



CDFA-Bricker PACE Webinar Series: Policy and the Future of PACE

Welcome

The Broadcast will begin at 11:00 AM (Eastern)

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Pearl-Jean Mabe

Director of Research and Technical Assistance
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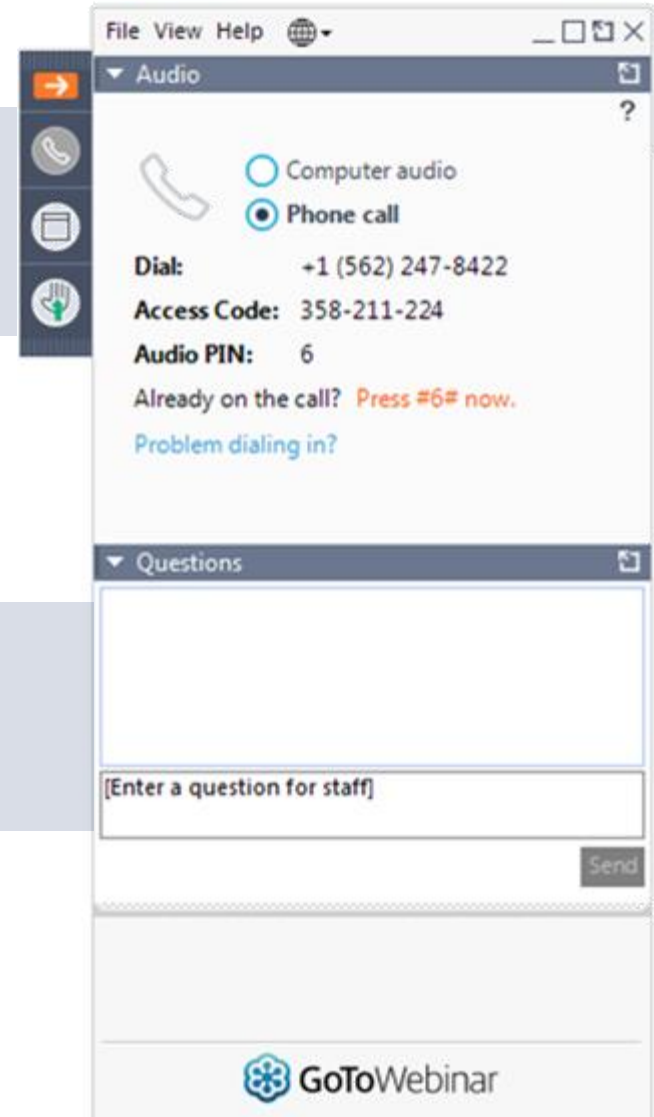
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Using your telephone will give you better audio quality.



Submit your questions to the panelists here.



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Moderator

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Jason Tiemeier

Associate
Bricker & Eckler, LLP

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More About This Series

CDFA-Bricker PACE Webinar Series:

PACE 101: The Basics of PACE Financing
May 12, 2020

PACE Program Efficiency: Managing an Effective PACE Program
June 9, 2020

Focusing on Sustainability Using PACE
July 14, 2020

Policy and the Future of PACE
August 25, 2020

PACE Program Capitalization
September 22, 2020

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Policy and the Future of PACE

