



Board of Directors

REGULAR MEETING OF THE BOARD / 12.7.21



Agenda

Reporting and Updates

- I. Operations Update

Stakeholder Engagement

- I. Stakeholder Outreach and Connections

Financial Update

- I. Q4 Financials

Project Updates

- I. Deal Updates and Closings: Pre-Development Loan
- II. Project Origination Update

Reporting and Updates



Operations Update

Additional Updates

Human Resources

- Annual performance evaluation process
- Hired three interns for Fall 2021 semester (HR, Communications, Investment)
- Senior Loan Officer (Green Buildings & PACE) recruiting
- General Counsel recruiting

General Operations

- IT contract with Thelan
- Asset Management contract with T-Rex
- PACE transition with Urban Ingenuity and DOEE complete
- Continued work with DOEE, DCSEU, and The Innovation Hub on BEPS Accelerator

Stakeholder Engagement



Stakeholder Outreach and Connections

Engagement With Our Audiences

DCGB staff have been busy in October, November, and December. Our focus remains on getting our messages out to contractors, vendors, private capital providers, government partners, public interest groups, and the general public.

- Deal Closing Press Releases, with Commercial Observer, Urban Turf, Washington Business Journal, and DC CRE News Articles
- DC Environmental Network meeting
- District of Columbia's Clean Energy Summit hosted by DC Public Service Commission
- Energy Efficiency Day
- DCGB Blog – Importance of Green Finance for the District
- COP26
- DC Baptist Convention
- Tree Planting with Green Compass
- BEPS Accelerator Meetings and Soft Launch
- HAND Meeting on Accelerator
- Ribbon Cutting at Fairfax Villages
- Upcoming: Audubon Naturalist Society
- Upcoming: DC Climate Commission
- Upcoming: Council Resilience Roundtable

Financial Update



Financial Update

Summary of Q4 Financials

Statement of Financial Summary

- Total Assets: \$41,274,800
- Total Liabilities: \$(584,160)
- Total Net Position: \$40,690,642

Statement of Activities - Consolidated

- Total Operating Revenue: \$100,208
- Change in Net Assets: (\$3,309,358)
- Loss Before Transfer (\$2,796,440)
- Net Position Ending: \$40,690,642

Cash Balance

- Total Cash and Cash Equivalents: \$32,306,288

Project Updates



Faircliff Plaza East

Deal Closing: Pre-Development Loan

We are pleased to announce that our pre-development loan deal with Jonathan Rose Companies and Somerset Development has closed:

- Total facility size: \$1,850,000 pre-development loan
- Projected project impacts:
 - 50%+ increase in affordable units – from 80 to 125 – through redevelopment and new construction
 - LEED Platinum and PHIUS+ certifications
 - 67kW of solar capacity
 - 73-80 MWh of annual solar production
 - 10 electric vehicle charging stations
 - Net-zero energy operational carbon
- Wards impacted: Ward 1



Project Origination Update

DC Green Bank is in the Market

By engaging with small and large developers, financing partners, nonprofits, and other partner organizations, the DC Green Bank team has made significant progress in deal origination.

26

Active leads across our
priority sectors

900

Million dollars of
potential overall
financing identified

80

Million dollars of
potential DC Green Bank
financing for identified
opportunities

Project Origination Update

Near-Term Project Leads

The DCGB team is advancing on several upcoming transactions that have either recently been approved or are up for Board approval and are likely to close within the coming months. See below updates from Sep 2021 Board meeting (pg. 1 of 2)

Transaction	Stage
Predevelopment loan for 125-unit affordable housing retrofit in Ward 1	Loan closed in November
Permanent loan takeout facility for Solar for All projects as a participation with a community bank, led by a local woman-owned developer	Final negotiations; pending agreement with co-lender.
Pre-development loan to support green building and sustainable design upgrades for new construction of mixed use/affordable housing sites led by minority-owned developer	One loan closed in Aug (Medici Road), with potential follow-on financing
2MW solar portfolio construction financing in partnership with local university and minority-owned developer	Credit / technical underwriting
7MW residential solar permanent facility with large DC-based developer, supporting new solar in 1,000+ DC homes	On Hold pending alignment with new residential solar installer
947kW zero-cent PPA projects benefiting local non-profits and hospitals plus revolving credit line for development of 1MW+ new projects	Documentation drafting and negotiations

Project Origination Update

Near-Term Project Leads

See below updates from Sep 2021 Board meeting (pg. 2 of 2). The current pipeline of recently approved or up-for-approval deals would lead to more than **\$23 million** in DCGB financing and **\$79 million** total investment once closed.

