be used and how public investment should be managed."

[8:09:53 AM](#)

KEN SLAUSON said that although he is the chairman of the Board of Supervisors for the Central Mat-Su Fire Service, he is testifying on behalf of himself. He said he is concerned about certain aspects of HB 156. He stated that the Central Mat-Su Fire Service derives its entire revenue for fire and life safety operations from property taxes, and every time a commercial structure is exempted, fire service is provided without any revenue to cover it. He said, "We already do this for schools, for government buildings, for churches, [and] for a number of other worthy causes." He indicated that HB 156 does not have sufficient checks and balances to accommodate the fire service in dealing with large gas facilities or warehouses that have "substantial fire exposure." He said while Mat-Su has a large service area, he suspects that the impact [of HB 156] on even smaller service areas would be worse, and he warned that giving exemptions to large property operations would shift the cost to homeowners, which he said gives him concern.

[8:12:34 AM](#)

CO-CHAIR PARISH asked if Mr. Slauson's concern is shared by his peers.

MR. SLAUSON reminded Co-Chair Parish that he was testifying on behalf of himself, but surmised the answer is yes.

[8:13:41 AM](#)

DAN TUCKER testified that he is a member of two local boards but is testifying on behalf of himself. He said HB 156 has "snuck up" in such a manner that he and [Mr. Clausen] have not been able to get together to discuss its possible ramifications. He indicated that they had spoken about the legislation that was

introduced during the Twenty-Ninth Alaska State Legislature. He said he would "speak with the same knowledge and relative awareness as Mr. Clausen." He stated that he is familiar with efforts required to maintain adequate roads. He opined that HB 156 does not "take this into consideration." He said there is great potential for increased traffic, for example, on a road that carries numerous vehicles to a new facility, but [the proposed legislation makes] "no consideration for the maintenance of that road."

MR. TUCKER stated that he has worked over 35 years as a career fire fighter - 29 of those years in Anchorage. He noted that Mr. Clausen had made note of structures that are tax exempt or tax-free, such as churches and large public facilities. He added that those are the buildings that demand the highest level of fire service response and for which insurance companies deem the fire stations must be adequately equipped, manned, and within close proximity. He said, "That takes money." He said, "We're talking about adding potential structures that would tax the limits of the services available without giving any credit to responding to that from a fiscal standpoint."

MR. TUCKER said he does not know if there is much room for development in the road service area number nine (RSA9), which includes Wasilla, but the upgrade of the meridian in that area has cost his residential service area \$37,000 a year to maintain a Seward meridian. He said he does not view that as a local road, and if any more structure or "load" was added onto that road, the maintenance cost of it would rise. He said he is familiar with the infrastructure services pertaining to fire and roads and realizes that "the fire insurance rates for all of the residents and commercial structures are based on being able to provide the required, adequate fire protection - but again it costs money to keep that adequate." Mr. Tucker stated that road maintenance has a significant effect on the ability of fire and emergency medical services (EMS) to respond.

[8:18:01 AM](#)

CO-CHAIR PARISH asked Mr. Tucker what changes would make the bill more palatable.

MR. TUCKER first suggested a time limit of five years on an exemption should allow the developer a solid start on a project, and he opined that after five years the developer should be paying taxes like everyone else. Second, Mr. Tucker said essential infrastructure services - fire and EMS - are not paid

for out of the general fund but solely by taxes. He said, "I believe those should be exempted from the tax and that those services should be covered and taxed as if there was no exemption at all."

[8:19:34 AM](#)

MICHAEL SHIELDS testified that although he is a supervisor of the Butte road service area in Palmer, Alaska, and the secretary of the borough-wide local road service area advisory board, he is testifying on behalf of himself. He echoed the comment of Mr. Tucker that [HB 156] "snuck up on us." He said road service, life/fire service, and emergency medical technicians (EMTs) are funded by property taxes specific to those defined services areas. He said HB 156 would add road miles, which he said would probably increase traffic and related maintenance costs, but it would eliminate the funding source. He said that would leave raising the mil rate on residents in the service area as the only option. He said he would like a cost/benefit analysis done on that scenario to better inform the legislature's discussion on HB 156.

MR. SHIELDS posited that service areas should be exempted. He concurred with Mr. Tucker that a time limit on property tax exemption should be made; he stated his preference that the limit be set at 5 years - at the most 10 years. He opined that if a developer cannot afford property taxes, which is a normal cost of doing business, then he/she should not be in that business. Mr. Shields concluded that Alaska is notorious for building "new stuff" and not being able to maintain it, and he expressed concern that HB 156 would accelerate that trend. He added that he does not think the intent of HB 156 could "pass the red-face test."

