CDFA-Bricker Webinar Series: Incentives & Financing for Green and Sustainable Assets

Council of Development Finance Agencies

THE BROADCAST WILL BEGIN AT 2PM EASTERN

Submit your questions in advance using the chat box

National Updates for C-PACE Financing

Wednesday, June 21, 2023

National Updates for C-PACE Financing

Zeyu Zhang
Manager, Research & Technical Assistance
Council of Development Finance Agencies
Columbus, OH

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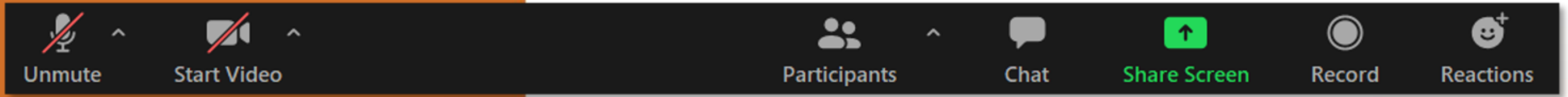

Submit your questions by using the chat function!

Panelists

Jason Tiemeier
Senior Associate
Bricker Graydon

Melody Echols
Assistant Director
Invest Atlanta

Brandon England
Director-Sustainability Programs
Pathway Lending

Trey Raymer
Chief Financial Officer
EightTwenty

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National Updates for C-PACE Financing

Jason Tiemeier
Senior Associate
Bricker Graydon

CDFA-Bricker Energy Efficiency Webinar Series: PACE 101 plus PACE Market Updates

Jason Tiemeier

Bricker Graydon LLP

Bricker Graydon

PACE

- **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

What is PACE Financing?

- Special assessment financing for energy efficient and renewable energy building improvements that are repaid via a special assessment added to the property's tax bill.
- Private financing available to commercial property owners to finance up to 100% of energy and water saving improvements.
- Public-Private Partnership + Local Job Creator
- (15 jobs per $1m of PACE financing – PACE Nation)

What is PACE Financing?

- Long-term loans (10 – 30 years)
- Fixed-interest rates/ Fixed payment
- 100% financing, no down payment
- Non-recourse loans (no personal guarantee)
- Payments can be passed through to tenants
- Loan transfers with the property

Who is PACE for?

- **Commercial Property Owners**
  - Both existing properties and new construction
  - Includes hotels, hospitals, restaurants, office buildings, etc.
  - Includes multi-family housing, with 4+ units
- **Industrial Property Owners**
- **Agricultural Property Owners**
  - Farms, wineries, etc.
- **Nonprofits**
  - Churches, childcare facilities, private schools, etc.
- **Local Governments**
- Does not include single-family residential property (except CA, FL and MO)

How Can PACE Be Used

1. Existing buildings for retrofits and upgrades
2. New construction and “gut rehabs”
3. “Retroactive PACE”: refinancing eligible improvements

Layering Incentives

Bricker Graydon

PACE can be combined with other types of financing and incentives

Abatements	• Community reinvestment area (CRA) abatements • Sales tax abatements • Ohio Air Quality Development Authority (OAQDA) program
Credit enhanced financing	• Bond fund credit enhancement • State loan loss reserve • State energy loan program
Other	• Tax increment financing (TIF) • Historic tax credits (HTC) • New market tax credits (NMTC) • Alternative energy tax credits • Utility rebate programs

Eligible Improvements

Bricker Graydon

Varies per state

Energy efficiency

Renewable energy

Water efficiency

Resiliency

Indoor Air Quality

Some states broadening to include other non-ECMs

Case Study

Delco Lofts Project – Dayton, Ohio

- Urban redevelopment project in Dayton
- Historic industrial manufacturing building
- Redeveloped by Crawford Hoying Development Partners
- 134 market rate apartments, parking, amenities, and first-floor retail

Case Study

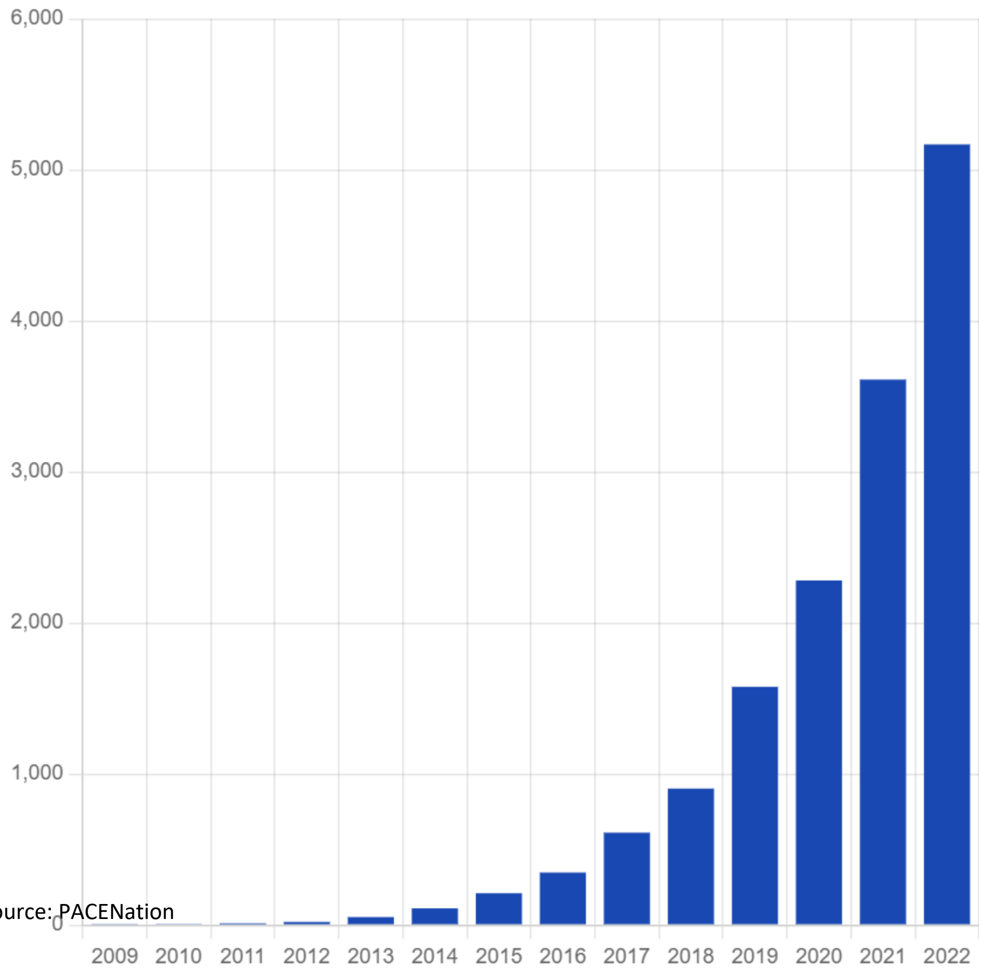
Delco Lofts Project – Dayton, Ohio

- $17.6M Senior/Bridge Financing
  - Federal Historic Tax Credits (+/- 90% face value)
  - State Historic Tax Credits (+/-75% face value)
- $3.8M Dayton Port Bonds
  - BBB+ rated
  - 4.05% (July 26, 2016)
  - 17-year term
  - 0.56% annual port authority credit enhancement, servicing, and trustee fee
- $650,000 Dayton Port Sales Tax Savings

Delco Lofts PACE Improvements

- LED Lighting
- Windows
- HVAC
- Insulation
- Thermostats/controls

National PACE now > $5B



Source: PACENation

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Leading PACE States

C-PACE INVESTMENT BY STATE (STATES >$50MM, TO DEC. 2022)

	State	Investment ($, MM)
1	CA	$1,239
2	OH	$682
3	TX	$407
4	MN	$263
5	UT	$251
6	CO	$249
7	CT	$232
8	MI	$221
9	NY	$209
10	FL	$205

Source: PACENation

Notable 2022 PACE activity

- “Small Balance” platform entity Allectrify entering market
- More traditional lenders to enter market in 2023 (Pathway Lending)
- Inflation Reduction Act will spur EE/RE activity (Eight Twenty solar)
- Atlanta closes first deal ($9M entertainment venue)
- “Activated” States: HI, WA, OR, TN, ME

2023 PACE Updates

- "Small Balance" PACE: Allectrify's "FastPACE" platform active
- Traditional Lenders entering market: Pathway Lending (Nashville, TN)
- Inflation Reduction Act: signification solar incentives guidance provided
- States: Tennessee has projects closed with developing PACE programs
- Cities: Atlanta is "relaunching" their PACE program to be "open market"

