



**LOCAL INVESTMENT ADVISORY COMMITTEE:
ENERGY EFFICIENCY AND AFFORDABLE HOUSING
OCTOBER 22, 2014**

LIAC Members Present:

BETH PEARCE, CHAIR, Vermont State Treasurer
SARAH CARPENTER, VICE CHAIR, Executive Director, VHFA
PETER ADAMCZYK, SECRETARY, Energy Finance and Development Manager, Efficiency
Vermont Designee
STEVE GREENFIELD, Chief Operating Officer, VEDA Designee
BOB GIROUX, Executive Director, VMBB

LIAC Member(s) Absent:

TOM LITTLE, Vice President and General Counsel, VSAC Designee

Also attending:

Tim Lueders-Dumont, Executive Assistant to State Treasurer Beth Pearce
Jo Bradley, CEO, Vermont Economic Development Authority
Ted Brady, USDA, Rural Development, State Director for Vermont and New Hampshire
Ludy Biddle, NeighborWorks of Western Vermont
Thad Omad, NeighborWorks of Western Vermont
Donna Sweaney, Windsor State Representative
Tom Marsh, Town of Windsor
Ken Sassorossi, Housing Vermont
Jim Merriam, Efficiency Vermont, Vermont Energy Investment Corporation
Cindy Reid, Cathedral Square
Miranda Lezcaze, Cathedral Square
Chris D'Elia, Vermont Bankers Association
Rod Francis, Town of Brattleboro
Chris Company, Windham Regional Commission
Harris Roen, Renewable Energy Vermont
Shaun Gilpin, Department of Housing and Community Development
Chris Holden, Rural Edge
Krister Adams, Vermont State Housing Authority
Winslow Ladue, Department of Environmental Conservation
Will Belongia, Vermont Community Loan Fund
Karen Horn, Vermont League of Cities and Towns
Gus Seelig, Vermont Housing and Conservation Board
Bob Haight, Town of Windsor
Joe Bergeron, Association of Vermont Credit Unions

Gwendolyn Hallsmith, Public Banking Institute
Chris Cochran, Vermont Agency of Commerce and Community Development
Andrea Colnes, Energy Action Network
Jeff Forward, Renewable Energy Vermont

CALL TO ORDER:

The Chair, Ms. Pearce called the meeting to order at 9:05 am, which was held in the 4th floor Governor's Conference Room, 109 State Street, Montpelier, VT 05609.

ITEM 1: Attendance, Agenda Approval, and Announcements

Ms. Pearce Noted that the minutes from the September 30, 2014 meeting would have to be approved at the conclusion of the meeting as, there was not a quorum of committee members present as of 9:05 am.

A general overview of the meeting's purpose was delivered. Ms. Pearce made reference to a PowerPoint presentation that was handed out to the group as a guide for the discussion. Ms. Pearce noted that the purpose of this committee was authorized by the legislature, set forth by Acts No.199, authorizing the committee to establish a credit facility and/or investment of up to 10% of state's average cash balance. Ms. Pearce noted that the committee must submit a report in January 2015 and that the committee sunsets in July 2015.

Ms. Pearce announced that the next meeting would be on Wednesday, November 5th and that the focus of that meeting would be on infrastructure improvements.

Ms. Pearce announced the names of the members of the committee and experts in attendance who were asked to speak to detail the focus of the meeting, Energy Efficiency, Renewable Energy, and Affordable Housing.

The expert panel introduced themselves:

Jim Merriam, Efficiency Vermont (EV)
Jo Bradley, Vermont Economic Development Authority (VEDA)
Chris D'Elia, Vermont Bankers Association (VBA)
Joe Bergeron, Association of Vermont Credit Unions (AVCU)
Sarah Carpenter, Vermont Housing Financing Agency (VHFA)
Ludy Biddle, NeighborWorks of Western Vermont (NWWV)
Ken Sassorossi, Housing Vermont
Ted Brady, State Director of USDA Rural Development for Vermont and New Hampshire

Ms. Pearce asked the panel and committee to think about what their organizations do well in regard to energy efficiency, renewable energy and in how they relate to affordable housing, as well as what some of the barriers are in accomplishing success in these areas. As well as how their organizations could benefit from more support and coordination amongst similar partners in the state.

