NY Green Bank

Amended Annual Plan 2021-2022

Case 13-M-0412

May 2, 2022

NY Green Bank Record of Revision

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Annual Plan 2021-22

Revision Date	Description of Changes	Revision on Page(s)
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May 2, 2022	Addition of Appendix C: Stakeholder Input and Integration	Appendix C

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1 Introduction

NY Green Bank ("**NYGB**"), a division of the New York State Energy Research and Development Authority ("**NYSERDA**"), is a state-sponsored investment fund dedicated to alleviating financing gaps in New York State ("**NYS**" or the "**State**") clean energy and sustainable infrastructure markets by mobilizing greater private investment activity in these sectors. NYGB, as a portfolio of New York's Clean Energy Fund ("**CEF**")[1], maintains alignment with the State's strategic direction as provided by the New York Public Service Commission (the "**Commission**") in the "Order Authorizing the Clean Energy Fund Framework" issued and effective January 21, 2016 (the "**CEF Order**").[2] As part of Governor Cuomo's Reforming the Energy Vision ("**REV**") strategy[3], the CEF is a $5.3 billion commitment over 10 years to advance clean energy growth and innovation, drive economic development across NYS and reduce ratepayer collections.[3] Each investment made by NYGB contributes to the primary CEF outcomes of greenhouse gas ("**GHG**") emissions reductions, customer bill savings, energy efficiency, clean energy generation and mobilization of capital. As per the CEF Order, NYGB publicly files a review and plan each year ("**Annual Review & Plan**")[4] to inform the Commission and other interested stakeholders of previous year activity and performance, as well as NYGB's strategic direction and goals for the upcoming fiscal year.

NYGB is implementing a redesigned filing format for its review of the year ended March 31, 2021 ("**Previous Plan Year**" or "**2020 – 21 Plan Year**") and plan for the fiscal year ending March 31, 2021 ("**Current Plan Year**" or "**2021 – 22 Plan Year**"). The forward-looking component (previously known as Part **III**) of NYGB's Annual Review & Plan filing for the Current Plan Year ("**Annual Plan**") presents the objectives, activities NYGB will undertake to accomplish those objectives, and specific deliverables for which NYGB will be accountable. The Annual Plan is complemented by NYGB's 2021 audited financial statement[5] and inaugural Impact Report for the Previous Plan Year ("**Impact Report**")[6], a review of NYGB's investment activities, financial performance, strategic achievements, and impact during the Previous Plan Year and cumulatively as of March 31, 2021 (replacing what was previously known as Part II of the Annual Review & Plan filing). NYGB overview materials and historic context (previously known as Part I of the Annual Review & Plan filing), which largely remain static from year to year, are now available on NYGB's website under Founding & Organizational Documents.[7]

NYGB's Previous Plan Year was marked by unprecedented challenges, as the global community and economy reeled from disruptions due to the COVID-19 pandemic. In spite of these challenges, NYGB saw a greater need for its financing solutions than ever before from both new and existing borrowers. These market participants met the challenges raised by COVID-19 and continued to deliver projects and solutions that will help the State meet its clean energy policy goals. Now, as vaccines are becoming more readily available and "normal" life begins to resume in NYS, another challenge lies ahead – how to build back in a way that is more sustainable, equitable and resilient.

During the Previous Plan Year, NYGB provided flexible, dynamic financing solutions and committed $349.0 million of capital to clean energy and sustainable infrastructure investments, more than in any previous fiscal year since its inception. By devoting significant time, effort, and investment dollars to capital-constrained areas of the clean energy market such as residential and Community Distributed Generation ("**CDG**") solar – sectors that now benefit from ample private capital availability – NYGB has demonstrated its ability to transform financing markets in New York. In turn, the fund has begun to focus on other areas experiencing financing barriers. Building upon its work financing sustainable infrastructure in Disadvantaged Communities ("**DACs**") in the Previous Plan Year (see Impact Report pages 23 and 36-37 for more information), NYGB aims to deepen its focus and increase its investments in this segment

[1] See www.nyserda.ny.gov/About/Clean-Energy-Fund for more information about the CEF.
[2] See http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={B23BE6D8-412E-4C82-BC58-9888D496D216}.
[3] See www.rev.ny.gov for more information about the REV strategy.
[4] See Annual Business Plans section at https://greenbank.ny.gov/Resources/Public-Filings for previous Annual Review & Plan filings.
[5] See comprehensive review of 2020-21 financials at https://greenbank.ny.gov/-/media/greenbanknew/files/2021-NYGB-Audited-Financials.pdf.
[6] See 2021-22 Impact Report at https://greenbank.ny.gov/-/media/greenbanknew/files/2020-21-NYGB-Impact-Report.pdf.
[7] See Founding & Organizational Documents section at https://greenbank.ny.gov/Resources/Public-Filings.

even further going forward. To handle the record volume of business during the Previous Plan Year and efficiently manage a growing portfolio of transactions, NYGB enhanced its risk, operations, and finance functions (e.g., by streamlining funding checklists and internal approval processes). See NYGB's inaugural Impact Report and *Appendix A: Supplementary Tables and* Figures in Section 5 of this Annual Plan for more about NYGB's Previous Plan Year performance.

During the Current Plan Year, NYGB will proactively engage market participants to better understand their financing gaps and barriers and will develop scalable, replicable solutions to address those issues. NYGB will continue to put ratepayer capital to work prudently. With a Current Portfolio ("**Current Portfolio**") over $782.2 million at the end of the Previous Plan Year, in the Current Plan Year NYGB intends to close a transaction to expand its capital base, which will enable NYGB to continue investing in the state's clean energy markets without seeking additional ratepayer funds. In addition, NYGB will continue to improve and enhance its operations and process management, ensuring NYGB will remain a dynamic sustainable infrastructure fund with leading-edge investment, operational and risk management practices.

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2 Plan Year Objectives

NYGB has identified three key objectives for the Current Plan Year, which build upon progress achieved during previous periods. Figure 1 summarizes NYGB's key objectives for the Current Plan Year ("**Plan Year Objectives**").

Figure 1: Plan Year Objectives

2021 – 22 Plan Year Objectives

1. Effectively manage a strong and growing portfolio of clean energy and sustainable infrastructure investments across a number of targeted market segments, including those that can benefit Disadvantaged Communities.
    a. Put ratepayer money to work, prudently: Target $1.5 billion (cumulative) in investments over the fiscal year ending March 31, 2022, involving at least an additional $225.0 million for the year.
    b. Work toward committing at least 35% of total capital commitments between January 1, 2020 and December 31, 2025 to projects that provide benefits for Disadvantaged Communities per alignment with New York's Climate Protection and Community Protection Act ("**CLCPA**" or the **"Climate Act**").
2. Continue to mobilize private capital, including by expanding NY Green Bank's capital base, to enable further investment into clean energy and sustainable infrastructure in the State without additional NYS or ratepayer support.
3. Continuously improve and enhance NYGB risk management, operations and portfolio management. Strengthen operations to reflect the growing responsibility of managing a Current Portfolio of over $782.2 million, including significant increase in back-office activities such as fundings, loan servicing, etc.

The remainder of this Annual Plan presents the activities NYGB will undertake to meet its Plan Year Objectives and specific deliverables presented in Section 4 that NYGB will track and report in its Quarterly Metrics Reports[8] filed pursuant to the Metrics, Reporting & Evaluation Plan Version 3.0[9] (the "**Metrics Plan**").

[8] "**Quarterly Metrics Reports**" means each Metrics report required to be filed by NYGB with the Commission in respect of each calendar quarter as set out in Section 2.1 of the Metrics Plan and addressing the matters identified in Section 2.2 of the Metrics Plan as applicable. Quarterly Metrics Reports and webinars can be found at www.greenbank.ny.gov/Resources/Public-Filings and www.greenbank.ny.gov/Resources/Publications-and-Events, respectively.

[9] NYGB's current metrics and periodic reporting plan was filed with the Commission in its Metrics, Reporting & Evaluation Plan Version 3.0. See: https://greenbank.ny.gov/-/media/greenbanknew/files/Metrics-Reporting-Evaluation-30.pdf.

3 Activities Underway to Deliver on Plan Year Objectives

Plan Year Objective 1:
Effectively Manage a Strong and Growing Portfolio

3.1 Activities to Meet Plan Year Objective 1: Effectively Manage a Strong and Growing Portfolio

NYGB's first Plan Year Objective is to effectively manage a strong and growing portfolio of clean energy and sustainable infrastructure investments across a number of targeted market segments, including those that can benefit Disadvantaged Communities.[10] This includes targeting cumulative investments of at least $1.5 billion, or an additional $225.0 million during the Current Plan Year. Concurrently, during the Current Plan Year NYGB will work toward committing at least 35%[11] of total capital commitments between January 1, 2020 and December 31, 2025 to projects that provide benefits for Disadvantaged Communities, in alignment with the Climate Act. The remainder of this section describes the activities NYGB will undertake to meet this objective.

3.1.1 Financing Solutions to Support Disadvantaged Communities

NYGB's DAC investment activity aims to provide gap-filling and market transformative financing solutions that deliver the best clean energy outcomes in New York State, particularly for those in historically marginalized communities.

In support of the climate justice component of the Climate Act NYGB will make at least 35% of total capital commitments between January 1, 2020 and December 31, 2025 to projects that provide benefits for DACs. NYGB estimates that it will commit[12] approximately $400.0 million and will deploy[13] at least $350.0 million to such projects by 2025. As initial steps in accelerating investment towards this goal, NYGB has announced several initiatives focused on specific DAC-related market segments NYGB has identified as ripe for market-transformative financing. These initiatives include, but are not limited to, NYGB's targets of:

a. Investing $150.0 million in affordable housing projects by 2025; and

b. Investing $100.0 million in building electrification and energy efficiency in DACs by 2025.

Reducing the energy use of buildings is critical to the State meeting its decarbonization objectives. Moreover, high-quality resilient housing has the potential to deliver cost, health, and equity benefits to the residents of the State's DACs. While focusing on energy efficiency, NYGB will also continue to invest in other technologies that have the potential to deliver benefits to DACs and the households that comprise them.

During the Current Plan Year, NYGB will:

- Launch Request for Proposals ("**RFP**") 18: *Financing Arrangements for High-Performance*

[10] The definition of a Disadvantaged Community under the Climate Act is expected from the Climate Justice Working Group in mid-2021. Until that time, NY Green Bank applies the NYSERDA and NYS Department of Environmental Conservation interim definition to qualify and track its investing activities. See: https://www.nyserda.ny.gov/ny/disadvantaged-communities.
[11] The CLPA mandates that a minimum of 35%, with a goal of 40%, of benefits from NYS clean energy investments go to disadvantaged communities.
[12] NYGB estimates that it will close approximately $400.0 million in transactions that benefit DACs between January 1, 2020 and December 31, 2025. Committed funds are those that NYGB agrees to make available, per certain conditions, to a counterparty at the time of transaction close.
[13] NYGB estimates that, of the approximately $400.0 million it expects to commit to transactions benefitting DACs between January 1, 2020 and December 31, 2025, approximately $350.0 million will be deployed (i.e. drawn down and used by counterparties).

Affordable Housing[14] ("**RFP 18**"), a purpose-built proposal and evaluation pathway for affordable housing electrification/electrification-readiness projects, which invites property owners and developers, energy service companies and equipment manufacturers, capital providers, and other market participants to submit proposals for NYGB investment in the construction or retrofit of multifamily affordable housing buildings to high levels of energy performance. This bespoke solicitation – including thresholds, product structures, and indicative terms customized for the needs of affordable housing electrification projects – is intended to support the prioritization of DAC transactions in NYGB's pipeline and portfolio, align with affordable housing industry practices, and send a strong signal of NYGB's DAC focus to the market.

- Support the clean energy and sustainable infrastructure lending market through a preferred equity investment into other financiers of projects benefitting DACs. NYGB will issue an RFP for the investment opportunity targeting community development financial institutions ("**CDFIs**"), non-profits and other specialty finance companies that are focused on DACs. Through market sounding over the past year, NYGB has identified investment in these financiers as an opportunity to deploy NYGB capital into DACs efficiently, as they have deep lending expertise and on-the-ground relationships in NYS' historically underserved communities but often face capital constraints. Preferred equity investment by NYGB will strengthen these counterparties' balance sheets and enable them to expand their lending activities in areas of the market (e.g., smaller transactions) where NYGB cannot efficiently invest;
- Work with other NYSERDA programs and NYS Homes and Community Renewal ("**HCR**") to develop the Raise the Green Roof program to enable electrification/energy efficiency and clean energy measures across HCR's affordable housing portfolios by coordinating subsidized NYSERDA technical assistance and NYGB loans with HCR's financing products;[15]
- Weigh impact to disadvantaged community residents as a key investment goal in transaction screening and proposal scoring as part of the capital allocation decision-making process across all potential NYGB financing products; and
- Expand NYGB Advisory Committee and senior leadership to include a greater breadth and depth of familiarity with NYS' historically underserved communities, including DAC and affordable housing transaction expertise.