PACE Resources

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Bricker Graydon

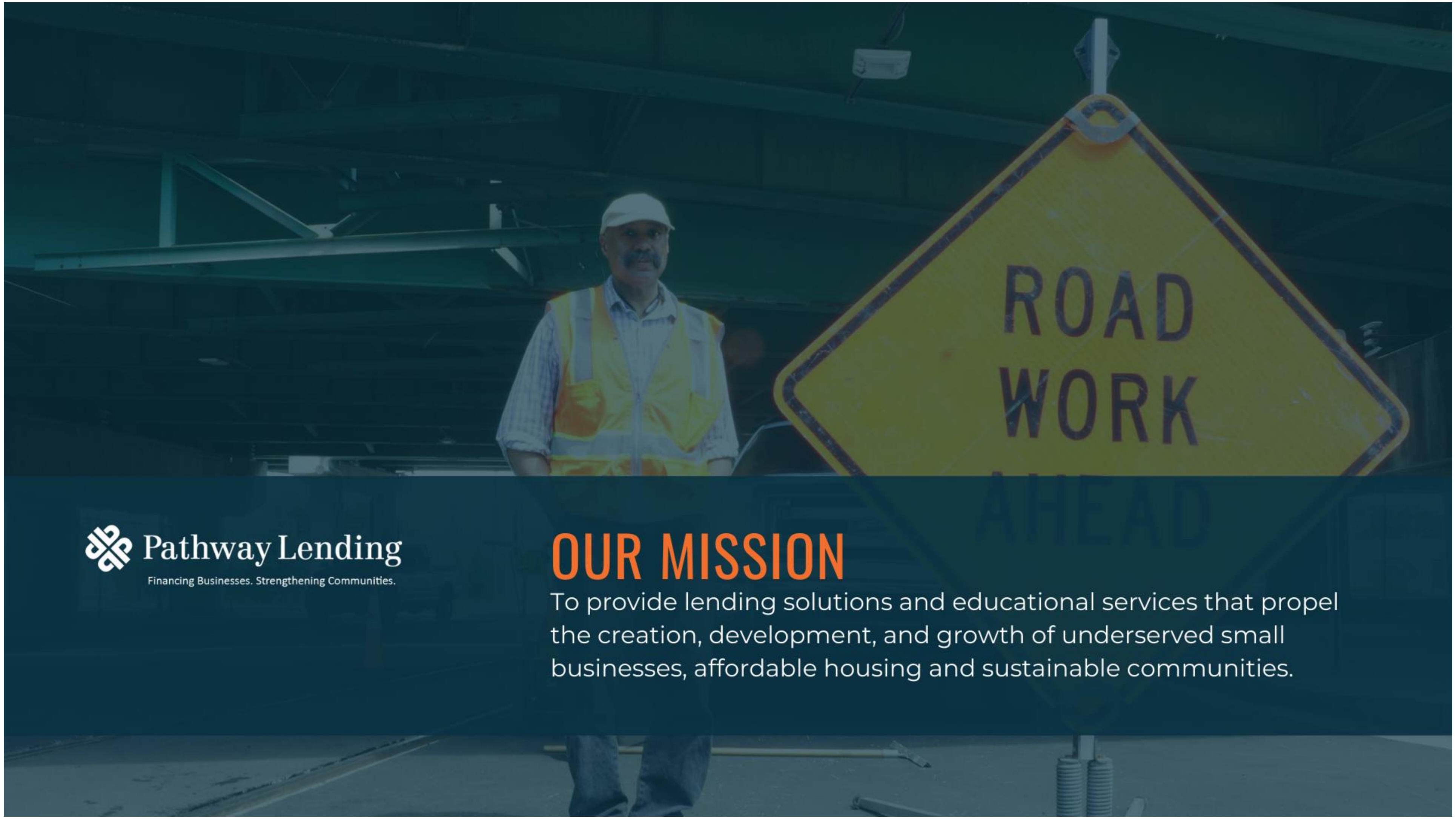
National Updates for C-PACE Financing

Brandon England
Director
Pathway lending

Pathway Lending

Financing Businesses. Strengthening Communities.

MORE THAN A LENDER



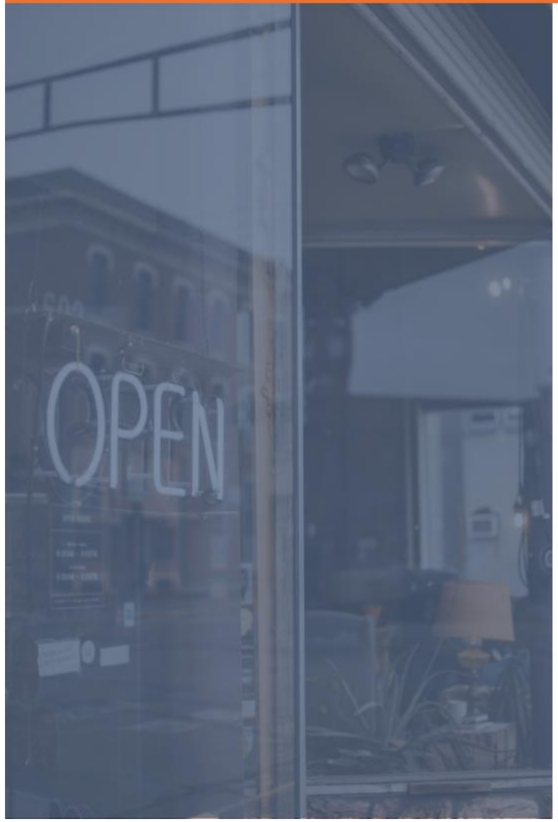
Pathway Lending

Financing Businesses. Strengthening Communities.

OUR MISSION

To provide lending solutions and educational services that propel the creation, development, and growth of underserved small businesses, affordable housing and sustainable communities.

PATHWAY LOAN CATALOG



- Accounts Receivable
- Business Acquisition
- Debt Consolidation
- Emergency Repairs
- Energy Efficiency
- Equipment
- Inventory
- Real Estate
- Revolving Lines of Credit
- Working Capital
- Affordable Housing
- Memphis Medical District

LOANS FROM $5,000 TO $5MILLION

Flexible loans with higher loan-to-value ratios (up to 100%) and longer terms and payback periods

More reliance on opportunities than historical performance

YOUR PARTNER IN SUCCESS

With a diverse catalog of loan products and range of learning programs, our expert team of lenders, instructors, and advisors meet you where you are.

STATEWIDE ACROSS TENNESSEE AND AROUND THE REGION

Statewide in Tennessee

Serving parts of Arkansas and Mississippi through Greater Memphis and clients in Alabama and Kentucky

ENERGY EFFICIENCY LOAN PROGRAM

LOAN COST

PROJECT SIZE	$20K-$5MM	COLLATERAL	Often Unsecured
AMORTIZATION	5 or 10 years		
RATE	Fixed, 4% or 6%		

ELIGIBLE PROJECTS

Any project which lowers utility use at an existing facility. Common projects include lighting, HVAC, envelope improvements, and solar

ELIGIBLE BORROWERS

Project locations must be in Tennessee. Borrowers are private for-profit or non-profit organizations. Can be owners or lessees of the property

ADVANTAGES

Low-cost capital

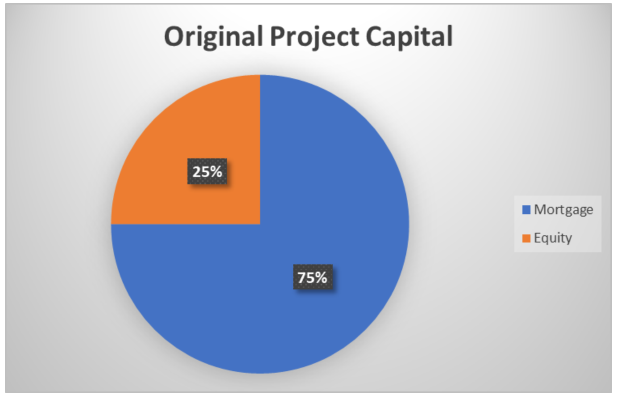
Convenient, easy closing process

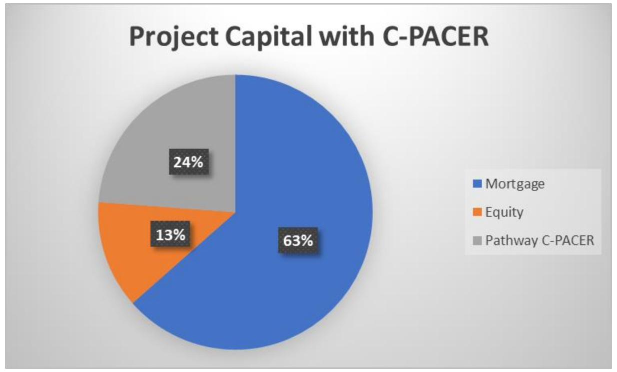
Local, mission-driven partner

Standard financing applicable to a variety of efficiency projects

Benefits of C-PACER to Borrower

- *Integrates with other economic development incentives (opportunity tax zone incentives, tax incremental financing, Low Income Housing Tax Credits, Historic Tax Credits, Utility rebates, new markets tax credits, etc.)*
- *100%financing of applicable project costs*
- *Payments can be passed to tenants*
- *Non-recourse*
- *Transferrable upon sale.*
- *Long terms – 15 to 25 years*
  - *Determined by equipment life*
  - *Projects often cash flow immediately*
- *Preserves working capital for existing business and equity for investors*
- *Increases Return on Equity*