Ms. Pearce and Mr. Adamczyk noted that a quorum of committee members was now present as of 9:15am.

ITEM 2: Expert Panel Presentation on Affordable Housing and Energy Efficiency

Ms. Pearce invited each of the expert panelists to offer their comments on a series of items that were outlined for the discussion:

Affordable Housing, Energy Efficiency, and Renewable Energy
Single-Family Housing
Multi-Family Housing
Commercial/Business
Public

The Public attending the meeting were invited to ask questions and provide additional comment.

1. Chris D’Elia, Vermont Bankers Association:

Mr. D’Elia noted that the banking industry has access to capital, and that rates are favorable for individuals who are credit-worthy and that while there are capital and favorable rates for individuals who are credit-worthy, there are many who fall on the other end of the access-to-credit continuum and that that is where there is the most amount of need.

The process for individuals to obtain a mortgage in the current climate, due to regulation and the potential for interest rates to go up next year is more complicated than it was five years ago and this is a barrier for every borrower on the continuum. Mr. D’Elia noted that differences between appraisals and construction costs are creating issues for borrowers and banks, the issue is that appraisal costs are less than the actual cost of construction.

For single-family housing, there is a not a lot of new activity, it was noted by Mr. D’Elia that there are good financing options for individuals who have good credit. For multi-family housing, it is more difficult from a financing perspective due to more variables. In regard to mobile homes, the financing community is tentative to do mobile home loans—the likelihood of a loan is higher if the mobile home is in a mobile home park as opposed to private land. A co-op model is a good option for the future investment proposals relating to mobile homes.

For borrowers with good credit and income, energy efficiency and renewable financing is accessible. Borrowers on the other end of the continuum, marginal borrowers with lower income, will have a harder time finding access to financing options because they cannot take on the debt.

Ms. Carpenter emphasized that due to inconsistent project appraisals and a lack of data, taking on higher risk projects can be difficult. Mr. D’Elia noted that credit enhancements are an option for marginal borrowers. In regard to commercial development there are better terms and multiple options for private as well as public projects that have an energy efficiency or renewable energy focus.

Mr. D'Elia closed, stating that public-private partnerships are a good option and that the VBA will be a willing partner going forward.

2. Ted Brady, USDA Rural Development, State Director for Vermont and New Hampshire:

Mr. Brady provided an overview of USDA RD options for borrowers and noted that 1 in 10 homes sold in Vermont are guaranteed with a USDA product. USDA is in the process of implementing their three areas of focus in community economic development in high concentration poverty areas, investing in food systems, and investing in the bio-economy/energy efficiency and renewable energy. USDA RD did \$150 million worth of business last year.

Mr. Brady detailed a list of USDA loan options, including some that are up to 100% loan to value, with an option to roll into the agreements energy efficiency and renewable improvements. He also noted that, USDA has a focus on assisting and providing options to low-income borrowers who have home improvement needs.

USDA RD wants to do more energy efficiency and renewable energy projects going forward. In the RD Direct Loan program there are increased resources available to do more energy efficiency projects on homes. Another USDA RD product is the home-repair loan program for low-income individuals and homeowners. USDA RD rural development would like to do 10 times the number of loans that they currently have. More than 20 programs that USDA RD administers could include energy efficiency and renewable energy projects.

For commercial developments, USDA RD has an energy guarantee program that could work in partnership with other organizations in the room. And in regard to mobile homes, Mr. Brady explained that because of a partnership effort with VHFA and VHCB, USDA RD is able to make some mobile home loans.

Mr. Brady noted that there is an opportunity to have organizations (that are in the room) work in partnership with USDA RD to accomplish similar goals.

Ms. Pearce asked Mr. Brady about the barriers that USDA RD deals with. Mr. Brady responded that one of the biggest barriers is the perception of USDA RD as being unfriendly to the borrower because it is a federally funded program and overly complicated. Mr. Brady highlighted that USDA is working to change that negative perception, and that with USDA programs there is more flexibility because they have credit requirements that are less strict.

