

**Green Jobs Green New York (GJGNY) Advisory Council Meeting**  
**July 20, 2010**  
**Meeting Notes**

**Attendees-**

**Albany Office:**

Bill Johnson, GAPPP; Chuck Schwartz, LI Green; Jeff Emerson, BPCA; Charles Dedrick, Capital Region BOCES; Jennifer Keida, Standard Insulating Co; Tariq Naizi, NYS CPB; Ryan Moore, ZeroDraft; Floyd Barwig, NYS DPS, Alan Hipps, Housing Assistance Program Of Essex County; Emmaia Gelman, Center for Working Families, Tom Holmes, Barbara Guinn, OTDA; Jennifer McCormick, ESD; Sha´ Sha Wheat, Hope 4 Us Housing; and Stonybrook Adv. Energy Center.

**NYSERDA:**

Peggie Neville, Jeff Pitkin, Sue Andrews, Jackie Jerry, Jim Reis, Ruth Horton, Carley Murray, Mike Colgrove, Tom Barone, Linda Miller, and Larry Pakenas.

**NYC Office:**

Chris Valentino, Lamont; Hugo Salinas, New York Energy Conservation; Mario Musolino, NYS DOL; Dave Johnson, LEROF/LIUNA; Myles Lennon, LEROF LIUNA; David Hepinstall, AEA; Hannah Blitzer, Low Income Investment Fund; Chris Krammer, Low Income Investment Fund; Rick Cherry, CEC; Bob Lamb, Lamont; Frank Murray, NYSERDA; Mark Gunthner, Home Performance; Taleigh Smith, NWBCCC WAP; and Nayan Parus.

**Buffalo Office:**

Clarke Gocker, PUSH Buffalo; Jabril Shareef, C&R Housing (Unity Contractors); and Cyd Cox, Ecologic Home.

**NYSERDA:**

Kelly Tyler

**Phone:**

Judy Butler, Butler Builders; Maribel Cruz, NYPA; Mike Deering, LIPA; Trenton Allen, Citigroup; Drew Matonak, HVCC; Jackson Morris, PACE, Yolanda Gonzales, Nos Quedamos

**(The following meeting notes capture comments, questions and discussions held at the meeting in response to the presentations given by NYSERDA staff. A copy of the presentation and any handouts provided can be found at [www.NYSERDA.org](http://www.NYSERDA.org).)**

Members of the Green Jobs Green New York advisory Council met via video-conference at NYSERDA's Albany, New York City and Buffalo offices on 7/20/10. Telephone access was made available to members who could not make it to a video conference site. Also present at the meeting were several NYSERDA staff members and additional staff members from Advisory Council member organizations. The Meeting was videotaped and will be posted to [www.NYSERDA.org](http://www.NYSERDA.org).

Frank Murray, President and CEO, NYSERDA, chaired the Meeting.

## **WELCOME & INTRODUCTIONS**

Frank opened the meeting stating this was the eighth meeting of the GJNGY Advisory Council. No edits were requested to the May 26, 2010 meeting notes.

## **MASTER SCHEDULE:**

Peggie Neville, Program Manager, Residential Program & Regulatory Support, presented the revised Master Schedule. The Master Schedule was provided in advance of the meeting to the Advisory Council and can be found at [www.nyserda.org](http://www.nyserda.org). The schedule has been updated to reflect some new activities and adjustments to the schedule. Of specific note, PON 2034 - Workforce Development Curriculum Needs Assessment and RFP 2080 GJNGY Training and Implementation Contractor were both released on May 26<sup>th</sup>. Additionally, the annual GJNGY Advisory Council Report is due to the Legislature on October 1<sup>st</sup> of every year. NYSERDA has developed a timeline that will allow NYSERDA staff to meet that filing date. This internal schedule provides for a draft of the Annual Report to be sent via email, to the Advisory Council members around August 25<sup>th</sup>. In order to meet the October 1<sup>st</sup> deadline, NYSERDA will solicit input from the Advisory Council via email prior to the September 16<sup>th</sup> Advisory Council meeting and allow for final discussion at the September 16<sup>th</sup> Meeting.

## **BUDGET MODIFICATION**

Jeff Pitkin, Treasurer, presented a revision to the GJNGY Budget. The adjustment incorporates the annual assessment that NYSERDA is charged by NYS for a Cost Recovery Fee under Section 2975 of the public authority's law. This charge was inadvertently left off the original budget. The charge represents an assessment levied to all public authorities for central agency costs and expenses. It is allocated among the authorities in amounts determined by the Director of the Division of the Budget. NYSERDA's last annual assessment was \$5.8 million dollars representing an overhead cost to the Authority. NYSERDA allocates that expenditure over all programs which will include the GJNGY program. Presently, that annual charge represents about 1.7% of total expenditures for each program. The budget has been modified to account for the NYS Cost Recovery Fee of \$1,904,000 over the life of the program. The reallocation is proposed to come proportionally out of the Financing portion of the 1-to-4 Family, Multifamily, and Small Business/Not-For-Profit program budgets. This reallocation is consistent with the previous adjustment to the budget that provided additional funds for marketing and outreach activities. It was asked if anyone had any questions or comments. None were raised, so the proposed budget stands.

## **UPDATE ON FINANCING**

Jeff Pitkin presented on the status of the GJNGY Financing Options. A copy of the power point slides and a video tape of the presentation can be found at [www.nyserda.org](http://www.nyserda.org). The presentation included the following updates related to legislative action on related bills:

- Municipal Sustainable Energy Loan Program (PACE) Amendment – Version of the bill passed in the Senate; Governor introduced a program bill but 3-way agreement was not reached

- Concerns over priority of lien; constructive discussions for addressing these concerns;
- Concern that GJGNY funds should not be used for PACE financing
- On-bill Recovery Financing Authorization – Bill introduced in the Assembly; discussion to reach 3-way agreement were not completed prior to end of session
  - Concern with termination of service provision for repayments – proposed approach to limit number of financings allowed, and to increase numbers annually
  - Discussions expected to resume
- Federal Loan Guarantees – War Appropriations Act/Homestar – Proposed legislation includes provisions that would extend US DOE’s loan guarantee program to include guarantees of loans made to fund energy efficiency retrofits, which would reduce the interest cost on bonds issued supported by loans made. We will continue to monitor this legislation.