EE Financing Comparison

	Pathway C-PACER	Pathway EELP
Rates	7.0 to 8.0%	4 to 6%
Terms	15 to 25 years	5 to 10 years
Recourse	Non-recourse	Recourse
Accounting	Off Balance Sheet	On Balance Sheet
Processing Time	6 Months or More	1 to 2 Months
Fees	3 to 5%	1%
Transferability	Transfers with Property	Non-transferable
Loan to Cost	100%	100%
Project Size	>$250,000	$20,000 to $5,000,000

TN Availability

- *State legislature signed April 2022*
- *Memphis ordinance passed September 2022*
- *Nashville ordinance passed February 2023*
- *Chattanooga ordinance passed April 2023*
- *Knoxville ordinance to be presented this summer*

Please reach out with any questions about EE financing with Pathway Lending

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Director – Sustainability Programs

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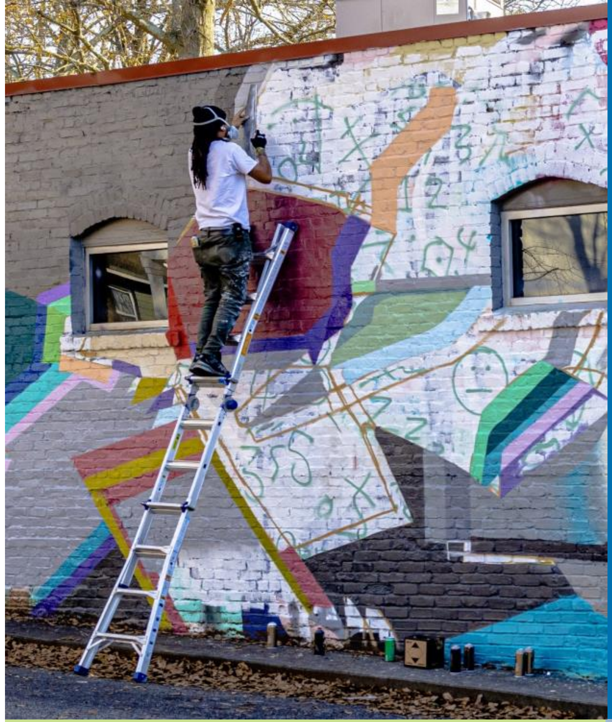
National Updates for C-PACE Financing

Melody Echols
Assistant Director
Invest Atlanta

INVEST ATLANTA

Introduction to Invest Atlanta

June 2023



OUR VISION

To Make Atlanta the Most Economically Dynamic and Competitive City in the World.

MISSION

To Advance Atlanta’s Global Competitiveness by Growing a Strong Economy, Building Vibrant Communities and Increasing Economic Prosperity for All Atlantans.

Who Are We?


INVEST ATLANTA
ATLANTA DEVELOPMENT AUTHORITY
Atlanta BeltLine, Inc.
Atlanta Urban Redevelopment Agency
Downtown Development Authority
Atlanta Emerging Markets, Inc.
Urban Residential Finance Authority
Women's Entrepreneurship Initiative
Invest Atlanta Partnership

Organization

ALL OF US WORKING TOWARD ECONOMIC PROSPERITY

EQUITY STATEMENT

Economic Prosperity and Competitiveness in Atlanta Starts With Equity – Equitable Access to Opportunity and Pathways to Wealth Creation. It is More Than a Goal, It is a Guiding Principle That Drives Us. We Advance Our Work Through This Lens to Ensure That All Atlantans Are Positioned to Benefit From Economic Investments, Regardless of Their Zip Code.

EQUITY CORE VALUE

We Believe Economic Prosperity and Competitiveness Starts With Equity for All Atlantans.

Economic Mobility Plan Objective Areas

CREATION OF GOOD JOBS

ACCESS TO GOOD JOBS

SMALL BUSINESS

NEIGHBORHOOD INVESTMENT

AFFORDABLE HOUSING

Homeownership

- Down Payment Assistance
- Owner-Occupied Rehab
- Anti-Displacement Tax Relief Fund

Additional Support Services

- Advocacy Assistance
- Client Service Assessment
- Redevelopment/Disposition of City-Owned Assets

Loans

- Small Business Loans
- Homebuyer Loans
- Developer Loans
- Atlanta Leverage Loan Fund
- Transit-Focused Fund

International Trade Development Services

- Trade Missions
- Export Trade Counseling and Support

Invest Atlanta Toolkit

Financial Incentives

- Economic Opportunity Fund (EOF)
- Middle-Wage Job Fund
- Tax Allocation Districts
- New Markets Tax Credits
- Social Impact Fund
- EOF BRE
- BeltLine Affordable Housing Trust Fund
- Vine City Housing Trust Fund
- Atlanta Affordable Housing Trust Fund

Tax Incentives

- Opportunity Zones
- Job Tax Credit
- State Quality Job Tax Credit
- New & Emerging Technology Tax Credit

Bonds

- Housing Opportunity Bonds
- Lease Purchase Bonds
- 501c3 Bonds
- Industrial Revenue Bonds
- Housing Revenue Bonds

Site Selection Support

- Real Estate Consultation
- Site and Building Search Assistance
- Permitting Assistance
- Zoning Advocacy

Objective 1:
Creation of Good Jobs

Business Attraction

Headquarters Relocations and Major Expansions

2016

MERCHANT e-SOLUTIONS a cielo company · GLOBAL MINISTRIES · globalpayments · EQUIFAX · NCR · Honeywell

2017

Anthem · BCG

2018

PSA GROUPE · Starbucks · salesforce · BLACKROCK · NORFOLK SOUTHERN

2019

DEMATIC · Invesco · samsara · Google

2020

Milletech SYSTEMS INC · Microsoft

2021

CISCO · kainos · Prudential Overall Supply · PENSKE · VISA

2022

airbnb · Cash App · RIVIAN · CallRail · SOVOS · Ford · McKinsey & Company · Xebia · goodwill · intel · capitalontap

CREATING **28,564 NEW** JOBS WITH A **TOTAL INVESTMENT OF $1.4B**

**Jobs and investment only calculated for businesses shown.*

Objective 2:
Access to Good Jobs

Economic Empowerment And Equity (E3)

E3 Framework guides Economic Opportunity Fund (EOF) grant decisions. Ensures a project receiving EOF funding contributes to economic mobility goals, so Atlanta residents from low-to-medium income neighborhoods benefit directly from these projects.

