

Counting the 'Green'

PeoplesBank Puts Its Energies into Environmentally Friendly Business Ventures, Practices

By GEORGE O'BRIEN

Doug Bowen didn't actually use the term 'green banking' to describe the niche his institution is shaping in terms of environmentally friendly lending and internal business practices — but it essentially works for him.

That's perhaps the best way to categorize a multi-layered focus on the environment, helping to fund development of alternative energy sources, and broad conservation efforts at Holyoke-based PeoplesBank, a philosophy or "culture" (that's the term Bowen, the bank's president, and others used repeatedly) that is somewhat unique in this sector and manifests itself in a number of ways.

These include efforts such as recently approved loans for smaller-scale wind power projects in the Bay State; an ongoing business relationship, or partnership, with the Holyoke Gas & Electric Department to develop and expand hydro-electric facilities; lending to develop several brown-field, or contaminated, sites in the region; and even initiatives within the bank to reduce energy consumption, curb the use of paper, and other steps that fall under the category of 'going green.'

"The traditional measures of a community bank are asset size, branches, footprint, and lending power," said Bowen, noting that PeoplesBank is the largest such institution in the Pioneer Valley and thus leads in all those categories. "But we think it goes beyond that. We believe we have a responsibility to the region and its people to create a better place to live and a healthier place to live — and that's part of our philosophy and our mission."

Over the past several years,



Members of the 'green' team at PeoplesBank, from left, Xiaolei Hua, William Sullivan, Janice Mazzallo, Marian Poe-Heineman, and Doug Bowen.

the bank has developed working relationships with HG&E, for which it has provided funding to update hydroelectric equipment, and, more recently, with the Mass. Municipal Wholesale Electric Co. to develop a wind turbine project in the town of Princeton, just north of Worcester. These experiences and others have helped provide a level of expertise in this sector and both an understanding of the risks involved with such businesses and an appetite for accepting them.

"We showed a willingness to be creative when these borrowers presented us with alternative types of requests for financing alternative forms of energy," Bowen explained, noting that these additions to the portfolio, totaling roughly \$20 million, have provided a comfort level of sorts

for business ventures that some banks wouldn't be nearly as willing to touch.

This is especially true with regard to lending for development of brownfield sites, said William Sullivan, a vice president of commercial lending at PeoplesBank, who has roughly \$16 million in such loans within his book of business. These are usually complex deals that involve several regulating agencies and often take months if not years to finalize, he said, noting that these factors and others make most lending institutions quite wary of such transactions.

"But this is good business," he told *BusinessWest*, noting quickly that there are many more doable projects across the Valley for those willing to assume the risks. "It's good for the bank, it's good for those trying to develop these sites,

and it's also good for the communities involved, which can take properties that have been dormant for years and put them back to productive use."

Meanwhile, inside PeoplesBank, 'going green' is becoming a growing force within the corporate culture, an attitude that starts at the top, with Bowen, who became president last summer, but now pervades the company.

Evidence of this came several weeks ago, when the bank sent out a global E-mail seeking suggestions for how to reduce energy consumption and become more environmentally friendly.

Xiaolei (pronounced 'chalet') Hua, bank-wide project manager, and coordinator of the 'green' response initiative, said comments and suggestions came quickly and from every department of the bank.

"It was an overwhelming response," he said, "one that shows that people understand the importance of making the business more environmentally friendly, and are deeply committed to doing what it takes to get that done."

In this issue, *BusinessWest* looks at how PeoplesBank is giving new meaning to 'green' in an industry that has focused on another definition of that word.

Getting Wind of the Concept

"Scary."

That's the word Sullivan summoned as he talked about some of the brownfield sites for which the bank has provided financing for clean-up and planned future development.

He was referring to the actual

Staff Photo

accumulation of hazardous wastes on these properties and the challenge of removing them. "There was one site with a waste area 15 feet wide and 15 feet high; it wasn't easy, but now it's clean."

But he might as well have been referencing the degrees of difficulty and risk involved for the parties developing the sites — and for the institution weighing requests for financing to make such ventures reality.

"These are challenging projects ... the borrower needs to have a good team that understands the government programs and contracts," he said, adding that a number of players, from state and federal agencies to environmental clean-up firms and lawyers representing several different parties, must work together to make a contaminated site clean.

"A lot of banks may not want to invest the time it takes to work with these customers to get these deals done," said Sullivan, noting that PeoplesBank is often so inclined, because it takes the long view. "You need to have the insight into what the long-term picture is for the community."