CDFA—Bricker Webinar Series

Jason Tiemeier

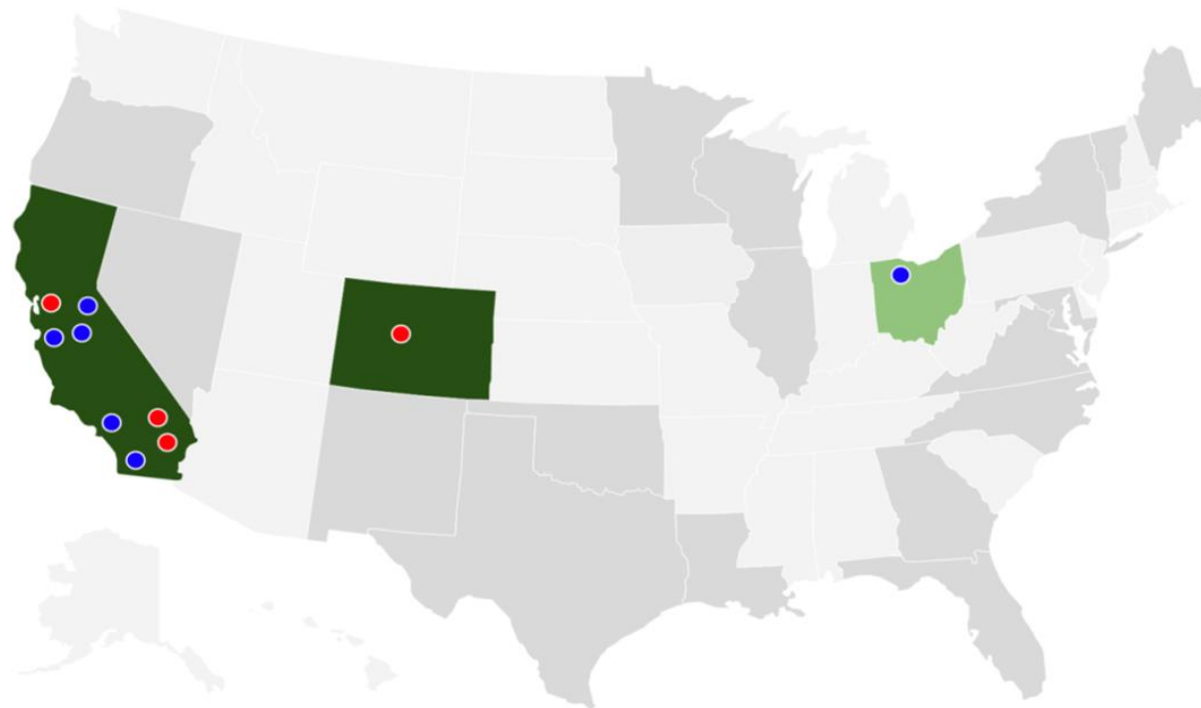
Attorney

Bricker & Eckler LLP



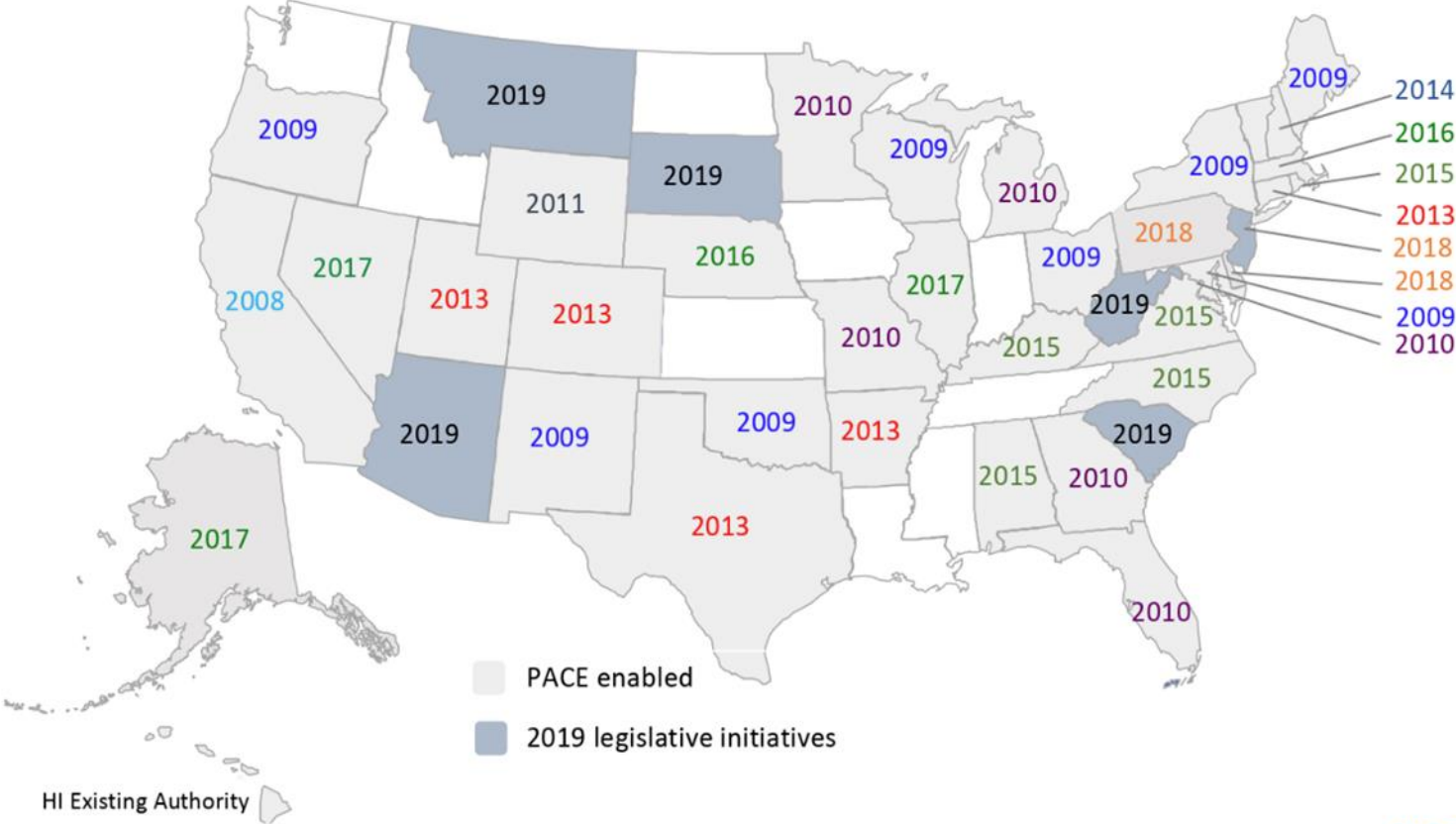
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PACE - 2010

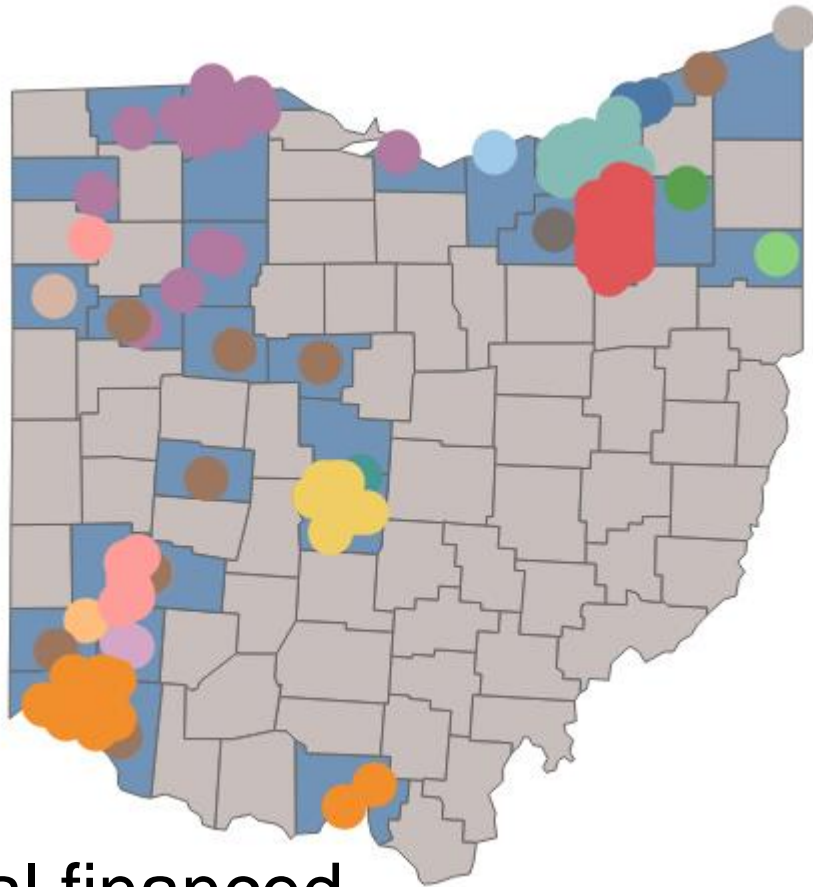


- PACE enabled
- Early stage PACE program development
- Launched PACE programs
- PACE programs with funded projects

