Financing Resilience in Connecticut: Current Programs, National Models, and New Opportunities

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What We Need to Fund

Credit: USACE North Atlantic Coast Comprehensive Study
Resilience Financing in Connecticut

• Microgrids Grants and Green Bank Financing
• Clean Water Revolving Loan Funds
• Tax Increment Financing Districts
• Shore Up Connecticut
Model Programs

- Resilience Bonds
- Energy Savings Performance Contracts
- New Jersey Energy Resilience Bank
- Connecticut Green Bank C-PACE and R-PACE
- Property Assessed Resilience
Resilience Financing in Connecticut

CURRENT PROGRAMS
Microgrids Grants and Green Bank Financing

- CT DEEP provided $23 million in grants
- Partner with Green Bank
  - Generators, fuel cells, or any other type of electrical energy production source
  - Fuel tanks, piping, or fuel regulation equipment
  - Foundations
  - Excavation, trenching, paving
  - Mechanical equipment or piping
  - Thermal insulation
Clean Water Revolving Loan Funds

- Grants range from 20% to 50% of costs
- Loans are repaid 2% over 20 years
- FY15 Reserve for construction of resiliency projects for sea level rise $4M (20% grant/80% loan)
- FY15 Reserve for green infrastructure (20% grant/80% loan or 50% grant/50% loan)
- FY16 climate change assessment and evaluation of remedial actions
Tax Increment Financing Districts

- TIF districts capture the future net economic value increase from an investment through district-level taxes or fees to finance that investment.
- PA 15-57 established use of TIF districts in Connecticut for economic development projects.
Shore Up Connecticut

- 15 Year Term
- 2.75% interest rate (2.895% APR*)
- 1% origination fee
- Minimum $10,000 to maximum $300,000
- No monthly principal or interest payments for the first 12 months

*APR is based on Loan Amount of $125,000 - 168 payments of $897.29
Potential Resilience Financing in Connecticut

MODEL PROGRAMS
Resilience Bonds

• Modify the catastrophe bond structure to capture the future savings from a resilience project and lowered risk to investors of insurance payouts, then apply that performance value as a rebate for resilient infrastructure projects.
RESILIENCE BOND MODEL

Rebate
based on insurance savings

Resilient Infrastructure Project(s)

Reduced Premiums

INVESTORS

Risk Modeling of Change in Expected Loss

INVESTORS

Principal Coupon

Bond Proceeds

INVESTORS

Par Value

Investment Returns

COLLATERAL ACCOUNT

SPONSOR

Premium

Contingent Payment

SPONSOR

Risk Modeling of Change in Expected Loss

Collaborative

re:FOCUS PARTNERS
Energy Savings Performance Contracts

• Energy savings pays down the financing
New Jersey Energy Resilience Bank

• Funding for distributed energy resource technologies
• Grants and low-interest loans capitalized with federal disaster recovery dollars
• Can become self-sustaining after disaster dollars spent
• Waiver from small business rule due to broad public benefit of privately-owned utilities

Source: NJ.com
Connecticut Green Bank C-PACE*
Property Assessed Resiliency

Access to PRIVATE financing of mitigation measures with senior lien for qualified upgrades and repaid via a benefit assessment on the owner’s property tax

Requires legislative consent of municipality and existing mortgage lender

Savings from upgrades payback over loan period enforced by legal, financial and technical underwriting

* Commercial - Property Assessed Clean Energy
Breaking Barriers – Proposed R-PACE

- Proposed HB5563
  - Subordinates the lien for residential
  - Allows lenders to transfer payment obligation
  - Sidesteps FHFA’s prohibition of purchasing first-lien

- First PAR in the country?
- Allowable activities:
  - Flood and hurricane resistant construction retrofits
Resilience Outcomes

- Elevation
- Mitigation
- Retreat
- Jobs & Investments

Return on Investment

- Increased property value
- Insurance savings
- Reduced losses
- Reduced risk
- Property tax stability
- Catastrophe Bond Market
- Resilience Bond Market

Benefit Cost Analysis
Return on Resiliency
Lower Risk and Insurance Costs

Standards to mitigate flood and wind risk and reduce disaster recovery costs

Increase elevation and resiliency

Increase property value
- business continuity & community economic stability
Challenges

• Underinsured properties
• Providing resilience at the neighborhood scale
• Setting appropriate building codes
Federal Policy Motivating Action on Resilience

- FEMA’s Disaster Deductible concept
- States responsible for up front commitment of funds
- Resilience projects could be credit towards deductible
- Opportunity for resilience financing?
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