Ms. Pearce asked Mr. Brady about increasing communication and coordination between USDA and the organizations present at the meeting who deal with a similar population. Mr. Brady responded that an area for improvement needs to be increasing partnerships and education outreach amongst organizations that are working towards similar goals and working with the similar populations and that there are a multitude of opportunities for organizations in the room to work with USDA RD on achieving common aims. Mr. Brady suggested that USDA RD could be a central clearinghouse for increasing communication and cross-organization partnerships.

Ms. Carpenter added that an impediment on some of the home loans to lower-income borrowers is the amount of staff time required to assist potential borrowers with programs, she pointed out

that this is not a financing issue, it is an administrative issue and that while there are products that may be available to assist low-income individuals, the capacity to assist them is not always available. Ms. Carpenter added that USDA has a large volume of useful products that fit well into potentially reaching individuals who, as noted by Mr. D'Elia, fall on the other end of the ability-to-borrow continuum. Ms. Pearce added that the lower end of the income continuum is where there is the most need for improvements in assisting their needs.

Ms. Pearce noted that there is a need for a statewide resource hub where individuals and organizations can go to obtain necessary information and contact information to make energy improvements to their home, business, or public building.

Ms. Pearce noted that each organization that meets with the committee should send their information to the committee so that a list and financial network can develop into a resource for all interested parties.

3. Jo Bradley, VEDA:

Ms. Bradley provided an overview of VEDA to the group and detailed the ongoing and past efforts of VEDA in the areas that have been discussed. Ms. Bradley noted that VEDA only does commercial lending and that the disconnect between appraisal costs versus actual construction costs, as Mr. D'Elia had highlighted earlier, is an ongoing barrier.

Ms. Bradley added that VEDA has to be careful in taking on risky projects because of varying issues including the loan "loss rate."

Since 2007 VEDA has worked with Efficiency Vermont to add an efficiency program into its services, again at the commercial and business level. Ms. Bradley explained that VEDA does all of its energy efficiency work through the sustainable energy fund, lending to businesses, commercial projects, and agricultural projects. Ms. Bradley explained that VEDA can also do lending to municipalities for efficiency projects. Over the past two years, VEDA, lending close to \$27 million dollars, has assisted with solar, wind, and farm digester projects.

One of the largest issues that VEDA runs into is loan term limits, right now ten year money is common but lots of efficiency projects require longer terms—this was an issue that was discussed by the group in agreement that longer terms would help to promote more investment in efficiency projects.

Ms. Pearce asked Ms. Sweaney, Mr. Marsh and Mr. Haight to speak about the issues that the Town of Windsor is experiencing in regard to its downtown location in a flood hazard area and the issues with making improvements to buildings and the relationship and barriers existing between revitalizing its downtown while also dealing with new mandated flood insurance issues from FEMA. Mr. Haight and Mr. Marsh described a potential project to revitalize worker-housing from the 1900's, on the riverside.

Ms. Pearce suggested that, in regard to the issues in Windsor, that it may be helpful to sit down outside of the committee to discuss if there are options for situations similar to this and

addressing the issue specifically. Ms. Pearce also noted that the issues in Windsor relates directly to the next meeting where the focus will be on infrastructure.

The group discussed the opportunity of combining the efforts of efficiency with mitigating flood hazard costs. The group also discussed the opportunity to use tax credits to close funding gaps for the financing of projects relating to municipalities.

Mr. Adamczyk mentioned, relating to VEDA/ Efficiency Vermont, a loan energy guarantee program for businesses.

4. Joe Bergeron, Association of Vermont Credit Unions:

Mr. Bergeron gave an overview of what Vermont credit unions are doing in regard to efficiency financing and renewable energy financing. Mr. Bergeron provided details about the differences amongst credit unions in their approach on these topics as well as the areas where there is room for improvement on these strategies. Larger credit unions over the past couple years have actively created programs specifically aimed at encouraging interest in efficiency upgrades and renewable installations, particularly with solar installations. It was noted that 95% of credit union related financing in the state has been with individuals not businesses. Credit unions have seen a huge increase in efficiency lending and have grown to make it a part of their product line.

Mr. Bergeron gave a description of how credit unions have created a system for financing approval for efficiency upgrades that is similar to their car financing system.

Mr. Bergeron noted that, as had been discussed by the group, there are ongoing barriers having to do with coordinating organizations providing the best information and service to credit unions members in reducing confusion.

