



Advancing Multi-Family Housing and Renewable Energy Goals with PACE

Thank you

for joining the conversation today. Send us your questions and comments!

Welcome

The Broadcast will begin at 2:00 PM (Eastern)



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Ariel Miller

Manager, Research & Technical Assistance
Council of Development Finance Agencies

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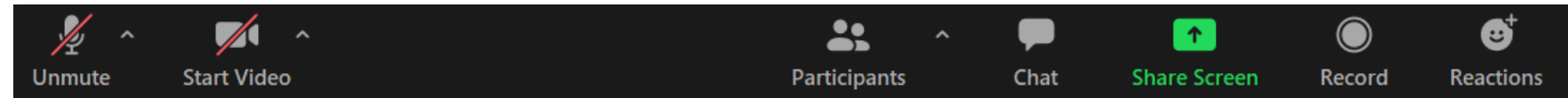
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Submit your questions to CDFA staff



Advancing Multi-Family Housing and Renewable Energy Goals with PACE

Moderator

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Colin Kalvas

Partner
Bricker & Eckler LLP

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Advancing Multi-Family Housing and Renewable Energy Goals with PACE

Panelists



Mary Luévano

Deputy Director
PACENation



Robert Iber

Senior Advisor
Department of Housing and Urban
Development



Kevin Morse

Managing Director
Imperial Ridge Real Estate Capital

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Mary Luévano, Deputy Director
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PACE Market Update and Forecast +
Multi-Family Housing Case Studies
CDFA/Bricker Webinar
July 27, 2021

PACENation is a membership-based non-profit organization. Our mission is to support state and local governments, community organizations and private sector stakeholders in their efforts to strengthen and expand access to property assessed financing.

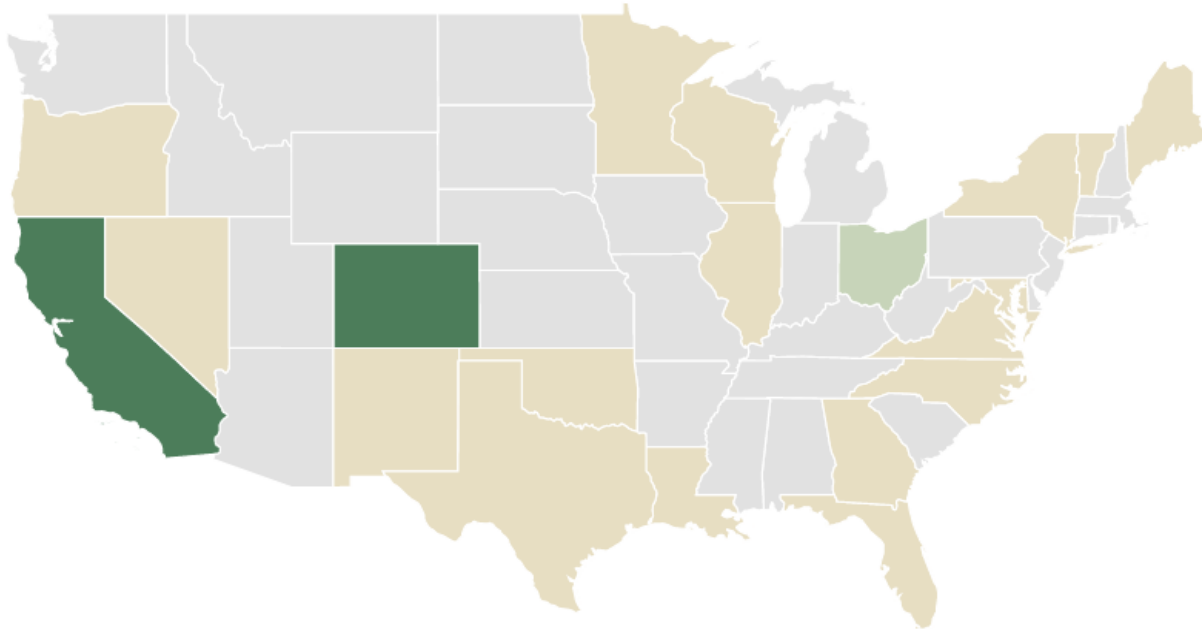
Our work includes:

- Policy advocacy and market development
- Informational resources for members
- Market research and analysis

[PACENation.org](https://www.pacenation.org)

C-PACE in 2010

20 states C-PACE enabled, **2** with active programs
58 projects completed, **\$5** million



2020 key milestones:

- Washington enacts C-PACE (+ resilience) legislation (SB5730/HB1796)
- Massachusetts launches C-PACE program
- Bills introduced in Michigan to expand PACE for environmental hazard mitigation incl. lead mitigation for drinking water
- Illinois enables C-PACE funded resilience investments: incl. seismic, flood mitigation, fire suppression, energy storage, microgrid, backup power generation (HB3501)
- New York enables C-PACE funding for new construction projects (A.7805/S.6523)
- First projects closed in Pennsylvania and Delaware

2021 key legislative milestones:

Montana (SB 147, McNally, adopted May 2021)

Commercial Property Assessed **Capital Enhancement** Program

- Administrator: Montana Facility Finance Authority
- Includes new construction
- Authorizes local governments to adopt C-PACE programs that promote “energy conservation measures” that decrease energy or water consumption and demand and devices that use energy technology to generate electricity, provide thermal energy, or regulate temperature.

Tennessee (SB 0795, Rose and HB 0667, Freeman, adopted March/April 2021)

C-PACER Program

- Authorizes local governments to administer programs (or designate an administrator)
- Clean energy and storm resiliency

- In general, C-PACE can be used to improve indoor air quality should local governments mandate specific types of HVAC systems with higher air exchange rates (like 8x/hour) that are also energy efficient for high-density buildings.
- In states like Illinois, Virginia and Washington, where resilience is defined broadly, it is possible for local governments to include IAQ measures as eligible improvements with or without additional code changes.

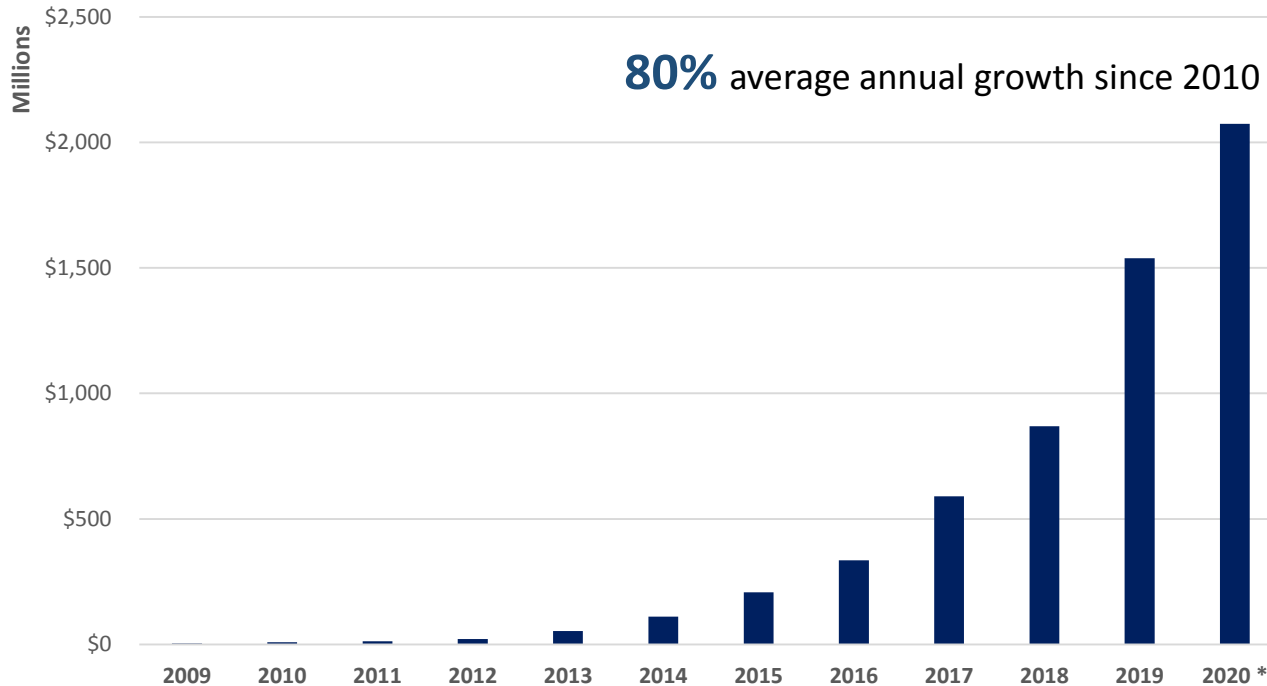
C-PACE is uniquely well-positioned to help the Biden Administration achieve its goal to retrofit 4 million buildings. To achieve this goal, more than \$125 billion in C-PACE investments would be required over the next four years.

