



coalition for green capital

District of Columbia Green Bank Recommendations

*Summary of Report Recommendations
For the Department of Energy & Environment
Prepared by the Coalition for Green Capital*

February 16, 2017 - Stakeholder Briefing

Green Bank increases the flow of capital *and* generates demand to build self-sufficient market over time

Offer public capital that attracts private capital to produce more total investment

Make it easier for private capital to enter markets by incurring portions of transaction costs, including project sourcing, marketing, analysis, and convening

Focus on lowering energy costs, which isn't a primary goal for private capital

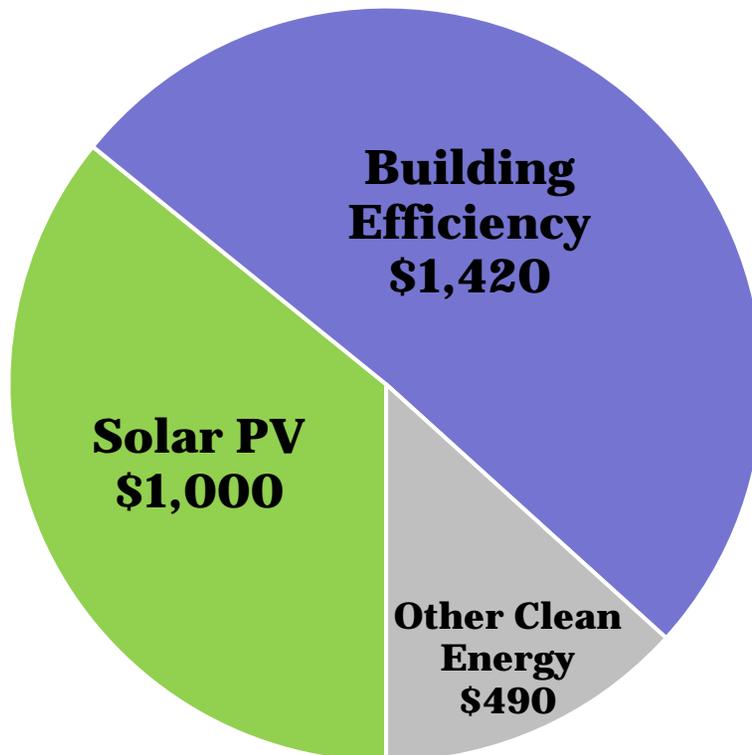
Add an institution that builds expertise in public funding for clean energy

Enable governments to simplify existing clean energy programs

Provide capital to perceived low return, but critical projects

Public capital alone cannot meet DC investment need, but not enough private capital flowing into market

DC Clean Energy Investment Opportunity (\$ millions)



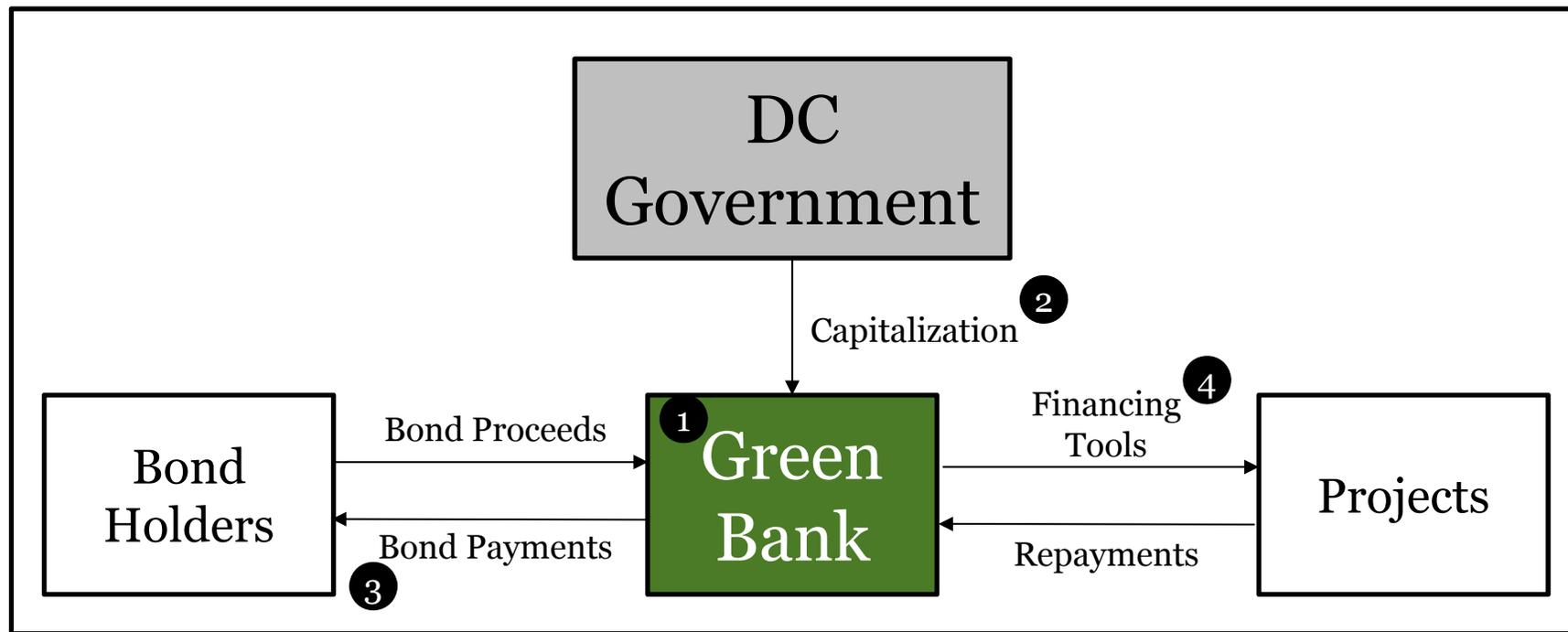
- Over \$1.4 billion of economically viable energy efficiency investments can be made in District buildings
- To meet solar RPS carve out, potentially \$1 billion or more must be in local solar
- Together, these two markets are prime target areas for a District Green Bank