**QUESTION: What about the legislation on the Gas Bill?**

**ANSWER:** The bill that would modify the public service law to allow charges on gas utility bills for non-volumetric charges was passed by the Senate and the Assembly and is being delivered to the Governor for signature. It is expected to be signed. That is the enabling legislation that permits GJGNY repayment obligations to be placed on either an electric utility bill or a gas utility bill.

**QUESTION: Regarding the on-bill financing, what sense do you have from the utilities that if the bill passes they are ready to participate.**

**COMMENT:** An Advisory Council Member stated that one issue that is still outstanding is the up-front costs of making changes to the utility billing systems. There are a number of existing systems that are mainframe legacy systems and are in need of significant upgrades in order to handle this process. The costs are estimated to be significant. One utility has estimated their cost to be \$2 million alone.

**ANSWER:** In the bill that was introduced in the Assembly, that matter was dealt with by indicating that any costs incurred by the utilities to upgrade their billings systems would be deferred until their next rate proceeding and would be considered to be a reasonable and prudent costs. Also, the Department of Energy - Retrofit Ramp-Up Grant that NYSERDA received (\$40 million) includes \$2 million for utility billing system upgrades, particularly for the pilot program that NYSERDA is working on with National Grid in their upstate market. That particular billing system is a newer system and although National Grid is still finalizing their cost estimates, it is anticipated that the billing system upgrade will be in the order of a few hundred thousand dollars. This could leave some DOE grant funding that could be made available to offset costs for other utilities. The legislation had language saying that, to the extent possible, upgrade costs could be funding by grant monies.

**QUESTION: Once you get the system up and running is there a cost to the utilities to be a collection agency. Is this cost going to be passed on as a rate?**

**ANSWER:** No. It will not be passed on as a rate charge. We will, much as in our other financing approaches, build into the financing rate an amount to cover these costs. NYSERDA would expect to enter into an agreement with each of the utility companies to provide funds to offset those incremental costs of doing the additional collection. The utilities are already doing the normal monthly collection; this additional step will be to take any amounts that are collected on the bill for these repayment charges and transferring them to NYSERDA’s financing account that is established. The actual collection process

is no different than their normal collection. They are already collecting a bill and in the process they will also collect the recovery charge. We do however expect that the utilities will expect some additional funding to cover this incremental effort.

**QUESTION: Then NYSERDA is going to guarantee that you will make enough loans to be able to pay back the cost? What you have here is a situation where you are talking about spreading the costs among borrowers.**

**ANSWER:** This is not to be confused with on-bill financing, where the utilities themselves are providing the financing and failure to repay results in charge-offs being spread to other ratepayers. This is one where NYSERDA will be financing these amounts. The utility and the other ratepayers are under no obligation to cover any failure to repay these repayment charges. What we will be doing is using the RGGI funds under the GJGNY program to provide a loan loss reserve to support the financing, so if any losses as the result of charge off or failure to collect the repayment obligations occur, they would first be absorbed by these reserve funds. But under no circumstances would amounts be recovered from either the utility or other ratepayers.

**QUESTION: Would the On-Bill financing loan loss reserve fund, funded through the RGGI fund, be leveraged with additional capital?**

**ANSWER:** Yes it would. Our strategy, which was presented at a prior meeting, is one where we are using the RGGI funds in the first instance to support these financings. Once they have aggregated to a sufficient level, we will securitize the loans. The repayments under these financing obligations will be used as a revenue stream to support a bond issuance that NYSERA will undertake, including providing a reserve fund that will cover any initial delinquencies and also any losses under the underlying loans. So the idea is that NYSERDA will provide a reserve fund that is well in excess of what actual losses might be expected to be based upon historical evidence on similar consumer loans or based on utility default rates. Therefore, if we expected losses to run 2% over the life of the loans, we might provide a loan loss reserve of 10% so that we are insuring that there are sufficient funds to protect the bond holders. We insure that there is money available to make principal and interest payments to the bond holders when they are due.

**QUESTION: If by some unfortunate circumstance the reserve fund was spent all the way down, whose responsibility would it be to collect on delinquencies at that point?**

**ANSWER:** At that point we would have a financing that would not have sufficient funds to pay bond holders. If there is insufficient funds to pay bond holders it could result in failure to make full principal and/or interest payments to bond holders. That is part of the risk assessment that bond holders take when they purchase bonds. They make an assessment on the bonds level of risk.

**QUESTION: Is there any shut-off or foreclosure option built in to the financing?**

**ANSWER:** No. Under the proposed legislation these financings are not secured by the property. However, it is contemplated that the tariff is an obligation that will remain on the meter. If someone sells their property, the remaining obligation that has not yet been paid would be assumed by the person purchasing the property. The property itself is not securing the financing obligation. There is no ability to foreclose on the property for failure to pay.

**QUESTION: Can you offer a timeline when the Senate will reconcile on-bill recovery? Will we see it in the fall?**

**ANSWER:** We do not know. I think there is hope. There was not substantial difference between what the bill introduced and where there might be a willingness to reach agreement. There is a willingness

from the Governor's office to get in a position where we are prepared, there are ongoing discussions happening. The idea is to try to get this done so when the legislature returns we have a bill ready for their enactment.

**ANSWER:** It is a good sign with the staff involved in meetings with the Governor's office. The Governor's office does not waste their time unless there is a serious intent to do something. In the way the budget ended up, though there is still some debate, the Senate will have to come back at some point to deal with the revenue side of the budget. There is a good chance the Senate, at least, will be back to deal with the revenue side of the budget. If their revenue package is different from the one the Assembly has dealt with that will bring the Assembly back as well. They will be back, we just do not know when.

