



New Construction C-PACE Projects

Thank you

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

Welcome

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



New Construction C-PACE Projects

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today. Send us
your questions
and comments!



Stephanie Brewer
Coordinator, Programming
Council of Development Finance Agencies

See all of CDFA's resources online at www.cdfa.net/resources



New Construction C-PACE Projects

Legal Disclaimer

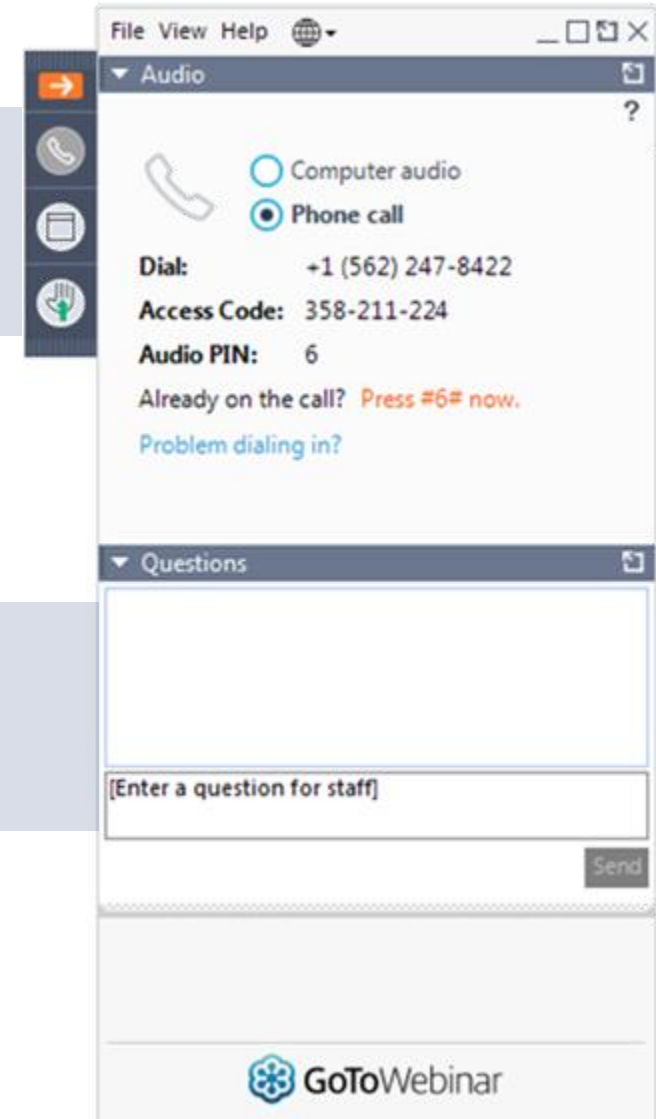
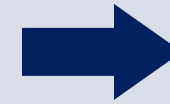
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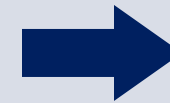
Using your telephone will give you better audio quality.



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Submit your questions to the panelists here.





New Construction C-PACE Projects

Moderator



Chris Jones

PACE Financing Consultant
Bricker & Eckler LLP

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Panelists



Chris Jones

PACE Financing Consultant
Bricker & Eckler LLP



Ethan Elser Sr.

Director of Corporate
Development
PACE Equity



Charlene Heydinger

President
Texas PACE Authority



Abigail Johnson

President
Abacus Property Solutions

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Ethan Elser Sr.

Director of Corporate Development
PACE Equity

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PACE Equity CDFA-Bricker PACE Webinar Series: New Construction C-PACE Projects

Ethan Elser

Executive Vice President

ethan@pace-equity.com – 414-446-3645



PACE EQUITY OVERVIEW

- Founded in 2014. Leading developer/funder of PACE projects in the country for development projects.
- Local presence throughout the US
- National PACE leadership on the board of PACENation.
- Founders enabled some of the first C-PACE legislation nationally and worked to established many local C-PACE districts.
- Pioneered C-PACE for: new construction, Historic & New Markets Tax Credits, TIFs, brownfields, and Opportunity Zone funds.
- Turnkey solution with project governance, energy engineering, and capital.



LAACKE & JOYS, MILWAUKEE, WI
\$2.2M | 7% of CAPITAL STACK



NATIONAL FIRSTS

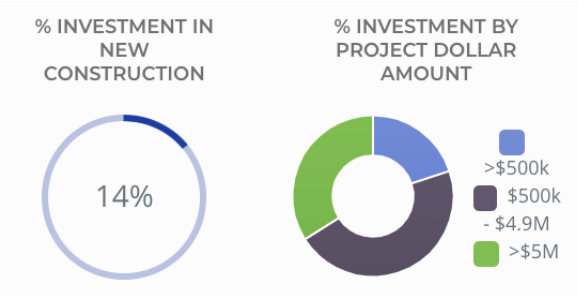
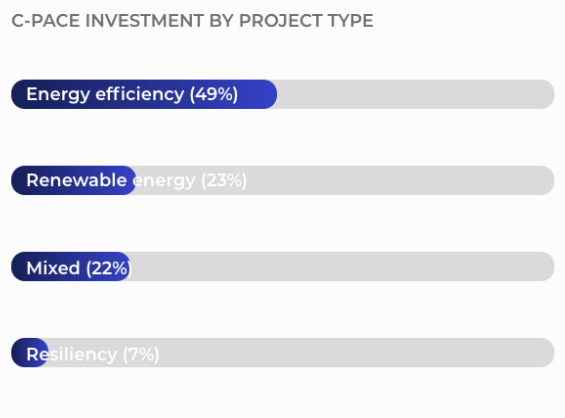
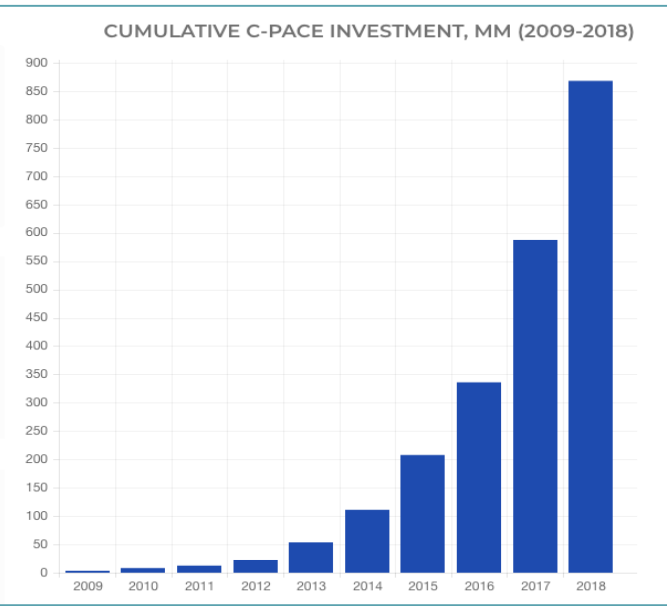
Made Possible with PACE Equity



- Completed First PACE Project to Utilize Historic Tax Credits in 2015
- Completed First PACE Project to Utilize TIF Financing in 2015
- Completed First New Construction PACE Project in 2016
- Completed First PACE Project to Utilize New Markets Tax Credits in 2016. This was also the first PACE Project on a Brownfield site.
- Completed First New Construction Hospitality, Office, Multifamily and Retail Projects (2015, 2016, 2016, 2017)

Market Data

Courtesy of PACENation



Why New Construction PACE is Part of the Financing Conversation

- Financing pairs with complex or simple capital stacks (TIF, OZ, HTC, NMTC, Ground Leases)
- Can often be the last dollar in or gap financing
- Provides additional capital to mitigate high code and reduced bank financing
- Allowable generally without legislative changes
- Stakeholder Wins:
 - Driving Return on Equity (Developer)
 - Driving Reduction of Operating Costs (Developer)
 - Driving Increase of Tax Base (Municipality)
 - Driving Economic Development (Municipality)
 - Assists with adoption of increased code
 - No cost to the taxpayer