Transaction	Stage
1MW carport and residential solar projects concentrated in Ward 7	Dropped due to developer seeking other source of financing
Loan pool with bank partner to finance small business and property clean energy improvements	Credit underwriting; terms negotiation
Credit enhancement with credit union to support affordable clean energy improvements for DC homeowners	Coordination with other finance partners on administration
Credit enhancement for energy services company to finance green improvements for building owners to meet BEPS compliance	Credit underwriting; terms negotiation
Loan pool with community development finance institution (CDFI) to provide joint financing for community-serving organizations and small businesses seeking green building improvements	Credit underwriting; terms negotiation
Navigator predevelopment transaction for 27-unit affordable housing development in Ward 5	Documentation drafting and negotiation
NEW: Aggregation of stormwater retention projects (commercial and residential) to retain 220,000 gallons+ per storm event in the MS4	Terms negotiation; credit underwriting



Thank You.

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Strategic Business and Financial Plan

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- Mission and Strategic Objectives
- Business Plan
- Financial Plan

Mission

To provide access to capital, growing the clean economy to develop a more equitable, resilient, and sustainable DC

STRATEGIC OBJECTIVES

- Deploy capital efficiently across targeted investment sectors:
 - Solar Power and Energy Storage
 - Green Buildings and Affordable Housing
 - Environmental Infrastructure and Stormwater Resiliency
 - Clean Transport
- Mobilize private capital sources through strategic partnerships to leverage investment opportunities:
 - Institutional Capital (private investors)
 - Not-for-Profit Investment Funds
 - Community Development Financial Institutions (CDFIs)
 - Local Community Banks and Credit Unions
- Secure additional federal and foundation funding sources in addition to the District of Columbia's strong funding commitment
- Establish sector-specific investment programs to broaden reach especially in low-moderate income and disadvantaged communities
- Collaborate with public agencies (DC Housing, DC Water, WMATA) for investment synergies and potential funding
- Maximize environmental and economic impact while measuring progress toward adopted performance targets

Business Plan

Strategic Partnerships

Product Offerings

Credit Approval Process

Solar and Energy Storage

Buildings and Housing

Stormwater

Transport

- Large Institutional Capital
 - Develop large-scale aggregation and regional sustainable infrastructure opportunities with Generate Capital, DOE Loan Programs Office (LPO), and Clean Energy Sustainability Accelerator (e.g. EV/charging, data centers, corporate renewable offtake, virtual power plants, etc.)
- Not-for-Profit Investment Funds
 - Expand existing partnership with Inclusive Prosperity Capital (IPC) and other not-for-profit investment funds for Navigator product to include construction and longer-term permanent financing
- Community Development Financial Institutions (CDFIs)
 - Leverage existing relationship with Virginia Community Capital (VCC) to replicate permanent financing participation for Solar-for All/Flywheel Development
 - Broaden partnership with Local Initiatives Support Corporation (LISC), Capital Impact Partners, and City First Enterprises to increase penetration in affordable housing projects
- Commercial PACE Lenders
 - Develop relations with national commercial PACE lenders such as Greenworks Lending (formerly part of CT Green Bank) and Bayview Asset Management (former NYCEEC Co-CEO)
- Regional and Local Community Banks/Credit Unions/Green Banks
 - Leverage new DC PACE administrator role to partner with existing lenders for potential non-PACE commercial loans
 - Launch Clean Energy Advantage program with Maryland Clean Energy Center and Montgomery County Green Bank for direct residential offering
- Public Agencies: DC Housing, DC Water, WMATA

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- Selectively deploy Navigator and credit enhancement products and price relative to credit risk exposure, acknowledging that these will be “Loss Leader” products
- Increase participation in interim and permanent financings for CLEER commercial energy efficiency program and facilitate potential take-out financings through DC PACE
 - Align CLEER and DC PACE products as part of Building Energy Performance Standards (BEPS) implementation
 - Bundle solar with energy efficiency for commercial building owners
- Establish and market DCGB tax-exempt revenue bond program for private, not-for-profit institutions
 - Position and market program to complement the District’s existing tax-exempt revenue bond program specifically for green and sustainable (e.g. LEED-certified) projects
 - Cost of issuance expenses (i.e. legal, underwriting, trustee, etc.) would be financed and paid by borrowers through bond issue
 - Recurring annual administrative fees from program would support DCGB operations

