STAFF REPORT

Issue

Staff is requesting the IBank Board of Director’s (Board) approval of the Criteria, Priorities, and Guidelines for the Selection of Projects for IBank Financing under the California Lending for Energy and Environmental Needs Center (CLEEN Center) attached as Attachment A to this Staff Report (CLEEN Criteria). The CLEEN Criteria as attached includes IBank’s underwriting criteria and interest rate setting methodology for CLEEN Center projects.

Background

In 1994 the California Infrastructure and Economic Development Bank (IBank) was established to exercise its broad authority pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (IBank Act). IBank’s mission is to finance public infrastructure and private development projects that promote economic growth, protect and sustain the environment, support clean energy and efficiency, revitalize communities and enhance the quality of life for the people in California. California affirmed its support for climate change mitigation in 2006 by passing Assembly Bill 32, the California Global Warming Solutions Act (AB32). AB32 established California’s initial goals to reduce the State’s greenhouse gas emissions to 1990 levels by 2020 and to 80% below 1990 levels by 2050. This year Governor Jerry Brown established a much higher and more impactful goal beyond the State’s previous target by aiming for carbon dioxide output that is 40% lower than 1990 levels in the next 15 years (GHG Reduction Goals).

On September 23, 2014, the Board unanimously approved its Resolution No. 14-14, authorizing the establishment of the Clean Energy Finance Center (Center) at IBank and the creation of the Statewide Energy Efficiency Program (SWEEP) to be operated under the Center. In 2015, the Center was renamed the California Lending for Energy and Environmental Needs Center. IBank is poised to become an essential contributor in protecting California’s environment and vast natural resources by offering financing that helps achieve the State’s GHG Reduction Goals.
Analysis

The IBank Act provides that projects that receive direct financial assistance from IBank must comply with criteria, priorities, and guidelines adopted by the Board. The establishment of the CLEEN Center represented the first step by the Board to provide for financial assistance for CLEEN Center projects. Adoption of the CLEEN Criteria, including IBank’s underwriting criteria and interest rate methodology, as may be amended by the Board from time to time, completes the framework for offering financing assistance to eligible projects under the CLEEN Center. The initial CLEEN Center program will be the Statewide Energy Efficiency Program (SWEEP) for energy efficiency (EE) projects for California’s municipalities, universities, schools and hospitals (MUSH). SWEEP’s goals are to drive down the costs of EE projects and retrofits (EE Projects), leverage existing public programs, encourage private investment, earn investment returns for IBank, and partner with market intermediaries. Myriad projects qualify under SWEEP that provide improvements to new and existing facilities. IBank’s requirements under the CLEEN Criteria will narrow selection to EE Projects that utilize commercially proven technologies, are able to timely repay the financing obligations, and can properly evidence their energy efficiency benefits. SWEEP includes a special LED Street Lighting Program (LED Program) under SWEEP for MUSH entities as an energy efficiency strategy for the State.

The key strategies of the CLEEN Center for helping to achieve the State’s GHG Reduction Goals and enhancing market confidence in clean energy investing are to:

1. Target projects such as generation, distribution, transmission and storage of electrical energy, energy conservations measures, environmental mitigation measures, and water treatment and distribution;
2. Provide affordable financings to municipalities, universities, schools, and hospitals, including healthcare facilities generally for projects that reduce energy or water usage (conservation), provide clean energy additions, and achieve energy savings;
3. Offer established and innovative financing structures that manage risks and maximize attainment of the State’s GHG Reduction Goals; and
4. Consider best-practice protocols to provide a framework for technical analysis.

Direct financing of all CLEEN Projects for MUSH entities will be subject to the Credit Underwriting Guidelines and Procedures Exhibit A of the CLEEN Criteria, and the Interest Rate Setting Methodology set forth in the CLEEN Criteria and developed specifically for SWEEP and other CLEEN Center Programs directed at MUSH entities.

In no instance will IBank be a lender of last resort under any program under the CLEEN Center.
Public Comments

IBank posted the CLEEN Criteria on its home page at www.ibank.ca.gov on June 23, 2015 and invited the public to provide written comments to IBank’s Chief Credit Officer and General Counsel by July 31, 2015. IBank’s Chief Credit Officer and General Counsel did not receive any comments from the public regarding the CLEEN Criteria. The revisions reflected in the marked version of the CLEEN Criteria in Attachment B are the result of comments from the IBank Staff.

RECOMMENDATION

The Staff recommends that the Board approve Resolution 15-12 adopting the Criteria, Priorities, and Guidelines for the Selection of Projects for IBank Financing under the California Lending for Energy and Environmental Needs Center attached as Attachment A to this Staff Report.

Diane Cummings
Teveia Barnes

August 12, 2015
ATTACHMENT A

Criteria, Priorities and Guidelines for the Selection of Projects for IBank Financing under the California Lending for Energy and Environmental Needs Center
ATTACHMENT B

Redlined Version

Criteria, Priorities and Guidelines for the Selection of Projects for IBank Financing under the California Lending for Energy and Environmental Needs Center