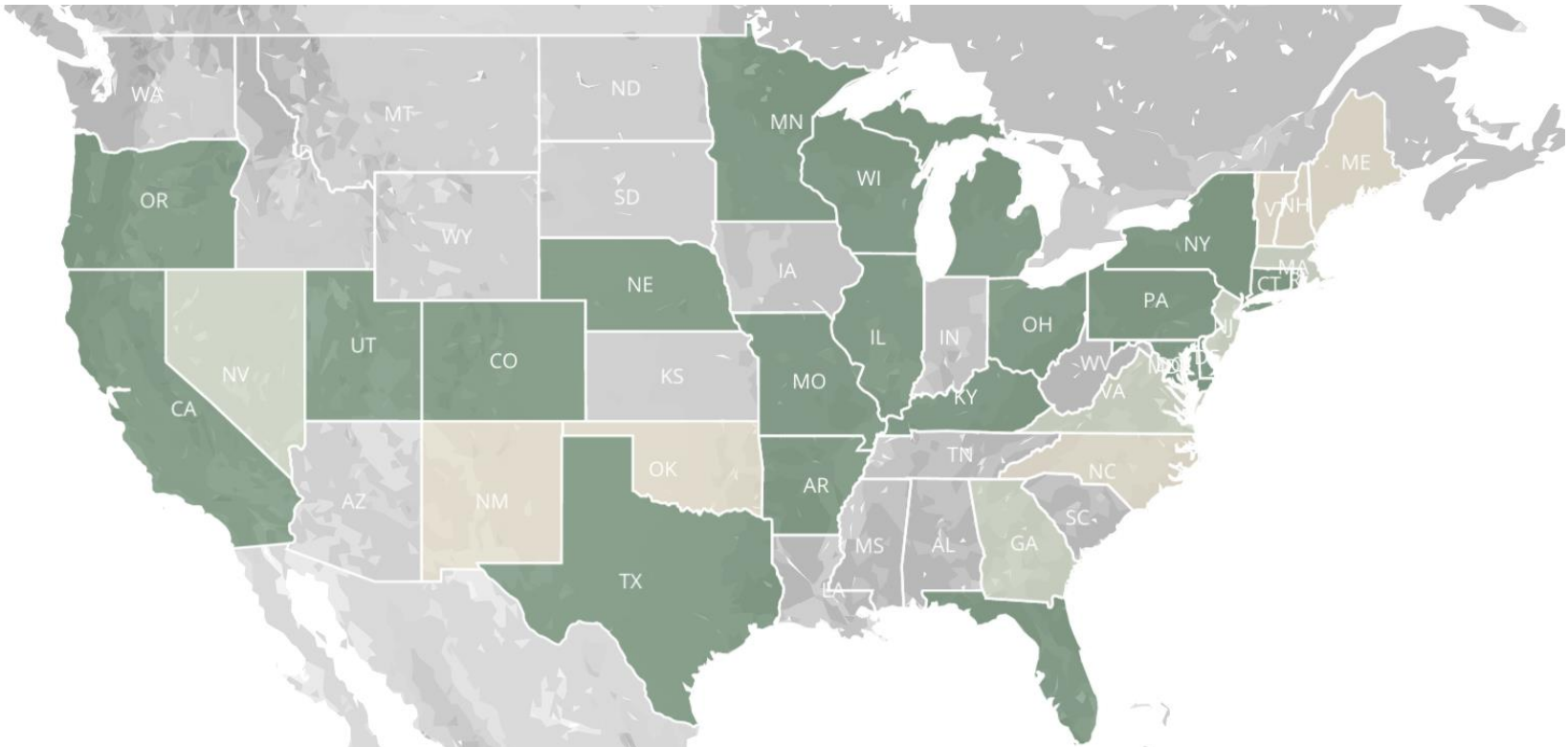


The Case for New Construction

- Allows additional access for financing for real estate developers to see projects break ground
- Economic development project capital without taxpayer funding
- Supports mission of increasing code and reducing building carbon
- Reduction/elimination of value engineering
- Spreads the word about C-PACE, which in turn leads to more focus on energy efficiency in existing building portfolios and retrofits