What can the USG do to accelerate buildings upgrades with C-PACE?

- Administrative: Comprehensive updated guidance in support of C-PACE across the federal government, especially:
 - HUD
 - SBA
 - USDA
 - Fannie & Freddie
- Legislative: Amend and Pass the SHELTER Act to establish a 25% investment tax credit for resilience and energy efficiency
- States: Add COVID mitigation and broader resiliency measures to PACE legislation going forward

Cumulative C-PACE financing

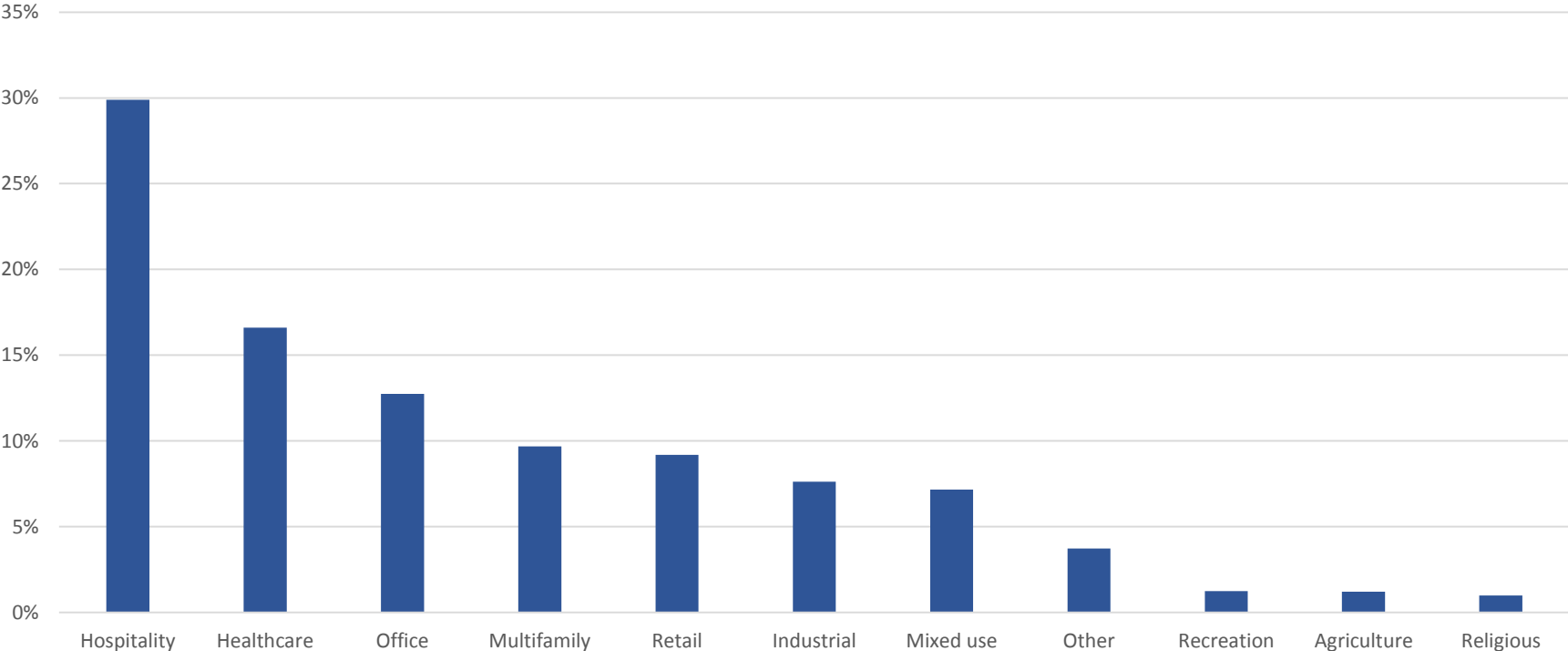
(2009-2020)



*Not yet finalized

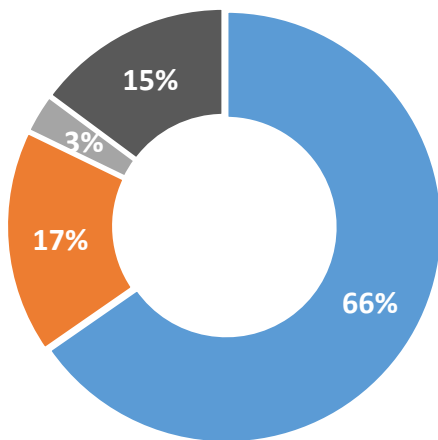
States >\$10MM cumulative financing	
CA	639
OH	397
CT	173
TX	120
MN	114
CO	94
MO	83
RI	64
UT	64
WI	58
MI	49
FL	43
DC	43
NE	31
IL	21
MD	15

C-PACE property types (% of dollars invested)



How is C-PACE used?

