



## CDFA-Bricker PACE Webinar Series: Retroactive PACE

# Welcome

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

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### CDFA Administrator

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### **Ariel Miller**

Coordinator, Research and Technical Assistance  
Council of Development Finance Agencies

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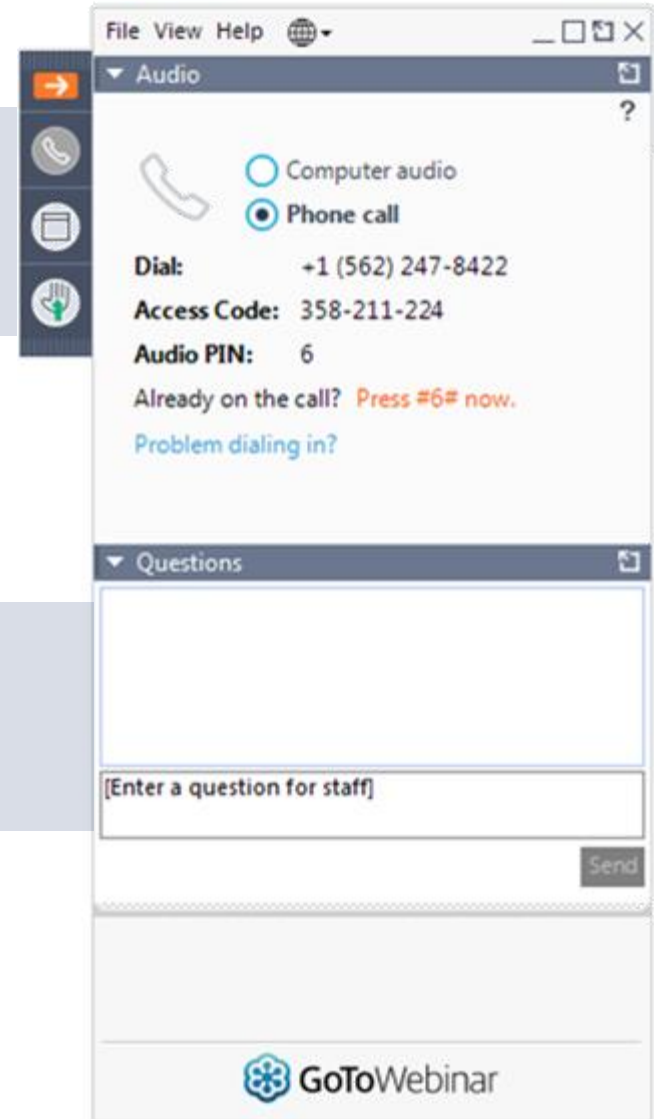
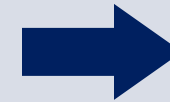


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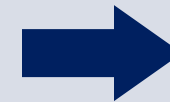


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Using your telephone will give you better audio quality.



Submit your questions to the panelists here.



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# CDFA-Bricker PACE Webinar Series: Retroactive PACE

## Moderator



### **Chris Jones**

PACE Financing Consultant  
Bricker & Eckler, LLP

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## CDFA-Bricker PACE Webinar Series: Retroactive PACE

### More About This Series

#### **CDFA-Bricker PACE Webinar Series:**

**Retroactive PACE**  
January 26, 2021

**How PACE Gets Utilized Across All Market Segments**  
March 30, 2021

**Advancing Multi-Family Housing & Renewable Energy Goals with PACE**  
July 27, 2021

**Best Practices for Marketing & Selling PACE Across All Market Sectors**  
September 28, 2021

**PACE 2.0 – The Next 10 Years**  
November 30, 2021

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# CDFA-Bricker PACE Webinar Series: Retroactive PACE

## Panelists



**Clifton Kellogg**

Executive Director  
C-PACE Alliance



**Jason Tiemeier**

Associate  
Bricker & Eckler LLP



**Anthony Mathena**

VP Finance & Development  
Continental Real Estate Companies



**Rachel Davis**

Senior Vice President - Sales  
Petros PACE Finance, LLC

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# UPDATE ON NEW C-PACE PROGRAMS & LEGISLATION