3.1.2 Targeted Business Development Activities

NYGB was designed to focus on areas of the market that are expected to become more attractive to private sector capital providers once a demonstrated track record for financings in those market segments has been established. As specific areas of the market become increasingly liquid – in large part as a result of NYGB financing – NYGB moves on to repeat this transformative impact in other areas of the market where, despite using commercially-proven technology and being financially viable, clean energy projects struggle to access appropriately-priced financing. To this end, the NYGB team will maintain a consistent approach to working collaboratively with market participants to determine where and how its capital can be most impactful and then stimulate increased investment activity in those sectors. In the Current Plan Year, target areas are expected to include projects benefitting DACs; sustainable transportation, including electric vehicles ("**EVs**") and supporting infrastructure; and energy storage, focusing on paired solar-plus-storage projects.

As a direct result of efforts made by NYSERDA's NY-Sun program and NYGB, community solar has become a far more liquid market than it was when NYGB made its first interconnection loan in 2017. Significant new capacity has been added across approximately 800 projects and private investment activity has surged in this segment of NYS's clean energy economy. As commercial capital is now widely available for standalone market-rate community solar projects, NYGB will narrow its focus in the Current

[14] As of the time of filing, NYGB has issued RFP 18 (released May 2021) with corresponding published selected indicative terms and scoring criteria in which beneficial impact to residents of disadvantaged communities is weighed as a key investment goal.
[15] For more details of Raise the Green Roof as announced in the January 2021 State of the State Address, see pages 136-137 here: https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/SOTS2021Book_Final.pdf.

Plan Year to support more innovative projects, specifically those that pair solar with storage and/or benefit DAC subscribers. These are subsegments of the CDG solar sector where market catalyzation is still required to increase liquidity and enable deployment of inclusive, resilient community solar capacity at scale.

Through the ongoing development and improvement of internal strategy playbooks, enhanced and targeted marketing collateral materials, expanded social media and email communications (including targeted surveys to better understand financing gaps), and more deeply integrated strategic activities with NYSERDA programs, NYGB expects to enhance and improve its business development activities to drive more clean energy and sustainable infrastructure market activity. Specifically, NYGB will:

a. Streamline the format and standardize usage of internal strategy playbooks, which reflect market conditions, relevant agency/utility programs, NYGB investment approaches and product offerings, and potential investment leads in each target market segment. By ensuring that playbooks are updated quarterly with full input from NYGB and NYSERDA team leads, NYGB will facilitate greater alignment and collaboration on business development both within and across agencies;

b. Update its marketing collateral to reflect NYGB's latest and most informed approaches to clean energy financing in target segments;

c. Increase the frequency of curated email and social media communications to target segments;

d. Redesign its website to streamline engagement and more clearly communicate NYGB's investment offerings; and

e. Expand ongoing communications with NYSERDA teams to include more structured business development coordination and collaboration in target market segments.

3.1.3 Improvement of Existing Pathways for Market Engagement

During the Current Plan Year, NYGB will streamline and simplify its engagement process to stimulate a higher volume of relevant and qualified investment proposals from market participants. NYGB will update its primary investment solicitation, *RFP 1: Clean Energy Financing Arrangements* ("**RFP 1**"), the vehicle through which the majority of NYGB's transactions are formally proposed. NYGB's investment evaluation process has not materially changed since it was first designed. Changes will make the submission process more streamlined for counterparties, and the review of proposals more efficient for NYGB, while providing a structured forum for the NYGB team to weigh strategic considerations when evaluating a potential transaction. If successful, NYGB anticipates that this initiative will increase the rate at which transactions move from its Active Pipeline[16] into its Portfolio and will focus NYGB's activity on closing transactions that make progress toward NYS' key strategic goals.

[16] "**Active Pipeline**" means, at any time and for any period, the sum (expressed in dollars) of the proposed NYGB investment amount in all NYGB active transactions in the Pipeline where, in relation to each transaction: (a) there is agreement in principle between the parties; (b) there is momentum in moving the transaction forward; (c) conditions to investment are expected to be met; and (d) NYGB is dynamically proceeding toward and through recommendation by the Greenlight Committee, IRC approval and transaction execution.

Figure 2: Changes in RFP 1

> **How is RFP 1 changing?**
> Procedurally, a key update to RFP 1 will be the implementation of a new scoring methodology that better differentiates between applications through robust consideration of portfolio fit. As NYGB now has a substantial portfolio of clean energy transactions, it will include considerations such as concentration risk in its investment decisions, with a rotating Managing Director assigned to lead portfolio fit evaluation and decision-making during each proposal's scoring process.
>
> The updated RFP will also more clearly define what constitutes a substantially complete application and present NYGB's investment criteria and required documentation in a more direct and succinct manner, making it easier for potential counterparties to understand how to demonstrate a project's eligibility for NYGB financing. In addition, investment proposers will now be required to provide an index that not only identifies the pages for each section/topic of the application but also identifies the pages of each attachment that are responsive to each section/topic. This exercise should help NYGB locate and identify key information and encourage the Applicant to select attachments that are relevant and responsive.
>
> Finally, NYGB will provide greater detail regarding its evaluation process, including review by a Scoring Committee, potential outcomes, and immediate next steps. Where the original version simply listed various transaction credit, financial and risk/return considerations, the revised RFP 1 will further frame these criteria within the overall context of execution-readiness. This revised version will also elaborate on the portfolio fit evaluation criteria.

3.1.4 Committed Funds and Active Pipeline

NYGB's ongoing origination activities (including those described throughout Section 3.1 above) are expected to support an Active Pipeline of at least $450.0 million per quarter on average throughout the Current Plan Year. This volume of pipeline activity should give rise to overall investment activity of at least $225.0 million of incremental annual commitments.

Plan Year Objective 2:
Continue to Mobilize Private Capital

3.2 Activities to Meet Plan Year Objective 2: Continue to Mobilize Private Capital

NYGB's second Plan Year Objective is to continue to mobilize private capital, including by expanding NY Green Bank's capital base to enable further investment into clean energy and sustainable infrastructure in the state without additional NYS or ratepayer support. The remainder of this section describes the activities NYGB will undertake to meet this objective.

3.2.1 Portfolio Monetization

NYGB experienced an increase in demand for its financing throughout the global COVID-19 pandemic and closed its strongest year since inception. As of the end of its Previous Plan Year, NYGB's Current Portfolio exceeded $782.2 million. Considerably more investment into clean energy and sustainable infrastructure projects in NYS is needed to meet the ambitious targets of the Climate Act. However, maintaining its pace of support for transaction commitments will require NYGB to develop new sources of capital that do not rely on additional ratepayer funds.

In September 2020 NYGB reengaged its strategic advisor, Moelis, to explore options to raise new sources of capital through a portfolio monetization (debt issuance). Working collaboratively, Moelis and NYGB conducted a broad market sounding and ultimately identified a list of 10 highly reputable institutions from a cross-section of financial sectors (including commercial banks, pension funds, specialty finance companies and insurance companies) each of which showed strong interest in NYGB as a proven manager of Environmental, Social and Governance ("**ESG**") investments.

NYGB launched a roadshow, provided preliminary diligence, and ultimately received indicative terms from several parties. NYGB determined one counterparty offered the strongest proposal and, at the time of the drafting of this Annual Plan, negotiations for an initial portfolio monetization are nearing completion. NYGB expects to close its first private capital portfolio monetization transaction during the summer of 2021, which is estimated to provide approximately $300.0 million of incremental capital.

Portfolio monetization is a new means by which NYGB will mobilize private capital. Prior to implementing this strategy, NYGB could only recycle funds into new investments once its loans matured or were repaid early. Under this new strategy, NYGB will raise private funds against its Current Portfolio before the underlying loans mature. By leveraging its portfolio, NYGB will demonstrate that private investors expect the heterogeneous pool of NYS clean energy and sustainable infrastructure investments that make up NYGB's Current Portfolio to generate attractive risk-adjusted returns. This new approach to portfolio management has the potential to increase NYGB's portfolio mobilization ratio ("**Mobilization Ratio**") at a faster rate than it could without leveraging its Current Portfolio (see Figure 3 for an explanation of NYGB's Mobilization Ratio).

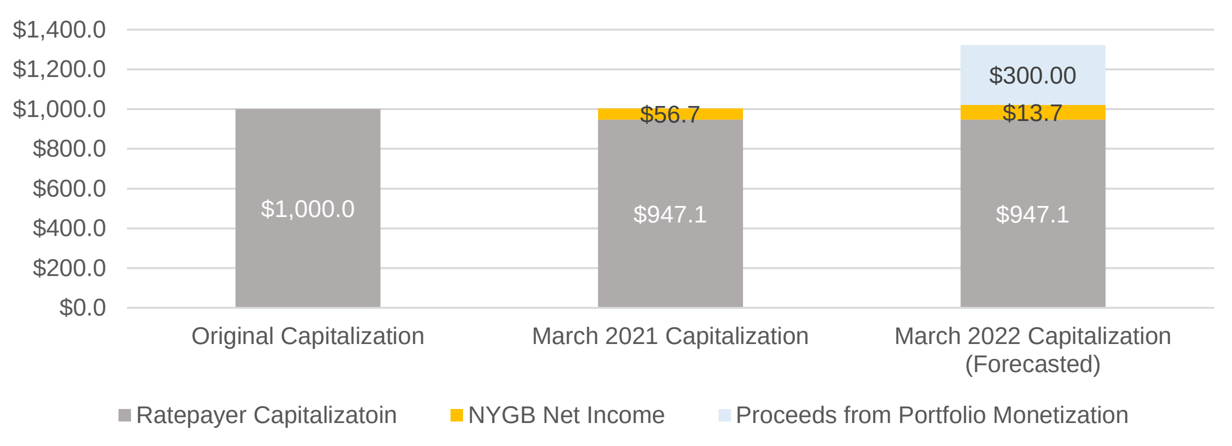
Figure 3: Explanation of Mobilization Ratio

What is NYGB's Mobilization Ratio?
NYGB uses a Mobilization Ratio to show how efficiently it has attracted private investment to the State's clean energy and sustainable infrastructure market using ratepayer funds. NYGB calculates Mobilization Ratios for individual investments and for its overall portfolio. For each investment, the Mobilization Ratio is the quotient of the cumulative costs incurred by NYGB counterparties to develop, construct or purchase projects and NYGB's total capital commitment to an investment. NYGB sums the total project costs incurred by its counterparties across all its investments then divides that total by $1.0 billion, NYGB's initial capitalization, to calculate its portfolio mobilization ratio.

Figure 4 illustrates NYGB's original capitalization, its capital base as of March 31, 2021 and its projected capitalization at the end of the Current Plan Year. NYGB's initial capital base comprised its ratepayer capitalization of $1.0 billion. As of March 31, 2021, NYGB's capital base included $56.7 million of net income in addition to $947.1 million of ratepayer capitalization.[17] Through its portfolio monetization strategy, NYGB projects its capital base to exceed $1.3 billion by the end of the Current Plan Year, which will enable it to support more clean energy and sustainable infrastructure projects in the State without additional ratepayer support.

[17] In February 2019, ~$52.9 million of Regional Greenhouse Gas Initiative funds that were part of NYGB's initial capitalization were repurposed to support other clean energy programs in NYS.

Figure 4: Leveraging Ratepayer Funds



Plan Year Objective 3:
Continuously Improve and Enhance NYGB Risk Management, Operations and Portfolio Management

3.3 Activities to Meet Plan Year Objective 3: Continuously Improve and Enhance NYGB Risk Management, Operations and Portfolio Management

NYGB's third Plan Year Objective is to continuously improve and enhance NYGB risk management, operations, and portfolio management. This includes strengthening operations to reflect the growing responsibility of managing a Current Portfolio of over $782.2 million, including significant increase in back-office activities such as funding's, loan servicing, etc. The remainder of this section describes the activities NYGB will undertake to meet this objective.

