



Budget Oversight Hearing – Green Finance Authority Opening Statement

Introduction and Statement on Budget

Good Afternoon. I want to begin by thanking Chair Cheh, members and staff of the Committee on Transportation and the Environment, and members of the public watching and listening for the opportunity to appear before you today. I am Eli Hopson, CEO of the Green Finance Authority, better known as DC Green Bank. We welcome the opportunity to contribute to this year's budget oversight process, and I am pleased to represent our great team here today.

As I appear here today for DC Green Bank's budget oversight hearing, I want to call special attention to Mayor Bowser's FY22 "Fair Shot" Budget. As the old saying goes, a budget is a statement of values. And what values emerge when we look at the Mayor's budget? We see large investments in affordable housing, economic recovery for small businesses and residents, health, community safety, education, and, transportation and the environment, just to name a few. Specifically, we want to thank this committee and the mayor and staff for investing in a more sustainable future by funding the Green Bank, including our statutory level of \$17 million in the FY22 budget for DC Green Bank. We are also thrilled to be supporting an additional \$25M over three years to deliver construction loans to accelerate progress across the city to meet the Mayor's groundbreaking effort to tackle our city's #1 source of climate emissions – our buildings, known as the Building Energy Performance Standards, or BEPS. Through the benchmarking work from DOEE, more than 200 target properties in affordable housing and community serving buildings have been identified that the federal ARP dollars can help to support making the transition to cleaner, safer buildings, reducing costs for owners and residents in the process. In support of these budget priorities and values, the mayor has marshalled the city's resources, as well as federal recovery dollars, to put the District economy back on track and to ensure that Inclusive Prosperity remains at the heart of what we do as one District. Even as the city's vaccination rate continues to rise and we ease and remove pandemic-

related restrictions, we still have work to do to realize our collective vision of a thriving DC for all. We continue to provide access to capital, growing the clean economy with our investments to develop a more equitable, resilient, and sustainable DC.

As we consider the allocation of DC Green Bank's financial resources and our budget for the future, I want to pause briefly to reflect before sharing how we are ramping up to rapidly deploy our capital in the near term and setting the stage for long-term success.

Looking Back

As you know, DC Green Bank closed its first portfolio of solar deals during the second half of FY2020. Our investment of \$1.7 million in construction loans supported a nearly \$3.5 million solar portfolio that should generate over twelve hundred megawatt hours of solar energy annually on average, created 28 FTE construction jobs, and will reduce the energy burden for more than 300 LMI households across the District as part of the Solar for All Program managed by DC SEU. Since the last time we came before this committee we received exciting news – the construction loan that DC Green Bank provided to Flywheel Development for these projects has been repaid in full, the Flywheel team has closed a permanent loan with a commercial bank, with short-term credit support from DC Green Bank, and the solar systems have been switched on and are already delivering clean and renewable energy across the city to LMI residents. We are proud to have been part of helping these solar projects happen.

In addition to the repayment of last year's solar deal, just last month we announced the closing of a second deal with Flywheel Development as part of Solar for All 2021. This latest deal was a single \$1.7 million construction loan for the installation of \$3.2 million worth of solar projects at six condominium communities in Southeast Washington. Through this latest solar project, we anticipate that electricity bills will be cut in half for nearly 230 LMI District families and the installation will generate as much as \$2.3 million in energy savings over the next 15 years. As with last year's solar portfolio, the funds generated by these solar projects are helping to fund repair projects for the residents, including roof repairs and replacements, at the project sites. Lastly, this project will allow the District to avoid emitting nearly 1,000 tons of CO2 equivalent annually and create

19 FTE jobs during the construction phase, which is happening now, with targeted completion by the end of August. These projects will deliver renewable energy, green jobs, and move the District closer to our climate, energy, and resilience commitments.

We are excited to be able to demonstrate this level of impact in the early life of DC Green Bank and we are redoubling our efforts to ensure that our future is even brighter.

Looking Forward

As we look ahead to the near future, I would like to speak to you about our deal pipeline, how we are approaching BEPS, the transition of the DC PACE program, DC Green Bank governance, and provide an update on the development of our Capital Strategy.

Building on the success of the two solar deals above, we are moving forward on 5 promising deals in our near-term pipeline, totaling more than \$3.2 million in new DC Green Bank investments alone, supporting projects with a total value of \$17 million. These investments include predevelopment financings for affordable housing, a revolving loan facility to support installations of multiple stormwater infrastructure projects, and construction and permanent financing for solar installations. In addition to these five deals, we are also in conversations with potential borrower and lender partners related to more than 20 additional projects within our pipeline, representing the potential for more than \$50 million of additional green bank investment.