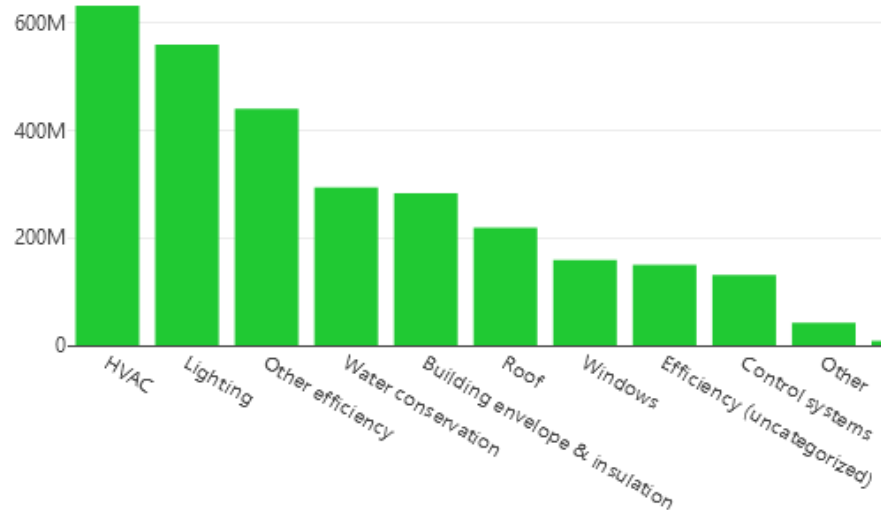
C-PACE funding by category:



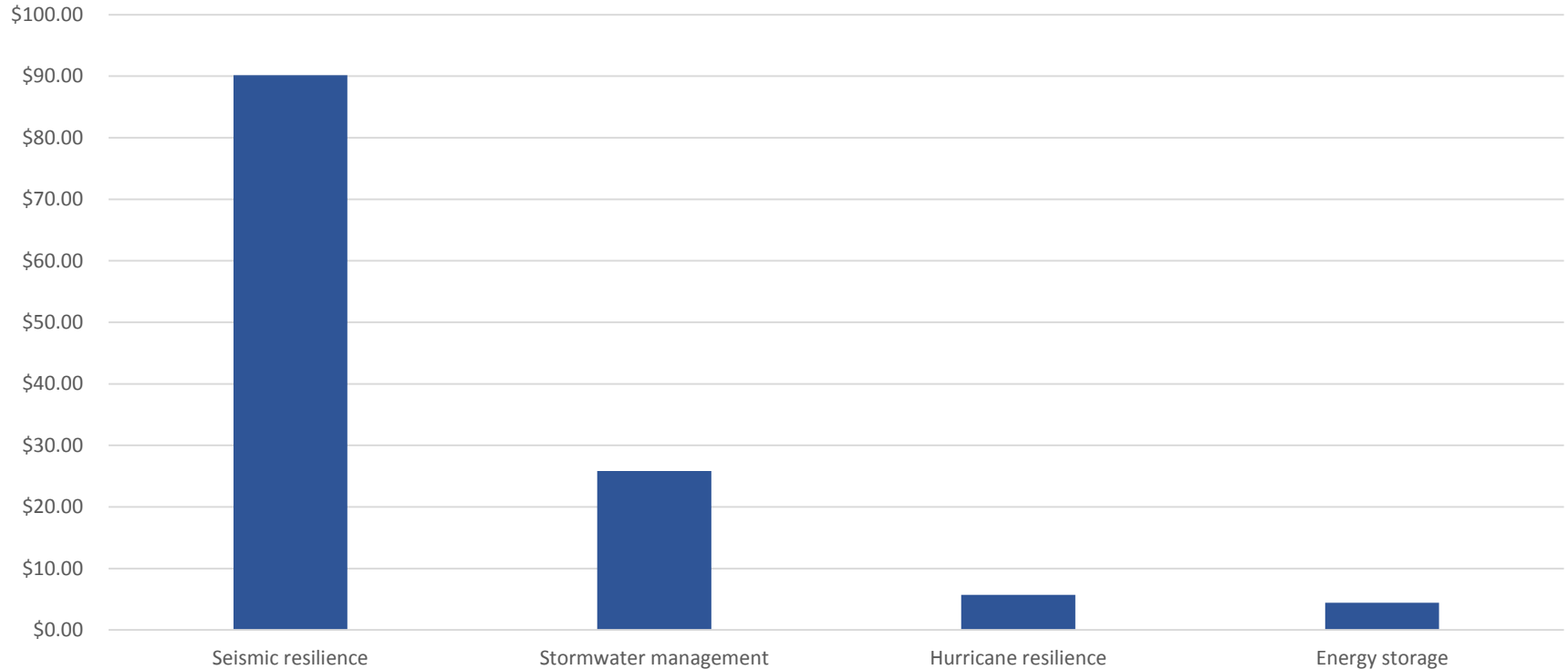
- Energy efficiency only
- Renewable energy only
- Resilience only
- Mixed projects