3.3.1 <u>Develop Environmental, Social, & Governance Framework and Implementation Plan</u>

NYGB has an opportunity to address the themes of equity and resiliency through an enhanced set ESG practices – both organizationally and related to its portfolio of investments. Introducing these practices will enable NYGB to maintain its position as a leading green bank, given its proven leadership in climate-related investing coupled with the increasing prominence of ESG in mainstream investing. Expansion beyond the environmental prong into formal consideration of social and governance risks and opportunities will be complementary to NYGB's core mission of promoting clean energy and sustainable infrastructure deployment and financing market transformation in alignment with NYSERDA's expanded mission regarding equity and resiliency.

NYGB's investment processes are designed to screen for environmental factors, which supports the fund's ability to make investments with the potential to deliver strong environmental benefits to New Yorkers. In addition, under the CLCPA, state authorities and entities are required to direct funding in a manner designed to achieve a goal for DACs to receive 40% of overall benefits of spending on clean energy and as such, integrating expanded screening methodologies for potential investments will be a core part of its investment processes and a primary goal of NYGB's ESG work. By adopting additional disclosure and seeking higher levels of performance around social and governance risks and opportunities, NYGB can play a leadership role in encouraging strong ESG practices among our counterparties, driving improved climate equity and enhanced ratepayer capital risk management (e.g., through engaging with counterparties that demonstrate strong governance practices, such as supply chain management). By becoming a formal ESG leader among private/structured debt investors, NYGB also seeks to demonstrate the value of incorporating ESG practices to other clean energy financiers as well as to potential future investors.

During the Current Plan Year, NYGB will conduct preliminary research around relevant methodologies to design, implement, monitor, and report on newly codified ESG factors both for NYGB as well as for counterparties. In addition, NYGB will recommend an ESG framework and develop an implementation plan to achieve its targets and goals. NYGB plans to codify an expanded set of ESG metrics in an updated version of its Metrics Plan. The development of an ESG framework during the Current Plan Year, coupled with the establishment of a final DAC definition, will prepare NYGB to update its Metrics Plan to include impact metrics related to DAC investments and ESG risks and opportunities.

3.3.2 Process Standardization

With each new transaction, the NYGB team manages a growing and increasingly diverse portfolio of investments. During the Previous Plan Year, the team conducted 101 loan modifications, including 63 non-material and 38 material, and took on management of 58 new control accounts (beyond the 90 already under management at the beginning of the Previous Plan Year). In the year ahead, NYGB will implement financial technology ("**FinTech**") solutions, developed both internally and externally, to drive continued improvement across operations and administrative processes wherever possible. For the Current Plan Year, NYGB will focus on enhancing its processes for advancing funds, receiving loan payments, and managing ongoing counterparty reporting in order to mitigate risk while reducing the person-hours and expense required to accomplish these activities at a high level of precision. If successful, NYGB anticipates that it will reduce the operational burden of any single transaction, thereby enabling NYGB's team to manage a growing transaction portfolio more efficiently. Specific process enhancements include the following:

- Implement third-party software to enable a similar number of employees to maintain and optimize funding activity for an increasing volume of construction loans, one of NYGB's more operationally demanding financing products;
- Create a more efficient process for routine reporting from portfolio companies. This will include the development of a new system that is tailored for NYGB's portfolio and will enhance NYGB's productivity so less staff is required to manage an increasingly large portfolio. NYGB has identified a new Software-as-a-Service solution to automate tracking and management of all covenant financial reporting from counterparties, which is expected to result in annual savings of up to $150,000.0 and over 1,400 person-hours;
- Streamline funding checklist processes and communication between management, transaction teams and operational teams to find efficiencies and to more deftly handle a record volume of business. NYGB will continue improving its coordination and collaboration within and across teams in the Current Plan Year, aiming to optimize platform integration, file management, and the standardized use of modular, centralized datasets. Specifically, these operational improvements will serve to create a data-optimized environment for transaction tracking and calendaring. Key portfolio management activities and milestones, including those with complex contingencies and interdependencies – such as the scheduling of advances and withdrawals, loan agreement approvals and modifications, loan payment processing, and the management of a large network of controlled accounts – are extremely time- and resource-intensive but can be significantly streamlined and standardized to minimize operational burden and the risk of error inherent in more manual processes; and
- Embark on a number of process innovations related to NYGB's internal counsel activities, aimed at maintaining meticulous legal contract negotiation as NYGB moves into new strategic frontiers. For example, the legal team will create and implement new documentation and procedures to support NYGB's borrowing activity and ongoing relationship with a third-party capital provider, as well as develop a suite of form legal documentation to minimize transaction burden and cost when working with counterparties in the affordable housing sector.

4 Plan Deliverables

Each year, NYGB identifies specific measurable activities ("**Plan Deliverables**") it can execute to achieve its Plan Objectives. **Error! Reference source not found.** presents NYGB's 2021 – 22 Plan Deliverables.

Progress against Plan Deliverables will be reported in Quarterly Metrics Reports, together with a brief narrative (as appropriate) of status and an explanation of any material variances relative to expectations. This is in addition to the normal scope of quarterly reporting, including with respect to impact benefits, and together will inform all NYGB stakeholders of NYGB's activities and projects.

Table 1: 2021-22 Plan Deliverables

Objective Category	Deliverable
Effectively manage a strong and growing portfolio	
Financing Solutions to Support Disadvantaged Communities	• Launch *RFP 18: Financing Arrangements for High-Performance Affordable Housing*, a purpose-built proposal and evaluation pathway for electrification/electrification-readiness projects in multifamily affordable housing, accompanied by custom scoring criteria and published selected indicative terms to align with industry practice.
	• Host "Get to Know RFP 18" webinar in July 2021 to engage with potential proposers.
	• Launch preferred equity investment RFP targeting CDFIs, non-profits, and specialty finance companies investing in DACs.
	• Expand impact measurement and reporting to reflect the broader benefits of DAC transactions.
	• Hire Managing Director to focus specifically on underwriting DAC transactions.
	• Expand NYGB Advisory Committee targeting expertise in DAC transactions and access to advocacy community.
	• Update NYGB mission statement to reflect recent changes to NYSERDA mission statement.
Targeted Business Development	• Update and distribute marketing collateral to reflect NYGB's latest and most informed approaches to energy storage and clean transportation.
Improve Existing Pathways for Market	• Launch redesigned website.

Engagement	• Revise and re-launch RFP 1 to more clearly define what constitutes a substantially complete application, clarify information requests and provide more transparency around how NYGB evaluates applications, while implementing a scoring methodology that better differentiates between applications, including robust consideration of portfolio fit.
Committed Funds	• Deliver at least $225.0 million of incremental commitments in the Current Plan Year.
Active Pipeline	• Maintain an Active Pipeline of at least $450.0 million per quarter on average throughout the Current Plan Year.
Mobilize capital: Strengthen NYGB's capital position	
Finalize Initial Portfolio Monetization	• Close initial portfolio monetization transaction.
Mobilize Capital	• Demonstrate capital mobilization by managing a Current Portfolio in excess of $1.0 billion initial capitalization.
Continuously improve and enhance NYGB operations and portfolio management	
ESG Monitoring and Reporting	• Expand NYGB's risk evaluation processes by incorporating expanded ESG considerations for NYGB as a financing entity, as well as for its potential and existing borrowers.
Process Standardization	• Deploy FinTech solutions for enhanced efficiency and productivity.
Streamline Legal Documentation	• Implement new legal documentation and processes to support relationship with third-party capital provider(s).
	• Develop suite of form legal documents to minimize transaction burden and cost when working with counterparties in the affordable housing sector.

5 Appendix A: Supplementary Tables and Figures

Figure 5: Investment Performance At-a-Glance as of March 31, 2021

Stimulating New Clean Energy Proposals in the State	NYGB has received over **$5.2 billion** in investment proposals since inception.
Strong Active Pipeline	Active Pipeline of potential investments proceeding to close is **$901.8 million**. NYGB maintained an Active Pipeline of **$901.3 million** per quarter on average during the 2020 – 21 Plan Year.
Driving Material Clean Energy Investments Across NYS	NYGB's investments support clean energy projects with a total project cost of **up to $3.6 billion**[18] in aggregate, based on Overall Investments to Date of over **$1.3 billion**. NYGB closed **30 new transactions** in the 2020 – 21 Plan Year, totaling **$349.0 million** in additional commitments and an average of **$87.3 million** in closings per quarter.
Mobilizing Capital	NYGB's investment portfolio represents continuing progress toward mobilizing capital into clean energy and sustainable infrastructure projects in NYS, currently at up to **$3.6 billion**.
Revenue Growth – Maintaining Self-Sufficiency	Continued revenue growth – **$116.6 million** in revenues has been generated since NYGB's Inception. NYGB continues to maintain self-sufficiency through the generation of annual net income. NYGB generated net income of **$16.6 million** in the 2020 – 21 Plan Year.
Contributing to CEF Objectives, REV, CLCPA & the CES	NYGB's investments to date drive estimated gross GHG emissions reductions of **between 16.4 and 29.3 million metric tons**, equivalent to removing **between 202,986 and 306,347 cars** from the road for a period of **24 years**.[19]

[18] NYGB monitors its counterparties' clean energy project installations throughout the duration of each investment through the receipt and review of periodic reports as well as updated impact benefit calculation factors advised by DPS. Based on information received, NYGB continually manages the actual and expected energy and environmental impact benefits across its portfolio. As new information becomes available informing NYGB of NYS market uptake of clean energy projects, NYGB may correspondingly adjust (up or down) the overall portfolio's high and low estimated Total Project Costs and energy and environmental metrics (identified at closing of each investment, working with the relevant clients and counterparties and reflected in Transaction Profiles). Consistently monitoring and refining expected outcomes improves the accuracy of NYGB's portfolio-level estimate of impact benefits as it works toward meeting the CEF objectives to support the State's clean energy goals. Given such periodic adjustments, the aggregate estimated benefits reported in Quarterly Reports are the most up-to-date estimates. (and so no longer will reflect the sum of the low and high estimated benefits specified in the Transaction Profiles at the time of each transaction close).

[19] NYGB's GHG emissions reductions values reflect the estimated effect of both direct and indirect impact benefits.