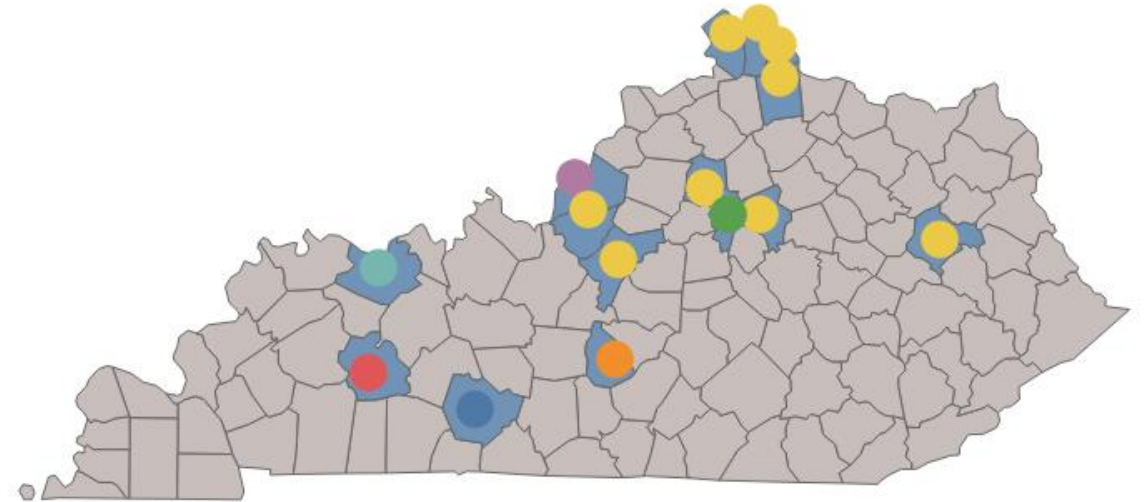
PACE - 2020



C-PACE in Ohio and Kentucky



Total financed
to date: \$359,618,781.19



Total financed to date:
\$8,453,516.79

Special Assessments for Energy Improvements

- Energy efficiency improvements
 - HVAC
 - Lighting
 - Roofs, windows, insulation
- Alternative energy improvements
 - Solar photovoltaic (PV) and thermal
 - Wind
 - Geothermal
 - Biomass
- Water efficiency improvements; other environmental remediation and protection improvements



State Authorizing Legislation

- PACE = “Property Assessed Clean Energy”
- 37 states authorize PACE; 22 states with active programs
- States have several PACE laws for various reasons:
 - PACE is covered in more than one law
 - PACE laws have been passed over time to implement various aspects of PACE financing
 - PACE laws have been amended

Policy Decisions—Assessments



- Authorizing legislation is required to impose PACE assessments on real property.
 - PACE assessments: authorized by local legislation vs authorized through statewide programs
- PACE assessments may or may not require the creation of districts or programs.
 - PACE assessments permitted: without separate districts or programs vs separate district or program required

Policy Decisions—Delinquency



- PACE assessments may or may not be accelerated in a delinquency scenario.
- Generally, a delinquent PACE assessment is enforced like a delinquent real property tax and is superior to all private liens.
 - Taxes are superior to special assessments vs. Taxes and special assessments are pari passu vs. Taxes and special assessments are superior to PACE assessments.

Evolution of PACE (So Far)



- Projects that are uniquely situated to benefit from PACE
 - Renovation vs. new construction
 - Particular need for specific benefit of PACE vs. acknowledgment of general benefits
 - Education focus
- Use of PACE as a standard portion of the capital stack
 - Repeat users
 - Streamlined processes
 - Leveraging prior experience

Evolution of PACE (So Far)



- Geographic Expansion Once Authorized
 - Project driven
 - Intentional growth
- Aids to Growth and Expansion
 - Education and cross-selling
 - Maturing programs and policies
 - New improvement types
 - New asset classes
 - Addressing unique needs

Policy and the Future of PACE

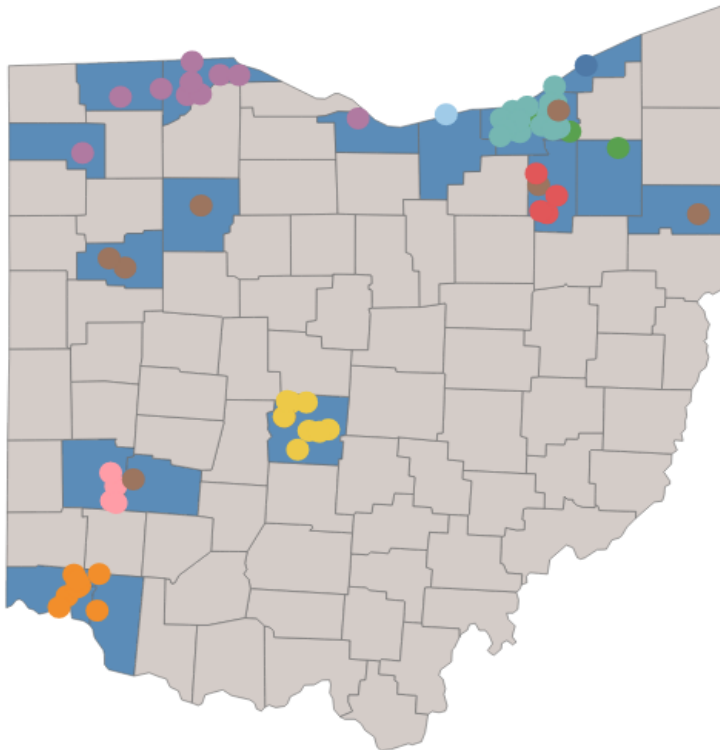


- How PACE will continue to evolve nationwide?
- What are the ways in which the industry can expand PACE?
- Tackling public policy hurdles
- Educating community leaders on the pros and implementation of PACE

Bricker PACE Resources



www.bricker.com/PACE

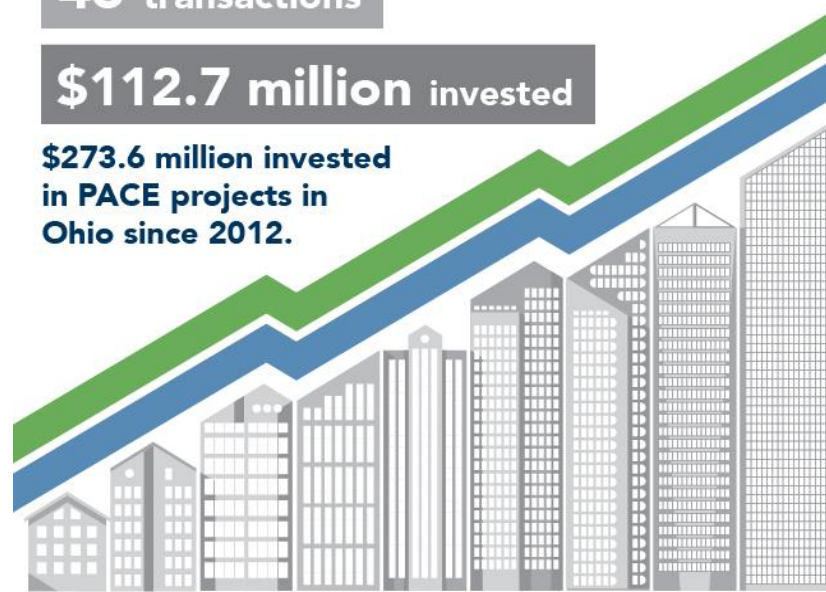


2019 PACE Financing in Ohio

46 transactions

\$112.7 million invested

\$273.6 million invested in PACE projects in Ohio since 2012.



Bricker & Eckler LLP | www.bricker.com/PACE | www.developohio.com





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Panelists



Teresa Snyder, PhD

Vice President Strategic Growth & Development
Ebee Management Group



Elyssa Rothe

Director of Policy and Program Development
Greenworks Lending



Clifton Kellogg

Executive Director
C-PACE Alliance

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CDFA PACE Policy

What's in it for me?



who we are

 is a vertically integrated, full-cycle construction and energy management firm offering fresh, sustainable solutions to property management challenges.