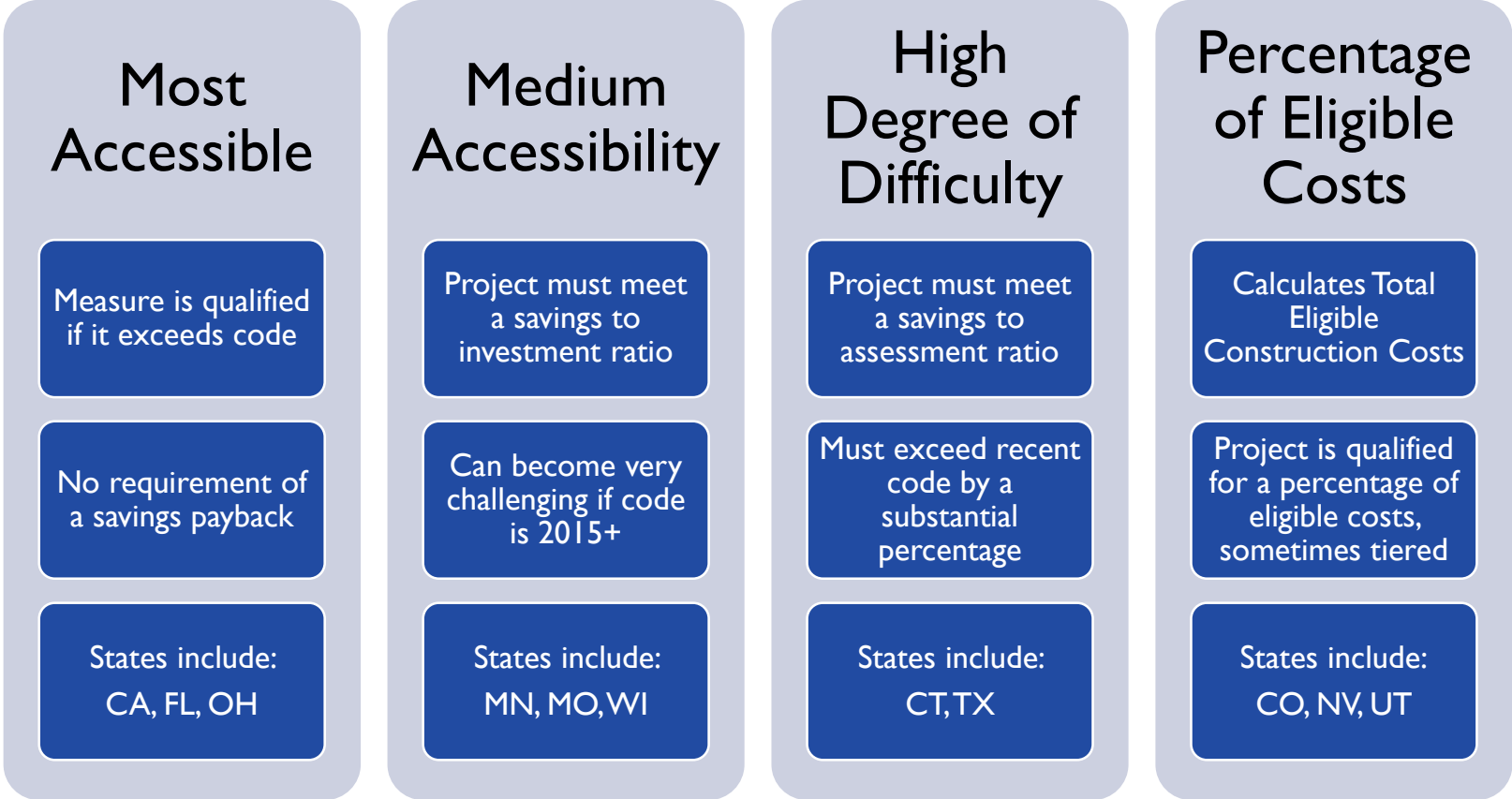


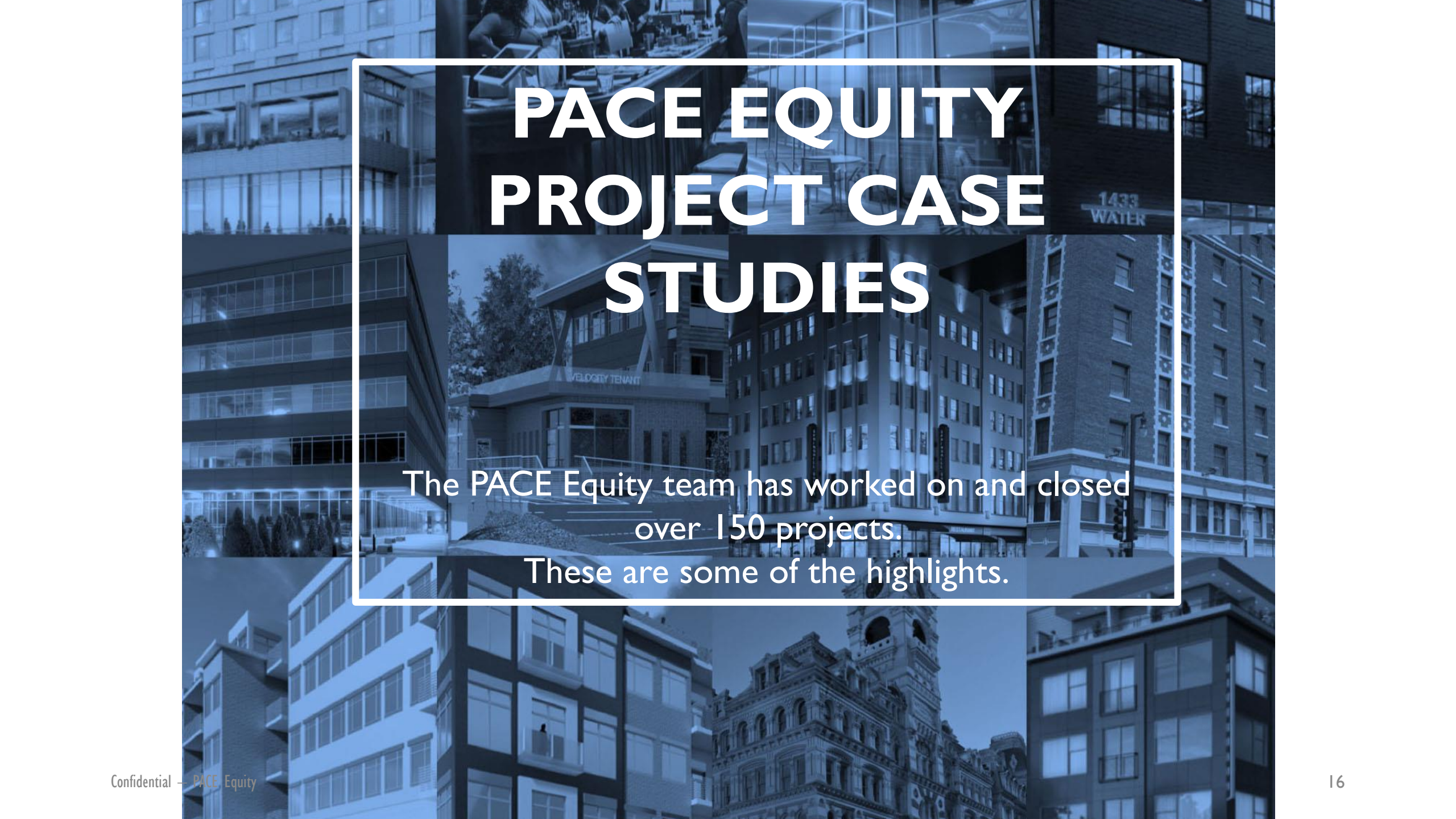
Where is PACE Available?



Map key

-  Active program(s)
-  Program in development
-  PACE-enabled





PACE EQUITY PROJECT CASE STUDIES

The PACE Equity team has worked on and closed
over 150 projects.

These are some of the highlights.



WESTIN HOTEL

\$7M • 10% of capital stack

“PACE Equity provided high value to our capital stack and enabled this project to get off the ground. Additionally, PACE Equity financing provided us the opportunity to apply smart building decisions and reduce energy use.”

Doug Nysse
Project Developer
Westin Hotel



New Construction Hospitality Project

Milwaukee, Wisconsin – 2016

First National New Construction PACE Project



GREEN LEAF GROCERY

\$2.7M • 14% of capital stack

“It’s been a long journey to see our vision for this property come to fruition. Delivering good food was well worth the challenge, and utilizing PACE Equity, which fit with our New Market Tax Credits and USDA loan, completed the financing we needed.”

Paul McKee
CEO
M Property Services



New Construction Retail Project

St. Louis, Missouri – 2017

*First New Construction PACE Project in Missouri
First National PACE New Construction Retail Project*



LAACKE & JOYS

\$2.2M • 7% of capital stack

“PACE Equity moved quickly after receiving a New Market Tax Credit Allocation. This project is a great win for us and the community.”

Stewart Wangard
Chairman & CEO
Wangard Partners, Inc.



New Construction Office Project Milwaukee, Wisconsin – 2016

*First National PACE New Construction Office Project
First National PACE & New Markets Tax Credit Project*



HYATT HOUSE

\$4.3M • 10% of capital stack

“Using PACE Equity’s funding to replace more expensive preferred equity to complete our capital stack was a game changer for us. PACE Equity’s capital not only boosted our overall returns, but their turnkey process and engineering prowess made working with them an easy choice.”

Ebbie Nakhjavani
Chief Executive Officer
EKN Development Group



New Construction Hospitality Project

Rochester, Minnesota – 2019

First National PACE Project with an Opportunity Zone Fund



HOMWOOD SUITES AND HILTON GARDEN INN

\$10.4M • 22% of capital stack

“There is a direct correlation between environmental benefits and economic benefits. Sustainability today is a best building practice. Integrating green building strategies into the design and construction of the Homewood Suites and Hilton Garden Inn makes good business sense and PACE Equity is helping us meet our clean energy goals.”

Hal Bhatnagar
Project Developer
Homewood Suites and
Hilton Garden Inn



New Construction Hospitality Project

Easton, Ohio – 2019

Largest New PACE Construction Project in Ohio



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CDFA-BRICKER PACE WEBINAR SERIES:

New Construction C-PACE Projects



Abigail Johnson, LEED AP

President, Abacus Property Solutions
Executive Director, Virginia PACE Authority

November 18, 2019

ABBY JOHNSON, LEED AP

Background and Experience

November 18, 2019

- **President, Abacus Property Solutions**

- Real estate advisory firm specialized in developing energy efficiency and clean energy projects for commercial developers/owners

- **C-PACE expertise**

- Developed Program Guidelines for SEF's Pennsylvania C-PACE program and MidAtlantic (MAPA) PACE Alliance Toolkit
- Executive Director of new non-profit PACE Program Administrator (P.A.) - the **Virginia PACE Authority**
- Design and development of programs in Illinois, Pennsylvania, Florida, Texas and Virginia, among others
- Legislative efforts in Virginia: Instrumental in amending Virginia C-PACE laws in 2015 and 2019. The 2019 amendments added resiliency and stormwater management improvements to eligible measures



WHY NEW CONSTRUCTION ?