Figure 6: Pipeline Year-Over-Year

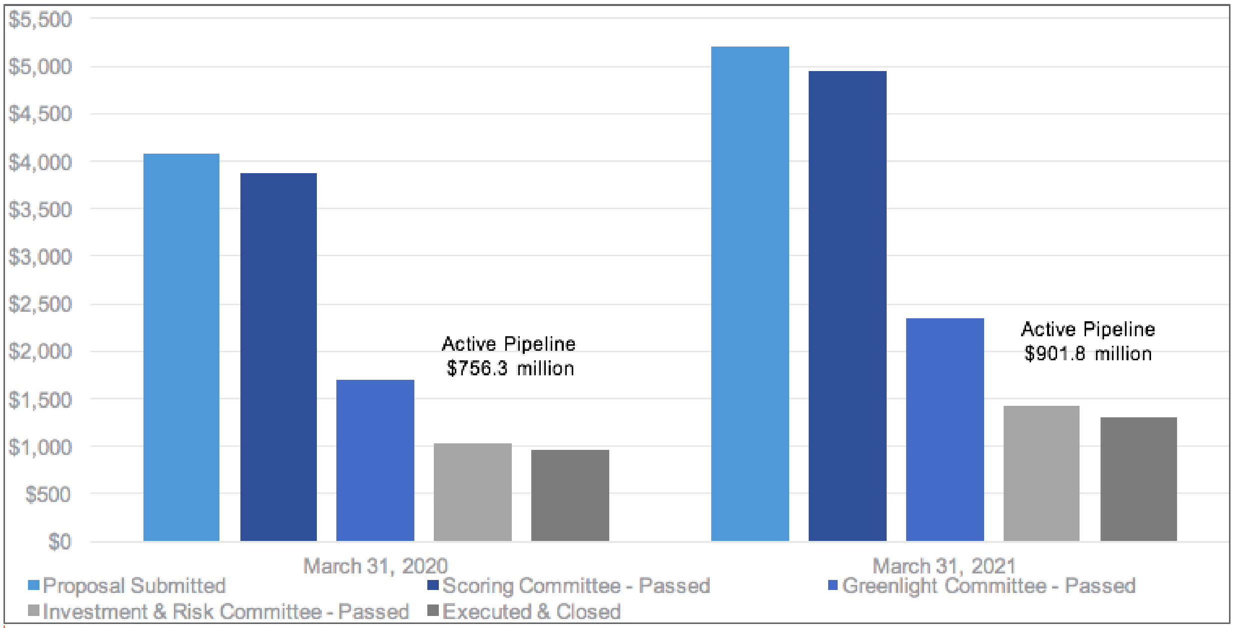


Figure 7: Progress Toward CEF Goals

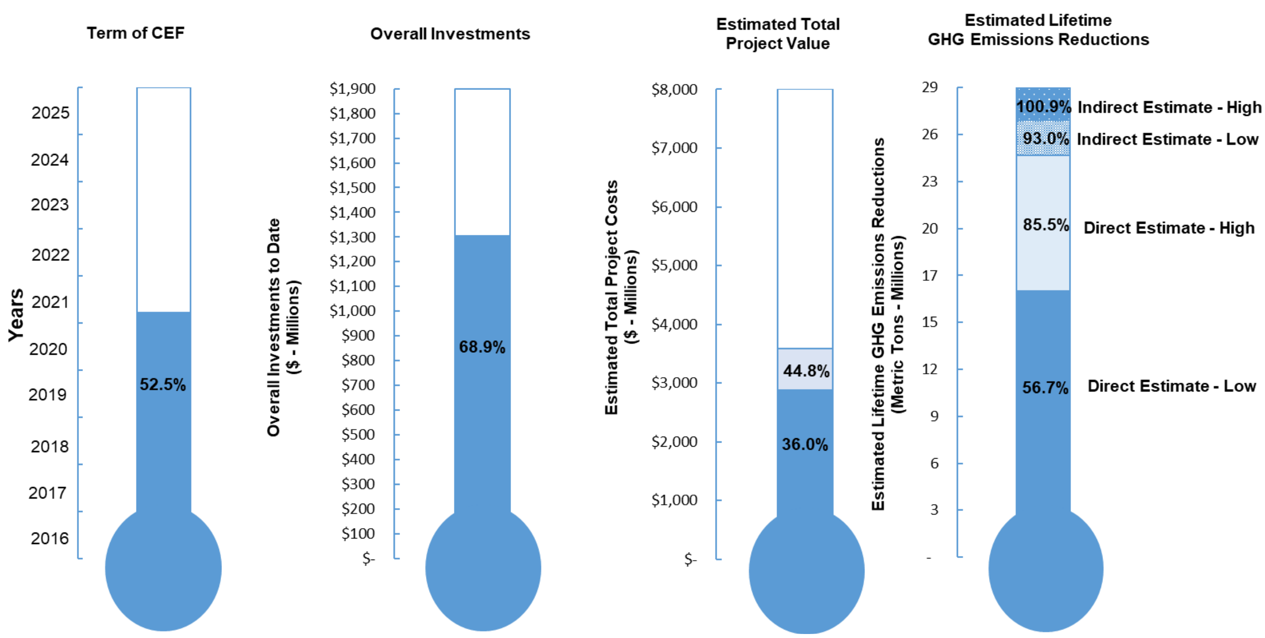


Table 2: 2020-21 Plan Deliverables

Category	Deliverable	Status in Quarter Ended March 31, 2021
Support Post-COVID-19 Crisis Economic Recovery		
Market Engagement	• Develop and implement survey to understand COVID-19 impact and post-PAUSE stakeholder financing needs. Convene market participants via Webinar to communicate NYGB's specific approaches to provide liquidity to clean energy financing markets.	☑ **Achieved for the Plan Year:** On April 14, 2020, NYGB issued the *COVID-19 Impact Survey* and over 140+ clean energy market participants responded. The respondents identified financing gaps and near-term financing challenges faced by the clean energy industry. NYGB presented financing solutions to the market during the *COVID-19 Impacts Webinar* on June 2, 2020.
Liquidity Solutions	• Develop and implement financing structures to provide liquidity to clean energy market participants during and following the NY Forward reopening of the State's economy.	☑ **Achieved for the Plan Year:** In the *COVID-19 Impacts* Webinar, NYGB outlined various financing solutions to address financing needs emerging as a result of COVID-19. In addition, on July 15, 2020, NYGB issued *PON-1: Paycheck Protection Program Loans* ("PON-1"). Under PON-1 eligible applicants could apply to NYGB for a Paycheck Protection Program loan to cover payroll costs and certain other expenses. In order to satisfy NYGB's mandate, PPP loans were required to have the potential to enable borrowers to reduce GHG emissions in NYS. In the third quarter, NYGB executed three transactions under PON-1.
Strong and Growing Portfolio Driving Material Clean Energy Investments Across NYS		
Committed Funds	• Deliver at least $225.0 million of incremental commitments in the 2020 – 21 Plan Year (at an average rate of $56.25 million in closed transactions per quarter).[20]	☑ **Achieved for the Plan Year:** NYGB committed $96.2 million during the last quarter of the Plan Year (bringing total commitments to $349.0 million during the Plan Year).
Active Pipeline	• Maintain an Active Pipeline of at least $450.0 million per quarter on average throughout the 2020 – 21 Plan Year.	☑ **Achieved for the Plan Year:** NYGB's average Active Pipeline during the Plan Year was $901.8 million.
Clean Energy for Disadvantaged Communities	• Design and launch an initiative to deploy capital at scale into low-and-moderate income ("**LMI**") and other disadvantaged communities including as appropriate, modified goals, metrics and investment criteria.	☑ **Achieved for the Plan Year:** With extensive input from environmental justice advocacy organizations, as well as agencies, lenders, and service providers with experience and expertise delivering benefits to DACs in NYS**,** NYGB designed and launched an initiative to deploy capital at scale into LMI and other disadvantaged communities in line with the Climate Act.
Large-Scale Renewables	• Assist NYSERDA in evaluating offshore wind port infrastructure projects to help achieve the State's $200.0 million goal of supporting port infrastructure investment.	☑ **Achieved for the Plan Year:** On July 21, 2020 NYSERDA, with the support of NYGB, Empire State Development and the New York State Department of Transportation, issued a combined solicitation for investing in the state's port infrastructure, ORECRFP20-1. NYGB participated in the evaluation of RFP responses.
	• Coordinate outreach to awardees of the NYSERDA approved land-based renewable projects to communicate NYGB's financing approach.	☑ **Achieved for the Plan Year:** NYGB conducted outreach to the awardees of the NYSERDA approved land-based renewable projects and outlined its financing approach.
Energy Storage	• Convene tax equity providers and other lenders interested in providing capital to projects that include energy storage to explain NYGB's financing approach and demonstrate how tax equity providers could access projects.	☑ **Achieved for the Plan Year:** In collaboration with the NYSERDA Energy Storage Program, NYGB held a webinar on March 18, 2021 highlighting energy storage investment opportunities for tax equity providers.
Energy Efficiency	• Contribute to NYSERDA's Advanced Efficiency Solutions Program's initiatives as applicable to describe NYGB's approach to financing energy efficiency projects in commercial buildings.	☑ **Achieved for the Plan Year:** NYGB shared its approach to financing energy efficiency projects in commercial buildings by presenting its on-lease tenant financing product through various NYSERDA initiatives.

[20] The extent to which COVID-19 may impact NYGB's accomplishments, including meeting its capital deployment target, is uncertain.

Category	Deliverable	Status in Quarter Ended March 31, 2021
Clean Transportation	• Participate in a webinar with EV100 to raise awareness of NYGB's clean transportation financing approach and outline the financing structures NYGB has developed to address the challenges associated with EV and EV infrastructure financing.	☑ **Achieved for the Plan Year:** On August 18, 2020, NYGB presented in the EV100 Webinar: *Funding Your Company EV Fleet Conversion and Deploying Charging.* NYGB presented its capital solutions for financing company fleet conversions of fossil fuel to electric vehicles and for charging infrastructure deployment.
Technology & Business Innovation	• Host a webinar in conjunction with NYSERDA's Technology to Business Innovation Program to articulate how NYGB can help finance emerging business models at the commercial deployment stage.	☑ **Achieved for the Plan Year:** On March 29, 2021, NYGB hosted a webinar in collaboration with the NYSERDA Technology to Business Innovation Program, "Financing for Commercial-Ready Clean Energy Projects." NYGB highlighted financing options, the elements of a viable transaction, and when to engage with NYGB.
Mobilizing Capital in Support of CEF and Climate Act Goals		
Mobilization Ratio	• Continue progress toward mobilizing capital into clean energy and sustainable infrastructure projects in the State through NYGB activity by the end of the CEF in 2025. Reassess original CEF $8.0 billion capital mobilization target as part of CEF triennial review.	☑ **Achieved for the Plan Year:** NYGB continued progress toward mobilizing capital into clean energy and sustainable energy projects in the State; investments made in the 2020-21 Plan Year are expected to mobilize up to $1.0 billion of project costs in NYS. NYGB reassessed the original CEF $8.0 billion capital mobilization target and contributed to the CEF triennial review petition, in which a comprehensive target of $20.0 billion was proposed across all four CEF portfolios. NYGB will continue to monitor and track its mobilization ratio.
Debt Facility	• Put in place a debt financing (e.g., bank facility, bond issuance or other structure) if prudent decision-making supports, taking into consideration the pace of capital commitment and the time expected to complete the debt financing, to ensure the ability to continue funding clean energy assets at the point that investments are expected to exceed NYGB's current capitalization.	☑ **In Progress:** NYSERDA's Board approved a monetization facility in April 2021. The transaction is being finalized and NYGB expects to close the facility in Summer 2021.
LMI Initiative	• Develop mobilization and impact goals related to dedicated commitment to transactions supporting LMI and disadvantaged communities to meet the goals of the Climate Act.	☑ **Achieved for the Plan Year:** NYGB developed mobilization and impact goals for transactions supporting LMI residents and DACs more broadly, including investment targets of $150.0 million in affordable housing and $100.0 million in building electrification in DACs, as first steps toward meeting the goals of the Climate Act.

Table 3: 2020-21 Transactions

New Transactions	Description	Newly Committed Amounts	Closing Date
Valcour OpCo Upsize	In response to favorable market conditions and the transaction's deleveraged credit profile, NYGB committed additional funds to six wind farms located in the State's North Country and Western NY regions, over 600 MW of wind capacity.	$7.3 million	April 13, 2020
Generate Capital Term Loan	The first of NYGB's two back-leveraged credit facilities to finance the acquisition of 14 CDG solar projects sponsored by Generate Capital, Inc. in New York State	$5.6 million	April 23, 2020
BQ Energy - Mt. Kisco	The sixth installation of a larger portfolio of projects financed in collaboration with NYGB, BQ received a construction-to-term loan to complete a CDG 550-kilowatt solar array paired with a battery storage system to be located on a brownfield site in the Town of Mt. Kisco, NY.	$2.3 million	April 30, 2020