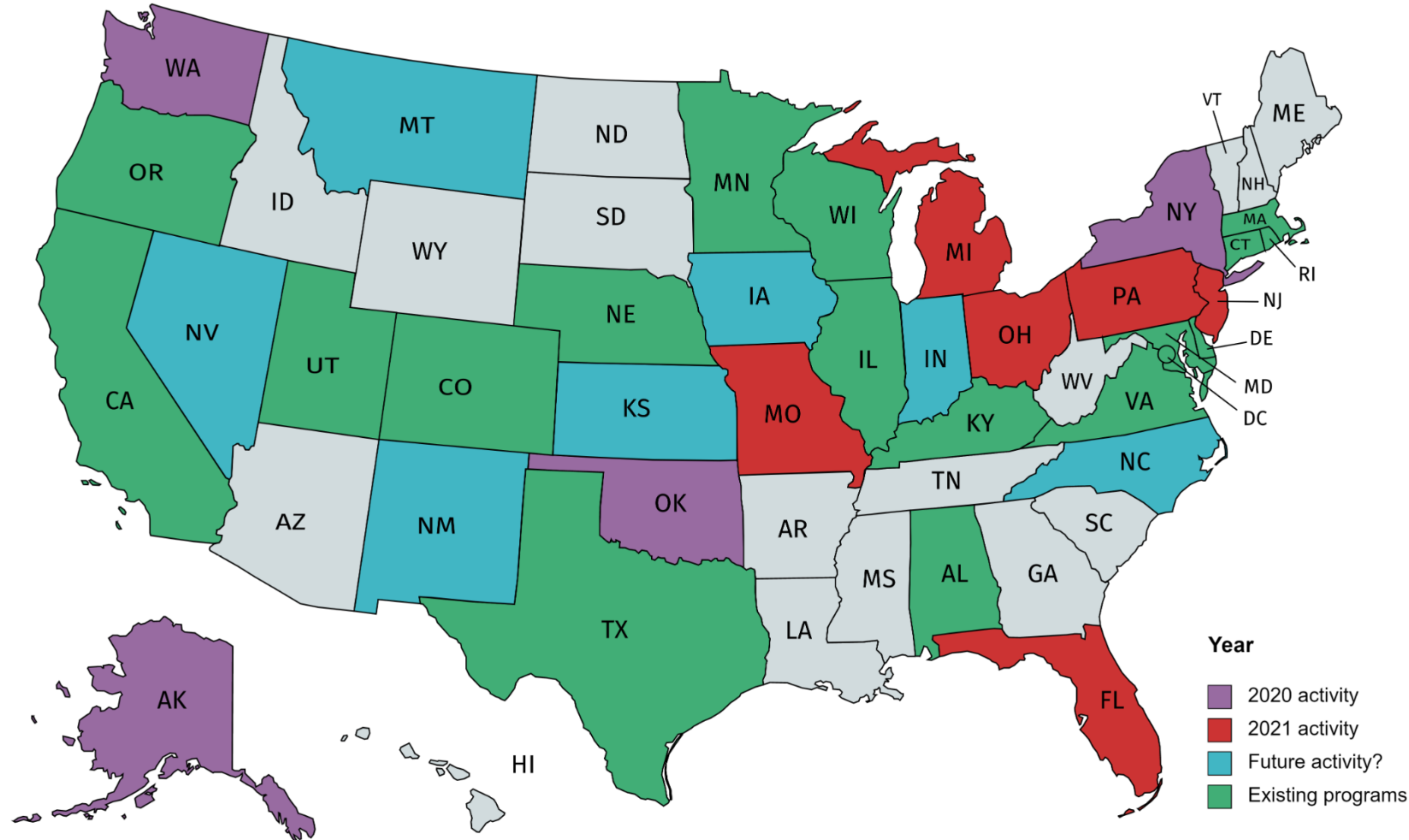
January 26, 2021

# C-PACE Trends: Economic & Policy Environment

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- **Economic environment:** Covid-10 recession : Retail and hospitality sectors hard hit. Banks are cautious.
- **Policy trends:**
  - States adopting latest model building energy codes. Important impact on new construction
  - “Benchmarking laws” require property owners to report and disclose energy usage.
  - “Building performance standards” enacted for existing buildings (WA, NYC, DC).
  - Technical assistance to property owners: Is more possible?
- **Messaging:**
  - C-PACE is a financing tool that promotes economic development and energy efficiency / resiliency.
  - Depending on the project, C-PACE financing offers up to 100% financing, long repayment terms, no guarantees, provides financing when banks retreat, substitutes for mezzanine debt or preferred equity.

# Recent C-PACE Legislation and New Programs



# C-PACE Trends: Program Design & Operational Trends

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## **CONVERGENCE ON DESIGN ELEMENTS:**

- Open market for capital providers.
- Search for lowest-cost financing costs (for bonds and direct financing).
- Clarity on energy analysis requirements.
- Authorization of C-PACE for refinancing and for new construction.

## **EMERGING OPERATIONAL TRENDS:**

- More territory covered in a state.
- Potential for multi-state Program Administrators.