Value Proposition

November 18, 2019

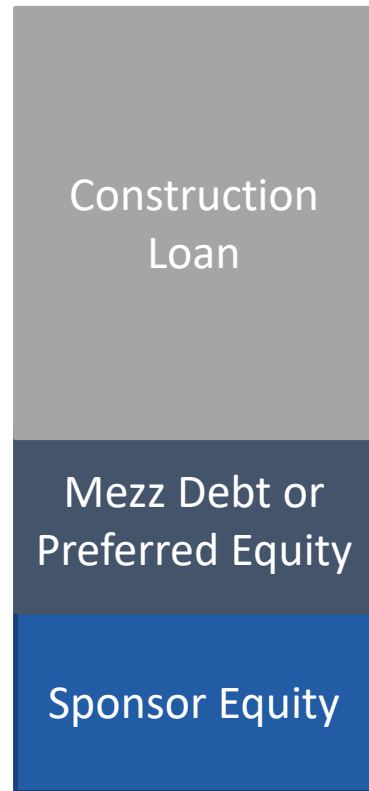
C-PACE financing helps developers:

- Construct more efficient buildings, which lowers operating costs, among other things
- Increase tenant comfort; accelerate occupancy
- Include improvements often “value engineered” out of a project

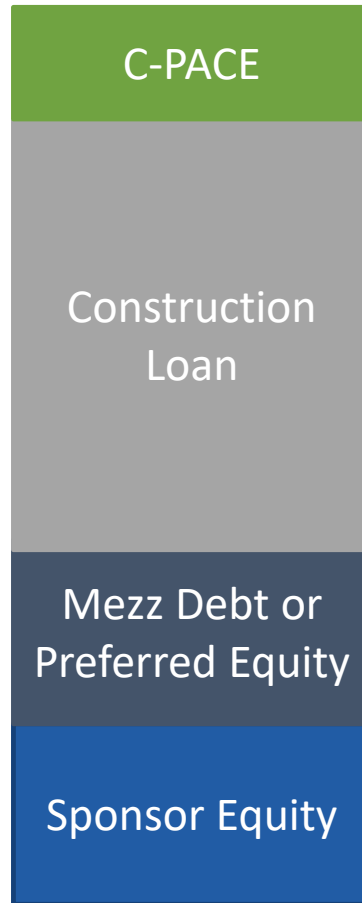
Potential benefits to developer:

- Contribute to capital stack by financing up to 20-25% of project costs (defined differently across programs)
- Reduce owner equity contribution or other high-cost capital
- Personal guarantees typically not required*
- No impact on working capital or developer’s credit

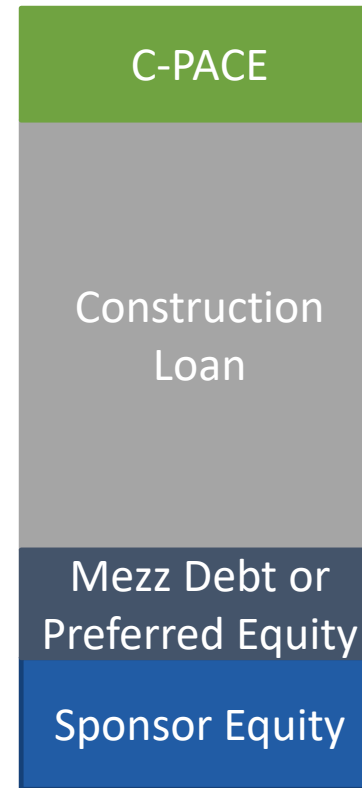
** Completion Certificate required*



Project financing without C-PACE



C-PACE provides capital to add/keep high performance measures



C-PACE reduces sponsor equity or "higher return" capital

WHY NEW CONSTRUCTION ? AUDI FIELD SOCCER STADIUM

Washington D.C.

November 18, 2019

Description: New 20,000 seat stadium for the D.C. United soccer team required additional investment

Challenge: Unlock additional funds to green the stadium to LEED Gold standards and extend sustainability commitments

Solution: integrate \$25 million of PACE financing into the \$300+ million stadium project. Allowed DC United to achieve high performance standards and meet stringent stormwater management requirements

Savings: Improvements expected to reduce energy use by 25%

Measures Financed:

- 884 kW Solar System
- High Efficiency HVAC Systems
- LED Field Lighting
- Insulation
- Site Stormwater Conservation
- Green Roof
- Low Flow Water Fixtures

C-PACE STATUTES AND NEW CONSTRUCTION

Rules of the Road

November 18, 2019

- **Context**
 - Understand how state laws are applied at local level
 - Home Rule, Dillion Rule, strictness of application
- **Virginia**
 - Strict Dillon Rule state where local governments can't sneeze without asking state's permission
 - Original drafters of legislation were explicit in inclusion of term "new construction" in state law
 - Ongoing amendments at state level due to ambiguities that localities do not want to interpret
- **In Comparison . .**
 - In Pennsylvania, Maryland and other states, new construction is not strictly defined in state law but interpretation is less "literal" and therefore eligible



MID-ATLANTIC REGION NEW CONSTRUCTION PACE GUIDELINES

Implementation: Variance at state and local level

November 18, 2019

Metric	DC	MD-PACE	Loudoun C-PACE	Arlington C-PACE
Baseline Building Performance	ASHRAE 90.1-2010 or (current/future DC energy code)	ASHRAE 90.1-2010 or 2015 IECC	Local code which meet or exceeds USBC (2015 IBC)	ASHRAE 90.1-2010 or 2012 IECC
Minimum Performance Requirement	Exceed Baseline (per energy model)	Exceed Baseline (per energy model)	Exceed Baseline (per energy model or by individual measure)	Exceed Baseline by at least 15% (per energy model)
Savings to Investment Ratio	SIR > 1.0 required; projects with SIR < 1 may be approved by meeting other sustainability criteria (such as LEED cert.)	1.0 in Anne Arundel, Carroll, Charles, Frederick, Harford, & Talbot counties; no SIR requirement in other MD-PACE counties	SIR > 1 not required	SIR > 1 not required
Financeable amount	Up to 100% of hard and soft costs of eligible measures	Up to 100% of hard and soft costs of eligible measures	Up to 100% of eligible measures OR exceed code up to 5% => up to 20% of total project costs; >5% over code up to 25% of total project costs	5-20% of Total Eligible Construction Cost (all hard and soft costs of physical structure) depending on baseline exceedance

LOUDOUN COUNTY, VA EXAMPLE

New Construction guidelines

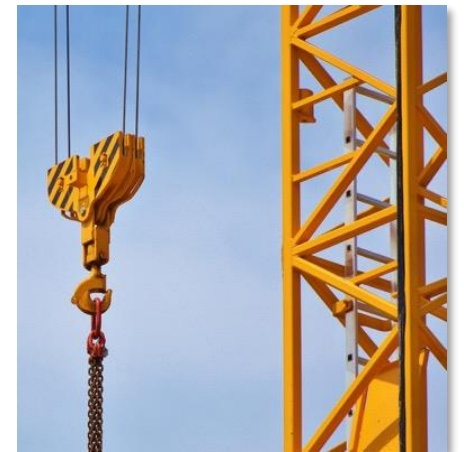
November 18, 2019

- **Methodology:**

1. For **New Construction**, utilize a statutory energy code baseline usage, AND
2. Include calculations of expected energy and/or water monetary savings to be achieved
 - *Quantifiable expected savings during the term of the C-PACE Loan over the baseline usage must be demonstrated*