Specific measures:

EE-only and mixed projects

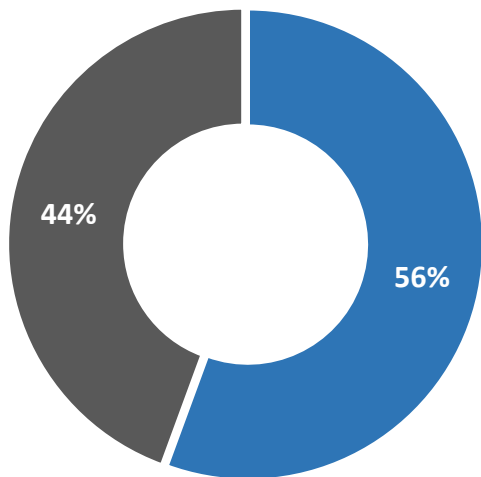


C-PACE resilience measures (\$, millions)



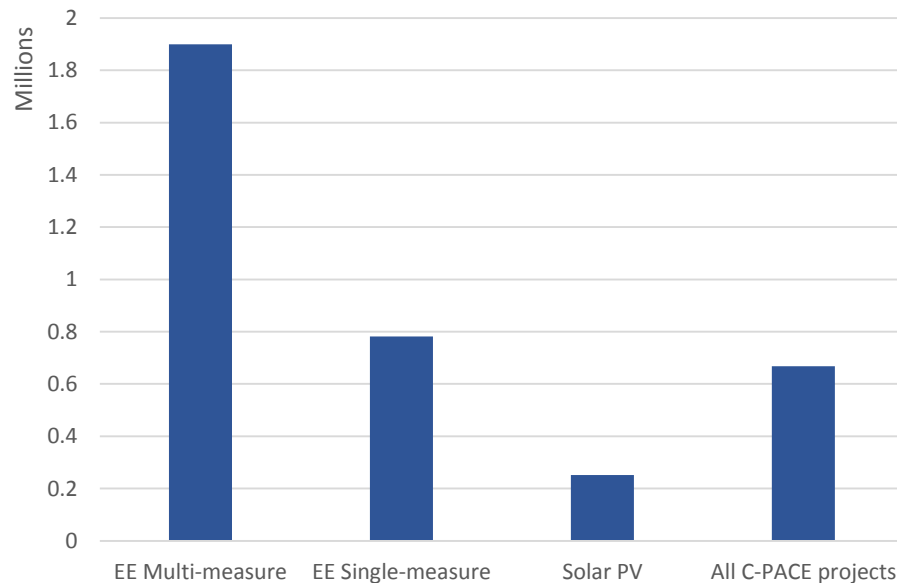
Multi-measure C-PACE projects

Funding: EE Multi-measure vs. EE Single-measure



■ Multi-measure ■ Single-measure

Average project size: Multi-measure vs. Single-measure



24,000

Job-years created

10.6B

kWh energy saved

\$3.7B

Economic impact

3.8M

Metric tons
carbon abated

Estimated over useful lifetime of installed measures

PACE would have a tremendous impact on the environment and the economy if enabled nationwide.

If C-PACE and R-PACE were used by 15% of eligible buildings in the United States, the total potential market would reach \$650 billion, which represents \$282 billion invested to improve commercial buildings and \$368 billion invested in homes.

PROJECTED IMPACT IF PACE WERE UTILIZED IN 15% OF ELIGIBLE BUILDINGS IN EACH STATE

	Job-years Added	Economic Output (\$)	Energy Saved (kWh)	Total Carbon Abated (metric tons)
Commercial PACE	3,270,000	512,146,400,000	990,858,970,000	351,680,000
Residential PACE	6,440,000	772,180,070,000	1,293,751,040,000	467,680,000
Total market	9.71 million	1.28 trillion	2.28 trillion	819 million

Impacts are estimated over useful lifetime of installed measures. Includes data reported to PACENation as of April 1st, 2020.