Skills & Expertise

- Construction Management
- Innovative Financing Options
 - Commercial Property Clean Energy C-PACE
 - Equipment Lease
 - Tax-Exempt Lease Purchase-TELP
- Engineered Energy Modeling
- ASHRAE Energy Auditing
- Tax Credit, Incentive and Rebate Analysis



Key Stakeholders impacted by PACE



- Municipalities
- Elected Officials
- Local Economic Development Professionals



- Owners
- Developers
- Investors



- Conventional Lenders
- Alternative Capital Providers

Municipalities & Elected Officials

C-PACE is an innovative economic development tool that gives communities of every size access to capital to support economic development with little or no risk to the local government.

where are you putting your energy?

Pitch Points



- The cost of program implementation bore by the utilizing project
- Expert industry partners provide technical support to local leadership
- Helps administrations meet their environmental objectives
- Broad spectrum funding solutions for wide variety of projects
- Can be blended with other financing tools
- Attraction tool to draw developers / investors to community

Owners/Developer

C-PACE is an innovative financing tool that gives owners & developers access to asset-based capital with long-term fixed-rate for the funding of energy efficiency, water conservation and renewable energy projects.

who's capital is in your stack?

Pitch Points



- 100% financing with no out-of-pocket costs
- Lower cost capital versus investor or mezzanine
- Long-term fixed rates up to 30 years
- Secured by special assessment
- Non-recourse to owner
- Debt transfers with ownership
- Preserves owner's capital for other uses
- Energy savings offsets the cost of financing
- Renewable energy or building renovations
- Costs can sometimes be passed on to tenants

Conventional Lenders

C-PACE is a complementary funding mechanism that can be used to complete a capital stack for complex developments, where conventional debt is restricted due to risk tolerance, term limitations, debt service coverage requirements or loan to value caps.

energy efficient construction, simplified.

Pitch Points



- Lender retains the relationship
- PACE assessment offset by energy savings
- PACE to Value capped at 25-30%
- PACE capital improving their asset and increasing value
- PACE funds difficult to securitize improvements
- Debt transfers with ownership
- Lender retains foreclosure process in event of borrower default

Key Take-Aways

- Know your audience
- Do your homework before you pitch
- Don't underestimate local politics
- Anticipate illogical resistance
- Identify a local champion
- Watch out for saboteurs
- Education takes time...a lot of time
- Leverage industry partners
- Know your stuff – you are the expert
- Under-promise and over-deliver



fresh sustainable solutions

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management group
fresh sustainable solutions



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Director of Policy and Program
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Greenworks Lending

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C-PACE Policy

Elyssa Rothe

Director, Policy & Program Development

August, 2020

Greenworks Lending

Greenworks Lending is the leading provider of commercial PACE (C-PACE) financing nationally. The company was founded in 2015 and has since set the industry standard for C-PACE project development.

- 2017 : Greenworks issued the industry's first C-PACE securitization, establishing the asset class with an AA rating from Morningstar
- 2018 : Second rated securitization issued
- August 2020: Greenworks has financed 320+ C-PACE projects in 17 states.



PACE Policy: Public-Private Partnerships

C-PACE is a partnership between a public entity (local government) and private entity (capital provider) to fund clean energy projects in a specific jurisdiction.

In this partnership both sides have obligations, as well as benefits.





The Agreement

Public Entity (Gov't):

- **Obligation** – Treat C-PACE assessments in the same manner as property taxes.
- **Benefit** – Attract private capital for local infrastructure, achieve energy policy goals.

Private Entity (Capital Provider):

- **Obligation** – Lend capital at competitive rates for terms of 20+ years to local property owners
- **Benefit** – Secure lending environment provided by local government.

State

Step 1:

State passes legislation establishing PACE fulfills a public purpose and can be applied to tax assessments.

Legislation also gives local governments authority to establish a PACE program.



Local

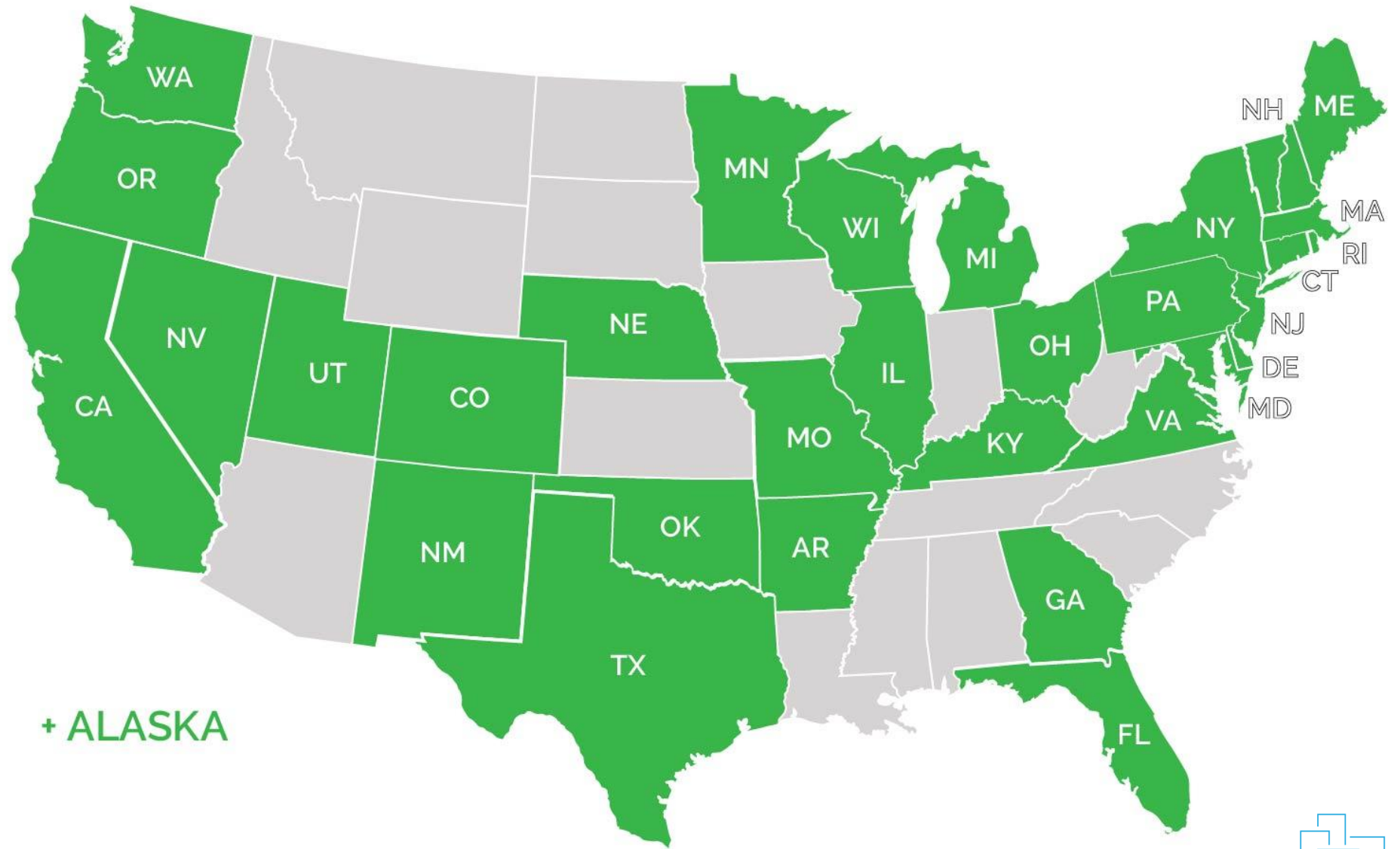
Step 2:

Municipalities pass local ordinances to “opt in” to the state legislation and establish PACE programs.

C-PACE LEGISLATION : 34 STATES

August, 2020:

PACE is an established bi-partisan tool for economic development, job creation & building maintenance.



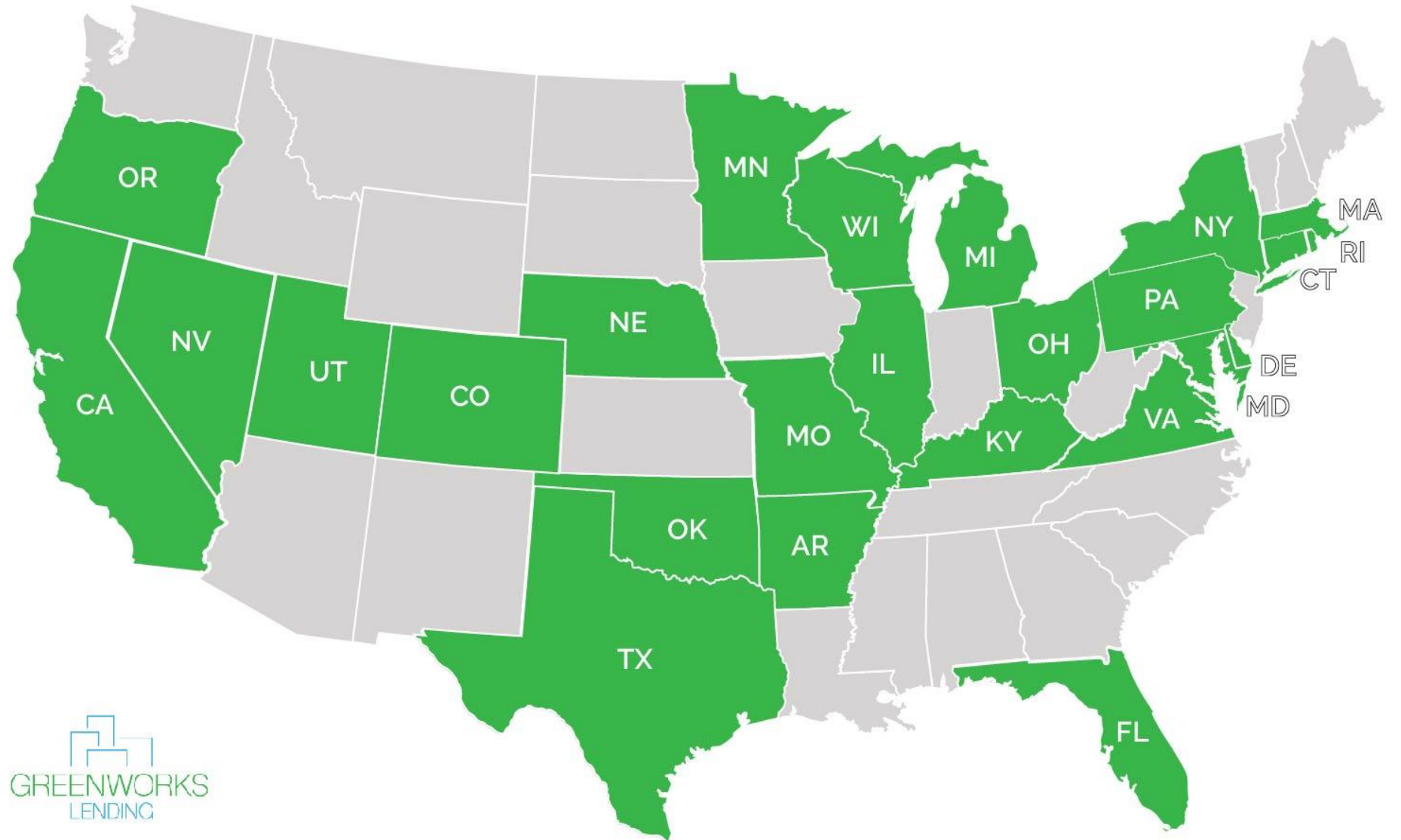
+ ALASKA

August, 2020:

Legislation is the first step to enacting PACE.

Program Development is a critical aspect of getting projects completed.