- **New Construction/Gut Rehab Methodology:**

1. **Itemization of Individual Eligible Improvements:** 100% of cost of each measure > code is eligible
2. **Whole Building savings:**
 - Exceed code minimum up to 5% => fund up to 20% of total Project Costs
 - Exceed code minimum by more than 5% => fund up to 25% of total Project Costs



*Guidelines mirror County's
priority in economic development*

CREATIVE APPLICATIONS FOR NEW CONSTRUCTION

Expanded C-PACE state statute

November 18, 2019

Virginia C-PACE Resiliency language

*The kinds of renewable energy production and distribution facilities, energy usage efficiency improvements, **resiliency improvements**, or water usage efficiency improvements for which loans may be offered. **Resiliency improvements may include mitigation of flooding or the impacts of flooding or stormwater management improvements with a preference for natural or nature-based features and living shorelines**”*



Codified in §15.2-958.3

CREATIVE APPLICATIONS FOR NEW CONSTRUCTION

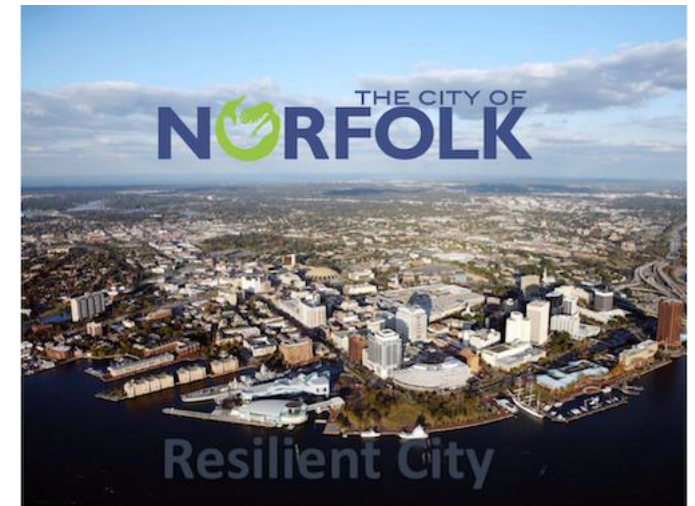
Local to state level

November 18, 2019

Norfolk, VA New Zoning Ordinance

- Enhanced flood resilience about state code (effective March 2018)
- Freeboard: > 3 feet above the 100 year flood elevation
- Coastal Resiliency Overlay: use of permeable surfaces on new parking spaces and stormwater infiltration requirements
- Resilience Quotient System - developers earn points for adopting different resilient measures that promote flood risk reduction, stormwater management, and energy resilience, among other practices

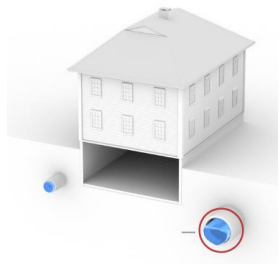
Look to forward thinking communities in crafting state or local C-PACE legislation



CREATIVE APPLICATIONS FOR NEW CONSTRUCTION

Example Resiliency & stormwater management measures

November 18th, 2019



Health and Safety	→	Build safe houses for M/F and senior residents
Energy Storage & Generation	→	Provide backup power for critical systems
Elevators	→	Provide backup power source
Envelope and Structure	→	Dry and wetproof building
Envelope and Structure	→	Design with non combustibile cladding & insulation
Envelope and Structure	→	Shutters, impact resistant openings, roof braces
Plumbing	→	Install sewage backflow prevention devices
HVAC	→	Higher equipment, upgrade ventilation systems
Fire suppression	→	Elevate pumps to protect from flooding
Stormwater management	→	Pervious pavement, blue roofs

THANK YOU!

Contact information

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Panelist



Charlene Heydinger

President
Texas PACE Authority

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Texas PACE

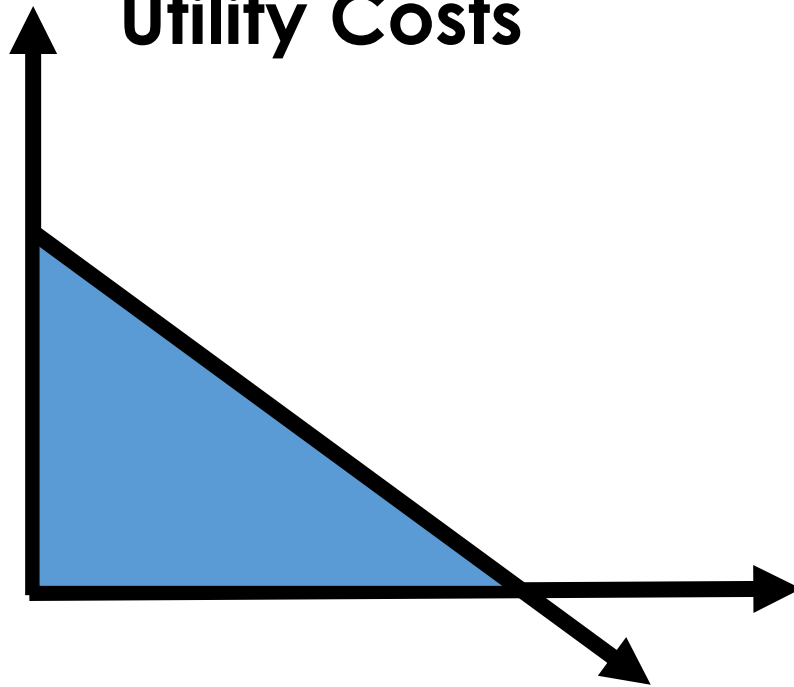
And

New Construction

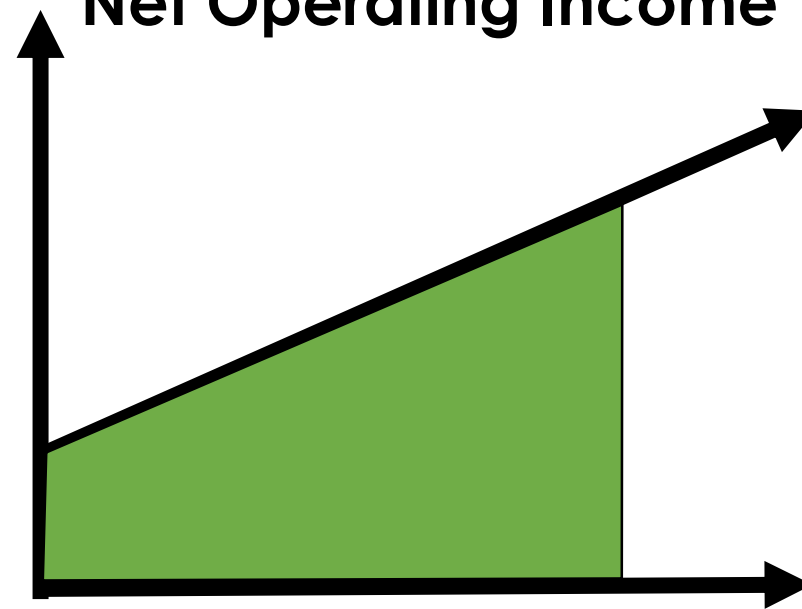
Charlene Heydinger, president
Charlene@TexasPACEAuthority.org
www.TexasPACEAuthority.org