**QUESTION: I was wondering about the bill payment that you mentioned earlier that is not secured by the property but was due when the property sells?**

**ANSWER:** The bill payment is not due upon sale. The bill remains with the property upon sale. The obligation is transferred to the purchaser, with interest accruing. There is a monthly payment of principal and interest, so the amount that would be assumed by the purchaser is the remaining principal plus interest that has accrued. Any time you buy a new home that would be one of the many items that would be disclosed to the new purchaser so that the purchaser would be aware of the obligation that they are assuming. The legislation included provisions to insure that the seller of a property that had undertaken one of these on-bill financings was obligated to provide notice of that obligation to a purchaser.

**QUESTION: Is this a lien that would show up in the filings?**

**ANSWER:** No. That is a bit of a concern. In the normal process of doing a property closing the lawyers are conditioned to do the title search and check the property tax records. This will be the first time that they will have to check an additional record, which will be to look at the utility bill to see if there is an on-bill financing arrangements on the bill. This is an area where there was interest in trying to provide consumer protection to ensure that the obligation that a homeowner had undertaken for financing was recorded somewhere, like recording a mortgage. A recording would provide greater insurance that a purchaser would not claim that they were unaware that the property they bought had one of these obligations.

**QUESTION: Would this be in miscellaneous records?**

**ANSWER:** Something like that. The discussion underway is whether we can we rely solely on the legislation requiring the seller of a property to notify an purchaser. The remedy that a purchaser would have in a situation where the lien was not properly disclosed would be a contract claim against the seller of the property claiming that the seller did not disclose an obligation that was on the property.

**COMMENT: An Advisory Council Member stated that they could see several years later selling a property after having forgotten that I had a lien. It would be better if there was an independent source to make sure that the obligation gets disclosed.**

**ANSWER:** The current resource would be that the charge would be a separate line item on the utility bill. But, once again, the normal process for real estate closings is to review property tax bills and title searches. Reviewing the utility bills to see if there is an on-bill financing charge is not currently part of the procedure. However, as this financing approach increases, people will become conditioned to checking whether a property has one of these financings. When you purchase a home you have the right to access to the seller's electric utility bills for the previous twelve months.

**COMMENT: An Advisory Council Member stated that it has not been left to memory or chance, included in the legislation is an amendment to real property law that requires not only disclosure**

**prior to sale, but also that the new buyer accepts the obligation. The legislation now says that they have to accept the obligation in writing. Your lawyer needs to remember, not you. There is some doubt if the legislature can enact this amendment soon. But, there is political will to get this done, and if the amendment is ready to go when the legislature comes back for the budget there is a possibility it will be passed then. If not, there is a lot of will for a special session in the fall.**

**QUESTION: Would the (DOE Loan Guarantees and Home Star Legislation extension to retrofit for residential and commercial programs) change the loan class of the loss reserve that you would need?**

**ANSWER:** Yes, it would have an impact on both the interest rate and the level of reserves that the investor would require because the Fed's are guaranteeing it.

**COMMENT:** There has been legislation introduced in the House of Representatives basically providing a Federal mandate giving utilities entitlement to go forward with the PACE programs and stating that Fannie Mae and Freddie Mac will have to get in line with the PACE programs. There is also going to be a bill introduced in the Senate on this, hopefully in the next few weeks. These initiatives should be kept in mind.

**QUESTION: What can be done if PACE does not materialize? Are we considering other alternatives for homes heating with heating oil or propane?**

**ANSWER:** The direct consumer loan would be an all fuels approach. The On-Bill legislation that was introduced in the Assembly, does not limit the financing to just measurers for electric and gas. It allows for oil efficiency measures to be financed. It says that you can put this repayment obligation on any electric or gas utility bill where there are saving, but it does not require that there are net saving that would result in that particular bill. You could have a consumer that has undertaken oil efficiency measures and put the charge on an electric bill. The actual amount of the electric bill can increase, but it is increasing as a result of the savings that will result to the homeowner through their oil savings.

**QUESTION: Regarding PACE, have you thought about making the PACE real estate obligation second to the mortgage?**

**ANSWER:** Yes, that was discussed with the Senate and the Assembly. The challenge is that it is a charge on a property tax bill, so if you take the position that this particular charge should come subordinate to a mortgage, the municipalities are concerned as to where this issue ends. Does the next discussion become why does the charge for a special assessment come before a mortgage? Should it not be subordinated as well? The municipalities do not want to give up and say this charge comes after a mortgage. They do not want to subordinate to anything.

**QUESTION: I would imagine that its security value becomes much less if it is second to a mortgage, but that is a local decision. Is it something New York State could do?**

**ANSWER:** While it overcomes the objection on the part of the mortgagee, what it does not do is help our ability to take these financings and try to bond them in the capital markets. At the moment, because of everything that is going on in the housing market, the fact is that collateralized securities in the bond markets have become toxic. There is nearly no ability at the moment to be issuing bonds that would be supported by secondary mortgages. In fact, some underwriters are finding it difficult to even structure financings of first mortgages, because of the issue of what has happened with housing prices and concerns over the underwriting collateral. Allowing the financing to be secondary to the mortgage would provide a path forward in allowing the financings to be undertaken, but it would not practically, until conditions change, provide for the ability to securitize those financings through the bond market. Therefore we would not be leveraging the money. In essence, we would just be operating a revolving loan fund.

**QUESTION: Would consumers have direct access to the first lender (Master Loan Servicer)?**

**ANSWER:** Yes. It would be a behind the scenes access, like when you apply for a car loan. Sometimes you may not actually know to whom you are applying. So there are ways that you can complete an application without even really knowing who you are getting your financing from. That singular loan originator would have that application system computerized. On the residential side, the discussion we are having is with Energy Finance Solutions (EFS) which is our current Fannie Mae lender. EFS has been originating the Fannie Mae loans for nine years. They have a process and a system that provides for interactions with the BPI contractors and the homeowners. It provides for ten minute credit approval on a preapproval basis either through the web, a toll free number, or on-line. We are talking to EFS about trying to have them originate GJGNY loans so we can process our own loans. The only impediment we have discovered is, although EFS has ability to transition from originating Fannie Mae loans to GJGNY loans quickly, they do not currently service their own loans. It is going to take time to address this issue. The loans they are currently originating are serviced by an organization called Viewtech, who is Fannie Mae's servicer. We are in discussions to see if Viewtech would be willing to service these loans if they are originated by EFS. We are hopeful that this approach will allow us to launch our program in the near term with the ability to offer direct consumer loans for residential homeowners.

