

Extending Loan Tenors for Deeper Energy Retrofits and Greater Savings

Bank of America Merrill Lynch – Northport-East Northport Union Free School District

NY Green Bank (“NYGB”) and Signature Public Funding Corp., a subsidiary of Signature Bank, (“SPFC”) are collectively committing approximately \$13.0 million in an equipment lease (the “Lease”) made to Northport-East Northport Union Free School District (“Northport” or the “District”) in Suffolk County, New York. The approximately \$12.9 million in total lease proceeds will be used to finance the installation of energy improvements in nine schools and an administrative building in the District. This transaction is expected to save Northport ~\$1.1 million per year by replacing current infrastructure with cleaner, more efficient alternatives. Bank of America Merrill Lynch (“BofA Merrill”) facilitated the transaction as part of a larger arrangement and aggregation strategy with NYGB.

Transaction Description

NYGB and SPFC are co-investing in a Lease in the amount of approximately \$13.0 million - including approximately \$8.9 million from NYGB and approximately \$4.2 million from SPFC – to finance energy improvements (the “Project”) that will replace existing infrastructure in nine schools and an administrative building in the District. The Project includes, but is not limited to, lighting retrofits, building envelope improvements, energy management systems, water conservation units, and ventilator refurbishments. The Project is expected to save the District ~\$1.1 million per year, with a portion of those savings to be used for lease payments and the remainder going directly to the District.

BofA Merrill arranged and structured the Lease and will sell an approximately \$8.9 million, 18-year interest to NYGB and an approximately \$4.2 million, 10-year interest to SPFC contemporaneously with closing. NYGB’s participation in the Lease enables Northport to finance the Project over a longer tenor than the private market would provide and so permit deeper retrofits than might otherwise occur.

This constitutes the first transaction under NYGB and BofA Merrill’s broader co-financing arrangement, whereby NYGB will support certain transaction types such as deeper energy efficiency retrofits requiring longer term leases. Over the long term, NYGB will work with BofA Merrill and other arrangers to aggregate portfolios of similar energy efficiency and renewable energy assets with qualifying counterparties. The long-term goal of the strategy is to bring greater private sector capital into the clean energy marketplace and ultimately increase liquidity and drive additional volume in the energy efficiency and renewable energy sector, leading to broader and faster completion of similar transactions in New York.

NYGB’s commitment translates to a reduction of 2,070 - 2,530 metric tons of greenhouse gas (“GHG”) emissions annually or 41,400 - 50,600 metric tons of GHG emissions over the ~24-year useful life of the Project.

This Transaction Profile is provided pursuant to the “NY Green Bank – Metrics, Reporting & Evaluation Plan, Version 3.0” (the “Metrics Plan”) developed in collaboration with the NYS Department of Public Service and filed with the NYS Public Service Commission (the “Commission”) on June 20, 2016.² This Transaction Profile contains specific information in connection with the Lease entered into on October 21, 2016, as required by the Metrics Plan.³

¹ Refer to the Summary of Changes document for details of updates, available at www.greenbank.ny.gov/Investments/Transaction-Profiles.

² Case 13-M-0412.

³ See Section 4.0, page 8 and Schedule 3.

Form of NYGB Investment

NYGB Product	Product Sub-Type	Committed Capital
Asset Loan & Investment	Term Loan	\$8.9 million

Location(s) of Underlying Project(s)

Long Island. Ten school district properties within the Town of Huntington in Suffolk County, NY.

Types of Client & Counterparty Organizations that are Transaction Participants

	Name	Participant Type
Client	Banc of America Public Capital Corp, a subsidiary of Bank of America, National Association	Global Corporate & Investment Bank
Counterparties (current)	Northport-East Northport Union Free School District	School district
	Signature Public Funding Corp., a subsidiary of Signature Bank	Commercial Bank
Vendor	Johnson Controls, Inc. ("JCI")	Technology Provider/Installer

Summary of Financing Market Objectives & Barriers Addressed

Beneficiary	Market Barrier	Financing Solution
Municipal, University, Schools & Hospitals ("MUSH") entities	Deeper retrofits typically require longer term financing than private capital providers are able or willing to provide, especially for individual small to mid-sized projects.	This transaction will drive growth in the small to mid-sized energy efficiency leasing market by providing longer term financing that enables immediate and ongoing savings for MUSH entities. Longer term financing broadens the scope of energy improvement projects that entities can undertake, ultimately leading to the deployment of deeper retrofits in MUSH buildings throughout New York.
Capital Market Participants	On an individual basis, there is limited private capital support for long term, small to mid-sized energy efficiency leases; however, insurance companies and funds are more likely to participate on an aggregated basis once a portfolio of projects has achieved meaningful scale.	NYGB's participation in this transaction and future leases with BofA Merrill and other arrangers enables the aggregation of portfolios that private capital providers can participate in at scale. NYGB's role as an aggregator enables larger institutions to participate in small to mid-sized transactions that would otherwise not meet scale thresholds.