WHAT TX-PACE DOES

LOWER
Utility Costs



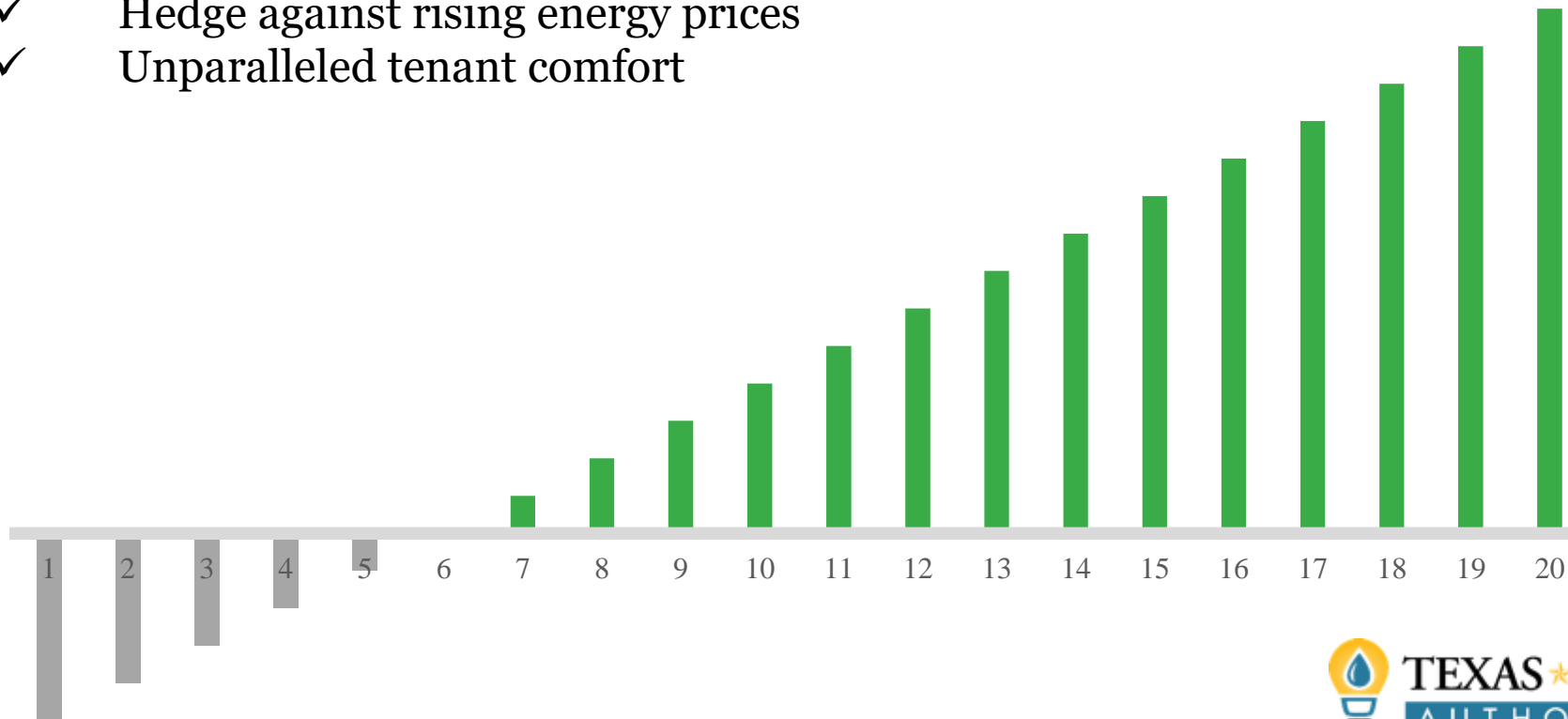
INCREASE
Net Operating Income



Bottom Line: Increased Building Value

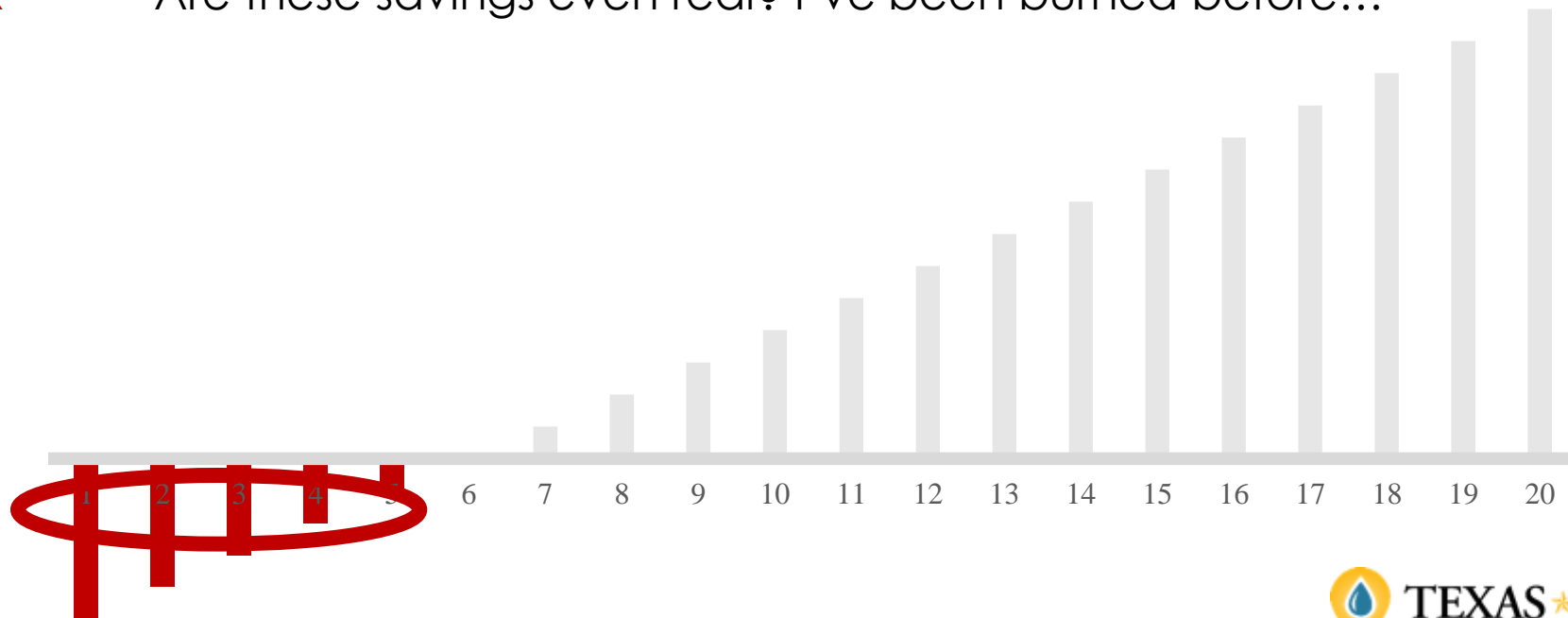
What Contractors PITCH

- ✓ Strong ROI – will save \$5.6M over system life
- ✓ Innovative – groundbreaking efficient technology
- ✓ 20-year warranties, proven expertise
- ✓ Hedge against rising energy prices
- ✓ Unparalleled tenant comfort



What the CFO/Owner HEARS...

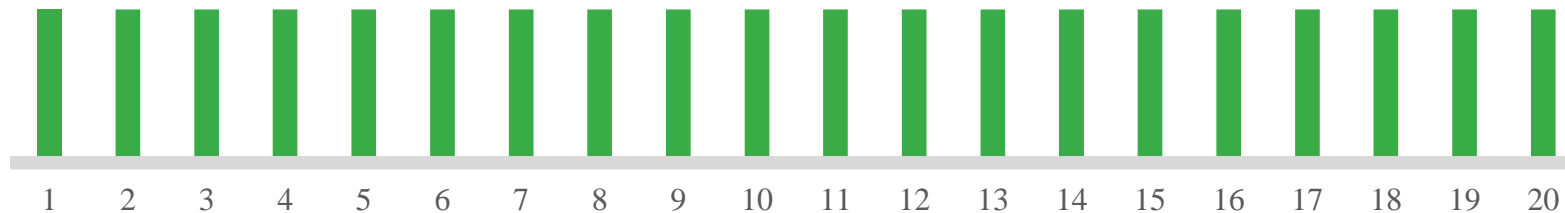
- X Where will I get the funding?
- X What if I sell the building in 5 years?
- X We only do 3-Year payback projects
- X Good technology...but my tenant pays the energy bills
- X Are these savings even real? I've been burned before...



