



**Statement of the Connecticut Green Bank
Concerning Raised House Bill 5241
AN ACT CONCERNING THE PRIORITY OF THE BENEFIT ASSESSMENTS LIEN
UNDER THE GREEN BANK'S COMMERCIAL SUSTAINABLE ENERGY PROGRAM**

The Connecticut Green Bank is the nation's first green bank. We're creating a thriving marketplace to accelerate green energy adoption in Connecticut by making green energy financing accessible and affordable for homeowners, businesses and institutions. Our mission is to lead the green bank movement by accelerating private investment in clean energy deployment within Connecticut, and to achieve economic prosperity, job creation and energy security throughout the state.

The Green Bank **opposes** House Bill 5241 for reasons that follow.

Background on the Commercial Sustainable Energy Program: C-PACE

The Commercial Property Assessed Clean Energy ("C-PACE") program is the Connecticut Green Bank's ("Green Bank's") flagship financing product for the commercial and industrial market. C-PACE allows building owners to finance qualifying energy efficiency and clean energy improvements through a voluntary assessment on their property tax bill. Property owners pay for the improvements over time through this additional charge on their property tax bill, and the repayment obligation transfers automatically to the next owner if the property is sold. Capital provided under the C-PACE program is secured by a lien on the property, so low-interest capital can be raised from the private sector.

Interest among building owners is growing thanks to an investment structure that provides confidence, and funded projects are increasing every quarter as more building owners take action to reduce their energy costs and increase their net operating income. From manufacturing facilities to YMCAs, all commercial properties are eligible to use C-PACE for an energy saving project; this includes office, industrial, retail, and nonprofits and faith institutions.

C-PACE at a glance:

- Current interest rates range from 4.50% to 6.25%
- \$172 million in energy costs have been saved
- 15.4 megawatts of clean energy have been deployed
- 17,441 tons of greenhouse gas emissions have been eliminated
- 2,793,661 million British thermal units ("BTUs") have been saved

In 2014, the Green Bank structured the nation's first securitization of commercial energy efficiency loans. This \$30 million bond issuance was backed by the revenue streams from much of the C-PACE loan portfolio at the time, with investor CleanFund ultimately purchasing \$20 million of PACE-backed bonds.

This trajectory of innovation continued in 2015 with the Green Bank co-fund its C-PACE financing with Hannon Armstrong, an investment firm providing debt and equity financing to the energy efficiency and renewable energy markets. This will provide access to up to \$100 million in financing for C-PACE, and will streamline the process building owners currently undergo to source competitive financing for comprehensive energy projects.

Also in late 2015, the Green Bank closed on the largest C-PACE project in the country. Using 100% private capital from CleanFund, State House Square in Hartford is financing \$8.5 million in comprehensive energy upgrades. By contrast, the lowest benefit assessment has been for \$30,550. Altogether, the total volume of C-PACE transactions is now over \$75 million.

House Bill 5241

House Bill 5241 proposes to place C-PACE benefit assessment liens beneath all municipal assessments in repayment priority in the event of loan defaults. The Green Bank has grave concerns with this proposal, as its adoption would adversely affect the operations and success of the C-PACE program.

Subordinating C-PACE liens to all other municipal liens - such as those for sewer or special district benefit assessments – would create unfair conditions for financing counterparties such as CleanFund or Hannon Armstrong, who signed agreements with the Green Bank under one set of contractual assumptions that would then be subject to change if this proposal becomes law. One key feature of a green bank is that it provides clarity to markets; this often takes the form of contract and asset standardization so that clean energy becomes investable. In this case, we would have difficulty conveying this clarity because of non-uniform lien priorities (i.e., municipalities may have different numbers of non-tax benefit assessment liens that come in front of C-PACE liens). The result of having less clarity is a higher cost of capital, which translates into a higher interest rate.

C-PACE currently has 112 out of 169 participating municipalities, covering 90% of the footprint of Connecticut's commercial real estate market. Despite being a statewide program, C-PACE does not cover every municipality in the state because the program is volitional – it was set up as an opt-in program. This optionality means there is already an avenue available for municipalities that see protection of their non-tax lien priority as outweighing the benefits of economic development, improved property and cash flow resiliency for local businesses.

For these reasons, the Connecticut Green Bank **opposes** House Bill 5241.