[8:21:36 AM](#)

REPRESENTATIVE SADDLER asked Mr. Shields what the trend has been in the assessed valuation in the Mat-Su Borough.

MR. SHIELDS answered that it has been "pretty flat" in the last few years. He explained that raising the mil rate above the existing tax cap takes a vote of the people. He said he has attempted that twice with no success. He said, "We're barely holding our own with our current maintenance load." He indicated that an attempt to raise the mil rate could counteract HB 156 but, based on past history, he questioned the success of asking people to pay more taxes.

REPRESENTATIVE SADDLER indicated that he has heard that Mat-Su Borough has been growing at a rate that necessitates a new school built every year. He said he assumes that reflects increased residential construction. He asked Mr. Shields to confirm that he had said the total assessed valuation has remained flat in recent years.

MR. SHIELDS answered yes, but suggested part of that may have to do with how often the existing property can be reassessed.

REPRESENTATIVE SADDLER said he would like to hear from the borough about this issue, because the information from Mr. Shields seems to run counter to the basis for the proposed legislation.

MR. SHIELDS added that new homes are "going for good price" while existing homes don't seem to be going for much.

[8:24:15 AM](#)

CO-CHAIR PARISH, after ascertaining that there was no one else who wished to testify, closed public testimony on HB 156.

[HB 156 was held over.]

[8:24:33 AM](#)

The committee took an at-ease from 8:25 a.m. to 8:32 a.m.

PRESENTATION: CONNECTICUT GREEN BANK

[8:32:46 AM](#)

CO-CHAIR PARISH announced that the final order of business would be a presentation by Connecticut Green Bank.

[8:33:12 AM](#)

CHRIS ROSE, Founder/Executive Director, Renewable Energy Alaska Project (REAP) offered opening remarks for the Connecticut Green Bank presentation. He stated that Alaska has had a lot of success in energy efficiency and renewable energy in the last 10 years. For example, since 2008 the Alaska Housing Finance Corporation (AHFC) - through its weatherization programs - has helped over 40,000 households retrofit [energy saving devices], which has resulted in an average savings of 30 percent on energy

bills. He noted that the legislature appropriated \$600 million to help low-income people get their homes weatherized and to offer rebates to higher-income households. He reported that the collective savings is an estimated 25 million gallons heating oil, which if set at \$2 a gallon is a savings of \$50 million in savings each year.

MR. ROSE noted that in 2010 the legislature directed the Department of Transportation & Public Facilities (DOT&PF) to start retrofitting the public buildings. He said the state has over 5,000 public buildings, many of which are not energy efficient. He said the cost to the state to provide electricity and heat to those buildings was estimated a few years ago, when oil prices were a bit higher, at \$125 million a year. Even 20 percent of that is a tremendous savings to the state, he said. Mr. Rose stated that AHFC has been directed to use bonding authority to help public buildings [increase energy efficiency], but the corporation has fun into barriers. He said there is a bill being considered currently that would create a property assessed clean energy (PACE) program in Alaska; it would be an additional financing tool to energy retrofit.

MR. ROSE stated that the legislature had appropriated approximately \$259 million to the renewable energy fund, which leveraged another \$200 million in federal and private money to build projects around the state. He reported there are now 60 projects that have been constructed through that fund and the Alaska Energy Authority (AEA) estimates it is saving 30 million gallons of diesel a year, which at \$2 a gallon equates to \$60 million a year that communities are saving.

MR. ROSE stated that Alaska now has a track record of functioning renewable energy and energy efficiency; however, most of the funding has been from grants. The current restricted state budget does not allow for as many grants, and Mr. Rose expressed his hope that grants that are given now would be small grants for feasibility studies, for example, where it would otherwise be difficult to borrow money.

MR. ROSE said other states have looked for other ways to get the private sector to finance projects. He said the Alaska Project's attention turned to "the Green Bank concept" because of the success of the Connecticut Green Bank, which - as the first green bank in the United States - is held as a model. He said the Connecticut Green Bank has had an exceptional run in its first five years, and he indicated that Mr. Hunter, from Connecticut Green Bank, has been sought after around the globe

to consult governments in the process of setting up a green bank. Mr. Rose continued:

This is an opportunity, I think, for Alaska to figure out a way for us to ... continue the momentum we've got in energy efficiency and renewable energy by getting the private sector to come in and develop these deals. The green bank's role really is to catalyze and educate the private sector, not to use a bunch of state money, so we're really hopeful that developing this idea for the state -- if you will, it's kind like ... [the Alaska Industrial Development and Export Authority] (AIDEA), only for clean energy investment. So, you ... would have a state authority that would really be focused on these kinds of clean energy investments. So, the banking community, frankly, just doesn't have as much knowledge about [it] as they need. And so, a green bank uses their expertise to ... talk with these banks and to ... bring them in and to make them understand how these fields are good for both them and also for the borrowers.