Mr. Bergeron noted that Vermont credit unions are 70% loaned out at the current time. Not all of the 24 credit unions in the state are involved in efficiency related lending. Smaller credit unions have less defined special programs for efficiency loan programs but they are still involved in the process in that borrowers use other types of loans to complete efficiency upgrades.

Ms. Pearce added that there is continued need to have an information hub for consumers to become educated and take first steps so that the process to actually making efficiency upgrades is manageable and understandable. The group identified consumer/potential-borrower confusion as a common barrier amongst all organizations. Ms. Pearce also added, that VCLF, and the credit unions could work together to increase the efficiency of both of their efforts.

5. Sarah Carpenter, VHFA:

Ms. Carpenter provided an overview of VHFA efforts and purpose. Ms. Carpenter emphasized that for single-family homes there is capital that is available, but it is difficult for many lower-income borrowers to meeting some of the credit requirements. For VHFA getting long-term capital that is flexible and competitively priced is a problem in this bond environment. A significant barrier identified is a lack of down payment assistance and rising closing costs for

potential homebuyers. Ms. Carpenter also identified appraisal versus construction cost issues as an ongoing issue.

Ms. Carpenter emphasized that there needs to be more consumer awareness about what is available and where to find the correct information.

In regard to multi-family housing, Ms. Carpenter explained that VHFA provides debt financing as well as being the administrator of both federal and state tax credits, and some federal rent assistance. She identified debt and equity as the two largest factors in putting together multi-family affordable housing projects and said that there is a need for more equity that is not repayable. Ms. Carpenter mentioned the lack of low-cost, long-term money (30-40 year terms) as a reoccurring barrier that is shared by other organizations.

Ms. Pearce cited the \$2.8 million that went towards retrofits that helped to achieve short-term goals within the strategy of the long terms goals of VHFA.

The group discussed the level of income for the majority of individuals living in multi-family housing. It was brought up that more than half of families living in multi-family housing are living on incomes of less than \$16,000 annually. And, that long-term money is important to making sure that the cost of multi-family projects stays at a consistent rate over a long period.

6. Ken Sassorossi, Housing Vermont:

Mr. Sassorossi gave an overview of Housing Vermont in the context of what Ms. Carpenter had presented in regard to VHFA. Mr. Sassorossi emphasized the importance of minimizing debt as key to making multi-family projects affordable; this is chiefly done through raising equity and tax credits when available. Mr. Sassorossi emphasized that community support and outreach are key to allowing the goals of combing the efforts of affordable community housing and energy efficiency aims come to fruition. He gave the example of a housing project in Woodstock, 62% of costs came from tax credits, the rest of the money is raised and is non-repayable—this is an area that is always in need of new sources of funding.

Mr. Sassorossi cited reinvesting in older projects and buildings as essential to keeping long term costs down; often this reinvestment comes in the form of efficiency upgrades, such as wood-pellet boilers. He gave an example of a building in Windsor that was established and funded and then revisited for reinvestment that included a wood-pellet heating system to save energy costs. Also mentioned was the potential to acquire units that were privately held but are essential for low-income families to have access to—funds aimed at acquiring these types of units are essential in how we can accomplish the goal of affordable housing for low income families while also taking the opportunity to make the buildings where their units exist more energy efficient as well.

Mr. Sassorossi asked that LIAC consider using funds to close gaps where funding is needed for programs and situations as he has mentioned that require financial support while also directing support to the Treasurer's office in continuing to assure a Triple A bond rating.

7. Ludy Biddle, NeighborWorks of Western Vermont:

Ms. Biddle gave an overview of NeighborWorks efforts and the services they provide, described as the “one-stop-shop” that has been mentioned throughout the meeting. She provided an example of partnering with Green Mountain Power to provide support to their efforts as an example of an effective public/private partnership. Ms. Biddle emphasized that the majority of the need is found in the low-income community, and as mentioned by other panelists, individuals on the lower end of the continuum needed the most amount of support with affordable housing and how that to find the correct information for efficiency upgrades that are also cost effective.

