
April 17, 2024

The Honorable Neal Foster, Co-Chair House Finance Committee
State Capital Room 511
Juneau, Alaska 99801

Submitted electronically to Representative.Neal.Foster@akleg.gov

Honorable Co-Chair Foster,

During and following the Monday, April 16, 2024 hearing on House Bill 154 that would establish a Green Bank subsidiary corporation within the broader umbrella of Alaska Housing Finance Corporation, committee members posed several pertinent questions to our Deputy Executive Director Akis Gialopsos. We've prepared the following information about investments that the federal government is making in various energy programs and how funds could be leveraged to grow investment and lead to greater innovation and efficiency through an Alaska Green Bank. We suggest drafting changes to the bill as proposed, and we end with AHFC's experiences and rationale for why our agency has been identified as the proper place to establish a Green Bank.

BENEFITS OF A GREEN BANK SUBSIDIARY

Establishment of a subsidiary of AHFC as contemplated by House Bill 154 will enable staff a deeper understanding and singular focus on opportunities available through various federal agencies. A subsidiary will provide the public clearer access to information about relevant energy programs whether they be loans, grants or tax credits that benefit their residence and community. The subsidiary will be legally separate and independent from AHFC and its assets but draw on its expertise and relationships to the benefit of all.

AGGREGATORS

Most of the opportunities available to a potential Green Bank in Alaska at this time are in consideration because of the passage of the Inflation Reduction Act (IRA). Billions of dollars in federal capital are to be disbursed to states for purposes ranging from energy efficiency to investment in alternative energy sources and new technologies.

The IRA empowered both the U.S. Department of Energy and U.S. Environmental Protection Agency with advancing programs to meet any number of renewable and efficiency measure goals. Rather than grant that funding directly to an agency like AHFC, these federal agencies are passing the bulk of these dollars through to nationwide, non-profit associations specifically charged with sub-granting awards. Those organizations are colloquially called aggregators.

There are three aggregators responsible for administering the \$14 billion in National Clean Investment Fund. One is the Coalition for Green Capital that has been announced as the recipient of \$5 billion. Further, EPA is distributing \$6 billion through Clean Communities Investment Accelerator to five recipients who will further expand the pool of entities nationally with a purpose of providing technical assistance to community lenders working in low-income and disadvantaged communities.



INTERPLAY WITH THE FEDERAL GOVERNMENT

There are some funds that are being directly appropriated by federal agencies. AHFC through its partnership with Alaska Energy Authority is actively pursuing two now: 1) \$100 million in *Solar for All* grants through the EPA's Greenhouse Gas Reduction Fund, 2) \$100 million from U.S. Department of Energy's Climate Pollution and Reduction Grant Program. AHFC is eager to receive notice of award from those two applications.

EXPECTATIONS OF A GREEN BANK SUBSIDIARY

Creation of a subsidiary corporation outside AHFC will allow it to pursue competitively available funds both through aggregators and federal agencies directly. Not every opportunity will be right for Alaska.

Following successful receipt of federal funds, AHFC's subsidiary will be responsible for establishing programs that meet the requirements of each grant/award, and it will ultimately be accountable to not only the legislature but presumably, Congress and the Office of the Inspector General.

OTHER GREEN BANKS

A March 2023 report from the Coalition for Green Capital¹ says there are 39 clean energy investors and lenders within the American Green Bank Consortium operating in 28 states, Washington, DC, and Puerto Rico.

SUGGESTED DRAFTING CHANGES TO THE BILL, CS FOR HB154 (ENE)

To successfully pursue federal funding and establish programs that Alaskans can benefit as envisioned in the legislation, a subsidiary corporation of AHFC is the most time sensitive requirement. As presented in the House Finance Committee hearing, AHFC identified an issue with the manner in which the current version of HB 154 is drafted. Section 4 of House Bill 154 proposes creating an energy independence fund. That language is unnecessary to pursue federal funding and has the potential to complicate receipt of certain federal awards. Additionally, the language in Section 4 exposes AHFC itself to undue financial risk.

It is our respectful recommendation that the bulk of this language be removed; however, language in subsection (h) of Section 4 in our opinion would strengthen the bill if it is retained. The language in subsection (h) would prioritize resources from the Green Bank for the purposes of sustainable energy development, energy efficiency and renewable energy for residential buildings, commercial buildings, and community facilities. Subsection (h) would also require the subsidiary to take into consideration the Alaska State Energy Policy that is in existing law. Having a clear priority mechanism in statute provides policy guidance at a time when a newly created subsidiary corporation is designing programs and products to carry out its mission.

AHFC's EXPERIENCES

The mission of Alaska Housing Finance Corporation is to provide access to safe, quality, affordable housing. This work is accomplished as we enable construction of new housing, through improvements to existing housing, and by providing Alaskans with access to capital.

Our mortgage business finances many single and multi-family homes with our participation in approximately 20% of the market, including first-time homebuyers, veterans and others seeking residential loans in excess of \$1 million. The delinquency rate on our portfolio is among the lowest in the country. Our servicing partners work directly with our borrowers to ensure they are successful homeowners.

¹ <https://mcusercontent.com/3e3337737c870aa879b2ef144/files/58657110-26b4-3ee5-a3e4-45fda1bb6594/CGC%20Consortium%20AnnualReport.01.pdf>



As Alaskans age in their homes and the cost of home heating varies, they may look to AHFC for various energy savings measures. Among those that we have led include the successful Home Energy Rebate program to complement Weatherization services targeted to low-income Alaskans. Both programs have demonstrated energy savings of more than 30%. As state General Funds have become increasingly scarce, AHFC's renovation loan provides a financially attractive alternative for homeowners seeking to make home improvements with layered energy efficiency improvements and willing to finance their own projects.

One of the slides in our presentation on Monday spoke to the Rural Professional Housing program that is this year celebrating its 20th anniversary and has constructed more than 500 housing units in some of the state's most remote villages, providing homes for essential community workers. This work is augmented in urban communities with competitive grants and the use of federal credits that further enable construction of affordable housing.

In addition to our regional housing authority partners, another subsidiary of AHFC, the Alaska Corporation for Affordable Housing, is completing construction of 40 new units of housing in Fairbanks this spring (plus 18 that were completed last year). None of this construction could be accomplished without federal, state and local partners. Participation from the private sector is critical to the success of each program.

CLOSING & CONTACT INFORMATION

Thanks to your office for affording AHFC the opportunity to present on House Bill 154, and for taking these comments into consideration. We are available and willing to work on this legislation with your office and the House Finance Committee.

Any questions about our response can be directed to AHFC's Director of Governmental Relations & Public Affairs Stacy Barnes at sbarnes@ahfc.us or 907-330-8445.

Respectfully,



Bryan Butcher
CEO/Executive Director
Alaska Housing Finance Corporation

cc: Akis Gialopsos, Deputy Executive Director, AHFC
Laura Bess, Legislative Director, Governor Mike Dunleavy