MR. ROSE noted that Mr. Hunter had met with investors in Alaska in January, as well as the commissioner of DOT&PF, and during this trip meets with the commissioners of the Department of Revenue (DOR) and the Department of Commerce, Community & Economic Development (DCCED), as well as other committees, with the goal of giving people "an idea of what this option might be."

[8:38:31 AM](#)

BERT HUNTER, Chief Investment Officer, Connecticut Green Bank, related that Connecticut Green Bank was formed in 2011 by the state's Governor Dan Malloy and legislature; it passed by many votes - unanimous in the Senate and supported by all but six in the House. He said the bill was supported because its energy policy spoke to reducing the energy burden on businesses and residents, as well as benefits to the state's economy and environment. Mr. Hunter said throughout the 2000s, Connecticut had a clean energy fund similar to Alaska's renewable energy fund, and it was responsible for encouraging investments in energy-saving technologies, using rebates and incentives but not financing.

MR. HUNTER said the focus of the green bank is to attract further private investment for clean energy deployment including: energy efficiency, solar photovoltaic (PV) [systems], oil to gas conversions for space heating, renewable thermal, electric vehicle charging networks, wind, small hydro, fuel cells - everything related to clean energy. He said the Connecticut Green Bank does this by using public dollars to attract local banks, credit unions, national lenders, and global financial institutions in order to provide businesses, consumers, municipalities, and schools access to capital to solve their clean energy needs.

[8:41:45 AM](#)

MR. HUNTER said because Connecticut was the first state to establish a green bank, it had to go "knocking on a lot of doors to get the attention of lenders and investors." Five years later, he said, after a billion dollars of investment in the small state of Connecticut, those same lenders, investors, and banks all around the world are now "knocking on our door." He said this is the type of activity that could happen for Alaska.

MR. HUNTER stated that the Connecticut Green Bank has a number of programs and financial products that are helping the state's residents attain their own energy conservation and energy choice goals while helping the state meet its ambitious environmental goals. He said such improvements help the state's industrial manufacturers become more competitive by lowering their energy cost. The Connecticut Green Bank provides incentives and financing to homeowners that want to install solar PV or upgrade to cleaner and more efficient boilers for space heating. The Connecticut Green Bank also helps businesses and communities invest in micro grids, which he offered his understanding is "a big activity" in Alaska. Mr. Hunter stated that the Connecticut Green Bank has a devotion to its most economically challenged communities where energy costs to residents represent 15-25 percent of their incomes. There are many residents "aging in place" and many on fixed incomes, so the Connecticut Green Bank works with social service agencies that focus on housing and community development, as well as with financial institutions, to help these families lower the energy costs they bear.

MR. HUNTER stated:

All of this has not only had benefits for businesses and families, but it also has had an enormous impact on economic development of the state. As I mentioned,

we've driven over \$1 billion of investment in the first five years - over 12,500 direct and indirect job years - and this in a state that over the same period generated 60,000 net new jobs.

MR. HUNTER said reducing energy costs, which are dollars that for the most part go to other states, saves money, and that money can be spent locally, invested in more goods, services, and capital equipment to grow the local economy. He stated, "So, the businesses of clean energy investment is a real economic shot in the arm for our state's economy; it just makes good sense."

[8:44:46 AM](#)

REPRESENTATIVE RAUSCHER noted that the AHFC has run into barriers that have precluded it from making loans. He asked what those barriers are.

MR ROSE answered that one of the issues with doing an energy efficiency project is the need for someone "on the ground" to develop the project, including the logistics of how it will work and how to secure a loan. He said unless the upfront development costs can be rolled into a loan, it is difficult for people to make the first move. He clarified that he was talking about the government and public retrofits. He said, "Making it easier for folks in these agencies to develop these projects up front and then get the loan is really one of the biggest barriers." He offered his understanding that there have been 50-60 buildings that have used energy performance contracts - at the state ... agency level - to retrofit, but there are 5,000 old buildings. He said there is a bonding authority agency, so clearly there is something preventing people from "getting out in front of these loans and getting the benefit." He ventured one reason for having a green bank in Alaska is to identify the barriers and alleviate them.

[8:47:10 AM](#)

The committee took a brief at-ease at 8:47 a.m.