Business Plan

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- Streamline internal credit review and approval process in order to facilitate aggressive capital deployment targets
- Develop credit underwriting criteria to manage risk while maximizing interest margin on loan portfolio
 - Work with CDFIs and local banks to standardize underwriting criteria across different loan products
- Establish staff-level credit review committee to ensure compliance with underwriting criteria and risk/return metrics
- Increase internal staff resources as needed to grow loan portfolio
 - Sourcing, Marketing, Origination
 - Deal Negotiation, Structuring, Pricing and Execution
 - Internal Credit Due Diligence and Approval
 - Legal Documentation (Internal and External Counsel)
 - Deal Closing, Funding, Administration and Monitoring

Business Plan

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Buildings and Housing
Stormwater
Transport

- Leverage recent success with Solar for All / Flywheel Development construction and permanent financings
- Drive construction financing for community solar projects while collaborating with private lenders on participation in permanent financing
- Utilize subordinate position and/or longer tenors to stimulate private capital and increase leverage
- Provide pre-construction revolvers to creditworthy sponsors and/or where there is asset collateral available to securitize
- In addition to Clean Energy Advantage LLR, evaluate establishing a direct Residential Solar and Energy Efficiency Investment Program (similar to NY and CT) to accelerate the District's Solar-for-All targets
 - Approved contractors to serve as salesforce and accept applications
 - Contracted third-party loan originators to review and approve applications based on established criteria
 - Warehouse facility established for funding loans with DCGB funds
 - Contracted loan servicers to handle billing, payments and reporting
- Consider long-term SREC contracting/hedging to be able to offer competitive long-term financing for projects
- Ramp-up on-site solar and storage through District-wide corporate renewable offtake program

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- Market green building predevelopment incentive financing after closing Faircliff Plaza East transaction
- Collaborate with DCSEU/VEIC to target building owners receiving assistance for energy audits and assessments
- Increase BEPS-related capital deployment with additional federal funding utilizing the new Energy Efficiency Revolving Loan Fund Program
- Engage with virtual power plant operators on potential investment in DC commercial and/or residential buildings – potential for LPO financing
- Tailor CLEER and Clean Energy Advantage programs to potentially bundle solar and energy efficiency
- Explore strategic partnerships to target LMI multi-family housing projects
 - Example: Recently announced Franklin Energy/Energy Infrastructure Partners (EIP) joint venture
 - Franklin Energy CEO is the former CEO of VEIC which serves as DCSEU
- Maintain pricing flexibility to compete with building owners' other financing options
 - May require additional incentives for large building owners with existing mortgage bank relationships

Business Plan

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- Leverage recent success with Green Compass stormwater management revolving line of credit
- Design long-term financing product for aggregation of SRCs in coordination with major stormwater retention market aggregator
- Coordinate with DOEE on potential additional source of funding for stormwater projects through Environmental Impact Bond
- Partner with DOEE to launch portal for stormwater green infrastructure project aggregators to submit qualifying projects for replicable financing product
- Collaborate with DC Water to review overall stormwater and resiliency capital plans and identify smaller projects for DCGB to target (e.g., rooftop gardens, porous paving, sidewalk gardens)
- Review the District's Intended Use Plan for Safe Drinking Water Act funds to evaluate feasibility of financing certain lower-ranked projects
 - Establish parameters for DCGB to finance any "green projects" mandated by the EPA
- Promote the creation of a DC Environmental Infrastructure Fund (EIF) to receive funds, including federal funds, for environmental infrastructure investments targeted to vulnerable communities

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- Consider potential financings to charging infrastructure/clean transport companies working in affordable housing developments and/or under-served communities
- Work with District and regional stakeholders on multimodal charging infrastructure stations in coordination with fleet owners, property owners, and neighboring communities
- Collaborate with WMATA to determine opportunities to partner on any EV charging projects within the District and electric fleet procurement in the DC metro area
- Review WMATA's Energy Action Plan to identify potential energy efficiency investments as part of its sustainability and environmental initiatives
- Engage with District universities, hospitals, and other campuses on potential shuttle fleet transition

Financial Plan

Funding Sources

Sector Allocation

Capital Deployment

Loan Portfolio

Financial Sustainability

- Capital deployment plan will be based on expected DC cash funding through FY2025 *and* additional funding sources:
 - Renewal Energy Development Fund (REDF) (Solar only)
 - Sustainable Energy Trust Fund (SETF)