Four principles an EOF project are based on focal points:

- The project makes a positive impact on Atlanta residents from disinvested neighborhoods
- There is a corporate commitment to equity
- The business will support community and educational partnerships
- The business will adopt progressive business and hiring practices in support of their employees

Business Retention & Expansion

"The support we've received from Invest Atlanta allows us to keep it local and bring jobs to our community. Invest Atlanta has played a huge role in helping us enter this next phase of growth."
Steve Bright, LaChiquita Tortilla, Plant Manager

164	20,910	$9B	7,085
Wins	New Jobs	Total Economic Output	Retained Jobs

Data from 2010-2022

Business Development

Fresh Foods Access

Driving Healthy, Affordable Options in Disinvested Neighborhoods

Creative & Tech Industries

Goal: Make Atlanta a Top 5 Tech City

Creative Industry Grant Fund

ATLinBusiness Marketplace

B2B Digital Marketplace for Businesses to Sell and Market their Products & Services

Business Outreach

Monthly Webinars, 1:1 Business Consultations and In-person Events

"Invest Atlanta advocates for businesses no matter what phase you're in and position you for success. I'm so appreciative of their support." - *Khadija Head, Head's Plumbing Sales and Service*

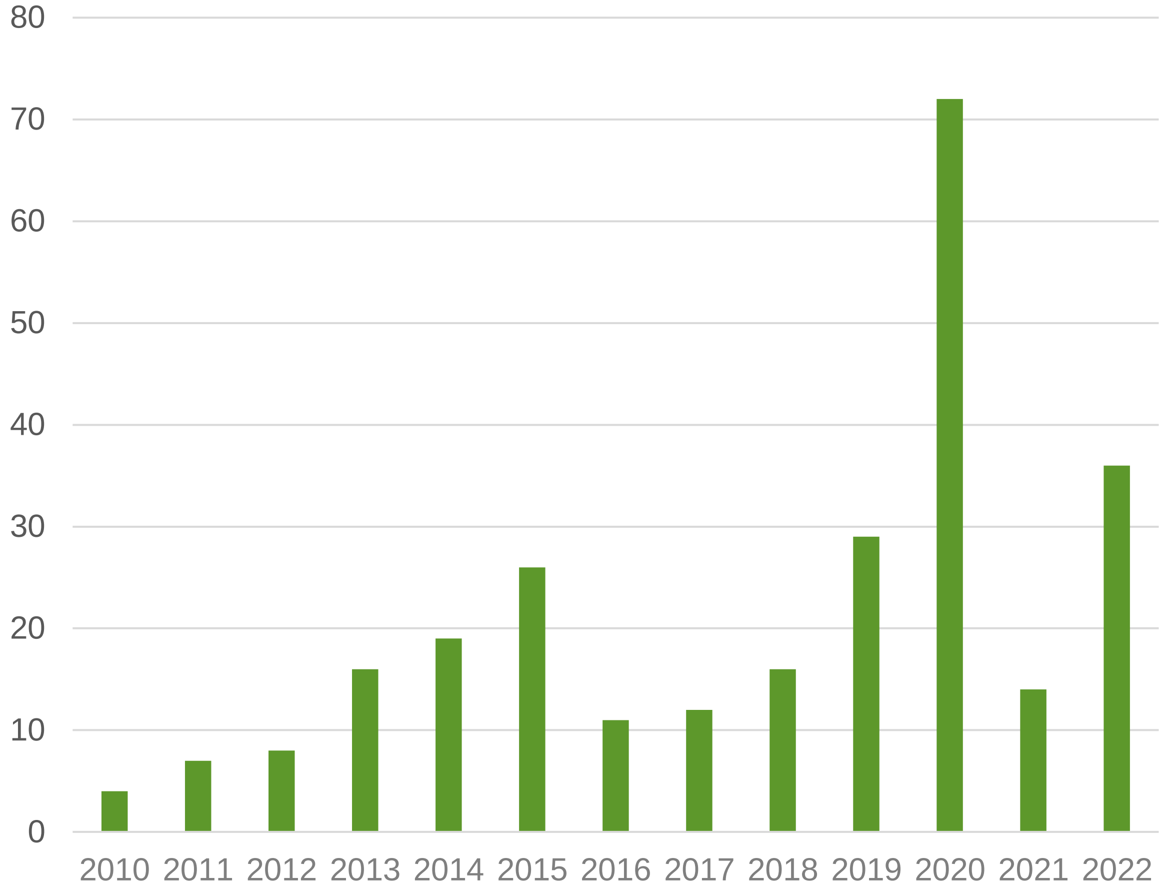
Objective 3:
Small Business

Small Business Loan Programs

11

Loan Programs

"Working with Invest Atlanta has been so fulfilling. At every turn, I had cheerleaders to champion my business and dreams of growing." – *Amy Bransford, Aviary Beauty + Wellness*



LOANS APPROVED

2010 - 2022

Small Business Environment

724 Small businesses assisted in a program

$9.6M Direct investment in small business programs

2,350+ Hours of technical assistance provided

ATL IN BUSINESS

ATLANTA OPEN FOR BUSINESS

WEI

RESURGENCE GRANT FUND

68.9% Black-owned businesses

58.6% Woman-owned businesses

40.5% in Disinvested Neighborhoods

2022 Data

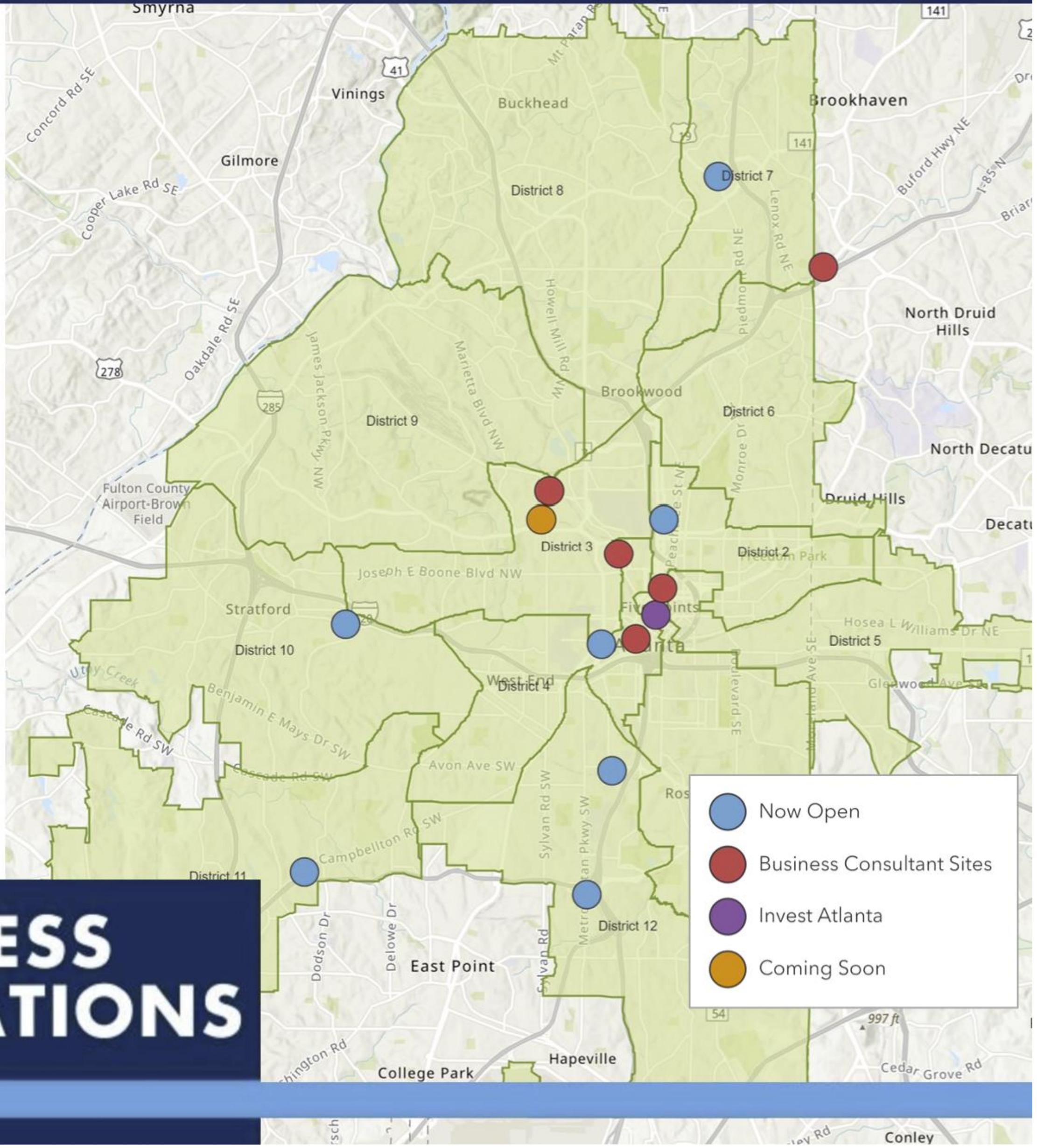
Small Business Resource Centers

INVESTATLANTA

Now Open:
1. Atlanta Tech Village
2. iVillage @ MLK
3. Pittsburgh Yards
4. Mary Parker Foundation
5. Goodwill of North Georgia
6. Russell Innovation Center for Entrepreneurs
7. CODA @ Tech Square

Coming Soon
1. Westside Future Fund

Business Consultant Sites
1. Prospera
2. Trevelino Keller
3. Atlanta Black Chambers
4. Urban League of Greater Atlanta
5. Operation Hope



