

**BOARD OF DIRECTORS MEETING
HAWAII GREEN INFRASTRUCTURE AUTHORITY**
State of Hawai'i

September 27, 2016, 9:00 a.m.

Department of Business, Economic Development and Tourism
250 S. Hotel Street, 4th Floor, Conference Room 436
Honolulu, Hawai'i 96813

ATTENDANCE

Members Present: Mark Glick, Jeff Mikulina, Luis Salaveria and Kalbert Young

Members Absent: Wesley Machida

Others Present: Gregg Kinkley (Deputy Attorney General), Gwen Yamamoto Lau, Heather Wallenstrom and Dawn Brenneman

Members of the Public: Ben Park, WAM, State of Hawaii
Teresa Dawson, Environment HI

I. ROLL CALL

Chair Salaveria called the meeting of the Hawaii Green Infrastructure Authority (HGIA) to order at 9:00 a.m.

Chairperson Salaveria	Present
Vice Chair Mikulina	Absent / arrived later
Secretary Glick	Present
Member Machida	Absent
Member Young	Present

MATERIALS DISTRIBUTED

1. Agenda for the September 27, 2016 Meeting.
2. Minutes of the Regular Meeting on July 6, 2016.
3. Residential PV Loan Product Sheet
4. Commercial PV Loan Product: Project Sponsor Product Sheet
5. Commercial PV Loan Product: Direct Product Sheet

II. APPROVAL OF MINUTES

Chair Salaveria announced that the first item on the agenda was the approval of the minutes of the July 6, 2016 regular meeting, and asked for a motion to approve the minutes. Secretary Glick moved, and Member Young seconded. The members declined further discussion.

Chair Salaveria asked if there were comments from any members of the public. Seeing none, he called for a vote.

Ayes: Members Glick, Salaveria and Young

Nays: None

Absent: Member Machida and Member Mikulina

The motion carried unanimously, 3 to 0.

III. DISCUSSION AND/OR DECISION MAKING

A. Ratify Changes to the Consumer Loan Program

Chair Salaveria stated that the next item on the Agenda is the ratification of changes to the Residential PV Loan Product and asked for a motion to ratify the changes to the Residential Loan Product, including the subordination process. Secretary Glick moved and Member Young seconded.

Chair Salaveria asked Heather Wallenstrom to present the action item.

Program Officer Heather Wallenstrom reported that the first Residential Program loans began funding earlier this year with 17 loans funded to date. Changes were made to improve the competitiveness of the program including:

1. Decreasing the interest rate to a flat 5.99% APR, fixed for twenty years. This will replace the tiered interest rates based on credit scores. The 5.99% interest rate shall also be applied retroactively to existing loans.
2. Increasing the price per watt cap from \$4/watt to \$4.50/watt; and
3. Allowing for exceptions to the limits on system sizing.

HGIA also received a subordination request. Staff worked with attorneys to establish an internal review process to evaluate requests and developed recommendations for Board approval.

Ms. Wallenstrom noted that staff is also working with its loan originator to:

1. Allow financing for properties held in trust; and
2. Provide progress payments to our network of approved installers.

Both of these changes have been routinely requested by deployment partners and are standard industry practices.

HGIA staff expects the program changes that have been made to date plus the addition of auto-decisioning and the online application process to

favorably impact the pipeline and approval rates for the existing queue of NEM and Grid Supply Customers.

HGIA is also working with the Consumer Advocate's office to develop a response to the concerns raised regarding the use of GEMS financing for PV plus storage.

Vice Chair Mikulina joined the meeting at this time.

Chair Salaveria asked the members whether they had any comments or questions regarding the ratification of changes to the Residential Loan Product, including the subordination process.

Secretary Glick inquired (1) if the interest rate reduction (to 5.99%) was sufficiently competitive, especially for borrowers with good credit; and (2) how the Authority plans to mitigate higher default rates with the flat interest rate change.

Ms. Wallenstrom reported receiving very positive feedback from Approved Installers on the flat interest rate. Additionally, the Authority is currently working with its loan servicer and HECO on implementing On Bill Repayment, which will mitigate defaults.

Chair Salaveria asked if there were comments regarding ratifying the Residential Loan Product from any members of the public. Seeing none, he called for a vote.

Yes: Members Glick, Mikulina, Salaveria and Young

Nays: None

Absent: Machida

The motion carried unanimously, 4 to 0.

B. Approval of Commercial PV Loan Product: Project Sponsor Direct

Chair Salaveria stated that the next item on the Agenda is the approval of the Commercial PV loan products and asked for a motion to approve the Commercial PV Loan Product: Project Sponsor and Commercial PV Loan Product: Direct loan programs, including continued board oversight over Installer Cost, Interest Rate and Debt Service Coverage Ratio. Vice Chair Mikulina moved and Secretary Glick seconded.