Expected District Funding (\$ Thousands)*							
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	Total
REDF	\$14,000	\$3,000	\$7,000	\$7,000	\$4,000	\$ -	\$35,000
SETF	5,000	15,000	17,000	10,000	10,000	13,000	70,000
Total	\$19,000	\$18,000	\$24,000	\$17,000	\$14,000	\$13,000	\$105,000

- Additional public and private funding sources will be required to increase investment capacity and achieve financial sustainability:
 - Federal grants
 - Private foundation grants or loans
 - Capital raising through public debt markets
 - DC public agency financing and guarantees

*Does not include ARPA funds estimated to be about \$25 million for specific use in affordable housing Building Energy Performance Standards programs

Financial Plan

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Financial Sustainability

➤ Federal Grants

- DCGB will need to aggressively pursue federal funding in conjunction with the District of Columbia and target receipt beginning in FY22 or FY23
- For example, the Infrastructure Investment and Jobs Act (H.R. 3684) was signed into law on November 15, 2021, which includes significant funding for clean energy and energy efficiency
- H.R. 3684 establishes the Energy Efficiency Revolving Loan Fund Capitalization Grant Program
 - ❑ \$250 million to be appropriated for FY2022
 - ❑ Maximum amount per State is \$15 million
 - ❑ Funds may be used to provide loans/grants for: 1) commercial energy audits; 2) residential energy audits; 3) energy upgrades and retrofits of building infrastructure and systems

➤ Foundation Grants and Loans

- Target a minimum of \$10 million of private foundation funding by FY2024
- Initiate preliminary outreach to assess investment priorities and mission synergies
- Appetite and timing of funding will be driven by DCGB's ability to consistently originate loans under specific programs (e.g., BEPS, affordable housing, LMI residential solar, etc.)

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Financial Sustainability

➤ Public Debt Markets

- Methodically position DCGB to access the public debt markets to recycle portions of its long-term permanent loan portfolio
- Target at least 50% of annual capital deployment for long-term permanent loans which would be pledged as collateral in addition to any other dedicated revenue sources and/or guarantees
- Tax-exempt revenue bond program on behalf of not-for-profit institutions to access private capital and introduce and position DCGB as a bond issuer
- Develop standardized loan terms and documentation to facilitate credit review process for rating agencies and credit enhancement providers
- Build critical mass of permanent loans (mostly solar and green buildings) to enable DCGB to issue bonds by FY2025-FY2026
- Procure legal and financial service providers, including bond counsel, disclosure counsel, independent registered municipal advisor (IRMA) and trustee, to begin structuring and documentation process
- Pledged loans could remain on DCGB's balance sheet with payments flowing to the trustee in lieu of an "off balance sheet" securitization structure
- Current financial forecast includes a \$28.5 million bond issue in FY2025 with pledged permanent loans totaling approximately \$30.5 million providing 1.20 times debt service coverage

Financial Plan

Funding Sources

Sector Allocation

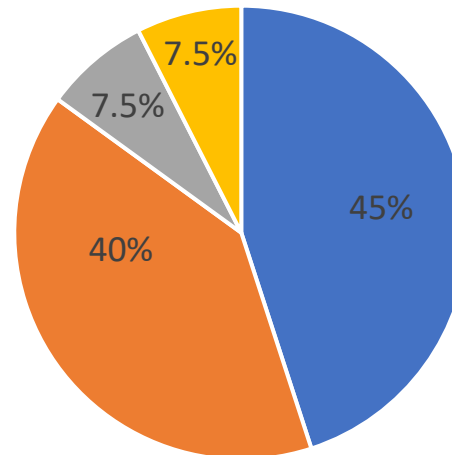
Capital Deployment

Loan Portfolio

Financial Sustainability

- Capital deployment allocation across investment sectors based on funding restrictions and market demand
- Maintain flexibility to adjust sector allocation periodically based on market feedback, competitive environment, mission goals, etc.

