

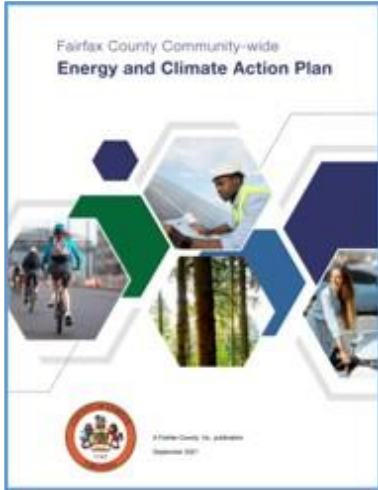


**Toward a Fairfax County Green Bank**  
Informational Update and Recommendation  
Board of Supervisors Environmental Committee

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Office of Environmental and Energy Coordination

July 26, 2022

# Background



- Community Energy & Climate Action Plan (CECAP) accepted in September 2021; carbon neutral community by 2050.
- Achieving that ambitious goal requires substantial investments by the private sector in energy efficiency, renewable energy, and electrification.
- The “green bank” model is emerging nationwide to stimulate private sector investments in energy efficiency & renewable energy at the local or state level. “Green bank” is shorthand for a ‘clean energy financing entity’ that acts as a program sponsor, trusted advisor, and clearinghouse of information.

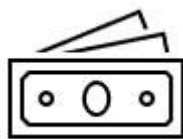


## Background (cont'd)

- April 2021 – BOS designated \$300,000 for a feasibility study of a Fairfax Green Bank. OEEC, Finance, OCA, DEI worked with consultant ICF on that work; results of that work are the subject of this meeting.
- Scope of work included:
  - ✓ Market assessment of the potential in Fairfax for EE, RE, and EV projects,
  - ✓ Stakeholder engagement for gap analysis – what works, what doesn't work, what is needed to create strong increase in EE / RE / EV investments?
  - ✓ What kind of legal and organizational structure is most advisable in VA?

# Green Bank Study Results

- The market opportunity for EE, RE, and EV in Fairfax County is substantial – “achievable potential” of ~\$650 million of investments over first five years focused on residential EE, residential and commercial RE, and private fleet electrification.
- There are no legal impediments to creation of a Fairfax Green Bank. The recommended model is a County-created 501(c)(3) / 509(a)(3), with a majority of Directors appointed by the County, with capability for issuing bonds as a “63-20 corporation”.



# Extensive Stakeholder Engagement



← Other 'Green Bank' entities

← Service Providers

← State and Local Agencies

← Lenders

← Other Stakeholders

# What Would a Fairfax Green Bank Do?

Gaps and Barriers	Opportunities
<ul style="list-style-type: none"> <li>• Large upfront costs and project prioritization</li> <li>• Technical and financial uncertainty</li> <li>• Misaligned financial incentives</li> <li>• Contractor constraints</li> <li>• Creditworthiness</li> </ul>	<ul style="list-style-type: none"> <li>• Contractor Pre-qualification</li> <li>• Marketing and Promotion Assistance</li> <li>• Focus on Low- and Moderate-Income Marketplace</li> <li>• Focus on Multifamily Residential and Retail Commercial Marketplace</li> </ul>

Serve as a one-stop shop for clean energy programs in the community.

Staff recommend an emphasis on enabling participation for low- and moderate-income homeowners and renters, many of whom have barriers to participation in traditional lending.

## What Would a Fairfax Green Bank Do? (cont'd)

### *Examples:*

- Offer cash incentives to LMI and/or market rate households and small commercial businesses for rooftop solar systems, with Fairfax County receiving the RECs generated by those systems in exchange, thereby advancing Operational Energy Strategy goals as well.
- Encourage energy retrofits in all types of homes for efficiency and comfort, braiding together funding from Federal and utility programs with private lenders. Vendors would be vetted by the green bank.
- Provide technical assistance and access to funding for conversion of private vehicle fleets to electric alternatives.



## Why a 501 (c)(3)?

- Not subject to income taxation and can accept tax-deductible charitable contributions from corporations, individuals, and foundations. Can make loans or investments at below market rates or with more favorable terms than bank loans or private investments.
- The 509(a)(3) subclass could qualify to issue tax-exempt bonds.
- A nonprofit corporation could be structured to include neighboring jurisdictions at a later date. +
- The County would establish a board of directors to oversee the new organization; the board could include County officials. Other appointed board members would bring banking, programmatic, and energy expertise and connections to other parts of the community.



# Green Bank Study Results: What it Takes to Launch

	Lean Approach	Growth Approach	External Capital Approach
<b>Example Organization</b>	n/a	Montgomery County Green Bank	Energize Delaware (DESEU)
<b>Initial Funding</b>	Less than \$3 Million	\$3 to \$15 Million	Over \$20 Million
<b>Ongoing Funding Sources</b>	County-provided operational funds and some lead generation revenue	County-provided funds, partner direct investments over time, state, or federal funding	Some local funds, but primarily external including RGGI, state, federal, and market sources
<b>Staffing Approach</b>	1-2 Positions Would need an active and engaged board to support some functions	3-10 Positions Strong organizational leadership needed, but the organization would have some redundancy for maximum flexibility and impact	10-20 Positions Staff could include lending officers and loan analysts for underwriting
<b>Initial LMI Programs</b>	Minimal programs, since focus would be on pursuing a financially sustainable model	Some programs, likely through partnerships and credit enhancement products	Extensive programs, dependent on funding
<b>Education and Marketing Resources</b>	Minimal. Need to rely on partner organizations or County resources	Dedicated individual(s) for marketing, education, and promotion	Dedicated resources for sector level marketing, education, and promotion (commercial, residential, LMI residential, etc.)

## Next Steps

- August - September 2022 – Staff continue pre-development work, additional stakeholder engagement, and draft an ordinance.
- October 2022 – BOSEC consideration of draft Ordinance for establishment of Green Bank; briefing on funding recommendation
- Winter/Spring 2023 – Public Hearing on ordinance to establish Green Bank; consideration of funding