CITY OF NEW HAVEN

Justin Elicker, Mayor

OFFICE OF CLIMATE AND SUSTAINABILITY

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September 13th, 2024

Honorable Tyisha Walker-Myers
President, Board of Alders
City of New Haven
165 Church St
New Haven, CT 06510

RE: ORDER 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

Dear Honorable Tyisha Walker-Myers,

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.

Thank you for your consideration of this matter. If you have any questions or concerns, please feel free to contact me at (203) 946-8582.

Respectfully submitted,

Steven Winter

Executive Director