- More template transaction documents.
- Checklist of documentation necessary for each application criterion.

# Questions on the horizon for C-PACE

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1. As stricter energy standards kick in, will C-PACE become a mainstream financial tool?
2. Capital providers gravitate toward larger C-PACE projects. What strategies and delivery channels will reach smaller projects (<\$1 MM)?
3. How will C-PACE financing apply to non-energy-related public benefits?:
  - Seismic
  - Wind and storm damage
  - Stormwater management
  - Wildfire protection



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## CDFA-Bricker PACE Webinar Series: Retroactive PACE

### Panelist



### **Jason Tiemeier**

Associate  
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# Retroactive PACE Financing

CDFA-Bricker Webinar Series: Retroactive PACE

**Jason Tiemeier**

*Associate*

Bricker & Eckler



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# PACE in OH, MI, PA and KY

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- OH - \$400+MM in total PACE financings; #2 state in total PACE financings
- MI - \$72+MM in total PACE financings; 47 local governments
- PA – 13 PACE Districts have been formed throughout the state
- KY - \$13+MM in total PACE financings; 15+ PACE Districts created

**Stay updated at:**

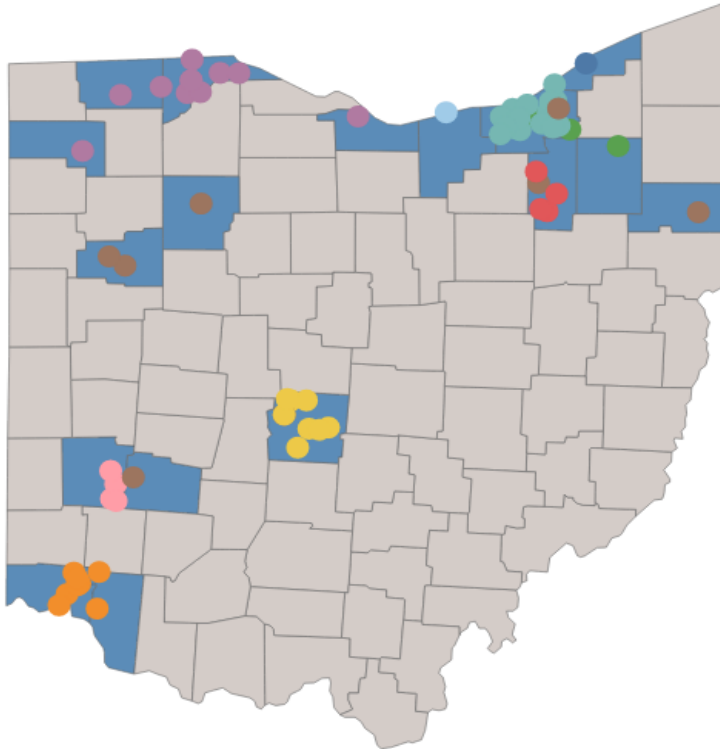
[www.bricker.com/PACE](http://www.bricker.com/PACE)