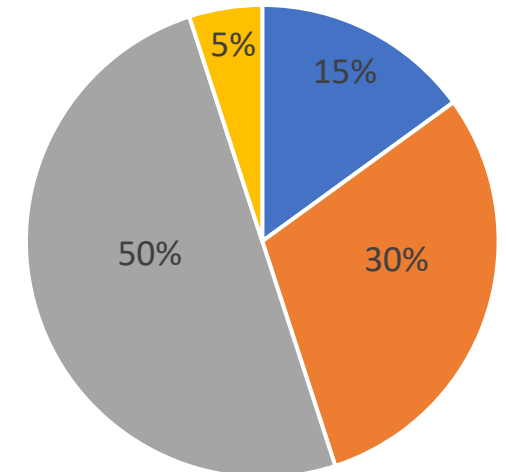
**Target Allocation
By Sector**



- Solar*
- Green Buildings
- Stormwater
- Transport

*includes Energy Storage

**Target Allocation
By Loan/Product Mix**

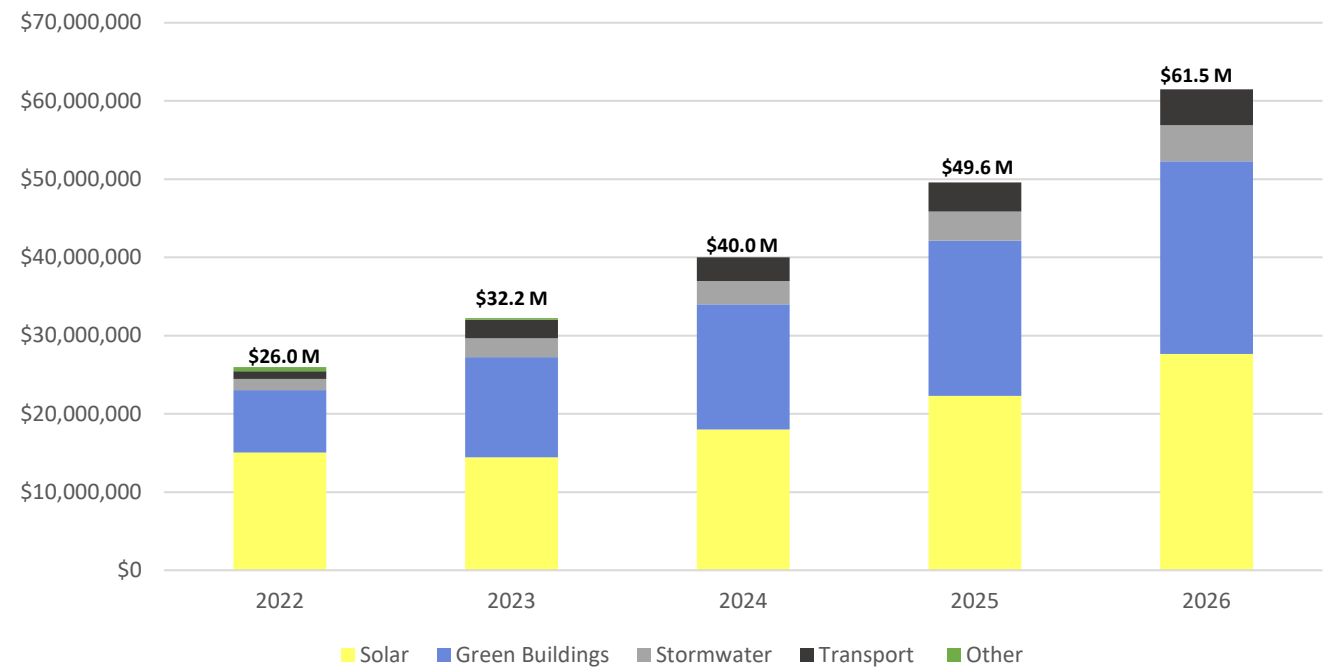


- Pre-Construction Loan (1-Year)
- Construction (1-2 Years)
- Permanent Financing (up to 10 Years)
- Credit Enhancement/Loan Loss Reserve

Financial Plan

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Financial Sustainability

- Annual capital deployment targets established to achieve financial sustainability by FY2026 and maintain sufficient liquidity
- Capital deployment targets during FY2022-FY2026 would total approximately \$209 million across all investment sectors and loan products including existing DCGB pipeline for FY2022