Beyond our near-term project pipeline, we are engaging with DOEE, DCSEU, and other government partners, as well as the private sector in anticipation of the financing needs for building owners to facilitate and accelerate BEPS compliance, ideally for multiple cycles. As noted above, the Mayor has recognized that affordable financing will be a critical piece of the puzzle in order for our building owners to meet and exceed these standards, and has put financial resources behind it. We are currently in discussions with government partners about how to effectively engage with building owners to provide clear and accurate information about BEPS as well as joint materials so that it is clear where owners should go for different types of support – information on BEPS and compliance pathways, rebates, connections to contractors, affordable finance, and beyond. We know

how critical it will be to the success of BEPS to establish clear avenues for building owners to move from where they are now to a cleaner, greener, and more sustainable future.

In addition to the resources allocated in the city's FY22 budget, the DC Green Bank team is in conversations with other public and private capital providers to crowd-in investment where we need it most; namely, BEPS, a green recovery for the District's small businesses and community institutions, and larger capital projects such as electrifying public transit fleets. Although we have some funds available to us to support these initiatives, the need far outweighs the resources at our disposal. Ultimately, both public and private capital will be indispensable partners to achieve these goals, and any additional financial resources that the city may identify in the future available for these purposes will be used to increase our impact and to showcase our city as a national leader in building a clean future, clean economy, and the workforce of the future.

Beyond the above investment approaches and outlook, we are also working with our colleagues at DOEE and Urban Ingenuity to transition the administration of the DC PACE program from DOEE to DC Green Bank. As you know, DC PACE is already an indispensable tool in the city's investment toolbox, and the utility of the program will only increase as owners move to comply with BEPS. The DC Green Bank team is committed to building on the successes the PACE program has already delivered and to amplifying the green benefits delivered through its investments. We will transition DC PACE administration by the end of this fiscal year.

A key component of ensuring a successful future for DC Green Bank operations is the leadership of our Board of Directors. We are fortunate to have highly qualified and committed board members who understand our mission and volunteer their time to help us build a clean future. For our most recent board meeting we were pleased to welcome Carmen Pigler as our newest board member, representing DC's OCFO. In addition, we understand that a candidate for a currently vacant voting seat, Deborah Loomis, had a strong public roundtable in front of this committee and will be up for consideration for final confirmation in the coming weeks. We look forward to the outcome of the Council's vote.

As we evaluate the current status of our board, we want to raise a couple of near-term challenges that we foresee that have the potential to disrupt DC Green Bank operations and the deployment of our capital. In addition to the vacant seats, two of our current board members' terms have already expired, and their holdover period is currently expected to end on September 28, barring additional action being taken. Although the potential confirmation of Ms. Loomis will provide us with one new board member, we may not be able to maintain a quorum after September 28 absent confirmation for the members whose terms are expiring or their replacements. We appreciate the Council's prompt attention to filling the vacant and expired seats, and welcome a conversation to discuss ways to ensure smooth Bank operations.

Lastly, I would like to provide the Council and the public with an update on the development of DC Green Bank's long term financial plan, our Capital Strategy. As I have outlined above, the mission and values of DC Green Bank will drive how we invest the public dollars we are entrusted to deploy. In turn, what we have learned in our first year of operation about the needs of the District is already impacting the development of our Capital Strategy. We will soon engage with an external partner to support our staff and Board of Directors to create a flexible and innovative strategy that embodies our core values of Sustainability, Clean Economy, and Inclusive Prosperity and is flexible enough to keep our investments on the leading edge of green and inclusive, mission-driven entities. Our Capital Strategy also has to be flexible to reflect changing fiscal environments, with potential significant funding opportunities available from public and private sources, such as the Clean Energy Accelerator, the US DOE Energy Loan Program, and private impact investors. We are on track to deliver our Capital Strategy by the end of this year, and it will be featured in our public annual report to be published in December. We look forward to sharing that document with you upon approval by our Board of Directors in the coming months.

Conclusion

In conclusion, we are excited about the work we have done and the bright future ahead for DC Green Bank. The additional resources allocated by the Mayor and the City Council for FY22 will support large investments to tackle global warming emissions, particularly from buildings across the District, and cement DC's role as

a national leader on Building Energy Performance Standards. In addition, I want to reiterate the amount of structural progress we have made, and the value of the experience our team has achieved over the last year-and how as a result we are poised to accelerate the amount of capital we deploy in support of projects that benefit all residents of the District. We appreciate the Council's ongoing support to ensure that DC Green Bank has the resources we need to not only fund projects within our pipeline but also to send a clear signal to the private sector that we are in a strong capital position, additional resources are available to the bank when needed, and that we have the financial independence necessary to be a strong, long-term partner as we work together to build a clean, inclusive economy and a sustainable future for all.

Thank you again for the opportunity to appear before the committee and I look forward to answering your questions.