Bowen agreed, noting that imagination, patience, and diligence are also key ingredients in this formula.

"You have to have creative thinking and willingness to put in lots of hard work to get these environmentally friendly initiatives off the ground," he told *BusinessWest*. "That's because there's a lot of work involved — more than in a conventional financing situation."

Creativity is the common denominator for the many aspects of what could be called a 'green' niche, or focus, at PeoplesBank, which now has more than \$1.5 billion in assets and nearly \$1 billion in deposits. This is not a recent phenomenon, said Bowen, but rather a specialty that is in some ways still in the

developmental stage.

It began with the HG&E and several alternative energy projects it has pursued over the years, said Marian Poe-Heineman, another vice president of commercial loans, who noted that the latest, in 2004, involved purchasing and upgrading several water wheels within Holyoke's extensive canal system used for generating hydroelectric power.

"They came to us with a need, and we had to find a way to structure that financing to meet that need," she said, noting that water power is not a proposition that would have interested most area banks.

Creative thinking also played a role with the bank's successful efforts to finance MWEC's latest development in Princeton.

There, the company's Mass. Municipal Light Department Wind Energy Cooperative, formed in conjunction with the Princeton Municipal Light Department, mapped out plans to build install two 1.5-megawatt turbines that would replace eight smaller turbines that were dismantled in 2004 after 20 years of operation. What the company needed, and received from PeoplesBank, was a \$6.5 million line of credit needed to keep its place in line with a German manufacturer neck-deep in orders for the equipment.

"Losing your place means running the risk of not getting your project off the ground," said Poe-Heineman. "So being able to their respond to their request quickly and get this transaction completed was a key part of the process."

Current Events

Hua told *BusinessWest* that the global E-mail seeking suggestions on making the company more 'green' went out in November, from Bowen, and that some responses started coming back within minutes, while others

took a few days, but were clearly the result of pooled thoughts involving teams or entire departments.

Some proposals were fairly simple — like placement of more recycling bins across the company's many facilities, providing PeoplesBank mugs to all employees to cut down on use of paper and Styrofoam cups, and removing all space heaters, which are dangerous and use large amounts of electricity — while others were more involved, such as creation of more environmentally friendly products and, overall, reduction of paper consumption in a business laden with forms and printed account statements.

"There was a really broad range of ideas and suggestions," said Hua. "And to date, we've had responses from 16 different departments. What's great is that a lot of departments did a team effort, with many members contributing ideas; that's important because it's going to take a lot of teamwork for this to succeed."

Steps already taken across the PeoplesBank organization, which includes corporate headquarters at 330 Whitney Ave., former corporate facilities in downtown Holyoke, and several branches spread across the region, include replacement of incandescent bulbs with more energy-efficient compact fluorescents and installation of more energy-efficient heating, venting, and air conditioning units. The request for new ideas was part of a broad effort to take initiatives to the next level, said Janice Mazzallo, senior vice president of Human Resources for the bank, and also imbed 'green' thinking into the company's culture.

"The way you achieve that is first with the support of senior management, and we have that," she explained, "but also with employees, because you can't be successful unless employees understand why this is important

to us and want to get behind it."

Referring to the bank's 'green' lending activities, but to the in-house initiatives as well, Bowen said there are costs involved, in terms of dollars, time, and personal capital. When asked if it was worthwhile, business-wise, to be focused on this niche, he gave a quick 'yes,' but said there are considerations beyond the bottom line.

"We think there's a corporate responsibility to do these types of projects, and to get contaminated properties back in active use, and thus create jobs," he explained. "For us, financially, it's worked out fine, but we also think it's the right thing to do for the people of this region; it improves quality of life here, and that creates more business for the bank."

Gang Green

As he talked about brown-field-remediation projects, some of which take years to plan and complete, Sullivan stressed how intimidating they can often appear — to both developers and the banks they turn to for financing.

"You have to approach them with an open mind because, when you first see some of these sites they can be scary," he said. "You look at them and say, 'oh my gosh, what are we doing here?'"

"And then, you look at the end result, and it just fortifies why we're here," he continued. "Just to see people working in a facility that was dormant for so long ... you can see the impact on the community, the positive change."

The same can be said for all the other 'green' initiatives being pursued by the bank, be they loans for wind power projects or simply changing light bulbs at the bank's offices. They're all powerful statements. ♦

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