We are also in discussions on originating loans for small commercial and not-for-profit organizations. Our plan would be to have that origination function performed by a singular entity for some period of time, possibly six to nine months and then open up the origination process to other lenders.

**QUESTION: Is there any intent to have EFS compete to do this work?**

**ANSWER:** EFS is ready to do originations now; we just need to pin down an interim master servicer. We are in discussions about making them the sole provider in order to launch the GJGNY financing program soon and then once we are prepared to have multiple points of origination they would no longer be the only one that would be originating these loans. We would allow those loans to be reviewed and approved by financial institutions around the State.

**QUESTION: Do you have any thoughts regarding the turn-around time on contracts after an audit. How long does EFS need to turnaround an application?**

**ANSWER:** Turn-around time is ten minutes. Some of the BPI contractors can speak to that now in terms of what the consumer experience is in trying to get their credit decisions.

**COMMENT:** An Advisory Council Member stated that the initial approval has been very quick, however the time it has taken for the actual loan could use some improvement.

**QUESTION: I was more interested in what the experience has been with EFS in the Home Performance w Energy Star arena. What is going to happen if you load them up more? You can get an approval or disapproval in ten minutes, but what about actually getting the loan finalized?**

**ANSWER:** We are currently doing about 7,000 retrofits on a statewide basis through Home Performance. Currently 500 or 600 have loans that are being financed through HPwES. The rest of the consumers are self-financing or taking the 10% homeowner financing incentive. We have talked to EFS about this. As part of GJGNY, the expectation is that consumers will no longer have to decide whether they are taking the 10% or the financing, they may be able to get both. That alone is expected to increase the number of people who will undertake the financing and along with the efforts we are doing through WFD and CBO outreach, certainly our total number of retrofits is expected to increase from our current volume of 7,000. We have talked to EFS about their ability to meet the increased demand. I think they are comfortably that they can meet that demand. From a systems standpoint, they are prepared and capable of meeting it. We

would be interested in hearing from anyone who has feedback regarding any issues on their ability to perform.

**QUESTION: I remember that early on in New York City, EFS was basically turning down most applicants; claiming that they were not meeting the minimum tests. NHS came into the picture and has been much more active in the City. Is it possible to have NHS in the picture as well?**

**ANSWER:** Our strategy is to focus on working through one entity and our preference is to use the entity that has a system that is tied into the BPI network. The ability to allow others in will come with time.

However, we are discussing during this transition period the Assisted Home Performance loans through the NHS network would continue to be available. Additionally, under GJGNY we will figure out a tier-two strategy that will be able to serve households with lower credit scores. The intention is that the initial underwriting criteria will pretty much mimic the Fannie Mae underwriting criteria and therefore we would expect to see results similar to what EFS has had in the past. We will also launch a second criteria for qualifying loans which will hinge on bill paying history. With those combined strategies we should be able to match NHS historical approvals.

**QUESTION: Turnaround time. I understand that once they get the documentation they need, that the turnaround time is fast. Maybe this is a Tier 1, Tier 2 conversation. However, to the extent that documentation is required from the homeowners in order to qualify, are you taking into consideration the time required, the level of burden, of documenting proof of income, employment, etc. in the process turnaround time for getting a loan approval?**

**ANSWER:** Those standards are set. Fannie Mae currently has debt to income qualifications as part of the origination process.

**QUESTION: If you are thinking about the process of getting from a contractor at your door to a loan application in how long is it in real time, not just a loan application to process. How heavy a burden is it for people?**

**COMMENT:** An Advisory Council Member stated that it depends on the consumer and the information that they are willing to provide. There are a lot of consumers who actually lie on their applications which will obviously hinder the process. It can be less than a week, if all of the paperwork is accurate. Most of the time, unfortunately, it is not accurate. Another Advisory Council Member stated that their experience has been 1-2 weeks.

**QUESTION: After the master servicer is on board and before you bring in the other community based loan servicing organizations, what kind of terms and conditions are you establishing for making for that transition. Since you are starting out with a single servicer, as opposed to several, you indicated that in about six to nine months you will make the transition.**

**ANSWER:** We are still going to have a single servicer but with multiple originators. The multiple originators will originate those loans that conform to our standards and then servicing will be transferred to the master servicer. We expect that the standards, systems and processes contemplated will allow for multiple organizations participating in the program, and nothing that is being established to initially launch the program with EFS being the sole organization originating loans is intended to preclude broad participation by multiple organizations in the future.

**QUESTION: Other than the initial six to nine month timeframe where you just have one source. What else is a covenant, or condition, or transitioning to other originators, so that they are involved.**

**ANSWER:** What will be needed is to finalize the whole system. The Master Servicer will bring the technology solution that will allow for a process of submitting an application either directly by a borrower or by a BPI contractor. Their technology solution will start at application, allow for the institution who is doing the origination to do their review and indicate whether it is approved or denied. If it is approved then it becomes transferred to the servicer. What is needed is to get the technology framework in place that will allow for a seamless process from application, to origination, to servicing.

**QUESTION: Is your office spearheading outreach to these additional organizations to enable them to get involved?**

**ANSWER:** No, we have not done any outreach yet to potential originators. We do not think it is appropriate at this stage because we do not know how this system will work going from origination to servicing. We are expecting to have an RFP out within the coming weeks and anticipate a selection in a few of months. At that point, we should have an idea of what the system will look like and then we can begin engaging in discussions with institutions interested in originating. We will then be able to better describe to them how the system will work and see if they are interested.