Ms. Biddle explained that NWWV lends to individuals who are typically seen as high-risk borrowers and could provide support for specific situations with reference to Ms. Sweaney’s comments about the need for financing help for the Town of Windsor’s situation in regard to the flood hazard area. Ms. Biddle commented on the principles of VEIC as also being instrumental to NWWV in their effort to inform and finance low-income families about how best to save money while also improving the efficiency of their homes.

The group discussed the importance of looking into Green Mountain Power’s retrofit program as a potential model for understanding the different needs when retrofitting an older building.

Ms. Pearce noted that NWWV is a good example of an organization that is lending to low-income individuals and families while also seeing a good rate of return. Ms. Pearce made reference to a PowerPoint presentation that was handed out to the group, to emphasize a previous funding source as provided by the Treasurer’s office to NWWV in a period for NWWV where funding was needed—Ms. Pearce and Ms. Biddle discussed this as a good model for future and potential invested funds.

8. Jim Merriam, Efficiency Vermont, Vermont Energy Investment Corporation:

Mr. Merriam gave an overview of Efficiency Vermont noting that since its founding EV has been a go-to source for consumers, businesses, and municipalities when seeking information about efficiency upgrades because EV does not push specific products but provides non-biased information.

Mr. Merriam discussed the efficient mobile home unit, while it is more expensive than a typical mobile home; it is designed to create energy savings, justifying the larger cost of the unit at the onset. Mr. Merriam mentioned the partnership with VHFA and Ms. Carpenter on this project specifically. Energy efficiency mobile homes

Mr. Merriam also noted that EV does a large volume of agricultural loans, and that there is more room for partnership in this field.

Mr. Merriam noted that there is a need for more funding for thermal efficiency upgrades for low and moderate-income range. There are some grants available on the low-income side. There are a large number of individuals who are lower-middle income and middle-income who have need for retrofits and funding for efficiency upgrades that is not being met and requires attention.

Mr. Merriam, noted that when EV is seeking outside capital, there is often a need for a transition fund, which would be a short-term plan, while they are seeking a larger funding source—currently this is a barrier. Also noted is that EV has an opportunity to offer large amounts of federal dollars, the issue is finding a collateral funding source.

Another barrier noted by Mr. Merriam is the elimination of information silos, in an effort to confuse customers less; a central source of information through the state would be helpful for individual to go to with questions about the reality of efficiency upgrades and in looking into financing for upgrades like thermal.

ITEM 3: Comments and Summary

The group discussed the importance setting up a source of centralized or coordinated information as had been referenced through the meeting. Ms. Pearce suggested the idea of a central source of information for consumer, borrowers, and organizations needs to continue to be developed.

Ms. Pearce thanked the group for appearing at the meeting, and mentioned the importance to set up the mentioned one-stop shop for information and the requirement to continue to be aware of the needs of the lowest income individuals who need the most assistance with affordable housing and efficiency upgrades. Ms. Pearce also noted the importance of creating an inventory of information to compile for distribution as well as issues brought up by the Windsor model of multi-faceted issues.

Ms. Pearce mentioned, in accordance with the bill passed by the previous session of the legislature, that up to \$1.7 million be allowed to go to energy finance and up to \$10 million be allowed to go to housing and energy combined efforts, along with other needs identified such as infrastructure improvements and investments in municipalities, as well as addressing the rising costs of higher education. These will be discussed in subsequent meetings.

Ms. Pearce mentioned that wastewater and infrastructure as well as other municipalities' related issues would be the focus of the next meeting on November 5th.

The Group discussed general aims of the committee and the January 2015 reporting deadline.

ITEM 4: Announcements, Adjournment and Accepting The Minutes

Ms. Pearce announced that the next meeting would take place from 9:00am—12:00pm on Wednesday November 5th to discuss infrastructure needs. The meeting will take place in the Governor's 4th floor conference room, 109 State Street, Montpelier, VT 05609.

On a motion from Ms. Pearce, seconded by Mr. Giroux, the Committee approved the 9/30/2014 minutes. (As noted in the minutes, although quorum was not met at the start of the meeting at 9:05am, by 9:15 am a quorum was fulfilled by committee members attendance).

On a motion by Ms. Pearce to adjourn the meeting, seconded by Ms. Carpenter, the meeting was adjourned at 11:50 AM.

Respectfully submitted,

Tim Lueders-Dumont
Executive Assistant to State Treasurer Beth Pearce