Generate Capital Term Loan Upsize	The second of NYGB's two back-leveraged credit facilities to finance the acquisition of 14 CDG solar projects sponsored by Generate in New York State.	$21.3 million	April 30, 2020
East Light Partners	NYGB provided a bridge loan facility to support projects developed by East Light Partners. This Bridge loan will finance late stage development costs for a mix of community solar and utility scale projects.	$3.0 million	May 4, 2020
Ecosave Upsize	NYGB has committed to finance at least five energy efficiency or distributed generation projects in NYS. NYGB's participation in this transaction provides a scalable financing model and establishes performance history for financing involving energy efficiency for medium sized, unrated commercial and industrial customers, a market segment that historically has had difficulty accessing capital for otherwise technically and economically feasible efficiency projects.	$15.0 million	June 4, 2020
Distributed Sun – Sun X	Expansion of NYGB's investment in the solar development pipeline of Distributed Sun, LLC as part of its ongoing efforts to participate in sustainable infrastructure investments in NYS.	$3.8 million	June 23, 2020
NineDot Bridge Loan	Providing a bridge loan facility to support the development of a portfolio of fuel cell projects. This bridge loan will finance development costs for 12.5 MW of CDG fuel cells.	$19.9 million	June 30, 2020
Saranac Waterfront Lodges	NYGB committed $5.0 million in September 2019 to finance the construction and operation of an energy efficient lodging property seeking LEED® certification at completion. When the Project's construction and operational delays resulted in a short-term $2.0 million liquidity requirement, NYGB increased its funding commitment in July 2020 with $2.0 million of additional preferred equity units to finance incremental construction costs and support the opening and extended ramp-up of the property.	$2.0 million	July 17, 2020
Generate Capital Upsize	In November 2019, NYGB provided a senior secured $35.0 million term loan facility to Generate PPL SPV I, which is owned by Generate Lending, LLC a limited liability company that is owned by Generate Capital, Inc. In July 2020, NYGB increased the facility by an additional $29.8 million and extended the maturity date to July 2023. Loan proceeds refinanced a portion of a senior secured term loan between Generate Capital and Plug Power, Inc. This transaction is expected to result in increased Sponsor investment in NYS clean energy projects that amount to at least $60.0 million.	$29.8 million	July 17, 2020
Sunrun Mars	NYGB has entered into five transactions to accelerate the deployment of more than 20,000 solar projects at homes across NYS developed by Sunrun Inc. Sunrun is a national solar provider that markets and develops residential solar energy systems. In August 2020, NYGB closed a $19.0 million commitment to participate in an aggregation-to-term loan facility. The transaction was part of a $265.0 million financing arranged by SVB and Investec.	$19.0 million	August 14\3, 2020
PPP Loan 1	NYGB entered into three loans to eligible borrowers in the State's clean energy industry as an approved lender to the Small Business Administration's Paycheck Protection Program.	$9,605.9	August 17, 2020
PPP Loan 2		$1,724.0	August 17, 2020
PPP Loan 3		$14,613.2	August 24, 2020
Eden 2nd Upsize	In November 2019, NYGB provided a 24-month senior secured $2.5 million bridge loan facility to Eden Devco Borrower LLC, which is owned by Eden Devco LP, a limited partnership that is managed by Eden Renewables LLC. In March 2020, NYGB increased the Bridge Loan size to $4.3 million. In August 2020, NYGB further increased the bridge loan size to $6.3 million. Loan proceeds will finance project interconnection deposits to National Grid for community distributed generation solar projects.	$2.0 million	August 28, 2020
Oya Solar	In September 2020, NYGB committed $35.0 MM to a construction and interconnection facility to finance the development of 5 community distributed generation solar projects in NYS. These transactions are expected to provide NYS residents and businesses a greater variety of energy choices and, ultimately, lower-cost clean energy opportunities.	$35.0 million	September 4, 2020
Agbotic -Restructuring	In 2019 NYGB committed $6.0 million to finance the construction and operation of a cluster of energy efficient robotic greenhouses developed by Agbotic, Inc. In October 2020, NYGB amended the transaction and increased its commitment amount by $1.0 million to fund short-term working capital needs in response to business disruptions caused by COVID-19. The project is located in Sackets Harbor, NY and grows certified organic produce for sale into local markets, while the Project's energy efficiency measures and on-site generation are expected to reduce GHG emissions.	$1.0 million	10/29/20

CCR/Investec	NYGB entered into agreements with affiliates of Cypress Creek Holdings, LLC to provide a $15.0 million participation in a syndicated term loan to refinance a portfolio of 211 operating assets across 12 states. This transaction is expected to support the deployment of up to 26 megawatts of solar in NYS providing residents and businesses with a greater variety of energy choices and, ultimately, lower-cost clean energy opportunities.	$15.0 million	10/30/20
Green Jobs – Green New York Companion Loan	NYGB committed up to $5.0 million to purchase individual residential loans through NYSERDA's Green Jobs – Green New York Program. These loans will finance the installation of energy efficiency and other eligible technologies for residential customers in NYS for projects exceeding current program loan limits. This transaction is expected to provide NYS residents a greater variety of energy choices and, ultimately, lower-cost clean energy.	$5.0 million	11/16/20
Eden 3rd Upsize	In November 2019 NYGB provided a 24-month senior secured $2.5 million bridge loan facility to Eden Devco Borrower LLC, which is owned by Eden Devco LP, a limited partnership that is managed by Eden Renewables LLC. In March 2020, NYGB increased the Bridge Loan size to $4.3 million. In August 2020, NYGB further increased the bridge loan size to $6.3 million. Loan proceeds will finance project interconnection deposits to National Grid for community distributed generation solar projects.	$1.4 million	12/15/20
RED Rochester	NYGB provided $25.0 million to participate in a syndicated loan facility to RED Rochester, LLC, a company sponsored by Ironclad Energy Partners LLC, a portfolio company of funds managed by Stonepeak Infrastructure Partners. This transaction is part of a $100.0 million credit facility that includes financing from National Bank of Canada and East West Bank. The transaction demonstrates NYGB's commitment to support energy efficiency projects and marks NYGB's first financing of a district energy system with a pipeline of industrial energy efficiency projects.	$25.0 million	12/17/20
OYA Solar – Greenbacker Development Opportunities Fund	In December 2020 NYGB committed $13.0 million to a development facility with Greenbacker Development Opportunities Fund as a co-lender to finance the development of up to 109 MW of CDG solar projects in NYS. This transaction is expected to provide NYS residents and businesses a greater variety of energy choices and, ultimately, lower-cost clean energy.	$13.0 million	12/22/20
Daroga Power	In December 2020 NYGB provided an up to $26.5 million senior secured construction-to-term loan facility to DARE Management, LLC, a subsidiary of Daroga Power LLC. Loan proceeds will finance construction for CDG fuel cell projects in New York City. The projects supported by this transaction are expected to provide NYS residents and businesses with lower-cost clean energy.	$26.5 million	12/23/20
CGE	NYGB provided an up to $17.4 million construction-to-term loan and $1.0 million letter of credit to Chautauqua Green Energy, LLC, a subsidiary of CGE Ventures, LLC, a joint venture of Vireo Energy, LLC, Emkey Gathering, LLC and Sumiya Investment Management. Loan proceeds will be used to secure long-term rights to landfill gas at the Chautauqua Landfill in Jamestown, NY and construct improvements at the landfill that will upgrade the landfill gas LFG for transportation and sale as renewable natural gas.	$18.4 million	1/15/2021
Rudarpa	NYGB entered into an agreement with Rudarpa North Country, LLC, an indirect subsidiary wholly owned by Rudarpa, Inc., to provide a $29.5 million construction-to-term loan for the first LFG-to-RNG" project in Rudarpa's to-be-built portfolio of LFG-to-RNG projects. RNC will be Rudarpa's first project and is located in Bethlehem, NH. Rudarpa is expected to deploy at least $29.5 million for LFG-to-RNG projects in New York State.	$29.5 million	2/04/2021
Nexamp	NYGB provided $25.0 million to participate in a syndicated term loan facility to a portfolio of distributed solar projects developed by Nexamp, Inc. The financing was led by MUFG Bank, LTD. The loan proceeds are anticipated to finance 95 distributed generation solar projects in NY, MA, IL, MD and GA. Of those projects, 30 will be in New York State including CDG and Power Purchase Agreement projects.	$25.0 million	2/21/2021
CIT Upsize	In December 2019, NYGB committed up to $20.0 million to participate in a syndicated term loan facility to a portfolio of CDG solar projects owned and operated by subsidiaries of True Green Capital Fund III, L.P., an investment fund managed by True Green Capital Management LLC. In March 2021, NYGB increased its commitment to up to $28.6 million to finance additional CDG solar projects. The term loan proceeds are anticipated to support the development of 16 community solar projects in New York State.	$10.3 million	3/05/2021
Amp Solar	NYGB provided an 18-month senior secured $10.0 million bridge loan facility to Amp Solar Group Inc. The loan proceeds will finance project interconnection advance payments to National Grid and Rochester Gas and Electric Corporate for CDG solar projects.	$10.0 million	3/05/2021

Sealed Upsize	On May 6, 2016, NYGB closed a $5.0 million revolving credit facility that enabled Sealed to introduce a new financial product for homeowners interested in making their residences more comfortable and energy efficient. On March 11, 2021, NYGB consented to expand the Facility size to $7.5 million to further support Sealed's continued growth. With the increased Facility size, Sealed is expected to be able to complete energy-saving improvements in more than 600 homes in New York State.	$2.5 million	3/11/2021
Workforce Housing Group	NYGB provided a $500.0 thousand subordinated, multi-draw construction-to-term facility to WFHA Brooklyn L.P., which is managed by J Cubed Residential LLC C/O Workforce Housing Group. J Cubed will construct solar installations on 18 affordable housing buildings in Brooklyn, NY that will benefit low- and moderate-income New Yorkers and their communities.	$0.5 million	3/31/2021
Total		$349.0 million[21]	

Table 4: Fiscal Year 2020 – 21 Financial Summary ($ thousands)

	March 31, 2021	**March 31, 2020**	**% Change 2021-2020**
Operating revenues:			
Fees	$5,284	$3,347	57.9%
Loans and financing receivables interest	24,327	18,612	30.7%
Total operating revenues:	29,611	21,959	34.8%
Operating expenses:			
Salaries and benefits	8,510	7,484	13.7%
Investment related expenses	585	399	46.6%
Other operating costs	1,761	1,277	37.9%
General and administrative expenses	1,571	1,247	26.0%
Depreciation	147	189	(22.2)%
NY State assessments	149	112	33.0%
Total operating expenses	12,723	10,708	18.8%
Operating income	16,888	11,251	50.1%
Non-operating revenues:			
Capital contributions[22]	336,981	20,678	1,529.7%
Investment income	216	6,224	(96.5)%
Total non-operating revenues	337,197	26,902	1,153.4%
Non-operating expenses:			
Capital expansion	410	44	831.8%
Program evaluation	45	170	(73.5)%
Total non-operating expenses	455	214	112.6%

[21] Note that due to rounding for the purposes of presentation in this Review and Plan, the sum of each Newly Committed Amount may not be identical to the Total Newly Committed Amounts.

[22] As part of U.S. generally accepted accounting standards, the Governmental Accounting Standards Board requires capital contributions made to NYGB from NYSERDA's available cash and investment balances to be treated as transfers, while those derived directly from the Bill-As-You-Go ("**BAYG**") approach be accounted for as nonoperating revenues to NYGB. As a result, additions to NYGB's capital during the fiscal year equal the sum of "Capital contributions" under Non-operating revenues and "Transfers in", of which there were none in the 2020-21 fiscal year.

Income before transfers	353,630	37,939	832.1%
Change in net position	353,630	37,939	832.1%
Net position, beginning of year	606,394	568,455	6.7%
Net position, end of year	960,024	$606,394	58.3%
Net Income (Loss)	**$16,649**	**$17,261**	**(3.5)%**
Source: NYGB Financial Statements; NYGB Analysis			

Table 5: Actual & Forecast Revenues, Expenses & Net Income (Loss) ($ millions)

	Actual FY 2018 - 19	**Actual FY 2019 - 20**	**Actual FY 2020-21**	**Forecast FY 2021 – 22**
Revenues	$26.0	$28.2	$29.8	$30.1
Operating Expenses				
Direct Expenses[3]	5.5	6.9	[7.8]	9.1
Indirect Expenses[4]	3.6	3.8	[4.9]	5.7
Total Operating Expenses	9.1	10.7	12.7	14.8
Net Income, Prior to Non-Operating Expenses	16.9	17.5	16.9	15.3
Non-Operating Expenses[5]	1.6	0.2	0.5	0.6
Total Expenses	10.7	10.9	13.2	15.4
Net Income	$15.3	$17.2	$16.6	$14.7[23]

[23] This projection was developed prior to closing NYGB's portfolio monetization transaction. As dictated in the transaction structure, loan repayments from certain portfolio assets are pledged to the third-party investor, which will likely result in lower NYGB revenues during the 2021-22 fiscal year and thus lower net income than originally estimated.

6 Appendix B: Additional Resources

Case 13-M-0412, “Order Establishing New York Green Bank and Providing Initial Capitalization,”, issued and effective December 19, 2013: http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7BBD3AAFB0-FAA2-4DA6-B56B-0FF22EE34EDF%7D.

NY Green Bank Organizational Plan: http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7B643D622C-6E1F-4BD1-A489-DD146F26E8A4%7D.

“Order Authorizing the Clean Energy Fund Framework” issued and effective January 21, 2016: http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={B23BE6D8-412E-4C82-BC58-9888D496D216}.

All other relevant public filings: https://greenbank.ny.gov/Resources/Public-Filings.