# Bricker PACE Resources



[www.bricker.com/PACE](http://www.bricker.com/PACE)

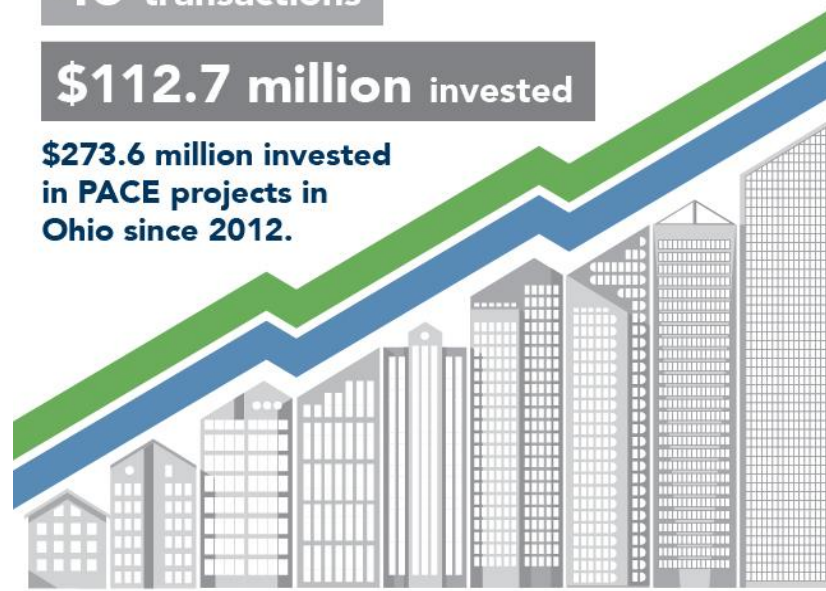


## 2019 PACE Financing in Ohio

46 transactions

\$112.7 million invested

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



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# PACE Legal Basics

## Legal Basics Are All In The Acronym

### PACE

- Property, meaning that the financing mechanism improves real property and is secured with an interest in real property
- Assessed, meaning that the financing mechanism is paid for with special assessments
- Clean Energy, meaning energy efficiency and alternative energy improvements are eligible for financing



# PACE Assessments

PACE assessments are special assessments that use existing or modified special assessment laws.

PACE assessments fund private improvements.

State PACE laws conclude that private energy conservation is a “public good.”

PACE is 100% voluntary.

Due process concerns with assessments are modified or reduced.





# Retroactive PACE Overview

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- Refinance vs reimbursement
- Existing PACE-eligible assets can be refinanced
- Refinancing creates liquidity and flexibility for borrowers
- Existing PACE-eligible assets must be initially financed with debt or other PACE to refinance
- Subject to state laws
- Subject to administrative rules
- Subject to local government policy

# Retroactive PACE Overview

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## Types of costs

- Hard costs
- Soft costs, including financing costs and interest

## Refinancing assessment costs

- Debt-financed hard and soft costs – Refinancing OK
- Cash-funded hard and soft costs – Not OK

## Inducement for special assessment costs

- For cash expenditures on hard costs within 60 days for receiving inducement letter from PACE program (if authorized)

# Refinancing – How far back?



**Policy choice rather than legal rule in Ohio, Michigan, and Kentucky**

- **Majority position in Kentucky and Ohio: Approximately 2 years from the date the original PACE eligible cost was incurred.**
- **Majority position in Michigan: 3 years from the date of project completion**
  - **Can only refinance the remaining useful life of the improvement(s)**
- **Minority position: Local government does not allow PACE refinancing at all**