**QUESTION: My principal issue is getting back to making sure that we are facilitating the ability of local organizations to be able to get involved.**

**ANSWER:** Nothing we are doing now will preclude the ability to have multiple organizations getting involved in the future. Additionally, John Ahearn, Program Manager Low Income & Education Strategies stated that he has been working on engaging local lenders in the expanded GJGNY program. This effort included attending a statewide conference on May 17, 2010 of the New York Coalition of CDFIs which is comprised of Community Development Financial Institutions and Community Development Credit Unions. At that meeting, John provided the group with an overview of NYSERDA's plans for the GJGNY program including its probable financial strategies and structures. After the presentation several attendees came forward expressing great interest.

**QUESTION: Is the interest rate going to be the same for small business, small commercial, and non-profit as residential?**

**ANSWER:** We have not determined that fully. It typically would not be the case. Also, our experience is that most retrofits for small business and not-for profits will likely be a shorter term. Typically those measurers have a quicker payback than on the residential side. We are expecting a term of fifteen years on residential financing, where as our expectation is a seven year term for a small commercial or not-for-profit facility. We would expect that the rates will differ between those two types of loans and since the loan terms differ, so does the depletion rate differ between the two.

**QUESTION: I do not have enough red flags to wave in response to this proposal. This is terrifying, because we are never going to get more RGGI funds. The intention of On-Bill was to be sustainable and we do not know when we will get On-Bill Financing.**

**ANSWER:** The results would not be that much different even if we had On-Bill Financing because the rate on the bonds would only be a little lower than what the unsecured loan rate will be. As previously discussed at Advisory Council Meetings, we are not expecting this to be a perpetual revolving fund. If we tried to do so, the interest rate we would have to charge the consumer would be higher than what they would want to accept.

**QUESTION: The initial view was that we would use the portion of the RGGI funds that was not used for program costs to create a loan-loss reserve that would then allow us to leverage millions more dollars. We do not have that here.**

**ANSWER:** We are still doing that.

**QUESTION: We are talking about ultimately spending down the funds that are available.**

**ANSWER:** You leverage it initially and then 80% of it comes back. You are recycling money but you are not perpetually revolving it. We will ultimately take these \$30 million dollars and leverage it to \$100's of millions of dollars. But eventually, when the day is done, the money will go. Unless, we structure the financing to have the rate we charge the consumer equal to what our costs are expected to be for the program. That is the only way that we make it perpetuating.

**QUESTION: In the model that we were working out for how on-bill would work, we get much closer to the possibility for projects to repay their full costs of principal plus interest. In this case, the buy-down is not fully recouped even after the sale of the bonds.**

**ANSWER:** We can go back and work with our financial advisory team to reassess. These are still rough numbers. These figures were really meant to provide a discussion point on the issue of setting rates. Obviously, the rate we set on the loans will matter greatly in terms of our ability to stretch the RGGI dollars as far as we can.

**QUESTION: We have been rolling along on the theory that a large amount of demand will be generated by CBO's in addition to the work the contractors are going to do to generate their own leads. I am looking at the Master Schedule and am wondering how the changes in approach, affect community groups ability to come on line. Is it worthwhile to try to figure out something to do in the interim or is this demand machine going to be stalled until a different kind of finance is available. What does the rollout look like?**

**ANSWER:** Once we have finalized the financing standards we will present them to the CBOs and advise them of the financing structure. The standards are going to be irrespective of whether a consumer is paying it back through a direct loan to the lender or through on-bill financing. The only difference that the mechanism is going to have is on the cost of funds when we do our bonding. It is expected that the on-bill rate could be a little lower.

**QUESTION: What I am hearing comes down to, whether or not you wait for everything to be in place, or whether you get started now using the current funding as a loan reserve. I think it is very important that this program gets on the street. If that means having to use some of this RGGI money it means having to use some of this RGGI money. It is terrific to see how much work, given the obstacles, that NYSERDA is doing to get GJGNY on the street. Then, if we show success we will all work together to get extra money if we have too. Seeing the money depleted gets scary and it does not sound like it is still there if it goes out. But the point of the matter is we have to use some of this money to make loans.**

**ANSWER:** The point again is to emphasize that having the availability of on-bill financing is probably as much as a year away. That is just a guesstimate, because it will require Commission action and the utility companies to modify their systems to be prepared to offer that service. We do not want to wait a year to launch financing for the program. Our ability to reach the consumers is the same irrespective of whether they are paying back a loan or whether they are paying it back through a utility bill. It won't matter. Our outreach and ramp-up machines should be able to operate with this financing and reach the consumers regardless of the repayment method.

**QUESTION: Regarding offering an initial reduced interest rate, I concur with the concern about reducing the interest rate and putting a lot of low interest loans out and driving the depletion rate way up. A better idea would be to use the old trick of having a very limited amount of loans that**

**you offer at the reduced rate. In each neighborhood set up a lottery for those who get those loans, it might result in ten loans in each neighborhood throughout the state. It is a good marketing tool.**

**ANSWER:** Maybe rather than an introductory rate for a timeframe, it would make more sense to provide a lower interest rate for a certain number of loans at the inception of the program. However, the notion of doing a certain number of loans by geographic area probably gets messy from an administrative standpoint. We had some discussion about instead of a timeframe, to designate the first 1000 loans get a rate of 2.99%.

**COMMENT:** I believe we do need to get this on the street sooner rather than later. What I am seeing from general consumers is that a lot of people are holding off doing work awaiting the possibility of GJGNY at the state level and Home Star at the federal level. A delay of another year would be detrimental to the whole program. We have to be concerned about depleting the reserve too. We have to balance it.

**QUESTION: A question on the 2.99% loans, from a different perspective. Have you had any experience with offering a teaser loan where the borrower runs into problems when the rate increases and the borrower then cannot handle it? Is that a concern?**

**ANSWER:** The underwriting standards are the same. The criterion that is approving someone is the same for someone if they are paying a teaser rate or a higher rate. So they have the same credit worthiness. This offer is not for six months and then the rate goes up. The rate would be consistent during the life of the loan.