Recommended structure for DC Green Bank is a new, quasi-public instrumentality

- **Quasi-public instrumentality sits between government & markets**
 - Link to District government ensures policy alignment
 - Because of its quasi-public status, institution can operate with greater flexibility and respond quickly to market needs
 - Salary flexibility likely enables easier hiring of banking professionals
- **Governed by dedicated Board of Directors**
 - Directors appointed by Mayor & approved by Council
 - Should include District Government members (e.g. Director of DOEE)
 - Responsible for accountability & oversight, ensuring transparency
- **Strong precedents in DC for quasi-public finance entities**
 - DCHFA is quasi-public, has District-appointed Directors, finances housing
 - Housing Production Trust Fund has a very similar financing model; funded by tax dollars; provides direct lending; like a revolving loan fund

To design DC Green Bank, must address four parameters that shape capabilities, funding, activities

- 1 Institution Creation & Oversight
- 2 Capitalization & Funding
- 3 Bonding Authority
- 4 Financing Activity



District should draw on all possible funds, prioritizing accessibility, predictability and flexibility of use

Funding Categories & Sources

- *Study identified a number of potential funding sources*
- *Includes presently available pools of dollars and new funding sources, on-going streams of capital*
- *Upfront capitalization gives Green Bank ability to have immediate market impact*
- *On-going stream, which can be capped, grows capital base as Green Bank ramps up institutional effectiveness*

Upfront Initial Capitalization

- Budget Appropriations
- District Appropriations
- Potential Federal Dollars
- Foundation Grants
- Current REDF Balance

Recurring Revenue Stream

- REDF Income

In addition to public capitalization, Green Bank should be given bonding authority to recapitalize Bank

Bonding Structures & Methods

Bond Issuance Structures

General Bonds

Project-Specific Bonds

Revenue Stream Bonds

PACE NCEF Bonds

Industrial Revenue Bonds

- *Green Bank should be authorized to issue bonds to increase and accelerate lending*
- *Bonds used to sell loans and recapitalize*
- *When mature, Green Bank can issue its own general obligation bonds to increase total lending capital*
- *Can be structured so that Bonds:*
 - *Do not impact DC debt cap*
 - *Have no recourse to DC Government*
 - *Do not violate Home Rule Act*
 - *Comply with Anti-Deficiency Act*