# Refinancing – How far back?



## Pennsylvania Program Guidelines

- **Retroactive PACE for new construction or substantial renovation must occur after August 11, 2018 (60 days after the enactment of the Pennsylvania PACE statute) and within 730 days after the completion of the installation/construction**
- **Term of PACE financing reduced to account for elapsed time between installation and close of financing to account for decrease in useful life of the improvement(s)**

## Jason Tiemeier



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## CDFA-Bricker PACE Webinar Series: Retroactive PACE

### Panelist



### **Anthony Mathena**

VP Finance & Development  
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## **Marriott and Residence Inn Columbus University Area**

- Location: 3100 Olentangy River Road, Columbus Ohio
- Opening Date: August 2017
- Room Count: Dual-brand 240-room Marriott and 114-room Residence Inn
- Development Type: Acquisition and Redevelop
- Senior Lender: Bank Group led by WesBanco
- Debt (pre-PACE): \$50,000,000 First Mortgage Loan and \$15,000,000 “B” Note

## **Retroactive PACE Transaction**

As of Dec 2018, Continental Hospitality Group (“CHG”) closed on \$16.3 million of PACE capital with Petros PACE Finance to refinance the “B” Note, which was originally contemplated to be refi’d via EB-5. The “B” Note had an upcoming maturity with recourse. PACE provided a long-term, fixed-rate, non-recourse solution.





### **Renaissance Columbus Westerville-Polaris Hotel**

- Location: 409 Altair Parkway, Westerville Ohio
- Opening Date: May 2018
- Room Count: 222-room Renaissance Hotel
- Development Type: Ground-up
- Senior Lender: Bank Group led by Huntington Bank
- Debt (pre-PACE) : \$45,000,000 First Mortgage Loan

### **Retroactive PACE Transaction**

As of Jul 2020, CHG closed on \$9.2 million of PACE capital with Petros PACE Finance to pay down a portion of the first mortgage loan. PACE provided a long-term, fixed-rate, non-recourse solution and was utilized in conjunction with modifying the first mortgage loan, which will provide the necessary financing runway for the hotel to recover from the significant COVID-19 impact.



### **SpringHill Suites and TownePlace Suites Columbus Easton Area**

- Location: 4048 Morse Road, Columbus Ohio
- Opening Date: October 2018
- Room Count: Dual-brand 122-room SpringHill Suites and 140-room TownePlace Suites
- Development Type: Ground-up
- Senior Lender: Bank Group led by First Commonwealth Bank
- Debt (pre-PACE) : \$40,000,000 First Mortgage Loan

### **Retroactive PACE Transaction**

As of Dec 2020, CHG closed on \$9.3 million of PACE capital with Petros PACE Finance to pay down a portion of the first mortgage loan. PACE provided a long-term, fixed-rate, non-recourse solution and was utilized in conjunction with modifying the first mortgage loan, which will provide the necessary financing runway for the hotel to recover from the significant COVID-19 impact.

# Continental Real Estate Companies

## Continental Real Estate Companies

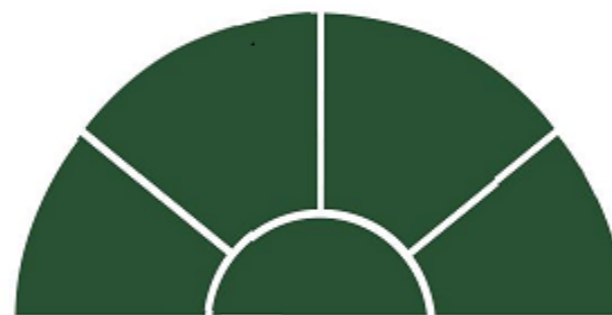
Columbus, OH-based full-service real estate development company with expertise in all real estate classes. Its primary focus today is on student housing, senior communities, office, multifamily and hospitality projects. CREC has 40+ years in the business with \$3 billion + developed, and also maintains an office in Pittsburgh, PA.