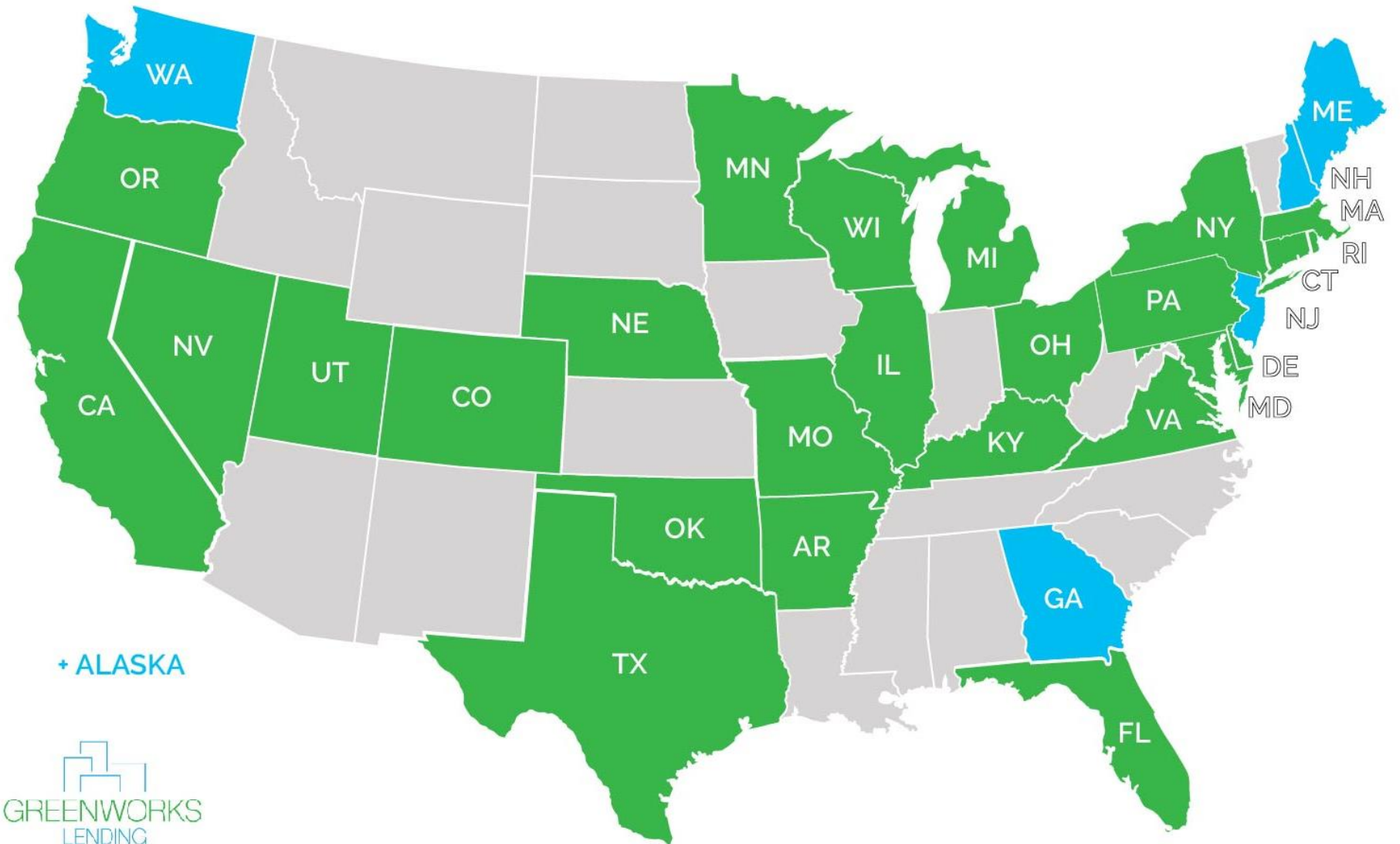
C-PACE PROGRAMS : 25 STATES



August, 2020:

Establishing marketplace best practices has led to reinvigorated efforts throughout the country.

C-PACE PROGRAMS + IN DEV : 33 STATES





Policy vs. Programs

Why do we see states that have policy but not programs?

All stakeholders who will participate in a PACE market must be identified and consulted when developing the policy:

- State legislators
- Local governments
- Program Administrator
- Capital markets
- PACE lenders
- Banking community
- Energy professionals
- Real estate owners



Back to PACE's Roots: Public Private Partnership

These important elements must be represented in policy for successful program implementation:

- Attract private investment: How will the PACE assessment be secured from collection to enforcement?
- Project approvals: who will serve as Program Administrator? What will their role be?
- State legislators: What are the economic development and climate goals of the state?
- Local governments: Role of tax collectors and municipal staff clearly defined
- Workforce development: coordination with energy professionals that will be constructing the energy improvements
- Banking community: Obtaining lender consent
- Capital markets: Will the security instrument survive in the secondary market?



What is driving each stakeholder's participation?

Stakeholder Coordination

- Leveraging lessons learned to successfully launch
- 2019-2020: NY, OK, PA, WA... NJ?
 - Roles of state agencies in Program Administration
 - Pre-approvals from capital markets
 - Coordination with local government staff
 - PACE lender collaboration



Policy Evolution

- Statewide standardization
- Water conservation, energy efficiency, renewable energy, resilience
- Lender consent required
- New construction eligible
- Retroactive funding eligible
- Keeping up with building codes



Over to Cliff to
dig into these
trends...

Get in Touch

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Trends in Policy & Practice of C-PACE Financing

August 25, 2020

C-PACE Public Benefits Deal of the Year (>\$1 MM):

Historic Dayton Arcade, Dayton, OH



HIGHLIGHTS:

- C-PACE financing will help bring the Dayton Arcade, shuttered in the 1990s, back to life. Built in 1904, the Arcade's glass dome measures 70x90 feet.
- The Arcade will spur development downtown, attracting students and new entrepreneurial businesses.
- 126 units of affordable and market-rate apartments.

C-PACE Public Benefits Deal of the Year (<\$1 MM): Urban Artifact Brewery, Cincinnati, OH



HIGHLIGHTS:

- Renovated the St. Patrick's Catholic Church, built in 1876, vacant for 25 years. Re-opened as Urban Artifact Brewery, including a stage, offices, commercial tenants and a yoga studio.
- Historic Preservation Tax Credits and Federal Historic Tax Credits.
- C-PACE financed windows and doors, new HVAC, LED lighting, a new roof, elevator modernization and other efficiencies.