[8:47:34 AM](#)

MR. HUNTER began a PowerPoint Presentation, titled "Connecticut Green Bank Incentivizing Private Investment in Clean Energy, Energy Efficiency & Resiliency with Public Capital." He turned to slide 3, entitled "About Us." He echoed Mr. Rose's statement

that the Connecticut Green Bank was created in 2011 and succeeded the Connecticut Clean Energy Fund, which had in its coffers approximately \$60 million. He said the Connecticut Green Bank focuses on clean energy, which he said covers a wide range, as he had stated in his introduction. Mr. Hunter stated that the Connecticut Green Bank's balance sheet over a five-year period has grown to \$175 million in assets. He said the Connecticut Green Bank is supported by a minimal surcharge on electric bills, which he explained equates to one-tenth of a cent per kilowatt hour (\$0.001/kWh), which generates a stable income of [\$27-\$30 million] a year. He said regionally the Connecticut Green Bank participates in a cap and trade system called "regional greenhouse gas initiative," and that is a cost that is on emitters of carbon; it generates about \$5 million a year. He said the Connecticut Green Bank generates approximately \$2-\$3 million a year in its portfolio income. It also avails itself of contributions from private foundations and the U.S. Government, which has proved successful.

MR. HUNTER pointed to slide 4, entitled "Microcosm of the U.S." He noted that Connecticut is quite small, with a population of about 3.6 million and \$225 billion in state gross domestic products - number 3 in per capita terms. He said the state has some of the oldest buildings, one of the highest electricity costs in the U.S., and grid reliability issues, with superstorms that affect the state. He next drew attention to slide 4, entitled "Connecticut & Alaska: 2 of the 'Top 10 Most Expensive States for Electricity.'" He offered his understanding that the information on the slide was provided by "the United States Energy Information people" in 2011. Alaska ranks third and Connecticut ranks fourth. He offered his understanding that there are many places [in Alaska] where electrical costs top those anywhere else in the U.S.

MR. HUNTER next pointed to slide 5, entitled "Five Macro Energy Challenges," which lists the challenges as high energy costs, old buildings, a need for cleaner energy sources and grid reliability, and diminished government spending. Regarding the clean energy, Mr. Hunter said the state is heavily dependent on natural gas and half its energy comes from Millstone Nuclear Plant, and it is trying "to look ahead to the future when some of those sources will not be available." Regarding the government spending constraint, he explained that Connecticut has large state deficits linked to some unfunded historic pension obligations.

[8:49:40 AM](#)

MR. HUNTER drew attention to slide 6, entitled "Give Macro Energy Challenges." In terms of rates per kilowatt hour, he said, Alaska ranks third in the country; Connecticut ranks fourth. He offered his understanding that there are many places where power cost equalization (PCE) is in effect and the cost of energy is much higher and tops any electricity costs in the United States. As shown on slide 6, Mr. Hunter named the following energy challenges: high energy costs; old, energy inefficient buildings built prior to 1970; the need for diverse and economical energy sources; grid reliability; and constrained government spending related to large state budget deficits linked to some unfunded pension obligations. He stated that Connecticut is not looking to ask for funds from the federal government, but rather to access existing pools of funds available and redirect them into the Green Bank.

MR. HUNTER continued to slide 7, entitled, "Basic Green Bank Model." It shows that the government provides public capitalization and/or ongoing revenue streams [to the Green Bank], which mitigates risks to private investors, so that low-carbon projects related to energy efficiency or renewal energy can move forward. There is a focus on getting private investors more comfortable with the idea of investing in the projects. He said throughout the U.S. there is no problem with grid scale activity; it is not difficult to attract private investment in big wind and big solar energy. When that effort is moved to the state level, there becomes concern on the part of investors as to how they will get a return on their investment. He said there are mechanisms that the Green Bank puts in place to get those investors much more comfortable with their investments.

[8:52:50 AM](#)

MR. HUNTER turned to slide 8, entitled "How Green Bank's [sic] Leverage Public Capital with More Private Capital." He named the ways the Green Bank deals with risk are by: co-investing with private capital; investing side-by-side on a senior basis; or by acting as a subordinated lender. The Green Bank can also act as credit support by offering a partial guarantee. He explained that the Green Bank has not and will never offer a hundred percent guarantee, because "it's not necessary." He explained that the investments illustrate that there is plenty of cash flow, with benefits, available to support the loans.

[8:53:43 AM](#)

CO-CHAIR PARISH asked for an explanation of senior private capital.

MR. HUNTER answered that when more than one lender comes in to a project, they can either be on equal terms specific to "priority to the cash flow" or one party will choose to subordinate itself to the other lender and become second in priority to all the cash flow. He explained that the benefit of that to the senior lender is having more coverage on its loan from the collateral - the cash flow that is available from the project.