## Continental Hospitality Group

Columbus, OH-based real estate firm specializing in hospitality development and ownership. CHG principals' combined experience eclipses 175 hotel transactions / \$8+ billion in real estate value over their careers. \$400+ million in hotels currently owned, under construction, or in planning stages.

## Continental Building Company

CBC has been providing design-build, construction management, and general contracting services for 36 years. In its many years in business, the firm has grown extensively, reaching annual revenues of \$275 million. Led by Josh Corna, the firm consists of 110 talented associates and has expanded its reach with licenses in 18 states. CBC maintains a 92% repeat-client rate and has been ranked among the ENR Top 400 Commercial Contractors in the U.S. for the past 15 years.



CONTINENTAL  
REAL ESTATE COMPANIES

continental hospitality group   
CHG

**CONTINENTAL**  
BUILDING CO.

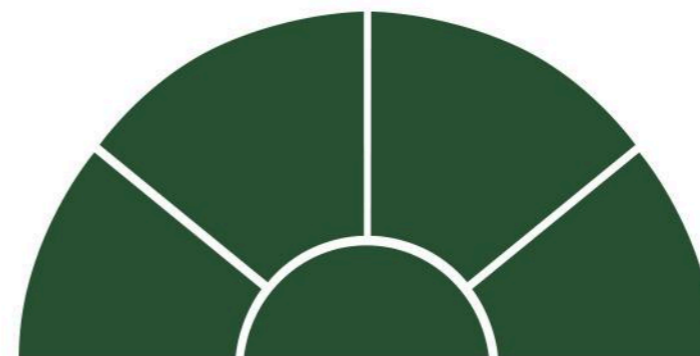


# Contact Information



continental hospitality group   
CHG

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  - o) 614.883.1194
  - c) 614.361.4324
- Websites
  - [Continental Hospitality Group](#)
  - [Continental Real Estate Companies](#)



CONTINENTAL  
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### Panelist



### **Rachel Davis**

Senior Vice President - Sales  
Petros PACE Finance, LLC

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# Petros PACE Finance Overview

Leading National C-PACE Capital Provider



## Execution Excellence

*Petros is the national leader in the C-PACE marketplace, dedicated solely to providing long-term C-PACE financing to commercial property owners and developers.*

## Significant Committed Capital

*With strategic capital partners in place, Petros has billions of dollars of committed capital to fund PACE assessments from \$500K to \$200M+.*



## Nationwide Coverage

*Petros is an approved capital provider in the majority of approved C-PACE markets and has closed transactions in 13 states plus Washington, D.C.*

## Unmatched Experience

*Founded in 2013, Petros has played a key leadership role in building and expanding the C-PACE industry since its earliest days.*



# Marriott Hotel & Residence Inn

continental hospitality group  
CHG 

Continental Hospitality Group utilized C-PACE to retroactively fund the energy efficient components of the newly constructed Marriott Hotel & Residence Inn in Columbus near the Ohio State University campus.



- ✓ **PACE FUNDING:**  
\$16.3M
- ✓ **PROPERTY TYPE:**  
354-room dual branded Marriott Hotel & Residence Inn
- ✓ **SCOPE OF WORK FUNDED BY C-PACE:**  
Comprehensive building envelope upgrade, lighting improvements and other efficiency measures



## Renaissance Hotel

Continental Hospitality Group utilized C-PACE to refinance a portion of a senior construction loan for the Renaissance Hotel, an upper-upscale flag hotel in Westerville, Ohio.

✓ **PACE FUNDING:**

\$9.2M

✓ **PROPERTY TYPE:**

Eight-story, 222-room hotel completed in the summer of 2018

✓ **SCOPE OF WORK FUNDED BY C-PACE:**

High Efficiency HVAC system, low U value windows, and a building automation system

## Springhill & TownePlace Suites

Continental Hospitality Group utilized C-PACE to refinance a portion of a senior construction loan associated with their dual-brand hotel in Columbus, Ohio.