Deal of the Year: Advancing C-PACE

Hyatt, Salt Lake City, UT

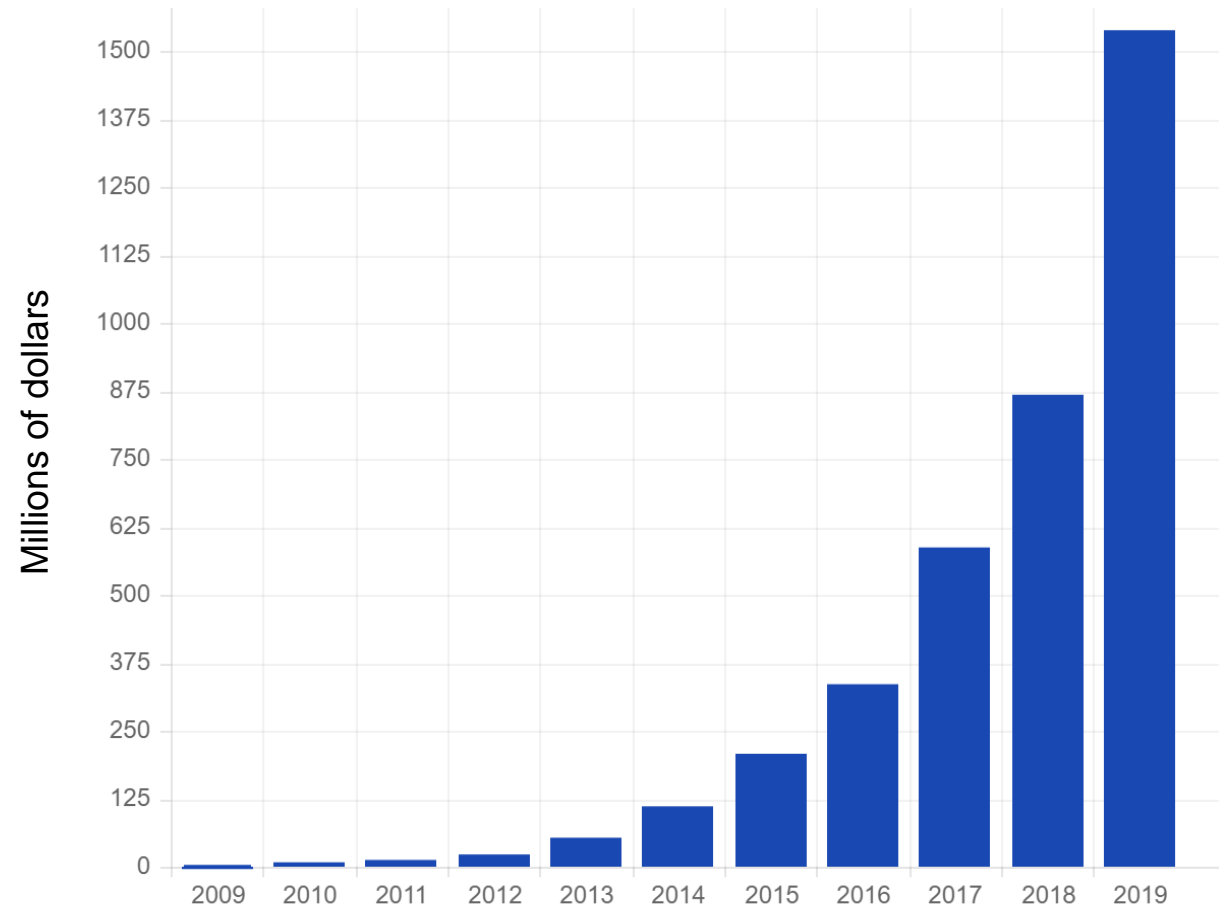


HIGHLIGHTS:

- The \$54.7 million C-PACE transaction will fund nearly every sustainable upgrade in Salt Lake City's new 26-story Hyatt Regency hotel.
- C-PACE financing funded the HVAC systems, interior lighting and equipment, fans, pumps, and water systems. As a result, the hotel's energy performance is projected to exceed the energy code by >20 percent.
- The transaction occurred in a large and growing market, CLOSED in less than 90 days, and is the largest C-PACE transaction to date.

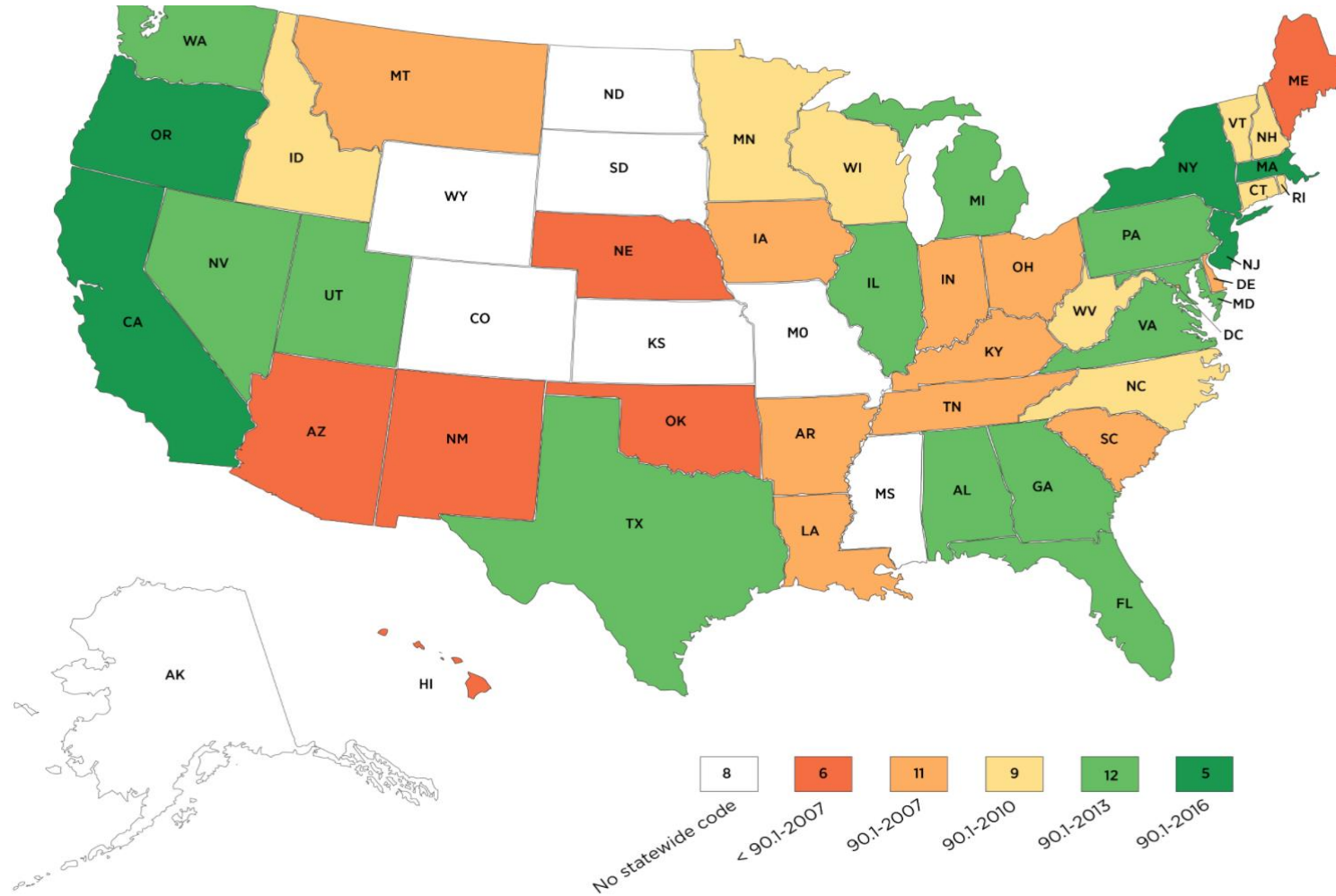
Growth in C-PACE Volume: 2009-2019

- Gradual, continuous growth.
- Year-over-year increases.
- Volume drivers:
 - Deal size increasing
 - Increasing number of new construction projects