Technologies Involved

Technology	Measures
Energy Efficiency	Lighting retrofits, building envelope improvements, energy management systems, water conservation units, and ventilator refurbishments.

Metrics & Evaluation Plan

Planned Energy & Environmental Metrics

NYGB’s minimum investment criteria specifically require that “transactions will have the potential for energy savings and/or clean energy generation that will contribute to greenhouse gas [(‘GHG’)] reductions in support of New York’s energy policies”.⁴ In addition, the Metrics Plan requires that the following energy and environmental measures, applicable to this transaction, be reported on⁵:

- Estimated gross lifetime and first-year electricity savings (MWh);
- Estimated gross lifetime and first-year fuel savings (MMbtu); and
- Estimated gross lifetime and first-year GHG emission reductions (metric tons).

The estimated gross lifetime and first-year energy and environmental impacts of the Lease are as follows:

Energy/Environmental Impact	Lifetime Low Estimate	Lifetime High Estimate	First-Year Low Estimate	First-Year High Estimate
Estimated electricity savings (MWh)	40,600	49,700	2,030	2,480
Estimated energy savings from efficiency measures (fuel) (MMBtu)	377,000	461,000	18,900	23,000
Estimated GHG emission reductions (metric tons) ⁶	41,400	50,600	2,070	2,530

Planned Market Characterization Baseline & Market Transformation Potential

The Metrics Plan requires that market evaluation will occur when a critical mass of NYGB financing and investment arrangements are put in place. This market evaluation will be conducted on sectors that NYGB has supported and will occur approximately three to five years following initial NYGB capital deployments.⁷ Baseline data will be collected in 2017 for most indicators as a comparison point against which to assess market progress in the later studies. Progress indicators are defined below for the short, mid and long-terms.

Short-term progress indicators will identify early activity levels and will be regularly tracked for the duration of the transaction. These include, but are not limited to:

- Portfolio reaches \$50.0 million threshold required to generate interest from institutional investors; and
- Favorable financial performance data throughout Lease term; and
- Favorable technology performance data evaluated through annual Measurement & Verification (“M&V”) reports provided by JCI for the first three years of the Project.

Mid and long-term indicators will be expected to show progress through program tracking or market evaluation over time. These include, but are not limited to:

- Increased volume of projects in longer tenor (10+ years), mid-size EE equipment lease sector;
- Average and aggregate dollar value of projects in development and completed increases;
- Demonstration of competitive risk/return profiles;
- Increased awareness and use of financial performance data by financing entities;
- Financial entities emerge showing interest in NYGB’s transaction position;
- Scale of EE investments increases;
- Increased number of EE equipment lease refinancings occur;
- Relationships with financial partners established; and

⁴ Case 13-M-0412, “Order Establishing New York Green Bank and Providing Initial Capitalization” issued and effective December 19, 2013 of the Commission, Ordering Clause 6 at pages 24 – 25.

⁵ See Metrics Plan, Section 2.0, page 2 - 6.

⁶ As of January 1, 2016, the New York State Energy Research and Development Authority (“NYSERDA”) utilizes a 1,160 lbs/MWh conversion factor to estimate GHG emissions reductions for electric generation and energy efficiency savings across all components of the Clean Energy Fund. NYSERDA previously utilized a 625 lbs/MWh conversion factor.

⁷ See Metrics Plan, Section 3.3 at page 7.

- Energy savings, emissions reductions evaluated based on three years of M&V data from JCI with particular focus on data from energy management systems.

Proposed Method of Outcome/Impact Evaluation (by NYSERDA) & Timeframe

NYSERDA will evaluate the impact this transaction has had on the clean energy finance markets and the energy/environmental benefits delivered by this transaction.

Market evaluation will address the short, mid and long-term indicators identified above. Methods will include analysis of program data along with interviews and surveys of market participants to track information including but not limited to: project scale information, interest in EE lease financing, and influence of NYGB's participation on financial markets. As noted, baseline data will be collected on most key indicators in 2017 and later follow-up studies will assess progress against baseline levels. The specific timing of these efforts may be revised based on experience or other factors as the project evolves.

Impact evaluation will be based on M&V reports provided by JCI for the first three years of operations. Thereafter, NYSERDA will utilize retail electric and gas utility billing analysis to verify initial consumption estimates and assess impacts related to installation of energy efficient measures. All site data will be anonymized and/or aggregated prior to being reported or published.

As with all NYGB investments, energy efficiency Projects that receive an incentive or funding from other entities (e.g., utility, other NYSERDA program) will, in accordance with the Metrics Plan, ideally be tracked in order to minimize any double-counting activity on a consolidated basis. Per the Metrics Plan, evaluation sampling approaches will also be used as a mechanism to estimate overlap and minimize double counting. Attempts will be made to coordinate market and impact evaluation activities for these Projects to maximize data collection and avoid participant survey fatigue.