MR. HUNTER talked about financial warehousing. He said that smaller projects are more time intensive until a program can be set up, and banks are not willing to make that step to come in to the market, because they just don't have the interest or resources. If a Green Bank can come forward and do the projects and the aggregation of these projects, then the banks will step in behind them and fund the project. He said this is what has happened in Connecticut and other states.

[8:55:27 AM](#)

REPRESENTATIVE WESTLAKE expressed an interest in talking to Mr. Hunter after the meeting.

[8:55:59 AM](#)

MR. HUNTER continued to the next portion of the presentation, bringing attention to slide 9, which asks, "What Impacts are Being Achieved through the Connecticut Green Bank?" He directed attention to slide 10, to a table that shows that the Connecticut Clean Energy Fund (CCEF) operated for 11 years through the 2000s and put together investments totaling roughly \$350 million at a ratio of 1:1, clean energy fund money to private sector money. Then in five years, the Connecticut Green Bank has done \$1 billion in capital investment. That increase is because of Connecticut Green Bank's ability to leverage the private sector's investment at ratios ranging from 3:1 up to 11:1, sometimes through a guarantee program, which as he noted before is not at 100 percent but offers just enough guarantee to take the risk out of the market.

[8:57:05 AM](#)

MR. HUNTER highlighted slide 11, which offers a table showing that as a result of its activities, the Connecticut Green Bank has eliminated over 2 million tons of carbon dioxide. He said

slide 12 shows the half a billion dollar impact that Connecticut Green Bank has had with its public-private partnerships, including U.S. Bank, Key Bank, Bank of America, and Onyx, which is a subsidiary of a private equity company called Gladstone. He said the slide also shows a progression. The bottom-left of the slide shows that Connecticut now has a facility with Hannon Armstrong to provide financing for commercial PACE (C-PACE) activities. He said, "This is an industry ... that's maturing rapidly, and lenders and investors throughout the country are seeing the value of C-PACE." He applauded Alaska for doing what it can to move forward in C-PACE.

MR. HUNTER noted that slide 13 recaps the results he had previously mentioned, including the reduced energy burden on over 20,000 households and businesses and the deployment of over 200 megawatts of renewable energy, which has reduced over 2 million tons of greenhouse gas emissions.

[8:59:40 AM](#)

MR. HUNTER guided the committee to the next section of the presentation, on slides 14-18, which addresses project and program examples. As shown on slide 15, he said one of the first programs launched was the Smart-E Loan, which is a flexible, unsecured loan for homeowners. He said Connecticut Green Bank asked credit unions to make loans to homeowners with lower interest rates. The loans could be higher than a typical car loan, for example, but the interest rate must not be the typical 10-12 percent for the unsecured loan. He said Connecticut Green Bank meant to prove that these loans are as good as all the other loans made by credit unions, and it did so by providing "excess loss protection to a certain extent." He reported that the Connecticut Green Bank has done \$16 million of these transactions through the groups of lenders in about three years and has experienced no loss in the loss reserve.

[9:01:25 AM](#)

REPRESENTATIVE RAUSCHER asked what "to a certain extent" meant.

[9:01:40 AM](#)

MR. HUNTER explained that the Connecticut Green Bank contributes 7.5 percent of the loan value to an account that it holds on a balance sheet and which is available for the lender to call on if its portfolio losses exceed a certain amount. If that loss reserve is exhausted, the lender cannot come back to the green

bank and asked for more unless the lender issues more loans and builds its portfolio. For example, if a lender does \$1 million in loans, the Connecticut Green Bank would put \$75,000 in an account from which the lender could call only if its losses in the green bank program exceed \$15,000. If the lender had \$5,000 in losses, it could just consider that there would be some losses; if it had \$30,000 in losses, then it could come to the Connecticut Green Bank for compensation on those losses. He said the Connecticut Green Bank has had no trouble attracting its 11 lenders into its program.

[9:03:43 AM](#)

REPRESENTATIVE WESTLAKE asked about the qualifications to become a lender working with a green bank.

MR. HUNTER answered that it is an opt-in program open to any community bank or credit union in the state. The lenders enter into a financing program agreement with the Connecticut Green Bank that has been vetted by community banks and credit unions to be in compliance with national credit union association constraints and restrictions. The agreement spells out how the Connecticut Green Bank will put the loss reserve aside and compensate the lenders for losses. It also explains how the Connecticut Green Bank will provide marketing and other program support.

[9:05:34 AM](#)

CO-CHAIR PARISH offered a scenario wherein a bank in Alaska makes \$1 million in loans and then has a bad year with losses. He said [the hypothetical Alaska Green Bank] essentially would have an escrow account of \$75,000 to cover losses on that \$1 million investment. He asked for clarification that after the bank covered the first \$15,000 in loss, the Alaska Green Banks would cover the next [\$75,000], and beyond that the lender would be responsible, but if there were that much loss, the lender is probably in the wrong business.