**COMMENT:** As a lot of us have mentioned, I think there is already a fairly strong pent-up demand for this program. I would think that this is not a time when you would actually want to offer a lower rate, when you have pent up demand. I would be more inclined to think you could go in at the full rate. Maybe, in some cases, tie the rate to the SIR of the project. If you have a good project that is going to save a lot of energy that project might be offered a better rate than for a marginal project for someone that just wants to replace windows.

**COMMENT:** Another Advisory Council member suggested the opposite. Stating the perspective that the 2.99% rate will respond to the pent up demand, and the 5.99% rate will not.

**ANSWER:** Frank Murray stated that one of the reasons we have the Advisory Committee is to give folks an opportunity to react to these ideas. Nothing is cast in stone. NYSERDA encourages folks, based on the information that has been presented, to give us feed back. Depending on what we hear, we have responded and modified some of our suggestions based upon the feedback we get from the AC members.

With respect to the timing, there is some real tension here for NYSERDA as the administrator of the program. We want to get this as right as everybody else does. If we do not get this right it will cast a shadow on the credibility not only upon us as administrators, but upon the whole concept that so many of you have been working to make a reality for a long time. On the other hand, I do not want to be sitting in front of the State legislature fifteen months after they have passed this bill and try to explain why we have not made one single loan. The second consideration we all should have in mind as we search for perfection is, the longer this money sits unspent, as committed as the legislature has been to this program up until now; the bigger the temptation it becomes in difficult fiscal situations to sweep this money up and deal with other concerns. Those two considerations are driving us to try and get financing out on the street as quickly as possible. With all of the curve balls that have been thrown in the last couple of weeks at the financing options we have been considering, it makes what was a challenging process all the more difficult. We would like to get perfection, but we are not initially going to get perfection.

**COMMENT:** It sounds to me that basically the current thought is to lend out the \$30M that is in the pot. Has there been a thought in working with an originator that has the ability to leverage their own financing, to raise capital themselves? It does not sound to me like that is the role EFS would be playing. We are a financing organization and that is something that we do. In fact, we have a multifamily retrofit loan program in San Francisco we are rolling out right now that works that way.

**ANSWER:** NYSERDA is a financing organization too. We have issued about \$3.6 billion dollars in bonds. We do not need the capital of the originator at the moment. We are working with our financial advisory team, Lamont, to create a financing structure that will allow us to proceed with a capital markets issuance that can leverage the financings that will be originated. Our concept is to use the RGGI funds that are available in the program because it is dedicated money we already have and it has no carrying costs. We will be using that money initially and then we plan on using those loans in support of a bond issuance. As we build up loan demand we would then be trying to provide for the ability of interim financing sources again. The whole approach here is still one of leverage, but we are not leveraging on the front end, we will be leveraging the funding as the loans are made.

**QUESTION:** There has been a lot of guessing on what is needed to motivate people. The Lawrence Berkeley National Laboratory (LBNL) distributes literature on demand creation and what is needed to bridge the barriers to financing, along with information on how to get people interested in retrofits. Our decisions on the kind of financing and interest rates should be determined by the best information. Given that we are talking about concentrating outreach for retrofits to communities and each community will likely have different reaction to the different kinds of financing, it is probably worth looking at data on what motivates people to take on retrofits before we are committed to one plan. Do people need 2.99% or 5.99% financing; we do not have exact information on what might be most effective. It merits some research on what people will actually require before we start.

**ANSWER:** An Advisory Council Member stated that we have the data on 7,000 Home Performance loans and the percentage of people who are taking out those loans compared to financing the projects themselves. Maybe there is some market study that can be done. Most of the time, except for Assisted Home Performance, we are finding people are taking the 10% grant and getting their own financing, whether it is from their own pocketbook or their bank. For the most part, it looks like the current rate is not very attractive to the low-income market.

**COMMENT:** The Finance Group has given us several updates and progress reports and it is about time we commended the work that the department has been doing in giving us this information and more recently the independent review from the Lamont Group. We have a product that we can be comfortable with and are able to move forward. There may be some hiccups as we move forward, but I do not know of any program of this complexity that will not have a few hiccups.

**ANSWER:** It has been a real team effort both within NYSERDA and with our financial advisory team from Lamont which has been outstanding in offering us great advice in getting us to get to this point. The financing aspects of this program are very complicated. We are starting to find ourselves in a position where we think we can launch the program. You can always find opportunities to improve things and I think that when opportunities come along to revise things, GJGNY will only get better. But I get a sense from today's discussion that there will be some value in being able to go forward and offer financing as we are continuing to work toward that goal.

Frank Murray reminded the Advisory Council, a lot of information gets disseminated at these meetings, take it back and digest it. Please continue to provide us with the benefit of your thoughts in writing, giving us the opportunity to review them and modify the program to make it even more workable.

## **QUESTIONS ON JUNE PROGRESS REPORT:**

NYSERDA began providing monthly updates via email to the Advisory Council in June. The Advisory Council was asked if there were any questions related to the June update. None were raised.

## **CONTRACTING & HIRING STANDARDS**

Frank Murray stated that the Center for Working Families has been working closely with a number of contractors, CBOs, and other groups to develop a common agreement on GJGNY job & hiring standards. A document was sent to NYSERDA last week requesting review and comment. It was also provided to the other Advisory Council members. Since then, the document has received responses from some Advisory Council Members and other parties. This topic warrants further discussion. However, today may not be the best time. It is suggested that NYSERDA host an open discussion in August. The Advisory Council Members were asked whether that approach was acceptable to all. There was general agreement to proceed as outlined. NYSERDA will canvas the Advisory Council Members for a date that will accommodate a majority of the members.

**QUESTION: An Advisory Council member stated that it may be productive to frame the issue today and put a time limit of five to ten minutes to get some initial feedback since several people came with the idea of making comments on this document.**

**ANSWER:** The Advisory Council agreed to spending fifteen minutes having some preliminary discussions. However due to the serious issues here, and the amount of effort that was put into this document, there was agreement that this topic warrants a more extensive conversation.