7 Appendix C: Stakeholder Input and Integration

Contents

1 Introduction

1.1 Overview

On September 9, 2021, the New York State Public Service Commission ("**Commission**") issued the "Order Approving Clean Energy Fund Modifications" ("**CEF Modifications Order**").[24] The CEF Modifications Order required that NY Green Bank ("**NYGB**") "conduct a process, with input from relevant stakeholders, to assess NY Green Bank's offerings to ensure they meet the needs of, and deliver true benefits to, Disadvantaged Communities" ("**DACs**"). This supplement to NYGB's 2021 – 22 Annual Plan ("**Annual Plan Supplement**") documents the results of the process ordered by the Commission.

1.2 Background to the CEF Modifications Order and NYGB Response

On December 29, 2020, the New York State Energy Research and Development Authority ("**NYSERDA**") filed a Petition requesting certain Commission actions to optimize and continue the Clean Energy Fund ("**CEF**"). The CEF is administered by NYSERDA and includes four distinct portfolios (1) Market Development, (2) Innovation & Research, (3) NYGB and (4) NY-Sun.

In response to the NYSERDA Petition, the CEF Modifications Order stated:

> NYGB's 2021 Business Plan identifies financial solutions benefiting Disadvantaged Communities as one of its objectives for this year, including the release of a Request for Proposals targeting affordable housing, working with community development financial institutions, nonprofits and other specialty finance companies that are focused on Disadvantaged Communities, and incorporating impacts on residents of Disadvantaged Communities as a key investment goal in transaction screening and proposal scoring as part of its capital allocation decision-making process.
>
> These all represent valuable steps towards expanding NYGB's reach. However, it will be important to continue to assess NYGB's offerings to ensure they meet the needs of and deliver true benefits to Disadvantaged Communities and adjust as necessary. This assessment should include the opportunity for stakeholder input, including representatives of Disadvantaged Communities. Within 6 months of the issuance of this Order, NYGB shall conduct such a process and document the results of the process in an update to its Metrics, Evaluation, and Reporting Plan and supplement its 2021 Business Plan. These updates should include descriptions of the targeted investment types and products NYGB intends to undertake and the associated financial metrics and tracking to assure benefits to Disadvantaged Communities.[25]

On March 4, 2022, NYGB requested an extension of time to complete its assessment. Although it had, at that time, conducted substantial engagement with stakeholders, NYGB had not been able to meet with several key environmental justice advocates whose perspectives NYGB believed would provide valuable input regarding NYGB's offerings and metrics. NYGB requested additional time to engage with these key stakeholders and to more fully incorporate the substantial amount of feedback received throughout the stakeholder engagement process. On March 8, 2022, the Commission granted NYGB an extension until May 2, 2022 to complete its assessment and allow for substantial consultation with and review by NYSERDA leadership and New York State Department of Public Service ("**DPS**") staff.

In accordance with the CEF Modifications Order, NYGB completed an extensive stakeholder input solicitation process between December 2021 and April 2022. This Annual Plan Supplement, which describes that process and reports on its outcome, is being filed contemporaneously with an update to NYGB's Metrics, Reporting & Evaluation Plan ("**Metrics Plan**") and other supplemental materials

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[24] Case 13-M-0412, "Order Approving Clean Energy Fund Modifications," issued and effective September 9, 2021. See: https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={D9BA5CDD-5DC3-45B7-B4AA-C9C78A98B9FD}.

[25] Ibid p. 56.

(“**Operational Supplement**”) as also required by the Commission.

2 Stakeholder Input Process

From December 2021 to April 2022, NYGB sought input from stakeholders to inform its DAC investment activities. To afford maximum opportunity for interested parties to provide input into NYGB’s approach to investing in projects providing benefits to the State’s DACs, NYGB organized and hosted three individual meetings and 11 small group “virtual roundtable” sessions and sent invitations to over 320 individuals representing 132 entities.

These stakeholders included:

- Property developers, service providers, owners and operators;
- Environmental justice advocates;
- Community-based organizations; and
- CDFIs and other specialty finance companies with strong pipelines of affordable housing and other DAC-related clean energy and sustainable infrastructure projects.

Participants in the outreach sessions represented key stakeholder organizations and interests. They included potential counterparties to NYGB as well as stakeholders and entities that have been active in NYGB and CEF proceedings, and those that have been vocal in advocating for Governor Kathy Hochul’s plan to achieve two million climate-friendly homes.[26]

NYGB engaged HP Sustainability Solutions to facilitate “virtual roundtable” sessions, document responses, and summarize feedback. HP Sustainability Solutions provides guidance to developers and owners of affordable properties and to government agencies, to create and implement strategies and initiatives for clean energy adoption and building performance while reducing carbon emissions. It is a subsidiary of the Housing Partnership Development Corporation (“**HPDC**”), which partners with city and state housing agencies and developers to create, develop, preserve, and promote quality affordable housing to low- and moderate-income (“**LMI**”) households. HPDC is the NYC affiliate of the Housing Partnership Network, a 501(c)3 nonprofit organization with over 35 years of experience serving as an intermediary among public agencies, developers, financial institutions, and residents.

During the stakeholder sessions, participants were asked a series of targeted questions to identify financing gaps, understand their experience with NYGB in the past if applicable, and pinpoint challenges impeding their ability to make energy efficiency, sustainable infrastructure and related decarbonization investments that would benefit DACs. Stakeholders were invited to make recommendations on how NYGB could provide solutions to address the challenges identified.

NYGB received constructive feedback through the stakeholder input process and appreciates the interest and ongoing engagement of all individuals and organizations that participated. NYGB has reviewed and assessed in detail all comments provided during the stakeholder process, with a view to both:

(a) Addressing stakeholder concerns to the greatest possible extent, and identifying areas where NYGB can develop products and processes that deliver true value to DACs; and
(b) Seeking to balance needs around stewardship of public funds, organizational mission, transparency, accountability, and confidentiality, among other key factors.

3 Stakeholder Input

3.1 Central Themes

Stakeholders provided input that broadly followed several themes, which are discussed in greater detail in Sections 3.2.1 through 3.2.4:

[26] See https://www.governor.ny.gov/news/governor-hochul-announces-plan-achieve-2-million-climate-friendly-homes-2030.

(a) **General Market Conditions**, which comprise structural market barriers to the implementation of clean energy and sustainable infrastructure projects benefiting DACs;

(b) **NYGB Products and Terms**, including the alignment of pricing, subordination and other terms with the needs of project owners and developers;

(c) **Operational Considerations**, including channels and processes for deploying capital into DAC projects; and

(d) **Public Disclosure**, including DAC impact metrics.

Specific stakeholder input is presented in Section 3.2 and addressed in Section 4.

3.2 Stakeholder Feedback

The remainder of this Section 3.2 describes the detailed feedback NYGB received from stakeholders, organized by the central themes identified in Section 3.1.

3.2.1 General Market Conditions

Stakeholders identified a range of general market conditions that contribute to challenges impeding the investment and deployment of clean energy and sustainable infrastructure projects benefiting DACs.

Volume of Investment Capital Required to Meet New York State's Ambitious Goals

Stakeholders pointed out that the Climate Action Council has estimated a minimum of $1 billion in annual grants and incentives will be required to make necessary improvements to existing affordable housing on an ongoing basis – which would require a quadrupling of current funding levels. Some stakeholders have called for NYGB to scale its existing commitment of $150 million for affordable housing to at least 50%, or approximately $500 million, to meet the unique demands of the affordable housing market.

Lack of Capital and Net Operating Income Available for Energy Improvements in Real Estate

A theme repeated by developers, lenders and community-based organizations related to a lack of capital available to support building decarbonization or ambitious energy efficiency. Owners and operators of regulated multifamily affordable housing properties commented that their properties had no excess cashflow or balance sheet resources to cover the cost of energy-related building upgrades. However, stakeholders discussed the increased investment requirements necessary to comply with New York City's Local Law 97 or to meet the goals of New York State's Climate Leadership & Community Projection Act ("**CLCPA**") across building typologies (including, but not limited to, affordable multifamily housing). They noted that city and state housing agencies are placing new green requirements on projects but often do not extend sufficient funds to support the work. Moreover, some developers of affordable housing cited a desire to build electrified new affordable housing but were constrained from doing so by project cost limitations imposed by city and state housing agencies. For example, one affordable housing developer communicated that New York City Department of Housing Preservation and Development ("**HPD**") caps the project costs it is willing to fund per dwelling unit, which creates a gap for projects that are considering heating electrification, given its higher up-front cost.

Shortage of Capital for Community Ownership Models for Solar

In a dialogue with environmental justice advocates, stakeholders discussed the opportunities for greater energy bill savings through community ownership models for community solar projects exceeding the energy bill savings available to subscribers of privately-owned community solar projects. However, stakeholders pointed out a scarcity of capital to support community ownership models due to (1) lack of interest by lending institutions because of smaller project size and (2) greater complexity of community ownership models.

Riskiness of Energy Efficiency Projects in Buildings

Property developer stakeholders commented that they do not understand energy performance as well as they understand real estate management, and they expressed skepticism about the ability of energy efficient measures to perform in accordance with engineering projections. Several stakeholders noted a reluctance to rely on energy savings measures as a source of repayment for debt incurred for the energy efficiency-related building upgrades. One stakeholder suggested that building performance projects in DACs would benefit from guarantees of the energy efficiency and carbon reduction measures of whole buildings such that lenders would be willing to underwrite to a greater percentage of savings.

3.2.2 NYGB Products and Terms

Stakeholders were asked to identify specific gaps in clean energy and sustainable infrastructure financing in general, as well as specific financing terms that could enable additional investment in projects benefiting DACs.

Financing Gaps and Barriers

NYGB sought input from participants regarding the financing barriers and gaps that could potentially be addressed by NYGB capital. Stakeholders cited a desire for:

(a) Loans to projects that are not credit enhanced by the State of New York Mortgage Agency (“**SONYMA**”), particularly if loan pricing was 50 basis points ahead of the market;

(b) Off balance sheet loans, predevelopment loans and bridge loans for government and utility incentives;

(c) Subordinated debt for mid-cycle projects that could be layered with existing agency debt; and

(d) Debt to support the large funding gaps for buildings seeking to convert from fossil gas to electricity.

Alignment of NYGB Products and Terms with DAC Market Needs

During a discussion of financing structures that would be supportive of DAC transactions, stakeholders provided input on how NYGB loan terms align with DAC market needs across a range of potential product terms, including:

(a) ***Interest Rate.*** *Stakeholders communicated that projects or businesses providing benefits to DACs may not have the cash flow to service and repay loans offered at "market rates.” It was suggested that NYGB shift its expectations on financial returns and not require DAC transactions to generate returns that are comparable to those that are typical of non-DAC transactions. Stakeholders requested that NYGB ensure its pricing is informed by relevant market comparables from existing lenders in affordable housing and DAC sectors. Some stakeholders suggested that NYGB bifurcate its lending activities into (1) loans priced at market rates to stimulate market transformation and private capital mobilization and (2) low interest rate risk capital that operates* *like Program-Related Investment ("**PRI**") capital to stimulate DAC-related development activity;*

(b) ***Loan Size.*** *Stakeholders requested that NYGB find ways to make its funding available to borrowers at higher amounts. Certain stakeholders communicated a desire for NYGB to provide funding outside of traditional lender limitations, such as a higher percentage of project value or cost. Several stakeholders – including those involved with both building decarbonization and solar projects – commented that transaction costs cause smaller transactions to be uneconomic; an individual project might not be large enough to justify the related transaction costs but that NYGB financing could be attractive if multiple projects could be aggregated under a single borrower;*

(c) ***Tenor/Term.*** *Stakeholders commented that NYGB's loans to real estate projects were not of long enough tenor and should match the maturity of other loans in the projects' permanent capital stacks;*

(d) ***Guaranties.*** *Stakeholders communicated that some borrower balance sheets cannot support substantial (or even partial) guaranties, and that small sponsors and non-profit borrowers in particular cannot provide organizational or personal guaranties that are typical for larger organizations and private sponsors;*

(e) ***Security.*** *Stakeholders requested that NYGB offer unsecured loans; and*

(f) ***Fees and Expenses.*** *For loans against projects providing benefits to DACs, stakeholders communicated sponsor sensitivity to financing fees, which drive up the overall cost of a transaction, especially at smaller loan sizes typical in the DAC market.*

NYGB Investment Criteria

Some stakeholders provided feedback on NYGB's investment criteria, which require that:

- Transactions will have expected financial returns such that revenues of NY Green Bank on a portfolio basis will exceed operating costs and expected portfolio losses – i.e., products are provided at market rates;
- Transactions will be expected to contribute to financial market transformation (e.g., multiples of capital mobilized to fund total project costs and potential to drive the type of volume, including scalability and replicability, that can materially and sustainably expand markets); and
- Transactions will have the potential for energy savings and/or clean energy generation that will contribute to greenhouse gas (GHG) emissions reductions in support of New York's clean energy policies.[27]

Stakeholders suggested that NYGB revise its theory of market transformation for DAC transactions to focus on impact over return. Another stakeholder suggested that NYGB prioritize benefits delivered – balanced with capital preservation and mobilization – over other criteria for investment.

