

NEW HAVEN CITY PLAN COMMISSION ADVISORY REPORT

RE: **ORDER OF THE NEW HAVEN BOARD OF ALDERS** authorizing the mayor of the City of New Haven to enter into a bridge loan agreement with the Connecticut Green Bank in order to finance the construction of a networked geothermal system

Submitted by: Steven Winter, Director, Office of Climate & Sustainability

REPORT: 1656-03
ADVICE: Approval

BACKGROUND:

As part of the Environmental Protection Agency's (EPA) Climate Pollution Reduction Grants Program: Implementation Grants General Competition (CPRG), the City of New Haven proposed to construct a networked geothermal system and to retrofit Union Station with a ground-source heat pump to serve as the station's primary source of heating and cooling. In addition to shifting Union Station away from on-site fossil fuel use, the proposed networked geothermal system would also provide geothermal capacity for space conditioning and domestic hot water to an estimated 1,000 units of new residential construction to be built across the street from the station at the new development planned by Elm City Communities.

Following a highly competitive nationwide request for proposals, the City's proposal to EPA was selected for funding through CPRG. A key criterion of the CPRG competition is that applicants make use of existing funding sources and incentives to complete projects. The City's proposal will receive \$9,471,615 in funding from EPA to pay for the portion of the project costs that would not be eligible for reimbursement through incentives available for geothermal projects from Energize CT and the Inflation Reduction Act (IRA). The City plans to utilize these incentives, in particular the IRA's domestic content and prevailing wage/apprenticeship provisions, to obtain reimbursement for the remaining costs, which are projected to total \$7,114,410.

The City is seeking authorization to obtain low-interest bridge financing from the Connecticut Green Bank for its portion of the project costs until it can obtain reimbursement. Through the Greenhouse Gas Reduction Fund, the Connecticut Green Bank is able to offer bridge loan financing at a 3% interest rate. The City anticipates needing a bridge loan with a 4 year term to complete the construction of the project, obtain reimbursement from Energize CT and the federal government, and repay the principal. In the event that project completion is delayed, the City has requested the option to extend the bridge loan on the same terms for up to 2 one year periods.

Interest only bridge financing from the Green Bank will allow the City to seek full reimbursement through the Inflation Reduction Act for its share of project costs. If the City were to utilize municipal bonds to pay for its share of project costs, its Inflation Reduction Act reimbursement would be reduced by 15% as tax-exempt bonds are not eligible for full reimbursement payments.

Bridge financing for this project has the potential to not only unlock substantial grant funding from EPA but also to catalyze the development of a networked geothermal system that offers a new model for affordable, clean heating and cooling. This system has the potential not only to serve Union Station and the transit-oriented development planned around this key transportation hub, but also to extend affordable, clean heating and cooling to the Hill neighborhood adjacent to Union Station and to create many strong job opportunities for New Haven residents.

PLANNING CONSIDERATIONS

The City of New Haven Comprehensive Plan **New Haven Vision 2025** states the following goals:

“Build the missing infrastructure for enhancing the existing bicycle/pedestrian network within the city and facilitate enhanced use of transit through the implementation of sustainable land use, housing, transportation, and economic development strategies to improve air quality.” (Sec. xxxiii)

“Preserve the quality of the natural environment by encouraging local businesses and industries to make energy-efficient structural, as well as, process-based improvements.” (Sec. xxix)

“Encourage energy conservation and green building designs in new/infill developments, including appropriate green buildings standards, use of green technologies, and careful site planning. Encourage low-impact development to that end by implementing a far-reaching energy program focused on the use of renewable power sources within new and existing housing in the city. Encourage more programs that help reduce energy costs in existing old housing stock.” (Sec. IV-15)

“The City will require a continued commitment to sustainable environmental policy and a systematic approach to energy efficiency and development of renewable energy resources to further improve air quality and ensure a high-quality environment.” (Sec. VII-17).

Authorization of the proposed bridge loan agreement would support New Haven’s push towards more sustainable energy infrastructure, which furthers the goals of the City’s Comprehensive plan.

ADVICE

Authorization of this agreement aligns with the City’s Comprehensive Plan and the State of Connecticut’s goals.

ADOPTED: September 25, 2024
Ernest Pagan
Acting Chair

ATTEST: _____
Laura Brown
Executive Director, City Plan Department