C-PACE project examples

Hospitality

Hyatt Regency Salt Palace

Salt Lake City, UT



Office

PAE Living Building

Portland, OR



Retail

Greenleaf Grocery

St. Louis, MO



Industrial

Pacific Ethanol

Madera, CA



Mixed Use

OM Station

Madison, WI



Apartments / Mixed

DuPont Building

Wilmington, DE

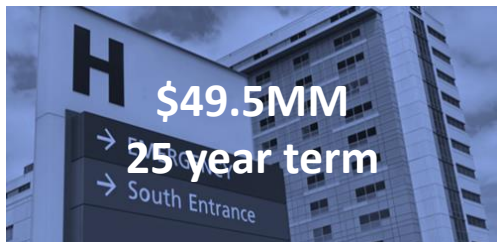


C-PACE project examples

Healthcare

Acute Care Hospital System

Various Locations



Agriculture

Wheatfield Gardens

Niagara County, NY



Religious

Congregation Beth Israel

Austin, TX



Recreation

D.C. United Stadium

Washington, D.C.



Education

Elsie Whitlow Stokes Charter School

Washington, D.C.



- 2017: HUD issues guidance for C-PACE in Multi-Family housing
- C-PACE funded projects have received HUD approval in MD, DC, CA (CEDA), New York state, Texas and Connecticut
- 2020: PACENation created MF Workgroup
- Group has been identifying challenges to C-PACE for MF
- PN hosted webinars with HUD (Bob Iber)
- 2021: PN organized letter to HUD/Secretary Fudge

DIVIDEND

Commercial PACE Case Study, Fontana, CA

Dividend provided PACE (Property Assessed Clean Energy) financing to both Piazza Apartments and Dino Papavero Senior Centre. Piazza and Dino Papavero are the first two HUD (Department of Housing and Urban Development) properties in the country to have solar installed using PACE as the capital source. As a part of the solar array installation, PACE also funded the demolition of existing carports and construction of upgraded steel canopies that created additional covered parking, a tenant amenity.



Piazza Apartments & Dino Papavero Senior Centre

Project Type

- ✓ Total of 478.3 kW DC Carport-mounted Solar PV Array

PACE Financing: \$1,066,895

- ✓ 25 years, 6.50%

Combined CO2 Saved Per Year: 3,437 tons

- ✓ Equals 17 railcars of coal per year, equivalent to 337 homes' annual energy use

Combined Savings

- ✓ Combined utility savings, 25 year panel life: \$4,288,139
- ✓ Cumulative net cash flow: \$2,493,415
- ✓ Savings to Investment ratio: 1.66

Total Jobs Created: 16

Projects Completed: September 2018

Motor Court: Austin, TX – PACE Loan Group

Investment: \$1,627,00 investment

Measures: HVAC, LED lighting, roof replacement

CO2 avoided: 317.6
tonnes (annual)

KwH savings: 610,
434 (annual)

Clean energy jobs
created: 17.6



Focused on increasing access to C-PACE for affordable housing and health care facilities

May 2021: Letter to HUD Secretary Fudge

1. Enable C-PACE financing to be used on projects that benefit from HUD's multi-family programs and its long term care and health care facility programs up to the max leverage allowed by HUD's pre-existing requirements (83.3% to 90% LTV depending on the section of the National Housing Act)
2. Expand eligibility to include energy efficiency, renewable energy, energy storage, electric vehicle and drinking water infrastructure, water conservation, IAQ and resilience measures for new construction, rehabilitation and deferred capex needs of pre-existing buildings;
3. Find alternative to the requirement that each state's Atty General provide an opinion letter on the status of the C-PACE assessment as a governmental lien by allowing the opinion of an in-state law firm in good standing as a more achievable, quality alternative.

Questions?

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Robert Iber

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HUD MULTIFAMILY PACE

- Types of Multifamily Financing
- HUD MF PACE Process
- Requirements for Approval
- Timeframe and Contacts
- Good to Know
- Questions?