✓ **PACE FUNDING:**

\$9.3M

✓ **PROPERTY TYPE:**

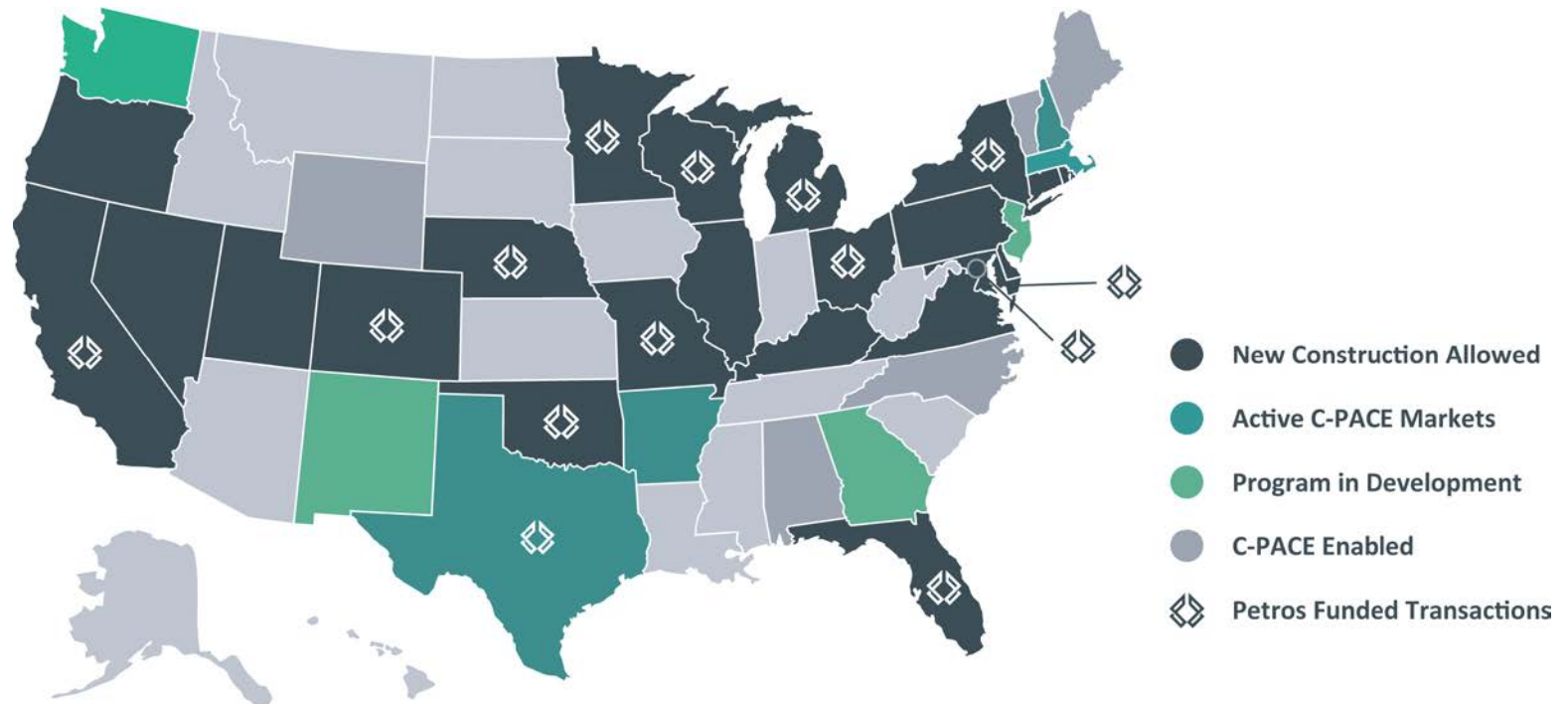
Four-story, 262-room dual-brand hotel completed in the fall of 2018

✓ **SCOPE OF WORK FUNDED BY C-PACE:**

Building envelope and roofing, LED lighting and electrical upgrades, and an improved HVAC system