**ANSWER:** Emmaia Gelman, Center for Working Families (CWF) provided the following framing of the issue: At the time of the passage of the GJGNY legislation there was a strategic decision made. If you remember, the Senate was completely dysfunctional and the rest of the legislature was hanging by a thread. Therefore, a decision was made to make the bill as non-controversial, and as unladen as possible to get it passed so we could start this process. It is good that we laid the groundwork since this process has become long. But in order to do that, we left a lot of the detail out of the bill. One of the important details that we left out was any kind of standards for how the program should meet the economic development goals that were laid out in the bill. Also left out was how to deal with issues like participation through minority business that were referenced in the bill but not fleshed out. The thought was that the coalition that had organized to create the program, which included 200 different organizations, contractors, community groups, training organizations, etc., could continue the process of discussion and figure what would be the best way to create the economic development program it was meant to be. The Energy Authority is running it and it is clearly intended to be an energy program; on the other hand, it is also clearly intended to be a jobs and economic development program. The RGGI dollars have economic development and economic justice requirements attached to them so GJGNY is not the same as other types of funding that NYSERDA previously had to fund other energy programs. Therefore, the CWF continued the process of convening the coalition and as more planning went on more folks joined into the conversation. The CWF ended up drafting a straw proposal that incorporates what contractors had told us they already do, what the work force trainers had told us they wanted to have as part of their relationship with contractors, and what the labor unions were willing to accept and what would work for them. Labor unions have two roles in this. One is not killing the legislation, because that is in their power, and two is providing an enormous amount of training and capital expansion funds for contractors.

It was truly a negotiation, although there was never a moment when everyone sat down at the table. It was actually the CWF staff shuttling back and forth, because this is a scale of policy conversation where people really do not have the time required to devote to this involved process. The document that we came up with was essentially a common agreement. The process was very long and in the course of the process, federal politics changed and state contracting politics changed and so not everyone who was involved in the negotiations, and not everyone whose changes are in the document ended up endorsing it. But it was sent to NYSERDA from a list of thirty five different contractors, CBOs, and trainers. There was also a letter sent to NYSERDA today that has an additional list of contractors and trainers in support of the document, included among them are minority business in New York who do related contracting and have been waiting for GJGNY to open up, and contractors who work with community-based trainers on the need for standards. You all saw the prior email which points to the standards that are expected to be achieved.

In addressing the political nature of what is going on in terms of organizing in the world of contractors, suffice it to say that there are various objections to the idea of any regulation at all; there are various objections to the idea of an economic development program being merged with an energy program, and there are objections to the idea of targeted hiring and standards. These requirements are new to this kind of work. There is a concern that has been raised about administrative burden that is totally unrealistic and should be part of the conversation as we go forward.

That is what the document is and folks should understand that there a lot of players involved in thinking it through, but that fundamentally it is what the folks who put the document together thought was necessary to make sure that contractors can actually do this work, that they do not get undercut, that people can get the jobs, and work quality is good.

**Advisory Council Members were then given an opportunity to comment or react.**

**COMMENT:** Rick Cherry, CEC state that we have always lived with the concept of lowest responsible bidder. The way I see it, this is trying to define what responsible is. We may all have different opinions of what responsible should mean here. We always, at least in the public sector, felt that it is not necessarily just the lowest bid that should prevail. We have never had consensus as to what responsible is, and I think this effort is really an effort that should be guided in that context. As someone who has both bid and let out a lot of bids and has struggled at times with low bids that were from contractors that I know I did not like because of the way they treated people or because of the way they did their work, this is an effort to really start saying if you are going to play in the public arena this is what responsible is.

**COMMENT:** Jennifer Keida, Standard Insulation stated that the discussion is happening outside this group as well. Even for those of you who do not think that this is relevant to your position on this Advisory Council, I think that it is important, as those of us that are contractors listen to the other aspects of this rollout, that you do attend that meeting. There are already regulations and there are already outlines of responsibilities. A lot of contractors have opted out of the Home Performance program already because of those regulations and standards. The bottom line is that the majority of the organizations that I have talked to are opposing portions of this document. They do not oppose the whole concept, but some portions of it. They are concerned with some language that dictates the hiring standards of who we bring on in our own personal businesses. Contractors take on liability for the people they hire. As long as we take that liability it should be our responsibility to find qualified people and not be required to select people from a list of targeted populations, such as people who have been incarcerated.

**RESPONSE:** Emmaia Gelman, CWF, stated that the proposed regulations offer a long list of choices that you can pick from, such as hiring a woman instead of people that have been incarcerated. The requirements only say that you have to take half of your new hires from the city limits or the county

where you work and a quarter from a long list of targeted populations which include women, people of color, low-income people, long term unemployed, etc. When I hear contractors say “I am putting people in somebody’s houses,” I just hear fear.

**REPLY:** It is not fear; it is that there are proposed regulations to determine who I hire as one of my employees in my personal business.

**COMMENT:** A representative of Sustainable South Bronx stated they understood the concerns about the population of individuals with records, but as a training provider who has trained over 30% of our graduates, we work with employers to ensure that the standards that our students and graduates have in the terms of skills and certifications meet contractor needs. One of the reasons we were very excited to see this legislation get passed was because there is strong effort to connect the dots with individuals who have been left out of the workforce. One main reason for the language being stated the way it has been phrased is because there has been a history of workforce barriers for a variety of reasons whether for incarceration or lack of work of history. Because of contractor resistance, workers have been prevented from getting work, even if they could get the skills. This language is a manifestation of trying to think critically of what individuals need as a skill sets, but also considering how to best work with the contractors. We are working closely with industry recognized training providers to review this technical side. AEA has been telling me how impressed they were with our students because of their passion and commitment to the work that goes beyond that of some of the existing contractor workforce that they see regularly.