SMALL BUSINESS SERVICE LOCATIONS

Wells Fargo Open for Business

$20M

In grant funding secured from Wells Fargo

$545K

In loans to 7 Small Businesses in 2022

35

Total Small Businesses Served

2022 Data

Women's Entrepreneurship Initiative

The Only Municipally-funded Women's Incubator In the United States

Pursuant to the 2015 City of Atlanta Ordinance 11-O-1839 (Mayor's Office, Invest Atlanta)

15

Month incubator program
15 women-owned, early-stage startups
15-week core curriculum

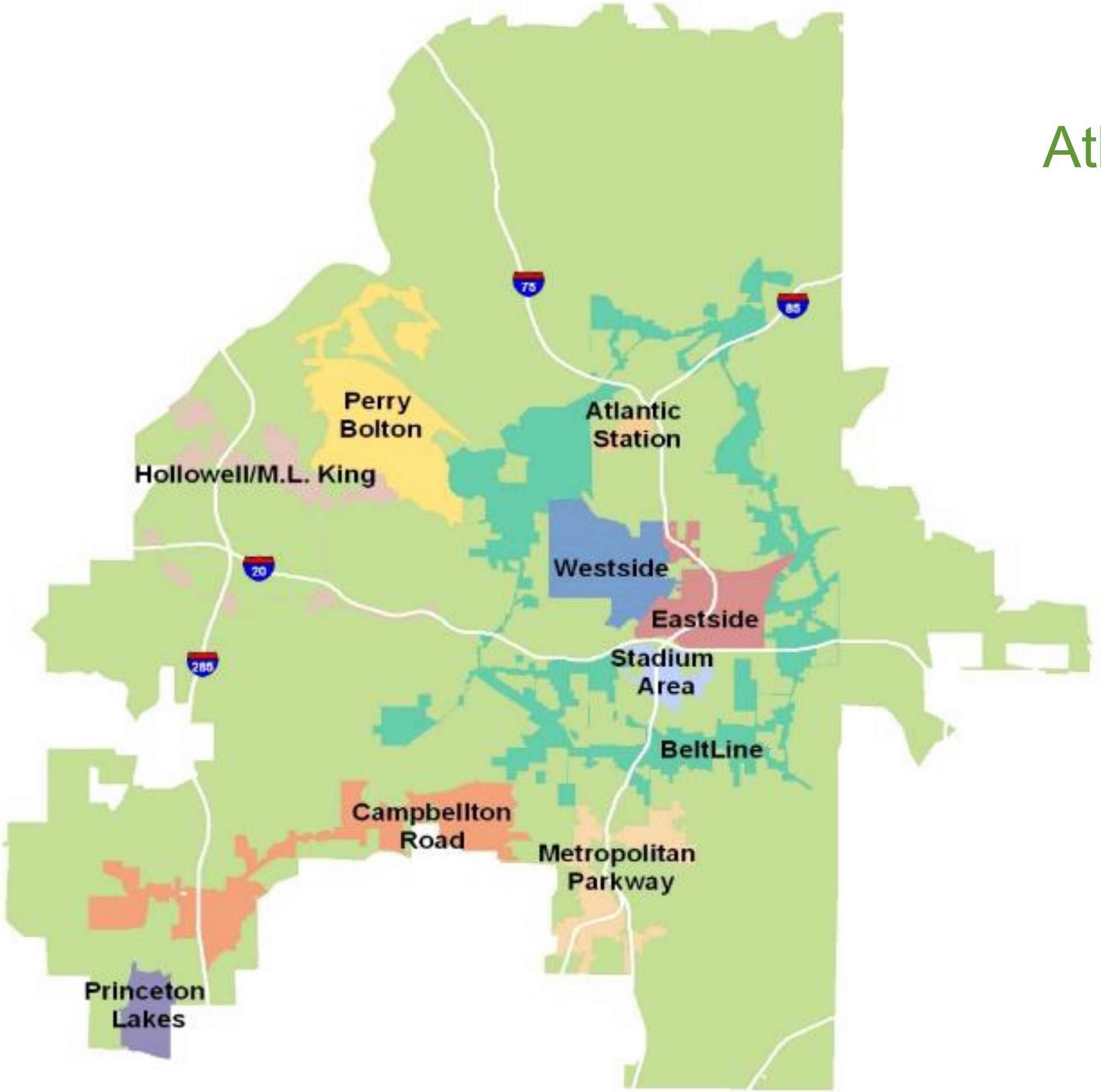
4 Pillars

Business Analysis
Learning & Leadership Development
Strategic Partnerships
Funding Opportunities

- Providing business education, mentorship engagement, financial literacy assistance & business support services
- Co-working space in downtown Atlanta at the historic Flatiron Building.
- Our 6th cohort announced March 2023. Applications open for 7th cohort June 1st.

Objective 4:
Neighborhood Investment

Tax Allocation Districts



Atlanta’s Tax Allocation Districts

- Westside (1992/1998 expanded)
- Atlantic Station (1999)
- Princeton Lakes (2002)
- Perry Bolton (2002)
- Eastside (2003)
- Atlanta BeltLine (2005)
- Campbellton Road (2006)
- Hollowell/ML King (2006)
- Metropolitan Parkway (2006)
- Stadium Area (2006)

Community Development

Investing In Our Communities: TADs

Goodwill Job Training Center (MTAD)
Total Project Cost
$10.5M

Henderson Place Apartments (ETAD)
Total Project Cost
$20M

English Ave. Multifamily (WTAD)
Total Project Cost
$1.6M

Small Business Improvement Grant (STAD)
Total Project Cost
$39K

Kathryn Johnston Memorial Park (WTAD)
Total Project Cost
$4.3M

At-Promise Center (CTAD)
Total Project Cost
$4.1M

Downtown Façade Program

381 Edgewood Ave.

23

Businesses Impacted

$3.14M

Total Grants

$7.53M

Leveraged Funds

Community Development

Investing In Our Communities: Atlanta Emerging Markets, Inc.

New Markets Tax Credit Supported Developments

Pittsburg Yards

NMTC $6.5M

Total Project Cost

$27.3M

Boys and Girls Club (Harland Facility)

NMTC $7M

Total Project Cost

$10.2M

Woodson Park Academy (Grove Park)

NMTC $15M

Total Project Cost

$32.2M

Goodwill of North Georgia

NMTC $10M

Total Project Cost

$10.5M

Atlanta Mission (Restoration House)