[9:06:36 AM](#)

MR. HUNTER added that if, in that scenario, that bank had put in another \$1 million in loans, now totaling \$2 million, and [the hypothetical Alaska Green Bank] would have put in another \$75,000, then the program agreement allows the lender to recover excess loss, because the lender is growing the portfolio. In response to Co-Chair Parish, he recapped that there have been

\$16,000 in loans over three years. He said there were two defaults absorbed by lenders that did not rise above the 1.5 percent loss limit for their portfolio, so the \$2.5 million loss reserve that the Connecticut Green Bank had established on its books for the lenders' benefit was not impaired.

CO-CHAIR PARISH summarized that the Connecticut Green Bank had done \$16 million in loans, which were an incentive given by offering to cover catastrophic losses, had resulted in no cost to the Connecticut Green Bank, and he said, "That's pretty cool." He asked Mr. Hunter how much of that \$16 million would have been loaned in the absence of such underwriting.

MR. HUNTER explained that this type of lending is a choice. There are other options for people, including using cash out of personal accounts or refinancing a mortgage; however, the key in the system offered by the Connecticut Green Bank is that it is easy. Typically a lender will approve a transaction in two days - some in as little as two hours. He said this has become commonplace. He said contractors like the system, because it makes their customers happy to have more energy efficient homes and they have another sale without the red tape of financing. He said the key is to figure out how to scale the market and provide the access in a cookie cutter way that is repeated over and over. Mr. Hunter said the Connecticut Green Bank started with two ranges of credit scores: 680 and up, as well as a 640 to 679, which is riskier. Lenders have asked for permission to lower their credit limit to 580 to accommodate customers whom they know well, and the Connecticut Green Bank has said yes, because "these are mission-driven financial institutions" that know their communities - not predatory lenders. He indicated that accepting the lower credit score has expanded the market.

MR. HUNTER, in response to questions from Representative Rauscher, said the interest rate is not changed based on risk, but the interest rate does slope based on the term length of the loan. He said the interest rate ranges from 4.49 percent for a five-year loan up to 6.99 percent for a twelve-year loan. He directed attention to slide 18, which shows a Smart-E Bundle interest rate of 2.99 percent at 5, 7, or 10 years for combination projects such as solar plus insulation, solar plus energy efficient windows, and solar plus high efficiency heating, ventilation, and air conditioning (HVAC). He said the Connecticut Green Bank has to "buy that interest rate down" and does so by using the U.S. Department of Energy's American Recovery and Reinvestment Act (ARRA) funds, which have been available to a number of states starting 2009.

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MR. HUNTER returned to the presentation, to slide 19, entitled "Residential 1-4 Owner Occupied Low Income Portfolio." He said the far right information on the slide shows what he already covered regarding the drop in credit score requirement. Shown at the middle of the slide is the company called PosiGen, which he said is based out of Louisiana and got its start about the time of Hurricane Katrina in relation to solar hot water that was being put in many reconstructed houses. He said the Connecticut Green Bank invited PosiGen to Connecticut, and the company is now operating programs in six cities - all focused on lower income communities - where it brings solar and energy efficiency savings agreements for the benefit of homes.

MR. HUNTER noted key players in a photo on slide 20, including the governor of Connecticut and the president of PosiGen, and he pointed out the average homes shown in the bottom photo all taking advantage of solar energy efficiency. He said U.S. Bank provided the tax incentive money in this structure and the Connecticut Green Bank provided the debt financing in the amount of \$5 million to start.

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MR. HUNTER, in response to questions from Representative Westlake regarding a line on slide 20 that says 71 percent of solar projects are with low to moderate income (LMI) families, indicated that LMI status can be designated on "a [U.S.] Census track basis," and that would be beneficial to lenders that provide the funding for these programs, because they would then receive Community Reinvestment Act credits. As shown on slide 21, he stated that the Connecticut Green Bank offers unbiased information about solar PV and energy efficiency to homeowners, businesses, and municipalities.

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MR. HUNTER next addressed slides 22-26, regarding multifamily properties. He said multifamily properties are where many of Connecticut's lower income families reside. He said, "It's very difficult to get these properties to move, because you have a landlord that owns the building but you have all the renters that are really bearing the burden of the energy costs." He related that the Connecticut Green Bank provides pre-development resources to assist [landlords] in comparing their buildings

against others in the area. He said the program in which the Connecticut Green Bank does "everything" is called "The Sherpa Loan Program," while the program in which it offers merely guidance is called "The Navigator Program." The Connecticut Green Bank has a program for every need. It also will finance the project by working with the financial institutions and with C-PACE. He said the PACE program is not available to "residential 1-4" but is available to multi-family properties.