**REPLY:** Jennifer Keida, Standard Insulation, Bringing on trained people is a different scenario than indicating that we have to pull from a pool that may not be trained and we are required to put them through training. Some contractors are not from the city, we are from more rural areas which may not have the same opportunities for providing employees with training. Another issue is that contractors need to find employees in order to put them through this system. When I put an ad in the paper for a position for the summer I had eighty seven applications for one new hire, one new entry level position. I took the most qualified, the person who is going to contribute the most to my company. That person did not fall into any of those categories. The next time that I hire somebody, it still should be my right to decide who that person is. I am still bringing on jobs, still doing more work, and still hiring.

**REPLY:** An Advisory Council Member stated that one of the points behind the legislation is that there have been barriers to people who have been out of the workforce and are eager to work and we are trying to reduce those barriers.

**REPLY: Jennifer Keida, Standard Insulation** – An alternative to be considered is putting into the regulations something that shows that the contractors current workforce represents individuals from these targeted populations, as many of us have already invested in these groups on our own. There are a lot of standards for contractors but no standards for CBOs. The CBOs are going to be the ones that are going to be referring jobs and basically reviewing contractors. That CBO is going to be newly trained in the technologies that they are going to be reviewing, but I did not see any standards for their training. It was not even addressed.

**RESPONSE:** NYSERDA confirmed that there will be standards for CBOs.

**COMMENT:** The intent of this legislation is two-fold, Green Jobs to create jobs in economically underserved areas, in addition to the energy benefits and the green provisions. A lot of the contractors will continue to be organizations contributing to both. It is not just about insulating the house; this is actually about economically helping the people that have not had sufficient opportunity to enter this industry. We are a small business and realize that there are additional paper work requirements here and some additional restrictions, but we have that already in the Home Performance Program. I think GJGNY

is going to create opportunities for new jobs and more opportunities to get projects and will far outweigh the impediments that are being sited here.

Frank Murray stated that this was a good start to the conversation. This is an issue that not only stimulates interest but passion as well. All the more reason that we should get together in a separate session to talk about the issues reflected in the document that the Center for Working Families coalition have put together.

## **PUBLIC INPUT**

Chuck Schwartz, LI Green, stated that when you are running an independent program or an independent business and you are not taking public funds you can pretty much do whatever you want. However, if the work that you are doing is funded through a program like GJGNY, perhaps there is a need for a higher set of criteria.

**QUESTION: Is there any discussion going on regarding a change of criteria for the CBOs? The word on the street is that CBO criteria might have become a little more lenient regarding the make up of the Board and things like that.**

**ANSWER:** CBO criteria have not changed for this program.

**QUESTION: The way that things read now, CBOs are going to be rated on a metric of how many loans and jobs they bring to the table. Obviously we do not know whether this is going to hold true, but with less than 10% of the jobs getting loans in HPwES it is very possible that we are going to see more self-financing with this type of financing program vs. on-bill recovery or PACE financing. Are we looking to possibly change the criteria or the metrics for the CBOs in terms of jobs vs. loans being done?**

**ANSWER:** The RFP for the outreach group is expected to be out in August. In that RFP it will describe performance payments. After assessing their communities and project needs, CBOs will be asked to indicate the portion of their total budget on jobs, audits, and financing and then list their own goals based on the specifics of their proposed programs. A retrofit that undertakes an energy audit supported through GJGNY is a GJGNY retrofit. It counts as a retrofit even if the homeowner decides to finance on their own because they can get a better rate. What counts is the retrofit. We are not trying to encourage people to borrow money; we are trying to encourage retrofits. If we can get the retrofits by having people pay for it themselves or by getting their own financing it will still be a good outcome.

**QUESTION: Long Island has been involved in a \$5 million grant that NYSERDA has received. This grant funding was originally going to be used for a PACE financing program in municipalities there, obviously it looks like that is going to have to change in the near term. Is the plan now to use that DOE money for a financing that is similar to the GJGNY financing we have been talking about here? Will Long Island still have full access to the GJGNY dollars or are they going to see any change or decrease during this time because of the changes in financing planned?**

**ANSWER:** We are continuing to have discussions with the Long Island consortium; and yes, that \$5 million sub-grant is still earmarked so that those towns and communities can deliver comprehensive retrofits and use the financing available through GJGNY. Long Island continues to buy into the aggregated financing model that we have been discussing here. They are going to be able to take full advantage of the financing that will be offered through direct loans and eventually on-bill loans.

**Public Comment:** Patricia Malone, from the Advanced Energy Research and Technology Center (AERTC) at Stony Brook presented an overview of their research project. They are trying to identify where NYS's "Green Jobs" are located. The study is currently underway with funding through the NYS Department of Labor (DOL). This statewide effort is centered at Stony Brook on Long Island but is also working in the Westchester area, and in Manhattan. This study partners with the NYS DOL, the New York Labor Market Information Center, the State University of NY at Albany, and SUNY in the first comprehensive New York State research project to measure employer demand for "green jobs" against the capacity of educational and training resources to meet those needs. The project included surveys and regional forums which will be held throughout the State. The study of supply and demand, energy efficiency, weatherization are core parts of this initiative and they will also be reviewing aspects of green building construction, finance, weatherization, solar and wind manufacturing and technicians. AERTC is hoping to work closely with NYSERDA, looking carefully at leveraging this research data against real tangible curriculum development and integration in the area of Green Jobs. The GJGNY Advisory Council was invited to participate in the initiative and were asked for input in terms of existing jobs, transformational jobs, succession planning and skill sets in an effort to make sure that the study has a clean a read on their data.

**NEXT STEPS:**

The next meeting of the Advisory Council is scheduled for Thursday, September 16th from 1-4 p.m. In the interim, NYSERDA will be reaching out to the Advisory Council Members to identify a date in August to reconvene to discuss the issues raised in the paper that the CWFs coalition circulated.

**QUESTION:** Would it be appropriate for some of the contractors that do not sit on the Advisory Council to take part in that discussion?

**ANSWER:** Frank Murray stated that we want to make sure that the Advisory Council has the opportunity to speak. We do not want the discussion initially dominated by non-Advisory Council members. It is an open meeting, so contractors as well as constituency based organizations are more than welcome to send representatives. There will be an opportunity for public comment.