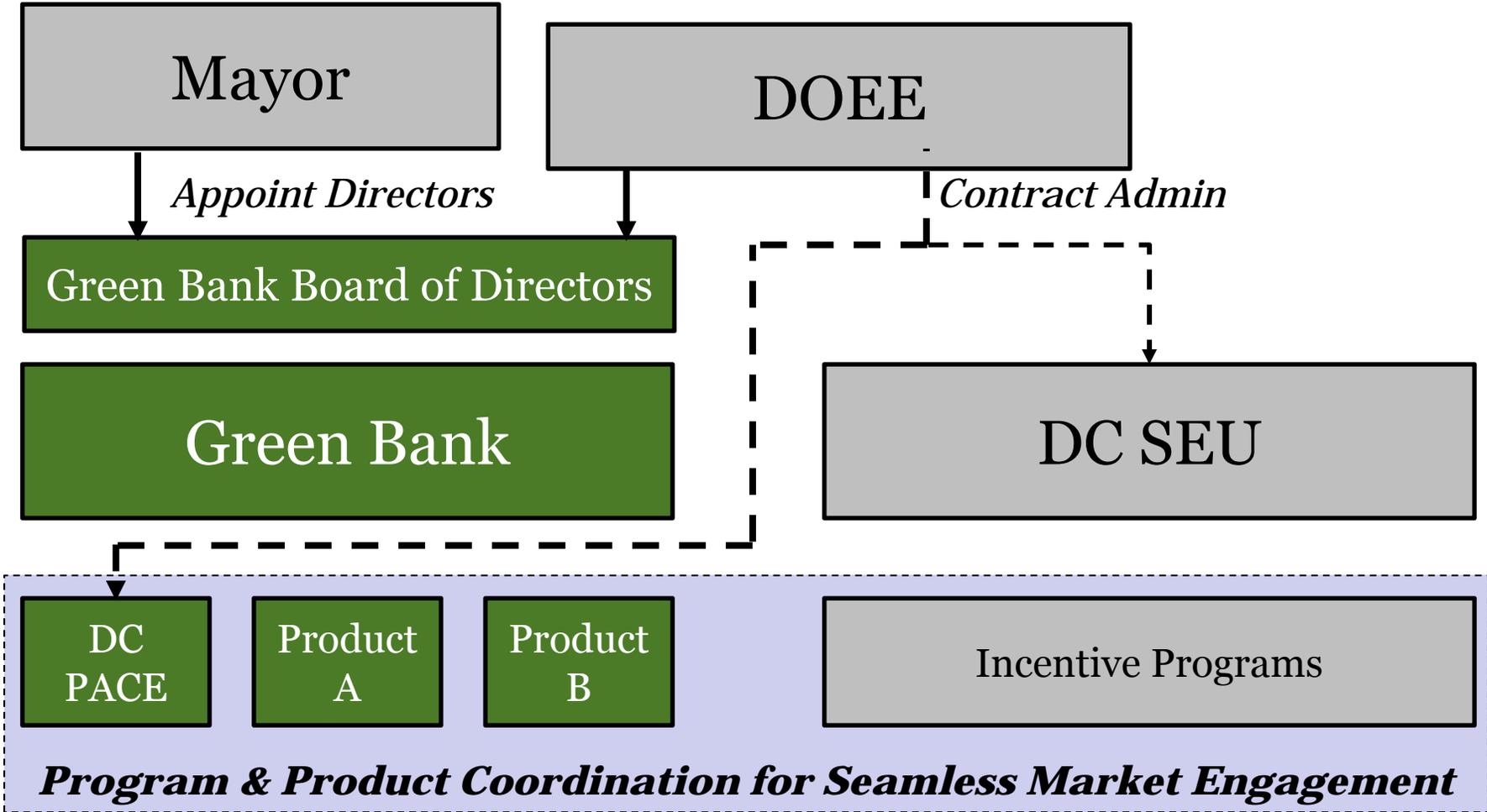
Once operating, Green Bank should offer portfolio of financing products for Solar and Energy Efficiency

- **Enhanced Commercial PACE** to accelerate usage
- **On-Bill Financing** to open market access to renters
- **Whole-home retrofit solution** with alternative underwriting
- **Loan Loss Reserve** to spark residential lending
- **Community Solar Solution** with rooftop aggregation
- **SREC Aggregation** & utility sale to overcome inefficiency

Those products must be delivered through robust market engagement to ensure demand

- **“Solarize”** to build demand with neighborhood engagement
- **Contractor training** to build channel partnerships
- **Technical assessments** to calculate savings for owners/lenders
- **Unified website** for all programs to eliminate market confusion
- **Marketing & advertising** campaign to build awareness

DOEE will need to help coordinate activities of GB and SEU to ensure alignment and efficiency



With this approach, DC Green Bank is a win-win-win for consumers, businesses, investors and government

Green Bank Benefits

- **Private Sector Leverage**
 - Financial tools designed to maximize the amount of private sector investment per public dollar used
- **Put Money Back in Citizens' Pockets**
 - Less funding needed to support public financing than public grants
 - Reduced energy bills with efficiency, renewables create monthly savings
- **Create Jobs & Economic Growth**
 - Clean energy financing enables demand for projects from contractors
 - Public private partnerships create investment opportunities for lenders
- **Efficient Government**
 - Provide loans to preserve public capital & do deeper efficiency projects
 - Work in coordination with other agencies to maximize program value

DC should create a quasi-public Green Bank, with public capital to finance clean energy

- The best structure for a DC Green Bank is a new **quasi-public institution**, with oversight from an appointed Board of Directors
- It should be capitalized with at least **\$50 million in public funds**, which can leverage at least \$250 million in private capital
- DC should use **a number of funding sources**, over time, including appropriation, REDF, and others
- **Legislation will be needed** to create the entity, and possibly regulations to access certain forms of funding
- The Green Bank will need to **hire dedicated staff**, borrowing some admin services from the DOEE at start-up
- Green Bank should offer a **portfolio of financing and market development solutions**, focused on rooftop and community solar, and energy and water efficiency