3.2.3 Operational Considerations

Feedback from stakeholders included commentary and suggestions related to the process by which NYGB uses its capital to support DAC projects and how NYGB might align with industry practices.

[27] See Case 13-M-0412, "Order Establishing New York Green Bank and Providing Initial Capitalization,", issued and effective December 19, 2013: http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7BBD3AAFB0-FAA2-4DA6-B56B-0FF22EE34EDF%7D.

NYGB Staffing and Experience Lending to Real Estate Transactions

Certain stakeholders shared their perception that NYGB staff are experts in renewable energy finance but lack the unique knowledge related to investing in affordable housing and other real estate in DACs. Other stakeholders commented that NYGB has been missing from NYSERDA relationships with community organizations. Some stakeholders that had previously proposed non-renewable energy DAC transactions to NYGB expressed frustration about having spent considerable time and effort with NYGB investment staff on transactions that did not proceed to close, and cited confusion around transaction terms and delays due to staff turnover at NYGB. A stakeholder involved in an early DAC transaction commented that outside counsel selected by NYGB lacked knowledge of underserved markets, which added to the time it took to close the loan. By contrast, another stakeholder commented on having recently closed a transaction with NYGB to support an all-electric affordable multifamily housing development and a second roundtable participant acknowledged the DAC experience of NYGB's expanded investment team and expressed an interest in reengaging with NYGB.

In a discussion of how NYGB might accelerate the deployment of its capital into projects benefiting DACs, several stakeholders recommended that NYGB provide concessionary capital to support DAC building decarbonization lending by Community Development Financial Institutions ("**CDFIs**") and other specialty financiers active in DACs. Among the specific terms that were suggested by stakeholders were fixed interest rates (as opposed to floating rates), loan-to-value ratios up to or exceeding 100% for predevelopment and construction loans, and smaller transaction sizes than NYGB would typically undertake on a bilateral basis.

Legal Expenses and Other Soft Costs

Environmental justice stakeholders indicated that DAC projects often lack financial resources to cover the cost of legal and transactional assistance. A stakeholder whose organization supports building decarbonization projects commented that upfront legal costs can be a large portion of the total loan value, which represents a major barrier for borrowers. The stakeholder suggested that pooling smaller Property Assessed Clean Energy ("**PACE**") financings together to share legal costs could provide volume-based benefits, as could document standardization (such as exists in the municipal bond sector with pooled loan programs for industrial development agencies and authorities or housing finance agencies).

Complexity of NYGB Processes

Several stakeholders that had either entered into transactions with NYGB and/or had proposed transactions to NYGB that did not proceed to close provided feedback relating to the complexity of NYGB's application and approval processes. Stakeholders mentioned that NYGB's RFP process – which is intended to provide an open, transparent, and fair process for all parties seeking NYGB capital – is cumbersome, lengthy, and does not provide proposers with adequate visibility into NYGB's transaction pricing and terms. Other stakeholders noted that NYGB loan documents are complicated and negotiation with NYGB staff can be protracted, which drives up transaction costs – and makes smaller loans uneconomic.

During a discussion of the process by which NYGB communicates its financing offerings to the market, NYGB solicited specific feedback on two financing pathways launched in 2021: RFP 18 Financing Arrangements for High-Performance Affordable Housing ("**RFP 18**") and RFP 19 Mandatorily Redeemable Preferred Equity for Disadvantaged Community Lenders ("**RFP 19**").[28] Stakeholders provided the following comments:

(a) **RFP 18.** Consider replacing the broad pathway for building decarbonization with focused RFPs addressing predevelopment loans (particularly those that exceed the maximum predevelopment loan sizes available from other lenders), incentive bridge loans and permanent debt, and publish indicative terms to align with "off the shelf" products offered by other real estate project lenders;

[28] See https://greenbank.ny.gov/Work-with-Us/Open-Solicitations.

and

(b) **RFP 19.** CDFIs and other specialty lenders do not necessarily need preferred equity infusion to facilitate the expansion of their lending activities. Consider amending or replacing RFP 19 with a pathway for wholesaling NYGB capital through mission-driven lenders on concessionary terms.

Coordination with Complex Financing Packages

Stakeholders described challenges related to complex financing packages that include multiple city- and state-backed funding sources. One stakeholder described affordable housing being complicated financial transactions from the start, with the involvement of HPD, New York State Homes & Community Renewal ("**HCR**") and tax credit investors contributing to the challenge of including additional financing sources. Another developer of affordable housing communicated that the optimal financing solution incorporates the fewest number of capital sources because obtaining multiple capital sources requires scarce developer time and resources.

Stakeholders noted that NYGB products and processes do not appear to be coordinated with other NYSERDA programs, HCR and HPD funds (e.g., one stakeholder cited an inability to use debt that matures before the 30-year term of HPD financing). One stakeholder that lends to DACs recommended that NYGB consider injecting its capital directly via NYSERDA or HCR programs. Another stakeholder suggested that it would be helpful for NYGB to provide long-term subordinated debt that allows for refinancing of a project's senior debt without a requirement to pay down NYGB's loan.

Other stakeholders noted the challenges related to the timing of incentive payments from NYSERDA and utilities. While stakeholders cited the importance of incentives to fund energy upgrade projects, they also noted that because incentive payments occur over time or at the back end of a project, developers still need to fill gaps in their upfront projected budgets. Several stakeholders said they would find it valuable to have NYGB function as an upfront lender to finance expected utility incentives.

A stakeholder that provides financing to community solar projects for commercial and residential projects in DACs commented that finance providers will typically size their loans to the fixed portion of community solar revenue; because the NYS feed-in tariff rate fluctuates, this practice reduces the amount of leverage such projects can receive. The stakeholder suggested that, in these situations, NYGB could fill a gap by providing back-leverage, improving investor confidence by subordinating to tax equity and providing a variable income guarantee.

Market Approach

From an operational perspective, one stakeholder commented that relying primarily on RFPs is not likely to generate enough DAC investment opportunities for NYGB to meet its goal of investing at least 35% of its capital into projects benefiting DACs; active marketing and outreach is crucial. A stakeholder recommended that NYGB aim to commit 65% of its DAC investment in affordable housing transactions to maximize the benefits to DACs. By contrast, other stakeholders strongly urged NYGB to support non-housing clean energy and sustainability infrastructure projects benefiting DACs (e.g., small businesses, community facilities, and others that also experience a scarcity of capital available for their projects). Two stakeholders suggested that NYGB create a community advisory board to support its DAC initiative and engage with stakeholders and advocates. Environmental justice stakeholders suggested that workforce and wealth building considerations for DACs should be incorporated along with prioritizing working with organizations led by and aiming to deliver benefits to Black, Indigenous, and people of color ("**BIPOC**") stakeholders.

3.2.4 Public Disclosure

Several stakeholders proposed that NYGB enhance its reporting, communications, and overall transparency, especially regarding energy efficiency and electrification, including adopting specific metrics related to measuring and reporting the impact of its DAC-related projects. Among the types of metrics suggested were measures of financial returns, number of DAC households served, utility bill and energy savings accruing to DAC residents, number of housing units electrified, number of new housing units created, and the number of existing units rehabilitated. In addition, one stakeholder suggested that NYGB track and report on the ability of its DAC-related projects to achieve market transformation; create replicable precedents; and advance a body of data to validate the practice of underwriting to greater energy savings. The same stakeholder recommended further that NYGB adopt a different definition of DAC from the definition developed by the Climate Justice Working Group ("**CJWG**") related to the CLCPA; that NYGB primarily limit financing to energy improvements and the energy-related portion of projects; and that NYGB measure compliance with its targets based on deployed capital as opposed to committed capital.

4 NYGB Integration of Stakeholder Feedback

The stakeholder feedback presented in Section 3 comprises a significant body of information regarding financing challenges related to projects benefiting DACs. NYGB will draw on this substantial input to develop and refine its products and other offerings, and to streamline its processes for greater alignment with DAC projects. Stakeholders and NYGB agree that a complete DAC strategy must include a range of approaches and products, including those that support multiple building typologies (e.g., housing, schools, commercial buildings, etc.) and technologies (e.g., energy efficiency, building electrification, renewable energy, clean transportation, etc.). NYGB will continue to work alongside NYSERDA and Environmental Justice advocates to further develop the financing solutions to meet its broad strategic goals.

NYGB offers several financing products that address some of the needs expressed by stakeholders as described in Section 3 and will be developing and rolling out additional products to ensure that NYGB delivers true benefits to DACs, as described in Section 4.1. Section 4.2 discusses process improvements and other responses to stakeholder feedback.

4.1 Targeted Investment Types and Products

4.1.1 Concessionary Wholesale Lending to DAC Financiers

NYGB intends to launch a new initiative, the Community Decarbonization Fund ("**CDF**"), funded with $250 million to provide low-cost capital to CDFIs and other lenders that: (1) have a track record of providing debt capital to affordable housing (regulated or naturally occurring) and/or other DAC-serving projects; (2) can and will include electrification scopes of work in their loans; and (3) can demonstrate pipelines of projects that can deliver measurable benefits to DACs. NYGB will allocate additional capital to the CDF over time to support the ongoing decarbonization lending activities of such DAC financiers. Over the 2022 – 2023 fiscal year, NYGB will work with relevant stakeholders to ensure the CDF is designed and established in a manner that best serves the communities that will benefit from its investment activity.

In response to stakeholder feedback, the CDF will replace NYGB's RFP 19 as a more direct means of injecting additional capital into financing entities that are already active in DACs and possess expertise in originating, underwriting, and managing loans to DAC projects.

To address stakeholder comments that financing providers lack experience in underwriting decarbonization projects, NYGB will direct the CDF use of proceeds to electrification, energy efficiency, onsite power, resiliency and other scopes of work related to high-performance DAC-related projects. Doing so will both foster the creation of institutional capacity for wholesale borrowers and accelerate NYGB's progress in achieving its goal to invest at least 35% of its capital into projects benefiting DACs. Lending through the CDF will address stakeholder interest in the State's effort to make two million climate friendly homes by 2030, including one million electric and efficient homes and one million electrification ready homes. In December 2021, NYSERDA published its Climate Finance Toolkit, which serves as a complementary resource for lenders seeking to enter the market for financing energy efficiency and renewable measures. NYSERDA will work with CDF borrowers to ensure they have the technical support resources needed to build their skills related to evaluating and lending to projects with ambitious energy-related scopes of work.

NYGB will establish threshold investment guidelines for the CDF, including that borrowers demonstrate a pipeline of DAC projects seeking financing. NYGB will align with federal and state standards related to DAC standards that are familiar to CDF borrower institutions. The CDF is an example of NYGB responding to the stakeholder suggestion that NYGB shift its expectations on financial returns and conduct mission-driven lending. The CDF is expected to contribute to financial market transformation by crowding more concessionary capital (e.g., from CDFIs and other mission-driven lenders) into sustainable infrastructure projects in DACs. NYGB anticipates that, while funds offered via the CDF will be priced at concessionary rates, NYGB will nonetheless be able to meet its existing investment criterion that revenues exceed expenses and expected losses on a portfolio basis, when the concessionary capital of the CDF is considered within the context of the whole of NYGB's lending activities. To ensure that NYGB does not lose momentum in investing in projects benefiting DACs, NYGB will retain rights to recall capital that borrowers are unable to deploy within a specified timeframe.

NYGB is mindful that other financing sources are seeking to inject subsidized capital directly into the market for building decarbonization. As such, NYGB will structure the CDF to complement – rather than compete – with other capital sources and will seek to serve parts of the market where financing gaps remain (e.g., larger projects not eligible for other concessionary lending programs). To foster greater industry transparency and collaboration, NYGB will develop a plan to measure and report the progress and impact of the CDF, including against success metrics that will be defined.