MR. HUNTER said sometimes there is financing for energy efficiency, but not necessarily for moving asbestos or changing out poor wiring; the Connecticut Green Bank will provide "gap financing" - incremental financing for those activities. He said the Connecticut Green Bank has partnered to help support 1,300 rental units [in Bristol, Brookfield, Colchester, Gales Ferry, Manchester, Middlefield, Newington, Trumbull, Wethersfield, and Windsor Locks] and another approximately 1,300 rental units [in Bridgeport, Chester, East Hartford, East Windsor, Farmington, Granby, Hartford, Manchester, Middletown, Milford, New Haven, Stamford, Thompson, Waterbury, West Hartford, and West Haven] - all in about 18 months.

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MR. HUNTER skipped slides 27 and 28, because he said he thinks people understand how C-PACE works. He noted that slide 29 shows commercial buildings. One photo is of an office building, whose owners had been trying to figure out which retrofitting to do first, but were able to 100 percent financing of the project through C-PACE while saving over \$250,000 a year on a \$2 million project. Another photo shows a not-for-profit building that was able to get its HVAC system fixed for a minor assessment each year [through C-PACE]. Referring to slide 30, Mr. Hunter said the Connecticut Green Bank also provides solar leasing for commercial, industrial, municipalities, public schools, not-for-profit organizations, and middle market commercial entities - "everything that's necessary to finance all sorts of projects in clean energy." Referring to slide 31, he said the Connecticut Green Bank also works with utilities, which affects everyone in the state. He said the utilities contacted the Connecticut Green Bank to say that it has a small business energy program that loans for up to four years and it was out of money and looking for a source of funding. The Connecticut Green Bank ran a request for proposals (RFP) from capital providers and received over \$300 million in proposals for a program that needed \$75 million. He said JP Morgan/Chase is stepping forward to provide a financial facility for this program.

MR. HUNTER turned to slide 32, entitled "Lead by Example," which he said is what the Connecticut Green Bank is trying to do by working on state facilities and looking at geo bonds, green bonds, and energy savings agreements. He noted that an energy savings agreement can often be "off balance sheet," meaning that it does not affect the state's credit rating, because the savings pays for the performance contract. He next highlighted slide 33, which shows the "Bridgeport Fuel Cell Park," which is a the largest fuel cell power plant in the country built on land that had spills cleaned up using a grant from the state. The Connecticut Green Bank provided the co-financing to make this project possible. He noted that slide 34 addresses micro grids. He said the Connecticut Green Bank does a lot of micro grid financing because resiliency and power backup is important to the state.

MR. HUNTER, referring to slide 35, said the Connecticut Green Bank is also involved in small hydro projects. He said the illustration on the slide shows an Archimedes screw [generator], widely used in Europe, used in the U.S. to move waste water through water treatment facilities, but in this instance being used next to a flowing river and dam where it spins the screw to generate electricity with low impact on fish and eels. He noted that slide 36 pertains to how the Connecticut Green Bank looks to the "Grid of the Future" in terms of working on solar, electric, and grid planning.

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MR. HUNTER addressed slides 36-37, entitled "Green Bank Movement." He said the Connecticut Green Bank is seen as a model for the Green Bank Act of 2016, which was introduced by Connecticut legislators in Congress. He stated, "I'm not sure where that's going to go with the present administration, but I would say that with the infrastructure plan that the President is talking about, there's certainly an intersection of that infrastructure plan with investment ... in energy efficiency and clean energy and transportation, which is where a lot of emissions come from."

[9:25:16 AM](#)

MR. HUNTER announced he had concluded his presentation and offered to entertain further questions.

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CO-CHAIR PARISH suggested that energy savings agreements can be "off-balancing" and noted that Alaska is in [financial] trouble. He asked Mr. Hunter to share any advice he could give to the State of Alaska in instigating its own green bank.

MR. HUNTER illustrated one option wherein the Connecticut Green Bank is the provider of the energy service arrangement to the state. He explained that in this operating arrangement: the state would enter into a contract with the Connecticut Green Bank and receive all the benefits of the energy savings; a major financial institution would provide the capital; the improvements would be "on the books" of the Connecticut Green Bank, which would administer the capital; and there would be a service contract between the Connecticut Green Bank and another provider wherein the other provider would act as a guarantor of any shortfall benefit to the Connecticut Green Bank in case the state does not achieve the savings named under the savings agreement.