# PACE Programs Vary Across the Country

- Eligible Measures
- Savings to Investment Ratio (SIR)
- Bond/Loan Structure
- Administrative Approval Processes
- Underwriting Thresholds
- C-PACE Availability
- Allowance of New Construction
- Look-back Provisions





# Eligibility for Retroactive Financing



## Broad Availability to Recapitalize with C-PACE

Retroactive financing with C-PACE can help commercial property owners and developers shore up capital stacks and access liquidity at any point in the economic cycle, but it becomes especially beneficial during periods of capital market constriction and economic uncertainty like we are experiencing today. Retroactivity is generally available as follows:

STATE	LOOK-BACK PERIOD	STATE	LOOK-BACK PERIOD
Arkansas	1.5 years	Nebraska	Not allowed
California	3 years	Nevada	Not allowed
Colorado	2 years (retrofits ineligible)	New York	2-3 years <sup>2</sup>
Connecticut	1 year	Ohio	2-3 years <sup>1</sup>
Delaware	Project completed on/after June 2018	Oklahoma	Undefined
Florida	3 years	Oregon	2 years
Illinois	3 years	Pennsylvania	2 years
Kentucky	2 years <sup>1</sup>	Rhode Island	Completed after July 2015 <sup>3</sup>
Maryland	2.5 years, Baltimore City only	Texas	2 years <sup>4</sup>
Massachusetts	Completed after August 2016	Utah	3 years
Michigan	3 years	Virginia	Not allowed
Minnesota	1 year	Washington, D.C.	Case-by-case
Missouri	3 years, at discretion of program	Wisconsin	2.5 years

*Note: Availability of retroactive financing is subject to change and additional criteria or limitations may apply within an individual state PACE program. Exceptions to the look-back periods above may be considered on a case-by-case basis.*

<sup>1</sup> May only reimburse prior debt

<sup>2</sup> New construction projects completed after May 2019

<sup>3</sup> 5-year look-back through 2021, then 3-year look-back period

<sup>4</sup> Proof of intent for efficiency prior to construction

# Retroactive C-PACE Financing

Create Liquidity and Stability



## Benefits of Retroactive C-PACE Financing

Retroactive C-PACE allows for the refinancing of up to **25% LTV of the capital stack** for C-PACE eligible hard and soft cost expenditures, providing borrowers with the ability to:

SECURE A MORE EFFICIENT CAPITAL SOURCE	Fixed rates at less than half the cost of mezzanine or pref equity structures
DEFER NEAR-TERM PAYMENTS AND FREE-UP CASH FLOW	Capitalize interest for up to 24 months
IMPROVE ABILITY TO SERVICE DEBT	Assessment terms of typically 20-25 years help lower annual payment obligations
ESTABLISH A COST RECOVERY STRUCTURE	Special assessment payment mechanism offers ability for owners to elect to recover all or a portion of the cost of the improvements from building tenants or hotel guests
LOCK-IN NON-RECOURSE FINANCING	No ongoing covenants or recourse required after construction is complete

## Uses of Retroactive C-PACE Financing



Fund construction overruns



Pay down existing debt



Replenish operating reserves



**Rachel Davis**

Senior Vice President, Sales

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### Upcoming Events



# Fundamentals of Economic Development Finance WebCourse

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January 27-28, 2021 12-5 PM EST

This course qualifies for the CDFA Training Institute's Development Finance Certified Professional Program.

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### **CDFA Federal Financing Webinar Series: Restoring Local Economies with Federal Partners**

February 9, 2021

### **CDFA // BNY Mellon Development Finance Webcast Series: Rural Broadband and Telehealth Financing**

February 16, 2021



## CDFFA-Bricker PACE Webinar Series: Retroactive PACE

### 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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### Next in this Series:

#### **CDFFA-Bricker PACE Webinar Series: How PACE Gets Utilized Across All Market Segments**

March 30, 2021, 2:00 – 4:00 PM Eastern

Register online at [www.cdfa.net](http://www.cdfa.net)





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