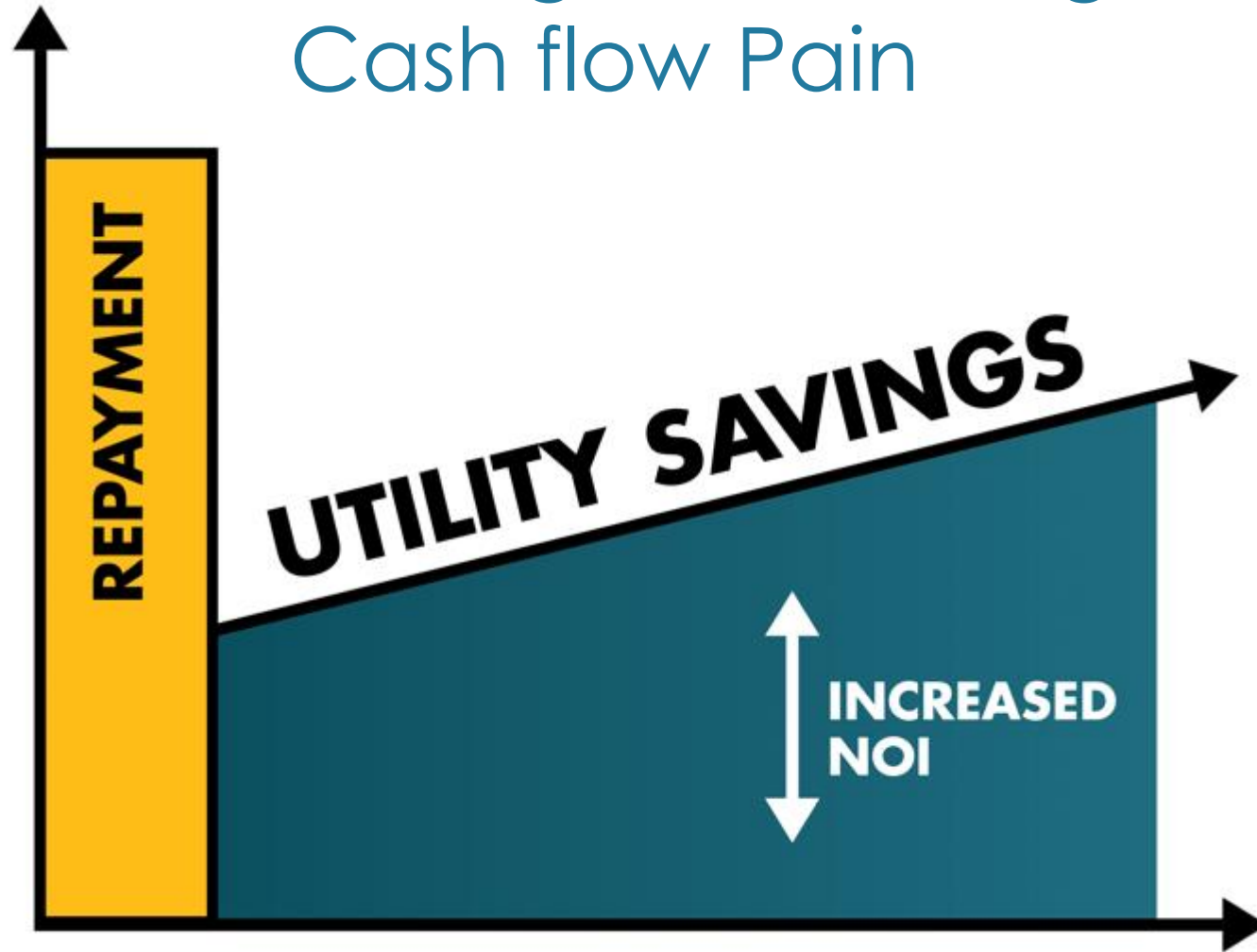
Changing the Story

What if you could develop a solution that...

1. Provides 100% up front funding of all hard and soft costs?
2. Allows a 20+ Year repayment term = **immediate income source**
3. Allows transfer of obligation automatically on sale
4. Doesn't tie up borrowing capacity
5. Requires savings to be validated by third party review



Short Financing term + Long ROI =
Cash flow Pain



LONG SIMPLE PAYBACK? NO PROBLEM!



The Texas PACE Act

Chapter 399 Local Government Code

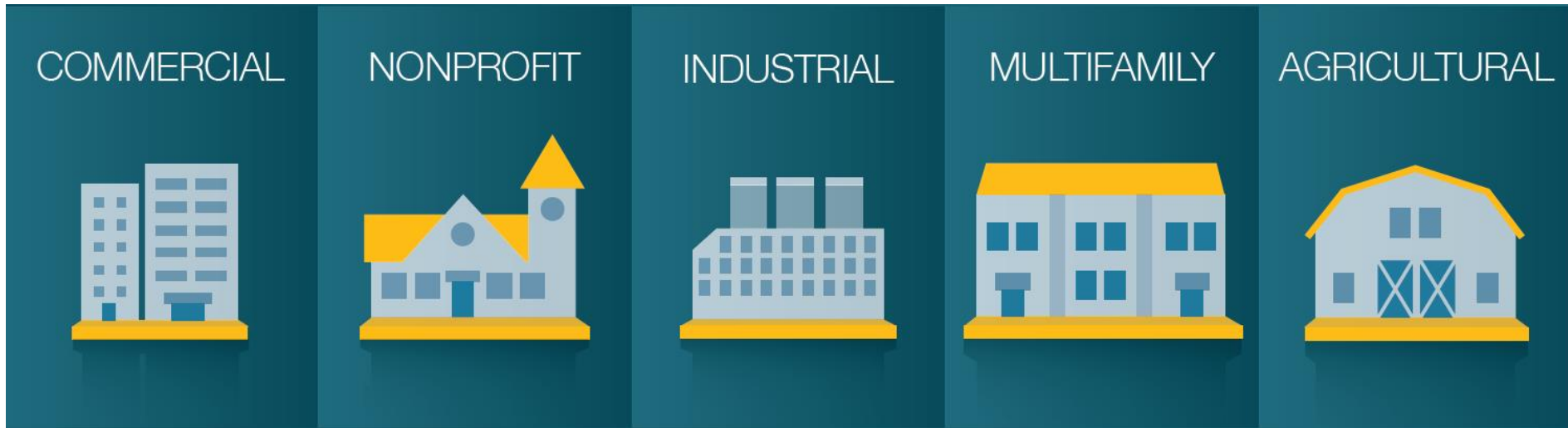
<https://statutes.capitol.texas.gov/Docs/LG/htm/LG.399.htm>

- **Keeping PACE in Texas**, 501(c)(6), in Texas formed Dec. 2011
- Texas PACE Act Enacted June 2013
- **PACE in a Box** collaboration -
 - June 2013 – June 2014
 - Legal documents June 2014 – Dec 2014
- **Texas PACE Authority** (TPA), 501(c)(3) created – March 2015
- First PACE program: Travis County – April 2015
- First Closed project: Travis County – February 2016



WHAT IS TX-PACE?

- Local adoption economic development tool - Property assessment
- Eligible improvements Include: water conservation, energy efficiency, and distributed generation upgrades



Texas PACE Act

New Construction

Legislative Language:

Sec. 399.004. AUTHORIZED ASSESSMENTS...

(b) An assessment under this chapter may not be imposed to repay the financing of:

(1) facilities for undeveloped lots or lots undergoing development at the time of the assessment...