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MR. ROSE offered a correction to his previous testimony. He explained that he had meant to say the cost of utilities for the State of Alaska is \$642 million a year, and the \$125 million he had mentioned is actually the potential savings. He noted that the savings is 20 percent of the cost.

CO-CHAIR PARISH indicated that [Alaska] has set aside money for a lot of these programs, but he questioned how the state can "leverage it for maximum gain."

MR. HUNTER suggested the State of Alaska would need to establish an institution such as the Connecticut Green Bank. Alternatively, the state could utilize a quasi-public entity of the state. He noted that in Montgomery County, Maryland, a green bank was established on which Mr. Hunter serves as chair of the board. The county designated a 501(c)(3) to be its green bank and used settlement funds from a Pepco/Exelon merger. He said there are many ways to do it, as long as there are protections on how the money is kept or advanced so that the money benefits the state and is recovered at the end of time when, perhaps, the green bank does not exist and all the money comes back to the state's coffers.

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CO-CHAIR PARISH asked if there is a minimum capitalization threshold.

MR. HUNTER answered that the Connecticut Green Bank has found that it takes a certain amount of capital to get the attention of private capital and demonstrate that the state is serious about "this business activity." He estimated that \$50 million would be sufficient for the State of Alaska. He noted that Connecticut started with \$60 million. He said the money does not have to be placed upfront all at once but through a periodic and consistent advancement of funds that establishes a policy that shows the state's commitment to the idea. The money could come from other program funds that are not being utilized. He reminded the committee that the issue being discussed is one about investments that are repaid over time; it is not about giving away money.

CO-CHAIR PARISH asked Mr. Hunter for an estimate of the time it would take for the State of Alaska to get such a program up and running and whether the Connecticut Green Bank would share its notes on how it operates.

MR. HUNTER answered that the Connecticut Green Bank is a "totally open source" that makes everything available. He suggested that his presence for the presentation shows the Connecticut Green Bank's willingness and to help other states establish their own green banks and its commitment to this activity. He emphasized that in the early years, it was difficult for the Connecticut Green Bank, because it had to "write the playbook" and experience some stumbling while finding out what works. If Alaska were to use the playbook, it could avoid the pitfalls. He estimated that a staff of seven would be sufficient to get this program going, including people who can underwrite transactions and administer the program. He suggested that the program could benefit from shared services/resources.

[9:37:09 AM](#)

REPRESENTATIVE WESTLAKE expressed excitement over the information that had been provided thus far.

[9:37:18 AM](#)

CO-CHAIR PARISH indicated that he was sponsoring legislation to "encourage one of our local energy authorities to look at the prospect of on bill financing for home energy efficiency

improvements." He asked Mr. Hunter, "Is that something that you're in the business of lowering the interest rates on?"

MR. HUNTER answered, "Absolutely." He said utilities generally don't like to be in the loan making business, because they see their activity as providing energy service for their community. However, he reminded the committee of his previous comments regarding the small business energy advantage program, which is an on bill program in which [the utility] actually makes the loans. He said one of the benefits of the new program that the Connecticut Green Bank is moving to is that it will actually make the loans while the utility will, through the reliable on bill payments mechanism, continue to be the collection mechanism, but will send the funds to the green bank, which will have the duty of administering the loans. He said it gets the loans off the balance sheet of the utility and into an institution designed for making loans, but it uses the collection of the utility to actually make the payment. He emphasized that the loss rate for these small business loans, over a 10-year period, is less than 1 percent.

CO-CHAIR PARISH remarked that that is exceptionally low, even for on bill financing. He questioned the reason.

MR. HUNTER answered that in this particular program, all the investments - the improvements - pay back in a three- to five-year period. He stated, "So, these are generally [light-emitting diode] (LED) lighting - ... the so-called 'low hanging fruit' - so, that really accounts for the benefit here. What happens is ... when the business makes the improvements, they actually see their bill go down. So, even though the loan payment is on the bill, their next month's payment is actually lower than when they started. So, that really encourages the business to keep ... making those payments, because they're seeing a direct benefit - immediate benefit." He indicated that the savings was prevalent even through the [economy's] downturn of 2008-2009.

CO-CHAIR PARISH surmised this could be a huge economic boon, especially to those in the building trades, as well as to people who pay utility bills. He asked if Mr. Hunter could warn the committee of any potential pitfalls.

MR. HUNTER answered that a pitfall would be inaction, because the Connecticut Green Bank has seen no downside to what it has done other than getting parties to move more quickly in the direction of realizing the savings that could be had. He said,

"The waste is happening every day, so, by not acting, you're not making anything any better." He encouraged Alaska to continue in its exploration, and he reiterated the Connecticut Green Bank's willingness to be a resource for the Alaska State Legislature.

[9:42:13 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:42 a.m.