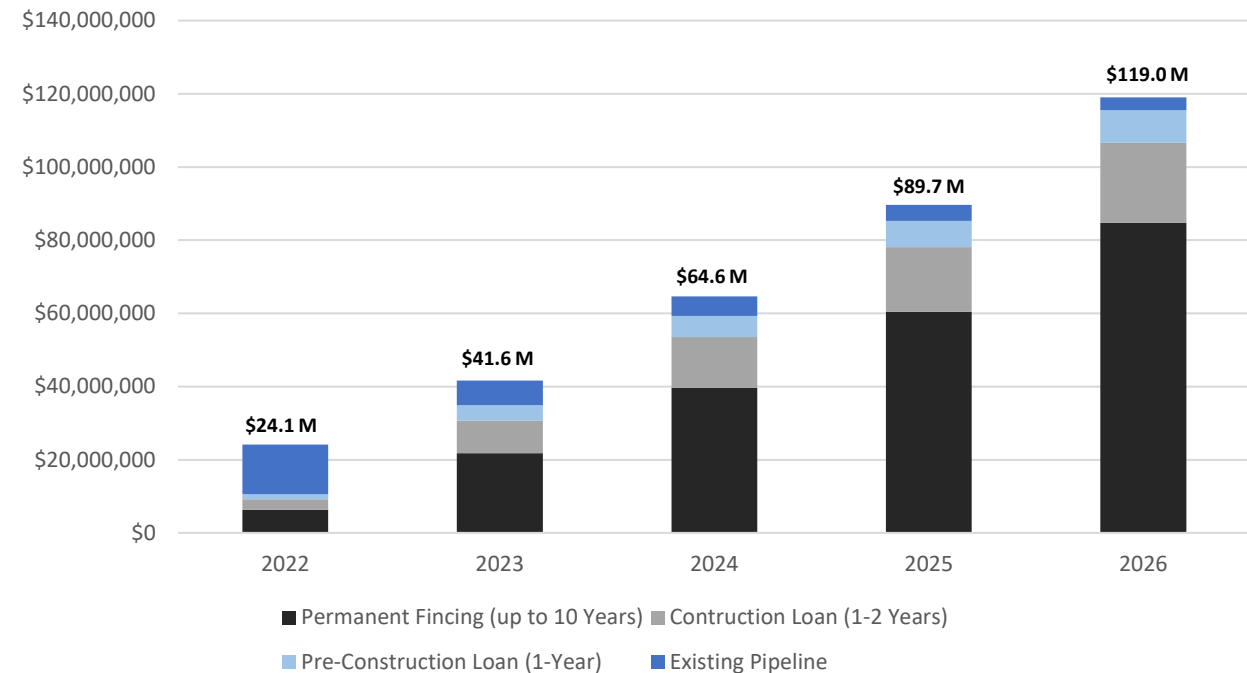


Note: Deployments refer to disbursed capital assumed to be delayed on average by 3 months after commitment/signing.

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- Target consistent loan portfolio growth to exceed \$100 million of total loans on balance sheet by FY2026 to achieve financial sustainability
- Growth in permanent loan portfolio would position DCGB for potential recycling through public debt markets in FY2025-2026



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Financial Sustainability

- Financial forecast reflects disbursements of DCGB's existing deal pipeline in FY2022 and target capital deployment FY2022-2026
- Capital deployment plan, including additional funding sources, would result in breakeven operations by FY2026

Financial Forecast					
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Operating Revenues					
Loan Interest	\$ 579,819	\$ 1,695,403	\$ 2,966,643	\$ 4,268,074	\$ 5,730,258
Origination Fees	255,044	306,047	380,000	471,200	584,250
Credit Enhancement Fees	6,359	16,009	20,000	24,800	30,750
Total Operating Revenues	\$ 841,221	\$ 2,017,460	\$ 3,366,643	\$ 4,764,074	\$ 6,345,258
Total Operating Expenses	5,010,149	5,361,438	5,468,667	5,578,040	5,689,601
Non-Operating Revenue (Expenses)	31,047	28,087	37,672	34,630	(570,100)
Profit (Loss) Before Transfer	\$ (4,137,881)	\$ (3,315,891)	\$ (2,064,352)	\$ (779,336)	\$ 132,827

Cash Forecast					
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Beginning Cash Balance	\$ 31,046,908	\$ 28,087,004	\$ 37,671,860	\$ 34,630,369	\$ 47,269,376
Profit (Loss) Before Transfers	(4,137,881)	(3,315,891)	(2,064,352)	(779,336)	132,827
Net Sources (Uses) of Capital Funds	1,177,977	12,900,747	(977,139)	13,418,343	(35,290,836)
Ending Cash Balance*	\$ 28,087,004	\$ 37,671,860	\$ 34,630,369	\$ 47,269,376	\$ 12,111,367

*Cash balances are based on total District funding of \$35 million (REDF) through FY2024 and \$70 million (SETF) through FY2025 plus additional funding sources