Chair Salaveria asked Gwen Yamamoto Lau to present the action item.

Ms. Yamamoto Lau reported that the 15-day review period for Program Notification No. 9, which was submitted to the PUC on August 26th ended on September 19, 2016. As such the Authority is now able to implement the

Commercial PV Loan Product: Project Sponsor and Direct, hence our request for Board approval.

The design of these loan structures included three objectives:

1. To collaborate and partner with commercial banks and other financial institutions;
2. To be more flexible and competitive; and
3. To fill a market gap with an unconventional financing tool

The result is a co-lending structure with a capital stack of private and public debt. This long-term financing tool is designed to complement conventional bank / credit union financing and provide low-cost, cash flow friendly capital to encourage clean energy adoption via the installation of solar photovoltaic systems.

The Product Sheets distributed for the two loan structures are self-explanatory and essentially identical. The key difference is the Project Sponsor product is for loans made to investors who purchase and own PV systems for nonprofits and small businesses that do not have a tax appetite and cannot leverage the solar energy tax credits. The energy produced by the PV is sold to the off taker via a long-term power purchase agreement. The Direct product is for loans made to small businesses and for-profit apartment building owners to install and own its PV system.

The interest rate shall depend on the borrower's global cash flow ranging from 4.50% to 6.50% for the Project Sponsor product and 4.50% to 7.50% for the Direct product. As noted on the Product Sheet, the minimum debt service coverage ratio for Direct loans is as low as 1.05x, to enable more small businesses to qualify for clean energy financing. Actual underwriting and loan structures shall be made on a case-by-case basis and exceptions may apply. Loans shall be approved per the Authority's Bylaws.

Most of the categories on the Product Sheets have the oversight authority of either the Hawaii Public Utilities Commission, Loan Committee or Staff. However, Ms. Yamamoto Lau is recommending that the Board have continued oversight over the following three categories:

1. Installer Cost;
2. Interest Rate; and
3. Debt Service Coverage Ratio

This will mean that future programmatic changes in the aforementioned categories will need board approval.

Chair Salaveria asked the members whether they had any comments or questions regarding the approval of the Commercial PV Loan Products.

Chair Salaveria asked Ms. Yamamoto Lau to confirm that HGIA's objective when loaning in conjunction with banks in this structure is to motivate the market for clean energy loans with GEMS helping the finance community by de-risking these type of loans to allow for even more financing in the marketplace. Ms. Yamamoto Lau responded in the affirmative.

Chair Salaveria asked for comments or questions from members of the public. Seeing none, he called for a vote.

Ayes: Members Glick, Mikulina, Salaveria and Young
Nays: None
Absent: Member Machida

The motion carried unanimously, 4 to 0.

IV. EXECUTIVE SESSION

Chair Salaveria stated that the next two items on the agenda are in regards to personnel matters to re-describe existing positions and related to matters of the Executive Director. As there will be personal and confidential information discussed, the Board will convene in executive session pursuant to Section 92-5(a)(2) and/or Section 92-5(a)(4) to discuss legal issues pertinent to the Authority's statutory rights and obligations, as well as certain personnel issues.

Chair Salaveria asked for a motion to enter into Executive Session. Member Young moved and Secretary Glick seconded. Chair Salaveria called for the vote.

Ayes: Members Glick, Mikulina, Salaveria and Young
Nays: None
Absent: Member Machida

The motion carried unanimously, 4 to 0. Chair Salaveria then asked all non-board members to vacate the room with the exception of Deputy Attorney General Gregg Kinkley and Deputy Director Mary Alice Evans.

The meeting entered Executive Session at 9:19 a.m.

EXECUTIVE SESSION

The meeting reconvened at 9:50 a.m.

Chair Salaveria summed up the Executive Session by stating that on the first agenda item, there is nothing further to report. On the second agenda item, the board decided that it will not be engaging an Executive Search firm as board members will be conducting a direct search.

V. ADJOURNMENT

There being no further business, Chair Salaveria entertained a motion to adjourn. Secretary Glick moved and Vice Chair Mikulina seconded the motion. Chair Salaveria then called for the vote.

Ayes: Members Glick, Mikulina, Salaveria and Young.

Nays: None

Absent: Member Machida

The motion passed unanimously.

Chair Salaveria adjourned the meeting at 9:55 a.m.

Respectfully Submitted By:

Mark B. Glick
Secretary
Hawaii Green Infrastructure Authority