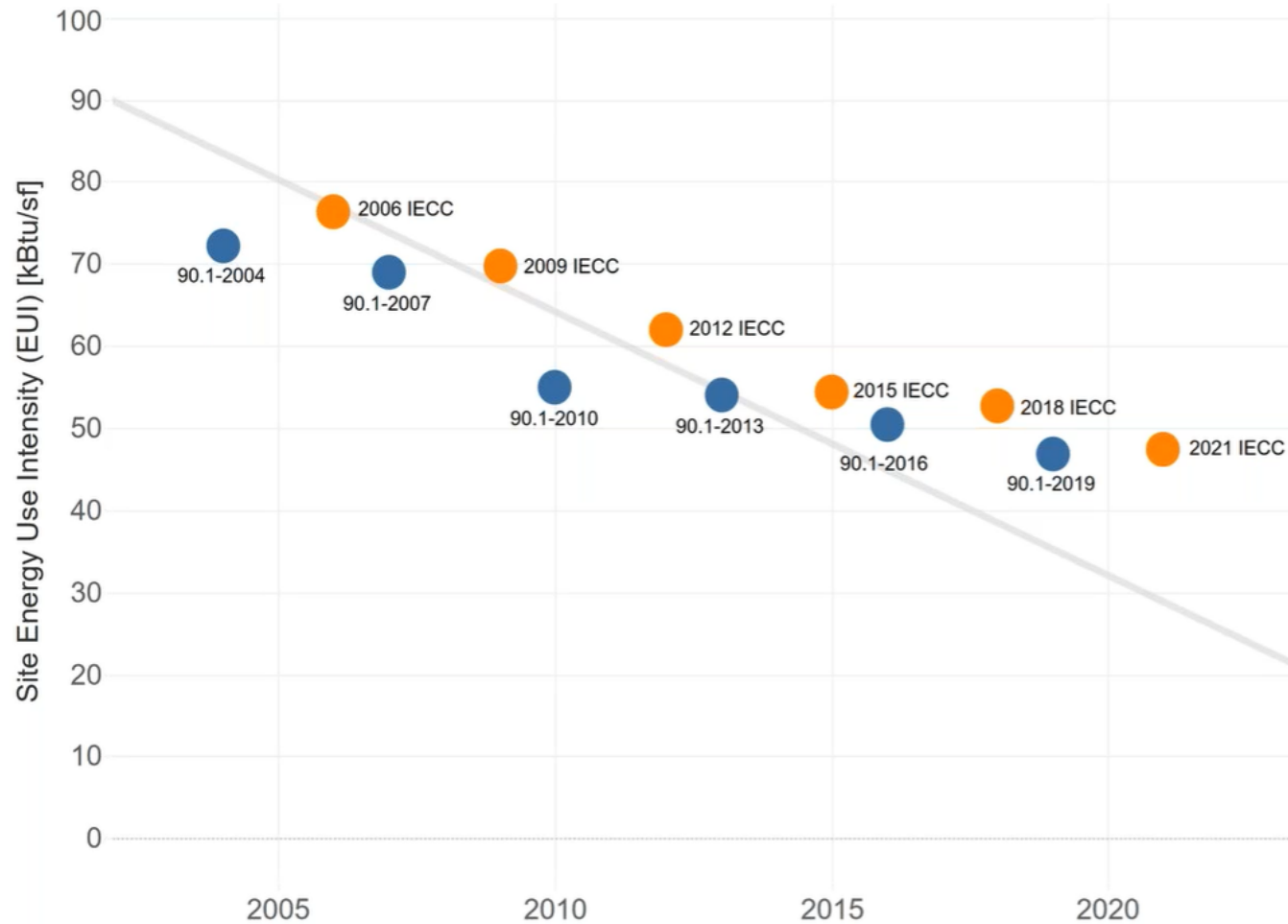
Commercial Building Energy Codes

Source: US Department of Energy



Model Commercial Energy Code Performance

Source: ACEEE



C-PACE Financing: Debt, Equity or Something Else?

Characteristic	Acts Like Equity	←————→			Acts Like Debt
On repayment schedule					C-PACE
Financed amount-to-cost				C-PACE	
Interest rate				C-PACE	
Length of repayment term			C-PACE		
Accelerable in foreclosure		C-PACE			
No personal or corporate guarantee	C-PACE				
Transferrable on sale of property	?				

C-PACE Trends: Energy Efficiency Policy Environment

- Leadership from state and local government, less from federal government.
- C-PACE amplifies the reach of other policy levers (“Total > \sum parts”)
 - Timely adoption of model building energy codes (new construction).
 - Mandatory “building performance standards” for existing buildings.
 - Stricter compliance enforcement.
 - Reporting and disclosure of energy usage (“benchmarking laws”).
 - Financial incentives.
 - Technical assistance to property owners: free audits, USDOE expertise. Is more possible?
- **TAKEAWAYS:**
 - C-PACE is an enabler. On its own, C-PACE is not a deep subsidy.
 - Policymakers emphasize economic development, too.

C-PACE Trends: Program Implementation

CONVERGENCE ON CERTAIN FUNDAMENTAL DESIGN ELEMENTS:

- Open market for capital providers.
- Search for lowest-cost financing costs (bonds & direct financing).
- Simplify energy analysis.
- Refinancing and new construction.

TRENDS:

- More territory coverage in a state.
- Emergence of multi-state Program Administrators.
- “Template-ized” transaction documents.
- Objective documentation in determining project approval.

Questions on the horizon for C-PACE

1. As efficiency mandates kick in, will C-PACE become a mainstream financial tool?
2. Will the estimated energy savings become highly complex (e.g., utility rebates) or a natural outcome of a financing tool (e.g., a tax-exempt bond)?
3. Capital providers gravitate toward larger C-PACE projects. What strategies and delivery channels will reach smaller projects (<\$1 MM)?
4. How will C-PACE financing apply to non-energy-related public benefits?
 - Seismic
 - Wind and storm damage
 - Stormwater management
 - Wildfire protection

Where to find C-PACE Alliance Publications:

www.c-pacealliance.com

- [Mortgage Lender's Guide to C-PACE: Lender Consent](#)
OCTOBER 22, 2019
- [Statement on the intersection of C-PACE assessments, HTC equity and the use of SNDAs](#)
OCTOBER 21, 2019
- [Elements of a Well-Designed C-PACE Statute and Program To Attract Private Investment and Foster Transaction Volume \(version 2.0\)](#)
JULY 19, 2019
- [The Case for Encouraging C-PACE Financing For New Construction Projects: CPA's Recommended Guidelines](#)
APRIL 15, 2019
- [Bonds or Direct Financing? Let the Market Competition Begin.](#)
FEBRUARY 19, 2019
- [C-PACE Legislation Passed... So What's the Path to Implementation?](#)
JUNE 11, 2018

Thank You

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For more information on C-PACE, visit: <http://c-pacealliance.com>



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Roundtable Discussion

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Upcoming Events



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CDFA // BNY Mellon Development Finance Webcast Series: Investing in Childcare Facilities

August 27, 2020

Intro Infrastructure Finance WebCourse

September 23-24, 2020

Register online at www.cdfa.net



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Upcoming Events



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Next in this Series:

CDFA-Bricker PACE Webinar Series: PACE Program Capitalization

September 22, 2020, 11:00 – 1:00 PM Eastern

Register online at www.cdfa.net



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