Legislative History:

- Silent on new construction
- Focused on renovation and revitalization



PACE IN A BOX



“PACE in a Box” is a toolkit of recommendations and templates for counties and municipalities to:

- Create uniform, user friendly, scalable, and sustainable PACE programs
- Administered by a nonprofit in a transparent manner, focused on gov’t tasks; free market with decision/power in hands of property owner

PACE in a Box Working Groups

Program Underwriting

- Building Owner Qualifications
- Building Qualifications
- Project Qualifications
- Savings to Investment Ratio

Program Design

- Templates for Municipal Resolution
- Application Process
- Collection Process
- Overview / Flow Chart

Technical Standards

- Energy Saving M&V
- Water Savings M&V
- Third Party Review
- M&V Resources

Funding Platform

- Responsible Loan Making
- Attracting Capital
- Bonding

Education and Training

- Education to Municipalities
- Marketing Campaign to Building Owners, Lenders, and Contractors
- M&V training



Working Group Guidance – Dec. 31, 2017

Underwriting Working Group Guidance

<https://www.keepingpaceintexas.org/wp-content/uploads/2018/01/FUTHER-GUIDANCE-.pdf>

Section 1

Challenge: Seeking Objective Standards from unclear statutory language

- What is "developed"?
- What is "lot"?
- Additions to existing facilities – OK
- New facility on same parcel as existing facility – OK
- Previously developed - OK
- How to determine if a parcel was previously developed
 - Determination Form
 - Filled out by property owner and capital provider
 - Impact of project on undeveloped lot



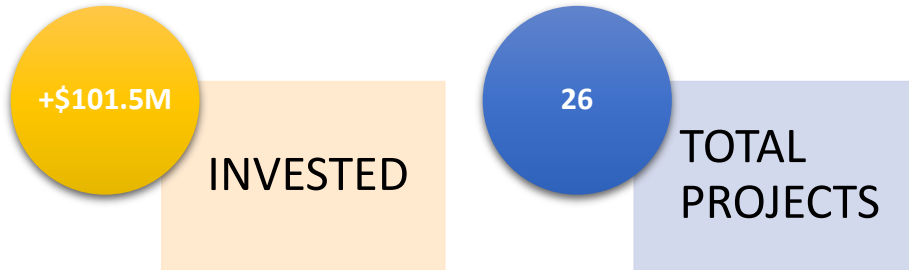
Measuring New Construction Savings PACE in a Box Approach:

- Public Benefit
- Baseline is code (2015 IECC Energy Codes)
- Savings to Investment Ratio (SIR > 1)
- Efficiency floor: 5% above code
- Secondary Analysis:
 - Incremental cost vs. Incremental Savings

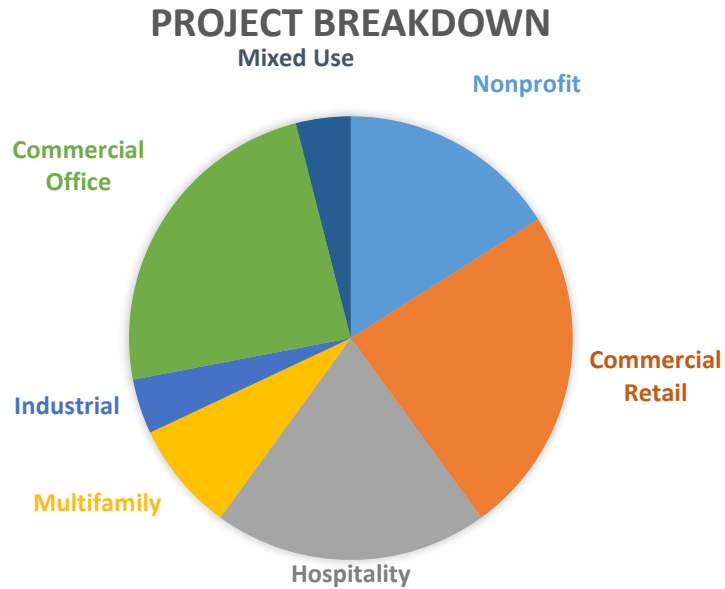
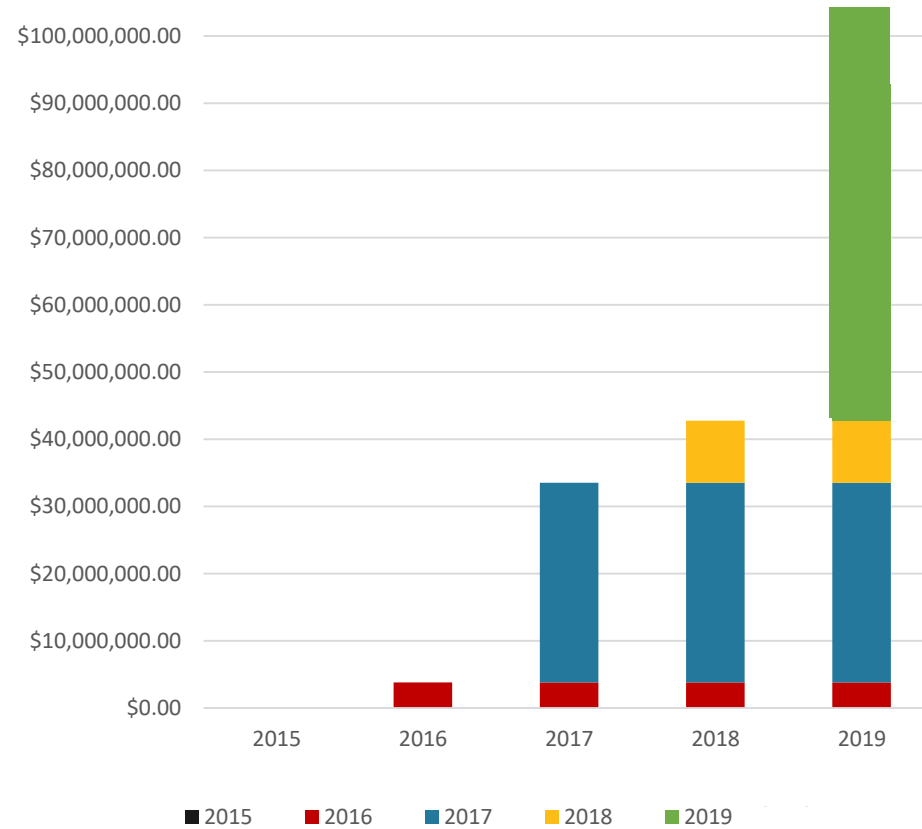
Technical Standards Working Group Guidance:

<https://www.keepingpaceintexas.org/wp-content/uploads/2018/01/FUTHER-GUIDANCE-.pdf>. Section II

TX-PACE BY THE NUMBERS



ANNUAL TX-PACE INVESTMENT



* As of September 30, 2019

RESOURCES:

<https://comptroller.texas.gov/programs/s/eco/funding/pace.php>

<https://pace.harcresearch.org>

www.TexasPACEAuthority.org

www.KeepingPACEinTexas.org

www.PACENation.us





TEXAS ★ PACE

AUTHORITY

TEXAS' OPEN-MARKET PACE
PROGRAM ADMINISTRATOR

www.TexasPACEAuthority.org

Charlene Heydinger, President
Charlene@TexasPACEAuthority.org

POWERED BY:





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Questions?



New Construction C-PACE Projects

Upcoming Events

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



CDFA-Ice Miller Broadband Financing Bootcamp:

Wednesday, December 4, 2019 | 1:00 PM

Intro Food Systems Finance WebCourse:

Wednesday, December 11, 2019 | 12:00 PM

Thursday, December 12, 2019 | 12:00 PM

Register online at www.cdfa.net



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Stephanie Brewer

Coordinator, Programming

614-705-1302

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