The CDF is a critical element of NYGB's DAC strategy and the management of it will report to NYGB's President. CDF lending, legal, and all activities related to financing DAC's will be staffed by professionals with expertise in originating and managing affordable housing and/or other DAC-related investments. To accelerate the launch of the CDF, NYGB will consider engaging with consultants currently active in DAC-supportive financial product development and execution.

Forecasting and financial modeling completed when planning the CDF is consistent with NYGB's current investment criteria and responds to the DPS discussion in the CEF Modifications Order that states:

> "The Commission does anticipate NYGB will need to broaden its approach and proactively seek new market partners to further develop transformative financing opportunities, specifically in pursuit of its goal of investing at least 35% of its investments to benefit Disadvantaged Communities. For example, NYGB may need to offer lower interest rates of [sic] other terms than it seeks from other sectors."[29]

4.1.2 Community Solar Financing for DAC Subscription Models

NYGB has played a critical role in financing community solar projects in the State. Over time, NYGB has adjusted its terms and pricing to support more inclusive subscriber aggregation practices. NYGB initially allowed developers to offer short term contracts to individual subscribers and eliminated minimum FICO score requirements. This practice was adopted by other lenders and tax equity investors, which gave developers the opportunity to market to and subscribe LMI New Yorkers and those living in DACs. More inclusive lending practices by NYGB and private lenders and investors gives more New Yorkers greater access to the benefits of community solar, including bill savings.

In alignment with NYSERDA's Inclusive Community Solar Adder[30] and in response to stakeholder feedback regarding the added cost of identifying and marketing to LMI subscribers, NYGB is now

[29] See pages 54-55 of the CEF Modifications Order: https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7bD9BA5CDD-5DC3-45B7-B4AA-C9C78A98B9FD%7d.

[30] For more information on NYSERDA's Inclusive Community Solar Adder (ICSA), see: https://www.nyserda.ny.gov/All-Programs/NY-Sun/Contractors/Dashboards-and-incentives/Inclusive-Community-Solar-Adder.

incentivizing inclusive subscriber aggregation practices by offering tiered pricing. Specifically, NYGB's loan agreements provide for reductions in interest rates to projects that can demonstrate certain minimum levels of LMI subscribers in New York. NYGB estimates the net present value of interest rate reductions to be as much as 3 cents/watt for projects with 100% LMI subscribers, which equates to 30% of the value of the Inclusive Adder offered by NYSERDA's NY-Sun program.

To deliver even greater economic value to DAC residents, NYGB will engage directly with environmental justice stakeholders who requested NYGB develop financing structures that align with community ownership models by members of DACs. Additionally, NYGB will collaborate with an effort led by the NYSERDA Energy and Climate Equity group and NY-Sun to co-design an initiative to explore opportunities to increase uptake of solar and community solar in DACs and affordable housing.

4.1.3 <u>Predevelopment Lending for DAC-Based Projects</u>

All projects must complete certain predevelopment activities to raise construction financing, but high-performance building predevelopment includes an additional layer of design and planning to improve energy and environmental performance, a consideration that adds significant time and cost to the project development process. Given the constrained project economics and scarce public funds available for DAC projects, it is not surprising that few developers prioritize energy performance. Predevelopment expenses are particularly burdensome for smaller and non-profit developers that lack equity capital to support the added time and costs associated with high-performance project development.

As of the date of this Annual Plan Supplement, NYGB has closed two predevelopment lending facilities for both new construction and rehabilitation of regulated multifamily housing properties. Stakeholder feedback supports NYGB's strategy of addressing financing barriers in regulated affordable housing through predevelopment lending, which does not interfere with the complex permanent capital stack for such projects and where stakeholders suggested it would be challenging for NYGB to participate. While other financing entities provide limited size predevelopment facilities, stakeholders identified a market gap for predevelopment capital for larger projects seeking ambitious energy scopes of work.

NYGB communicated the availability of its capital for predevelopment lending in RFP 18, which was launched in May 2021 and addresses NYGB financing of building electrification and electrification readiness in affordable housing properties. In response to stakeholder feedback that RFP 18 is overly broad and complicated, NYGB will strip its predevelopment lending activities into a standalone offering to support building decarbonization projects in DACs (inclusive of affordable housing but also available to other building typologies). Addressing stakeholder requests for greater transparency of rates and terms to support their planning for major decarbonization or energy-related projects, NYGB intends to publish ranges for selected indicative terms consistent with market practices while noting that final terms will be subject to due diligence and credit review.

To ensure that its predevelopment lending delivers true value to DACs, NYGB will incorporate provisions requiring borrowers to meet certain building performance standards and reporting requirements.

4.1.4 <u>Incentive Bridge Financing for DAC-Based Projects</u>

As communicated by stakeholders, developers seeking ambitious energy and environmental performance typically rely on utility incentives to partially reimburse the cost to install high-performance equipment and other energy measures integrated into their projects. However, because incentives are paid post-installation, developers typically rely on cash flow and scarce equity capital to bridge the receipt of expected incentive payments. Stakeholders recommended that NYGB offer bridge financing for government and public utility incentives and noted that such a product would also be relevant for non-DAC market segments.

As of the date of this Annual Plan Supplement, NYGB has closed one incentive bridge financing facility with a developer of naturally occurring affordable housing in upstate New York. This is a novel incentive bridge financing transaction structure that provides the borrower with the capital funds necessary to secure a low-priced senior-secured construction loan from local construction lenders. NYGB believes this structure to be replicable and scalable for other developers of high-performance affordable housing and associated onsite or offsite solar projects, especially in upstate New York where project costs and property values are significantly lower than their New York City equivalents, and incentive payment amounts (which are uniform across the state) represent a larger proportion of a project's capital stack. By providing bridge loans against incentives, NYGB can support sponsors in scaling their energy efficiency and electrification upgrades by unlocking low-priced senior-secured construction loans from local construction lenders.

NYGB will include covenants in its credit agreements requiring that a portion of the units in funded projects remain affordably priced, thereby delivering true benefits to DACs. To address stakeholder concerns that NYGB cannot cost-effectively address smaller transaction sizes, NYGB will explore ways to collaborate with utilities and other market actors to offer smaller incentive bridge loans on a programmatic basis and will create a streamlined pathway for borrowers to apply for incentive bridge loans.

4.2 Process Enhancements and Other Responses to Stakeholder Feedback

In response to stakeholder comments about NYGB staffing and experience lending to real estate transactions, it should be noted that NYGB took advantage of natural turnover in its investment and legal teams in 2021 to hire senior staff with real estate investment experience generally and affordable housing expertise specifically. Three recent hires at the Managing Director, Director and Vice President level bring to NYGB: experience financing and developing energy efficiency projects, operating multifamily affordable housing, and lending to CDFIs; legal and transactional expertise as a senior attorney for HPD; and originating and underwriting real estate transactions for a commercial bank respectively. This team and other NYGB staff will work more closely with NYSERDA community partners to ensure ongoing collaboration with the goal of bringing actionable projects into the NYGB pipeline.

In addition to developing specific products described in Section 4.1 aimed at addressing the financing gaps identified by stakeholders, NYGB has undertaken and will continue to develop measures to reduce the administrative burden and other costs associated with receiving financing from NYGB for DAC-related projects. During calendar year 2021, for each DAC-related project NYGB considered, special discounted alternative billing arrangements were negotiated with NYGB's panel law firms, and in some cases NYGB allowed expenses to be paid from loan disbursements. Recognizing that the market seeks greater reductions in soft costs and administrative burdens on projects with highly constrained budgets, NYGB's form term sheets and template transaction documents for DAC projects allow for flexible arrangements with respect to covering the cost of NYGB's advisors. Going forward, NYGB will streamline and simplify its application and evaluation processes to reduce the time and administrative cost to sponsors seeking NYGB financing and will seek to utilize service providers with DAC market knowledge and experience to reduce the administrative and legal cost burden borne by DAC projects.

NYGB is currently collaborating with NYSERDA program staff to address stakeholder feedback that building decarbonization projects would benefit from guarantees of the energy efficiency and carbon reduction measures. NYGB will help drive a solution with the insurance industry or other eligible guarantee providers.

In response to the Commission's order and stakeholder input, NYGB has amended its Metrics Plan (filed as a companion to this Annual Plan Supplement) to report the proportion of its investments that support business activities or projects within DACs. As a division of NYSERDA and a public entity required to comply with the climate equity provisions of the CLCPA, NYGB will align with and report total investment according to the definition of DACs proposed by the CJWG and expected to be adopted by the end of calendar year 2022. Doing so will enable NYGB's progress to be aggregated and reported across all portfolios of the CEF and across other state entities reporting under the same definition. NYSERDA, along with an inter-agency team, is also working to establish a benefits framework and reporting methodology which will be used to consolidate information across State entities. NYGB will further amend its Metrics Plan as additional guidance regarding benefits metrics is published. To avoid confusion and foster comparability, NYGB declines to adopt the suggestion by one stakeholder that it create its own bespoke definition of DACs.

In response to the stakeholder who suggested NYGB communicate its progress on a biennial basis, NYGB believes it is critical that communication be significantly more frequent than every two years. NYGB will report its progress on a quarterly basis through its Quarterly Metrics Reports as well as annually in its Impact Report.

The stakeholder engagement process highlighted that certain stakeholders are unaware of the ways that NYGB can already and will continue to support investment in projects benefiting DACs. For example:

- NYGB heard from environmental justice organizations that they had chosen not to reach out to NYGB for financing due to small transaction size. Some of these organizations were relying on information they had received in 2016, when NYGB was a nascent investor and was seeking larger transactions to gain traction. With over $1.7 billion of overall investments to date, NYGB is a mature investor and has closed several DAC transactions in the range of $500,000 to $2.5 million in total capital commitment;

- NYGB already finances rollups of multiple projects under a single borrower – which was cited by stakeholders as a solution they would find attractive; and

- In response to some of the stakeholder feedback received related to back-leverage, NYGB believes there was confusion about NYGB's lending approach. Lenders, including NYGB, provide back-leveraged loans to allow tax equity investors to form partnerships and support solar projects. During the early years of VDER, lenders were conservative and may not have been willing to size loans against the variable portion of VDER. The current prevailing practice among lenders is to discount the variable portion of VDER project revenue by approximately 30%. NYGB offers two distinct CDG solar financing structures: one uses a similar discount to the variable portion of projected VDER revenue and the other does not discount any of the variable portion of VDER revenue. Counterparties working NYGB can choose the structure they find most favorable.

Going forward, NYGB will devote additional time and resources to communicating both its offerings and its progress to potential counterparties and to advocacy and community-based organizations. Moreover, NYGB will seek additional avenues to make potential counterparties aware of its ability to finance their projects on attractive terms.

Finally, in response to the stakeholder who recommended NYGB establish a community advisory board, it should be noted that NYGB recently expanded its Advisory Committee to include members with DAC lending and community engagement experience and skill sets.[31] NYGB's Advisory Committee delivers guidance on an ongoing basis to NYGB's management team on matters pertinent to NYGB's business and has engaged actively regarding NYGB's DAC market approach.

5 Conclusion and Appreciation

In addition to this Annual Plan Supplement and in response to the September 2021 DPS CEF Modifications Order, NYGB is concurrently filing updates to its Metrics Plan and Operational Supplement to its 2021-22 Annual Plan, each of which was informed by the stakeholder engagement process reported in this Annual Plan Supplement.[32] As incorporated into those updates, NYGB will report its progress toward its public DAC commitments using the reporting approach and the format described in Section 2 of its updated Metrics Plan. In Section 4 of the Operational Supplement, NYGB reflected that its Advisory Committee has been expanded to include experienced environmental justice advocates; the Advisory Committee will advise NYGB as it works to deliver benefits to disadvantaged communities through its

[31] See https://greenbank.ny.gov/About/Advisory-Committee.
[32] See https://greenbank.ny.gov/Resources/Public-Filings.

investments. NYGB has also incorporated into its Operational Supplement a statement, consistent with Commission expectations, that NYGB can support DAC beneficiaries under its existing investment criteria.

NYGB appreciates the time taken by stakeholders to participate in its stakeholder outreach process. Stakeholder input has been invaluable and has informed both this Annual Plan Supplement and NYGB's approach to investing in opportunities that deliver true benefits to DACs. NYGB considers the stakeholder outreach process recently completed to be a starting point for ongoing market engagement regarding its DAC investment and looks forward to continued dialogue with stakeholders interested in providing continued feedback to NYGB.