NMTC $5.5M

Total Project Cost

$17M

Objective 5:
Affordable Housing

Affordable Housing

17,691

Multi-family Units

12,356

Affordable Units

2010 – 2022 Data

Community Development

37,754

Homebuyers Reached Through Marketing

1,458

Homebuyers Served

$25.7M

Down Payment Assistance Expended

$189M

1st Mortgage Financing

254

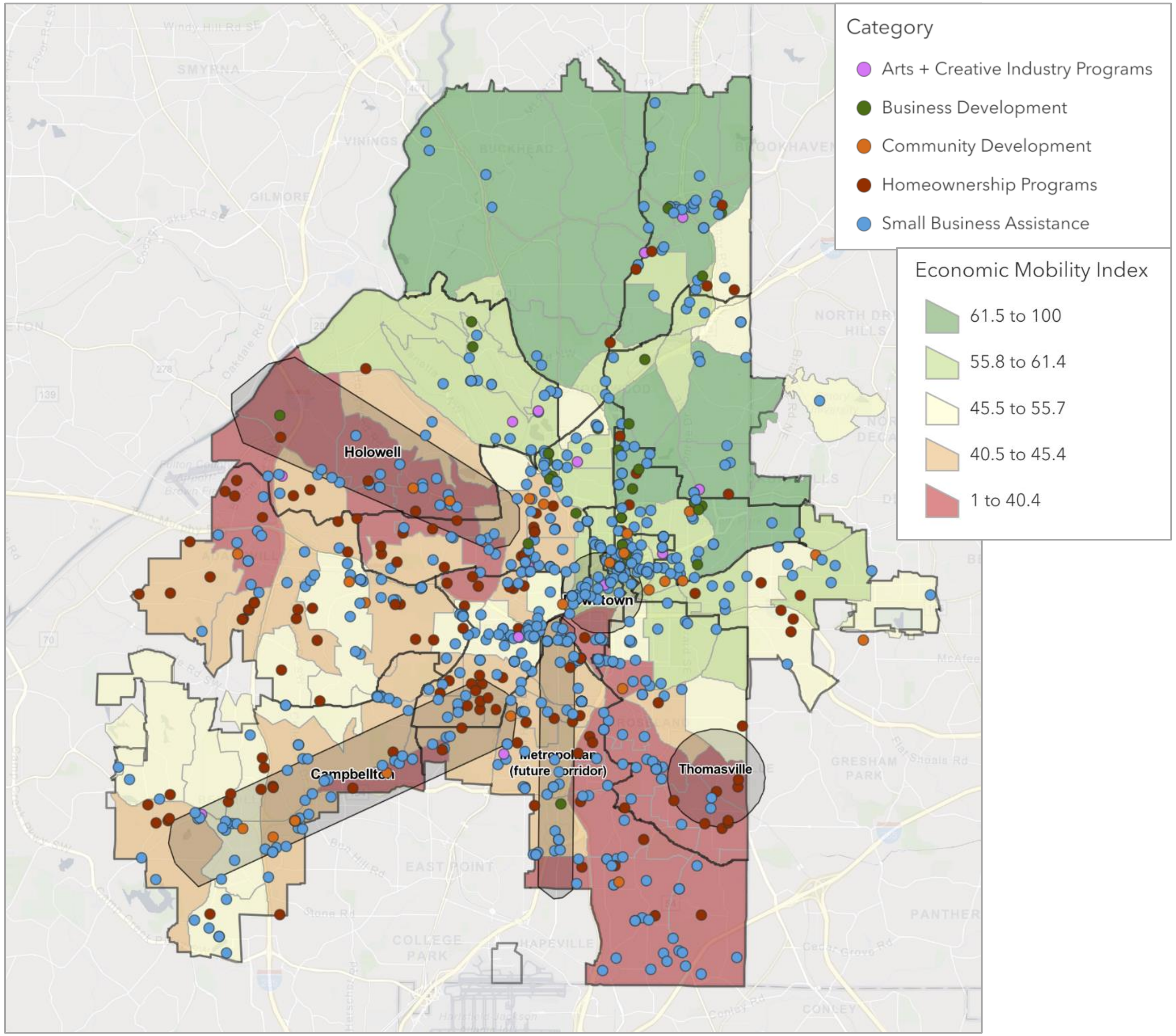
Owner-Occupied Rehab Homeowners

$8.2M

Owner-Occupied Rehab Assistance Expended

Data from 2010-2022

2022 Economic Activity



Atlanta C-PACE

City Sustainability Goals

INVESTATLANTA

100%

Clean Energy by 2035

40%

Reduction in GHG emissions by 2030

85%

Residents with access to fresh, affordable food within ½ mile by the end of 2025

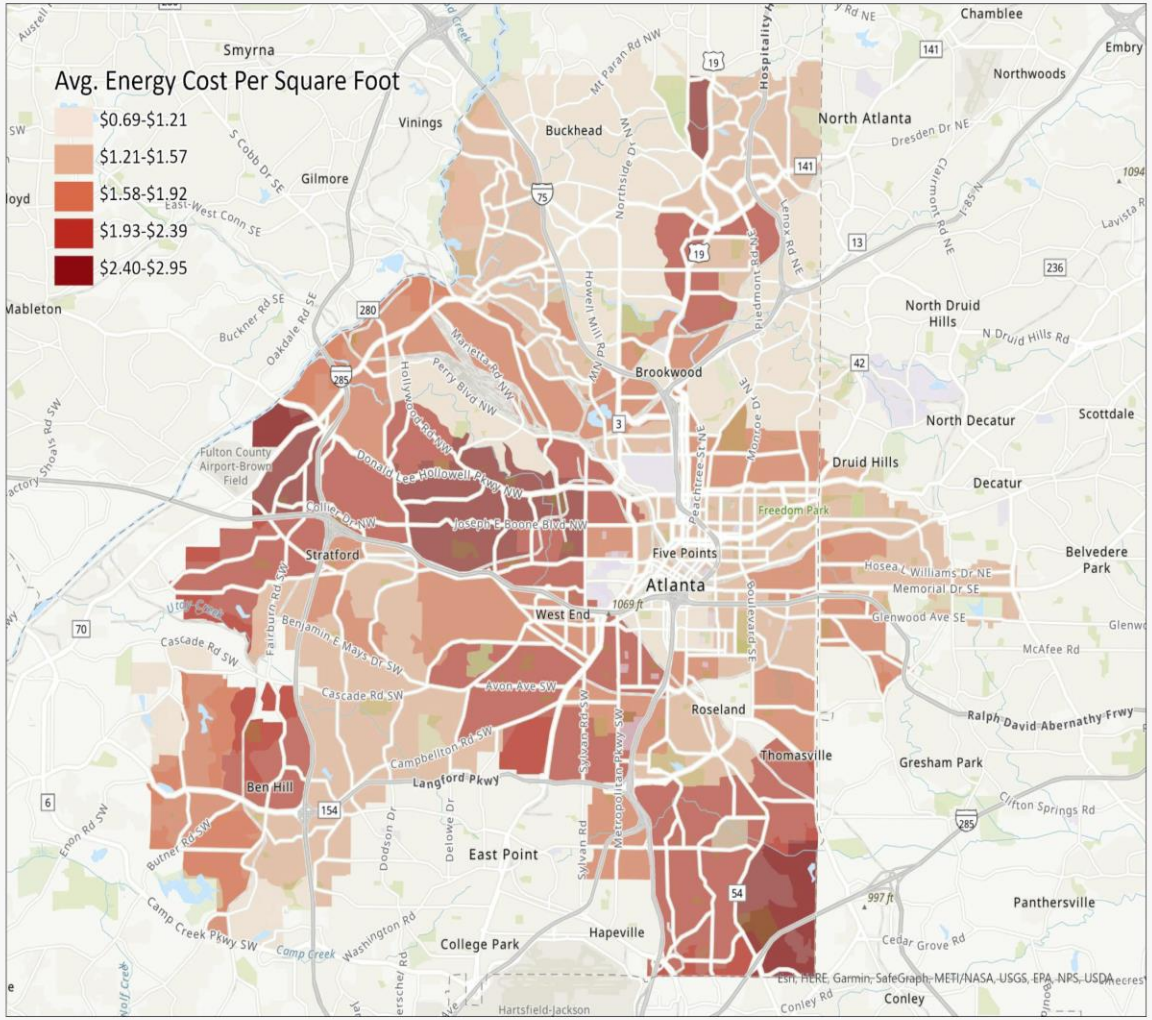
CDP
DISCLOSURE INSIGHT ACTION
CITIES A LIST
2022
Atlanta

ATL
Moving Atlanta Forward

A City Built for the Future

Atlanta's Energy Burden

INVEST ATLANTA



Data: U.S. DOE; Atlanta Regional Commission. Map: Will Bryan.

- City of Atlanta has the 4th highest energy cost burden in the United States (2019)
- The median energy cost burden is 32% higher for Black households and 52% higher for Hispanic households compared to white households.
- Energy efficiency conversations must be grounded in equity and centered around reducing these burdens

C-PACE

INVEST ATLANTA

Commercial Property Assessed Clean Energy (C-PACE) provides commercial property owners and developers with low-cost, long-term financing, which is paid back through an annual assessment on the organization's property tax bill. C-PACE financing is to be utilized for eligible energy efficiency, water efficiency, and/or renewable energy improvements.

BENEFITS OF C-PACE FINANCING:

- Up to 30-year fixed rate loan terms
- Accessible capital for start-up, minority and boutique developers
- Rates are can be up to 50% less than mezzanine debt
- One payment per year through property tax bill
- Obligation may be transferred upon sale of property to new owner
- 100% financing available upfront for eligible upgrades and new construction supporting energy efficiency improvements

Atlanta C-PACE Investment

INVEST ATLANTA

$16M

In C-PACE financing through public-private partnerships

Open Market Structure

Property owners and developers will utilize their own financing relationships, undergoing an underwriting process tied to the respective financing sources, to deploy capital in an efficient manner.

PROGRAM FEE STRUCTURE:

- **$500 application fee**
- **1% total project cost at closing**
- **30 bps annual admin fee**

1. Property Owner identifies energy saving projects
2. Property Owner locates a C-PACE Capital Provider
3. The Capital Provider underwrites the development
4. Invest Atlanta approves the financing
5. Capital Provider provides financing under C-PACE financing model
6. Property Owner repays loan with annual payments billed alongside the property tax


THANK YOU!

Questions?