Different Types of Multifamily/Affordable Housing

- FHA Mortgage Insurance
 - 223 f and 223a7
 - 221d4 NC
- Section 202 Affordable Housing for the Elderly
- Section 811 Affordable Housing for the Disabled
- Section 8 Project Based Rental Subsidy
- HUD Held Mortgages

HUD MULTIFAMILY PACE PROCESS

- Began in 2015 in California
- Housing Notice 2017-01
<https://www.hud.gov/sites/documents/17-01HSGN.PDF>
- 4 Approvals for MF Properties
- 5 Jurisdictions Approved/6 Pending
- Not Healthcare or Residential

HUD PACE Approval

- Housing Notice 2017-01
- What are HUD requirements?
- Who do I contact?
- How long will it take?

HUD PACE REQUIREMENTS

- PACE Locality Administrator Letter
 - Treated like taxes
 - Collected with taxes
 - Only most recent assessment due
 - Lender notice

- State Attorney General Opinion Letter

HUD PACE REQUIREMENTS

- Owner in Compliance
- Energy Audit
- SIR of 1:1
- Underwriting based on 75% of est. savings
- HUD programmatic debt ratios apply
- Energy measures permanently affixed
- PACE repayment cannot exceed rul of fixtures

HUD Review

- Lender Review
- Submission Requirements
- Timeframe

HUD Contacts and Timeframe

- Timing - 30 days, complete package and reviews needed
- Northeast – Rick Daugherty richard.p.daugherty@hud.gov
- Midwest – Claudia Cahue Claudia.Cahue@hud.gov
- Southeast – Jason Hare Jason.L.Hare@hud.gov
- Southwest – Bryce Klein Bryce.K.Klein@hud.gov
- West – Paul Williams Paul.S.Williams@hud.gov

Additional Information

- Approving PACE Administrator Localities
- Working with PACE Administrator Localities on Requirements
- Combining PACE with FHA New Construction Financing
- HUD will not consider “retroactive” PACE Financing
- HUD will closely review Value and DSCR
- Does not change Borrower Equity Requirements



Approved Deals

- All in California 2016 and 2017
- Section 202 and 811 Existing Properties
- Addition of Solar
- HUD Legal Review
- Expecting More





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CDFA-Bricker PACE Webinar: Advancing Multi-Family Housing & Renewable Energy Goals with PACE

July 27, 2021



About Us



- Imperial Ridge Ridge Real Estate Capital, headquartered in Colorado, is a leading provider of C-PACE financing in markets across the country
- We arrange and finance building retrofits, new construction, and renewable energy projects
- Committed to making a positive impact, we assess our success according to the metrics of a triple bottom line framework: profit, people, and planet.

Uses of PACE in Multi-Family Assets



- New construction financing
- Deferred maintenance and building upgrades
- **Renewable energy projects**
- Building resiliency projects

Challenges to Getting RE Done in Multi-Family



- Large Capital Investment
- Split Incentives
- Use for tax benefits

Benefits of Solar in Multi-Family



- Marketing and lease-up
 - Highly sustainable and “green” homes are in demand
- Lower operating costs
 - Use solar to power common areas
- Share utility cost savings with residents?
 - Would your market allow for higher rents due to lower utility costs?
- Other ideas or incentives?
 - Owner charge for power?
 - Clean energy assessment or charge?
 - What local tax incentives can be created?

