

**Green Jobs Green New York (GJGNY)
Advisory Council Meeting Notes**

August 7, 2015
1:00pm - 3:00pm
NYSERDA Board Room
Albany NY

Members of the Green Jobs-Green New York (GJGNY) Advisory Council met via videoconference at NYSEDA's Albany, Buffalo, and New York City offices on June 9, 2015. Telephone access was made available to members who could not be present at a video conference site. Also attending the meeting were NYSEDA staff members, additional staff members from Advisory Council member organizations, and members of the public. The meeting was videotaped and posted on the [GJGNY Advisory Council meetings page of NYSEDA's website](#).

Attendees

Albany Office:

Tony Belsito, NYS DPS. NYSEDA: Jeff Pitkin, Karen Hamilton, additional NYSEDA staff.

Buffalo Office:

None.

NYC Office:

John Rhodes, NYSEDA (Chair); Chuck Bell, Consumers Union; Jason Kuflik, Green Street Power; Ellen Redmond, IBEW; David Hepinstall, Association for Energy Affordability; Stephan Edel, Center for Working Families. Members of the public: Chuck Schwartz, LI Green; Valerie Strauss, AEA. John Joshi, NYSEDA and additional NYSEDA staff.

Phone:

Conrad Metcalf, BPCA; Hal Smith, Halco. Tanya Dugal, NYSDPS. Members of the public: Will Schweiger, Efficiency First New York; Guy Kempe, RUPCO

This was a special meeting held for the purpose of following up on an issue raised at the June 9, 2015, GJGNY Advisory Council meeting, regarding the sustainability of the GJGNY residential loan fund. At that meeting, NYSEDA was asked to determine what loan interest rate(s) would be needed to address the sustainability issue. The following meeting notes capture discussions, questions, and comments held at the meeting.

Jeff Pitkin gave a presentation which addressed the following: the components of the cost associated with administering the loan fund, a description of the loan portfolio mix, the factors impacting cash flow and their effects, an analysis of the potential impacts of various hypothetical loan interest rate strategies, and considerations for moving forward. A copy of the presentation can be found at the [GJGNY Advisory Council meetings page of NYSEDA's website](#).

Multifamily Loans

It was asked whether the analysis includes the multifamily loan fund, and it does not. The design of the multifamily loan fund is very different. It is a “participation” loan, where NYSERDA provides half of the capital and the lender provides the other half, and a blended interest rate results. There have only been 18 loans made from the multifamily fund. It is not clear to what extent financing is a barrier for the multifamily market. It was suggested that NYSERDA should rethink the approaches and opportunities for multifamily lending, and also look at loan opportunities for multifamily related to PV. NYSERDA’s multifamily program director, Michael Colgrove, will follow up off-line.

Potential impacts of interest rate changes

It was suggested that market rate energy efficiency seems to be the sector most affected by the types of interest rate strategies presented. “Pay as you save” is what the contractors have built their business model around. It was also suggested that we may be trying to solve a problem that will go away over time, once the revolving schedule is reached (fourteen years), and the current losses should be considered an investment in the future sustainable fund. However, it was noted that the revolving schedule only makes the fund sustainable if the loan volume also stabilizes, which so far, it has not. It is growing rapidly.

Contractors suggest that more important than the interest rate is the loan term. A fifteen year term is needed for energy efficiency, and twenty for PV. However, interest rates exceeding approximately 5% may impact affordability, particularly if contractor fees (or “developer fees”, which are typically used to reduce interest rates) are added to the cost.

It was noted that some private sector financing has offers relatively low interest rates, compared to those NYSERDA is projecting to be necessary in order to maintain a sustainable loan fund. In response, it was also noted that the low interest rates are associated with loans that include developer fees, which may be several thousand dollars.

Some other states are piloting low interest rate loans with private sector partners, such as credit unions, but are subsidizing the interest rate offered by the lenders. NYSERDA previously offered this kind of loan through a Fannie Mae lender, but just as today’s subsidized rate is unsustainable, that loan fund was expensive to implement.

It was suggested that if interest rates are increased by too much, the contractors may have to find other means to reduce costs, and that could be wages or jobs; 7% - 8% interest rates are too high. Alternatively, it was suggested that if we are able to attract more capital to the industry through private sector resources (hundreds of millions as opposed to the tens of millions in the GJGNY loan fund), more work will be accomplished, which will scale up the industry and create jobs.

Private Sector Loan Options

It was suggested that there are a number of affordable private sector loan options in the PV market, and some installers are already using private sector financing for their customers. There are currently fewer options for energy efficiency loans.

On-Bill Recovery (OBR) Financing

It was anticipated several years ago that OBR financing would spur great demand for energy efficiency services. This has not been the case. In New York City, it is difficult to qualify for financing, and it is difficult for specific projects to pass the cost-effectiveness test for OBR.

Low-to-Moderate Income (LMI) Households

LMI is defined by NYSERDA programs as households with incomes up to 80% of the state or area (county) median income. It was suggested that households in the 80-100% area median income range also need to be served as moderate income households. It was noted that a GJGNY LMI working group was established in the 2015-2016 New York State budget bill to develop recommendations for increasing participation of LMI households in energy efficiency projects and GJGNY financing. Members of the LMI working group are in discussions with credit unions, Community Development Financial Institutions (CDFIs), and the New York Green Bank to see what affordable private sector options may be available to expand financing options, and overall capital deployment, in New York for energy efficiency and renewable energy projects. This may be an option across all income levels, but in order for private sector loans to be an option for higher income households, the GJGNY loan fund needs to stop competing with a very low interest rate, and instead charge an interest rate that reflects the true cost of the loan. This can be done while still protecting the low income households.

Loan Fund Sustainability

It was suggested that NYSERDA should try to find other sources of low-cost capital (such as philanthropic funds) to support the GJGNY loan fund to enable us to keep the interest rate low.

It was suggested that NYSERDA should continue to try to get access to unused QECB allocations.

It was suggested that NYSERDA should seek ways to use other capital to support on-bill recovery loans, either by having a lender work through NYSERDA, or facilitate capital providers to work with utilities directly. The latter may require legislative action.

Next Steps

NYSERDA will use the input of the Advisory Council in finalizing an approach to addressing the loan fund sustainability problem. The results will be presented to the Advisory Council at an upcoming meeting.