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National Updates for C-PACE Financing

Trey Raymer
CFO
EightTwenty

EightTwenty

Inflation Reduction Act Updates

Speaker

Trey Raymer
CFO - EightTwenty
trey@eighttwenty.com

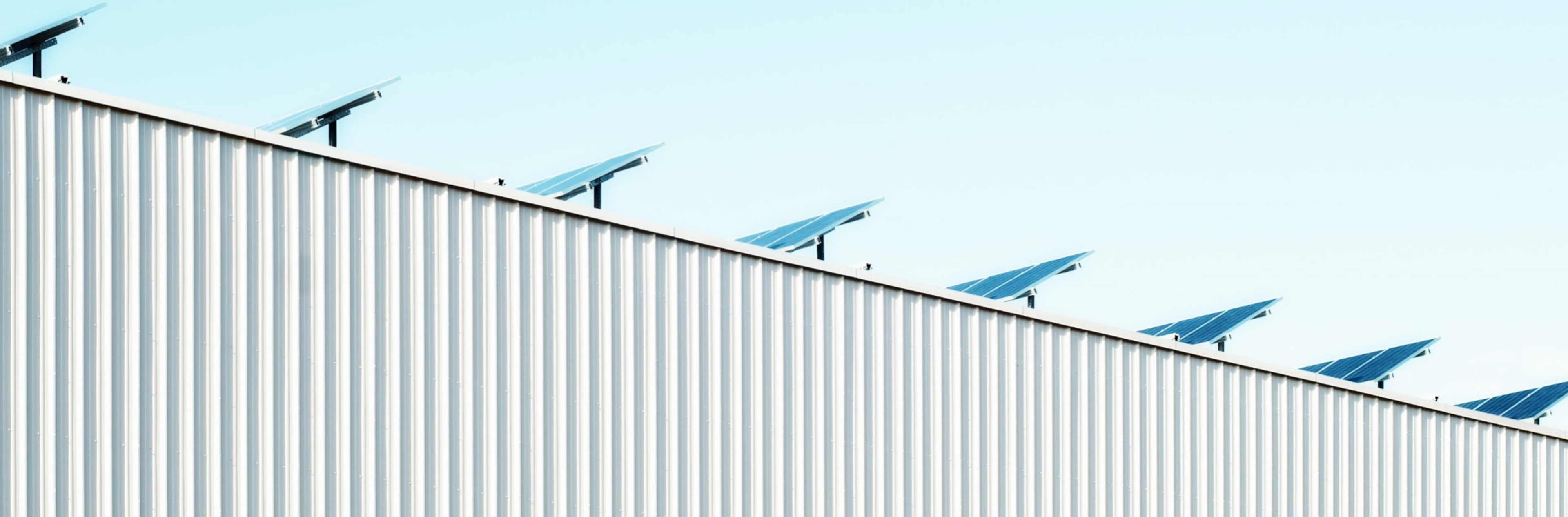
Trey Raymer

CFO - EightTwenty

Raymer brings over 20 years of financial leadership in the energy sector. A native of Oklahoma, Raymer spent the first 11 years of his career at Ernst & Young serving Fortune 500 clients and others after which he served in senior financial leadership positions at energy companies. Raymer is a Certified Public Accountant and serves on the Boards of the Boys & Girls Clubs of Oklahoma County and at the University of Oklahoma Business College.

Detailed Analysis

Commercial Solar Adders



Commercial Solar Adders

Opportunities to increase the ITC above 30%

- There are three "adder" credits in the legislation, as listed below:
  - By meeting specified domestic content requirements; or
  - By placing projects in energy communities as defined by the bill; or
  - An allocated credit is available upon application and award for certain low-income solar activities
- Importantly, adders can be "stacked" on top of the underlying credits to receive higher ITC or PTC levels
  - However, the low-income adder only provides the opportunity for a higher ITC, not PTC
- When the project is > 1MW, meeting the new prevailing wage and apprenticeship standards is required for the domestic content and energy communities adders (otherwise the benefit drops from 10% to 2%)
- Adders can be obtained for projects placed in service after December 31, 2022

Commentary

- Identifying projects that can receive these enhanced credits will create even more compelling economics for companies to consider
- Adders also apply to tax-exempt entities receiving direct pay
- Adders do ***not*** apply to residential solar customers

Domestic Content

Qualification requirements

- An additional 10% bonus ITC credit (for a total of a 40% ITC)
- These requirements are 100% steel/iron and for manufactured products a 40% requirement through 2024 followed by 45% in 2025, 50% in 2026, and 55% in 2027 and beyond

$$\frac{\text{All U.S. Manufactured Product Costs} + \text{Direct materials and labor costs of U.S. Components of non U.S. Manufactured Components}}{\text{All Manufactured Product Costs}}$$

- A taxpayer must submit a statement to the IRS certifying that steel, iron and manufactured products meet the requirements of the bonus credit under Forms 8835 or 3468 for the first taxable year in which a domestic content bonus is reporting and copies each year thereafter
  - Must include a signed certification statement from an authorized person under penalty of perjury

Commentary

- Finding suppliers that provide products that meet domestic content requirements will become increasingly important
- This legislation is incentivizing the creation of domestic manufacturing, which will help increase the supply of materials meeting these requirements

Numerator = sum of (1) the costs all U.S. Manufactured Products, and (2) the direct materials costs and direct labor costs of U.S. Components of Non-U.S. Manufactured Products

- **U.S. Manufactured Product = All manufacturing occurs in the U.S., and all components manufactured in the U.S.**
  - **But origin of subcomponents not relevant**
- **Component = "any article, material, or supply, whether manufactured or unmanufactured, that is directly incorporated"**
- **Non-U.S. Manufactured Product = A product manufactured outside the U.S., or manufactured in the U.S. with at least one non-U.S. Component**

Denominator = sum of the costs of all Project Components that are Manufactured Products

- **Does not include steel or iron construction materials that are not manufactured products**

Energy Community

Qualification requirements

- An additional 10% bonus ITC credit (for a total of a 40% ITC) is available for siting a project in an energy community
- The term “energy community” includes three types of communities:
    - Brownfield sites
    - A metropolitan or non-metropolitan statistical area with unemployment rates, from the previous year, at or above the national average *and* (2) at least 0.17% of employment or 25% of local tax revenues are related to the extraction, processing, transport, or storage of coal, oil, or natural gas at any time beginning in 2010
    - Census tracts, plus their adjacent census tracts, where a coal mine closed after 1999 or a coal-fired power plant was retired after 2009

Commentary

- It is important to recognize that the oil and natural gas energy community adder also includes a requirement that unemployment rates be at or above the national average. As such, certain areas that are highly dependent on oil and natural gas will not qualify due to having low unemployment.
- See map on the following slide from the U.S. Department of Energy released in June 2023 that shows energy communities.