PACE-Financed Solar Benefits



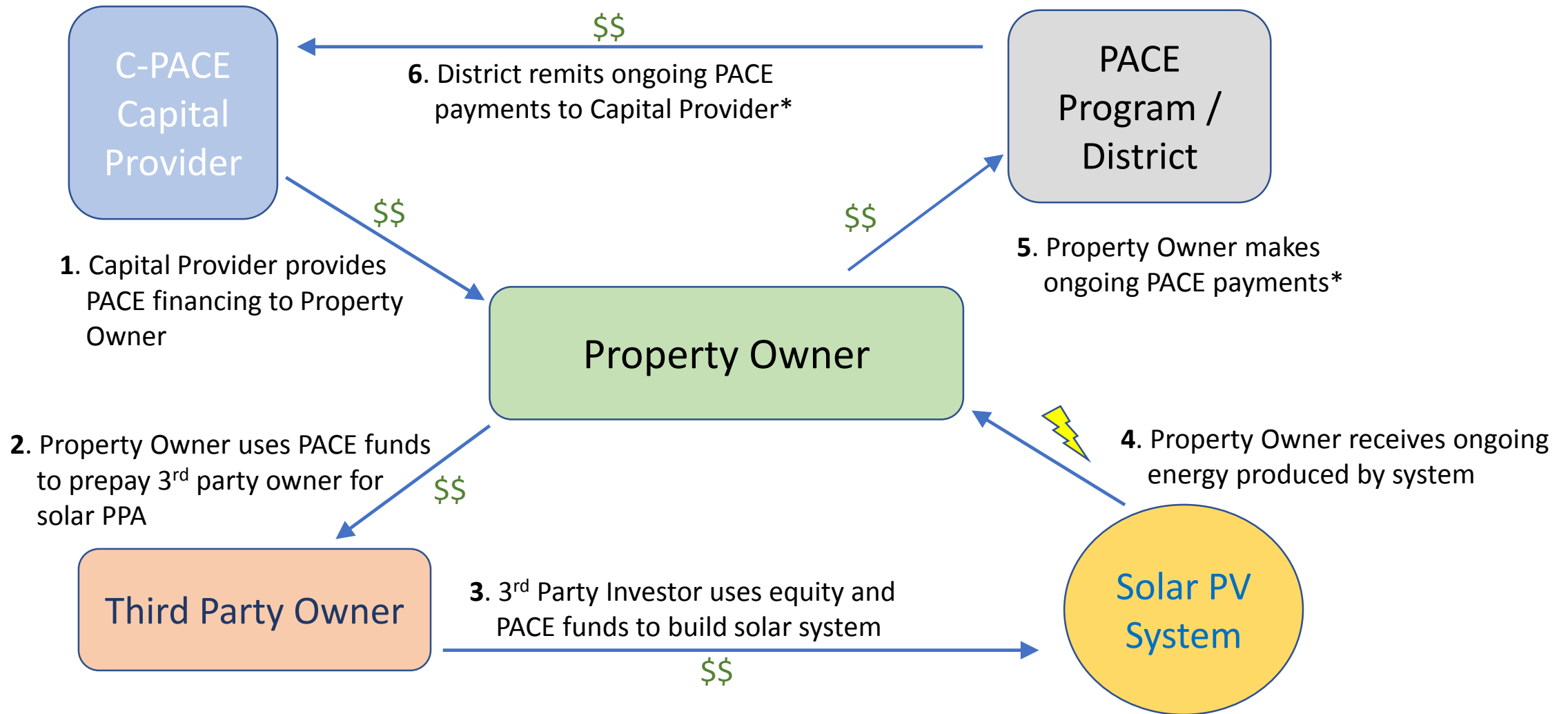
- No upfront capital needed
- Long-term, low interest rate financing
 - Can provide net cash-flow positive project from day 1
- Lower cost of entry by monetizing tax credit value through 3rd party structure
- Long-term ownership of the solar asset, after year 6
- Non-recourse financing, tied to property

PACE Prepaid Solar PPA Structure



- C-PACE Capital Provider provides the property owner with a 25-year fixed rate PACE loan
- The property owner uses PACE funds to prepay solar PPA or lease with 3rd Party Solar Investor
- 3rd Party Investor uses funds from the property owner, plus its own equity to build solar array
- 3rd Party Investor owns the rights to the solar investment tax credit (ITC) and depreciation tax benefits
- Solar array produces electricity, which is consumed by the property owner, reducing its utility bill
- The property owner makes ongoing PACE assessment payments

Prepaid Solar PPA Cashflow Diagram



* Some PACE programs allow or require Capital Provider to bill and service PACE loans directly

Questions?



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Managing Director

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Upcoming Events



CDFFA-Bricker PACE Webinar Series

2-4 PM EST



Jan 26 | Mar 30 | Jul 27 | Sep 28 | Nov 30

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Best Practices for Marketing & Selling PACE Across All Market Sectors

Tuesday, September 28, 2021 @ 2:00 PM - 4:00 PM

PACE 2.0 - The Next 10 Years

Tuesday, November 30, 2021 @ 2:00 PM - 4:00 PM

Register online at www.cdfa.net



Advancing Multi-Family Housing and Renewable Energy Goals with PACE

Upcoming Events



AUGUST 2-12, 2021

CDFA VIRTUAL SUMMER SCHOOL

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CDFA // BNY Mellon Webcast Series: Unlocking Capital for BIPOC-Owned Businesses

Tuesday, August 17, 2021 @ 2:00 PM - 3:00 PM Eastern

CDFA Federal Financing Webinar Series: Investing in Critical Community Facilities

Tuesday, August 24, 2021 @ 2:00 PM - 3:30 PM Eastern

CDFA Rural Development Finance Webinar Series: Best Practices for Rural Development Finance Agencies

Tuesday, August 31, 2021 @ 2:00 PM - 3:00 PM Eastern

Register online at www.cdfa.net



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