U.S. DEPARTMENT OF ENERGY

Energy Community Tax Credit Bonus

NATIONAL ENERGY TECHNOLOGY LABORATORY

LEGEND

Coal Closure Energy Communities

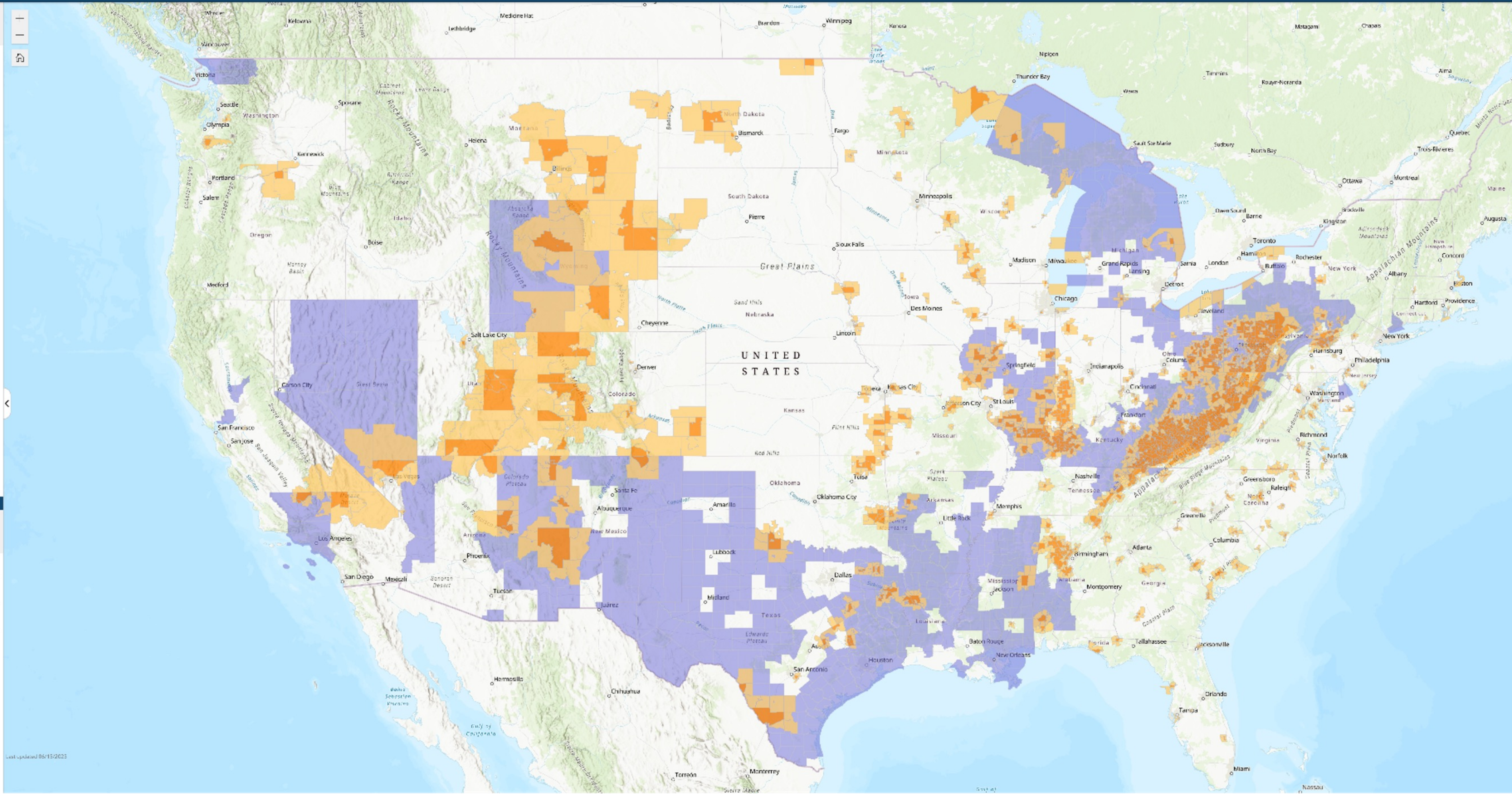
Tract Status

- Census tract directly adjoining a census tract with a coal closure
- Census tract with a coal closure

MSA/Non-MSAs that are Energy Communities

Status

- MSAs/non-MSAs that meet both the Fossil Fuel Employment (FEE) threshold and the unemployment rate requirement



MAP LAYERS

- Coal Closure Energy Communities
- MSA/Non-MSAs that are Energy Communities
- MSAs and Non-MSAs that only meet the Fossil Fuel Employment Threshold

Low Income Communities

Qualification requirements

- As opposed to the other two adders, a company will have to apply to the Treasury to receive it and cannot be placed in service prior to receiving the award
- 1.8 GW per year of awarded credits broken down as shown below:

Category 1: Located in a Low-Income Community	700 megawatts
Category 2: Located on Indian Land	200 megawatts
Category 3: Qualified Low-Income Residential Building Project	200 megawatts
Category 4: Qualified Low-Income Economic Benefit Project	700 megawatts

- The project must have a maximum net output of less than 5 MWAC
- Projects would qualify for either a 10% or 20% bonus ITC
  - 10% - The project is located in a low-income community[1] or on Indian land[2]
  - 20% - The project is part of a qualified low-income residential building project[3] or a qualified low-income economic benefit project[4]

[1, 2, 3, 4] *See definitions on the next two slides*

Commentary

- Of the 700 megawatts in Category 1, 560 megawatts are reserved specifically for eligible residential behind the meter facilities, including rooftop solar, and the remaining 140 megawatts would be available for commercial or non-profit facilities
- Priority will be given to applicants that meet at least one of two criteria: ownership (tax-exempt, tribe, etc.) and geographic (designated as disadvantaged)
- They expect more applicants than available awards, so meeting one or both criteria will be important

Low Income Communities Definitions

01

Low Income Community

"Low-income community" is defined as a census tract with a poverty rate of at least 20%, as well as a census tract where the median family income ("MFI") is 80% or less of statewide MFI (for tracts in metropolitan areas, the MFI can't exceed 80% of the greater statewide MFI or metropolitan area MFI.

→ Housing in a low income community

02

Located on Indian Land

"Indian land" means any land located within the boundaries of an Indian reservation, pueblo, or rancheria; lands held by a tribe (including lands conveyed by the U.S. to an Alaskan Native Corporation), individual Indian, dependent Indian community, or in trust by the U.S. for the benefit of a tribe or Indian; and land in a census tract in which a majority of residents are Alaskan Natives or enrolled members of a federally recognized tribe or village.

→ Businesses on Indian land

03

Low Income Res. Building Project

The project must be installed on a residential rental building that is part of a housing program under the Violence Against Women Act, Title V of the Housing Act of 1949, a tribally designated housing entity, or other programs determined by HUD; and the "financial benefits" of the electricity produced by the project are "allocated equitably" among the occupants of the building.

→ Multifamily LIHTC buildings

04

Low Income Econ. Benefit Project

Projects where at least 50 percent of the "financial benefits" of the electricity produced (including electricity acquired at a below-market rate) are provided to households with income of less than: 200 percent of the poverty line; or 80% of area median gross income.

→ Community solar

FAQs Issued for Direct Pay and Transferability

Frequently Asked Questions

Direct Pay for Tax Exempt Entities

01

How to elect to take direct pay?

The direct pay election is made on your annual tax return in the manner prescribed by the IRS, along with any form required to claim the relevant tax credit, a completed Form 3800 (General Business Credit) and any additional information including supporting calculations required in instructions to the relevant forms. Making a direct pay election requires completing multiple steps, including completing the required pre-filing registration process

02

When do I file that annual tax return?

A direct pay election may only be made on an original, timely filed return (including extensions). This means the deadline is the due date (including extensions of time) for the tax return for the taxable year for which the election is made. For most tax exempt and government entities, this is generally 4.5 months (for example, May 15 for a calendar year taxpayer) or up to 10.5 months with extensions after the end of the entity's tax year. No election is permitted to be made on an amended return.

03

What is the effect of this election?

An applicable entity that makes a direct pay election is treated as having made a payment against federal income taxes for the taxable year with respect to which an applicable credit was determined, in the amount of such credit. For example, if the entity has no federal income tax liability, the entity's refund will be equal to the full amount of the applicable credit.

04

When do I receive my payment?

In general, payments occur after the tax return is processed (assuming requirements are met). Under the statute, the taxpayer is not entitled to the direct pay until the due date of the return, even if the taxpayer files the return before that date.

Transferability

01

How to purchase and claim credits?

To claim transferred credits:

1. Arrange to purchase an eligible credit from an unrelated party in exchange for only cash.
2. Obtain from the transferor the registration number of the eligible credit property generating the eligible credit.
3. Complete a transfer election statement with the transferor
4. File a tax return

02

What is a transfer election statement?

A transfer election statement generally includes name, address and taxpayer identification number for both the transferor and transferee, a description of the type and amount of the eligible tax credit transferred, the timing and amount of cash paid for the eligible tax credit transferred and the registration number related to the eligible credit property. The transfer election statement should be attached to the transferor's tax return for the year in which they becomes entitled to the eligible credit and to the transferee's tax return for the year in which they take the eligible credit into account.

03

Who is responsible for recapture?

The transferee bears the financial responsibility for a recapture event and is required to recapture an amount of previously claimed tax credits based on the timing and amount of the recapture event. The transferor is required to notify the transferee if a recapture event occurs.

04

Can the transferee take depreciation?

No. Only a taxpayer that has an ownership interest in the project may claim tax depreciation. Transferability does not allow depreciation benefits to be transferred.

EightTwenty

EMPOWERING PEOPLE TO LIVE SOLAR

Our Business Model

- Fully Integrated Solar | Storage EPC
- Local In-House Team (Sales | Design | Build)
- Solar Capital Experts
- Commercial & Tax Exempt Focus
- +EV Charging, Structures & Lighting

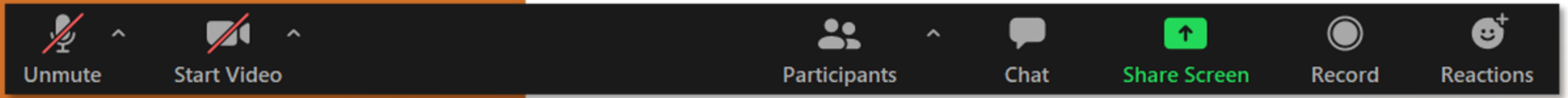
Our company is built upon the foundational principles of **respect, focus, and quality** - they influence every teammate, decision, & action of our organization.

We exist to create raving fans.


EightTwenty

Audience Questions

cdfa Council of Development Finance Agencies



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June 27, 2023 | 2:00 PM - 3:30 PM Eastern

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