



Organizing PACE Programs

**Thank
you**

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

Welcome

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



Organizing PACE Programs

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Ariel Miller

Director, Research & Technical Assistance
Council of Development Finance Agencies

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Organizing PACE Programs

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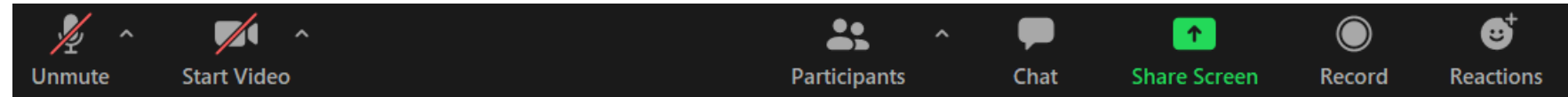
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Submit your questions to CDFA staff



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Moderator

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Christopher Jones
PACE Financing Consultant
Bricker & Eckler LLP

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CDFA – Bricker Webinar Series: Financing Green & Sustainable Assets

2022 Session #2: Organizing PACE Programs

Chris Jones
PACE Consultant
Bricker & Eckler



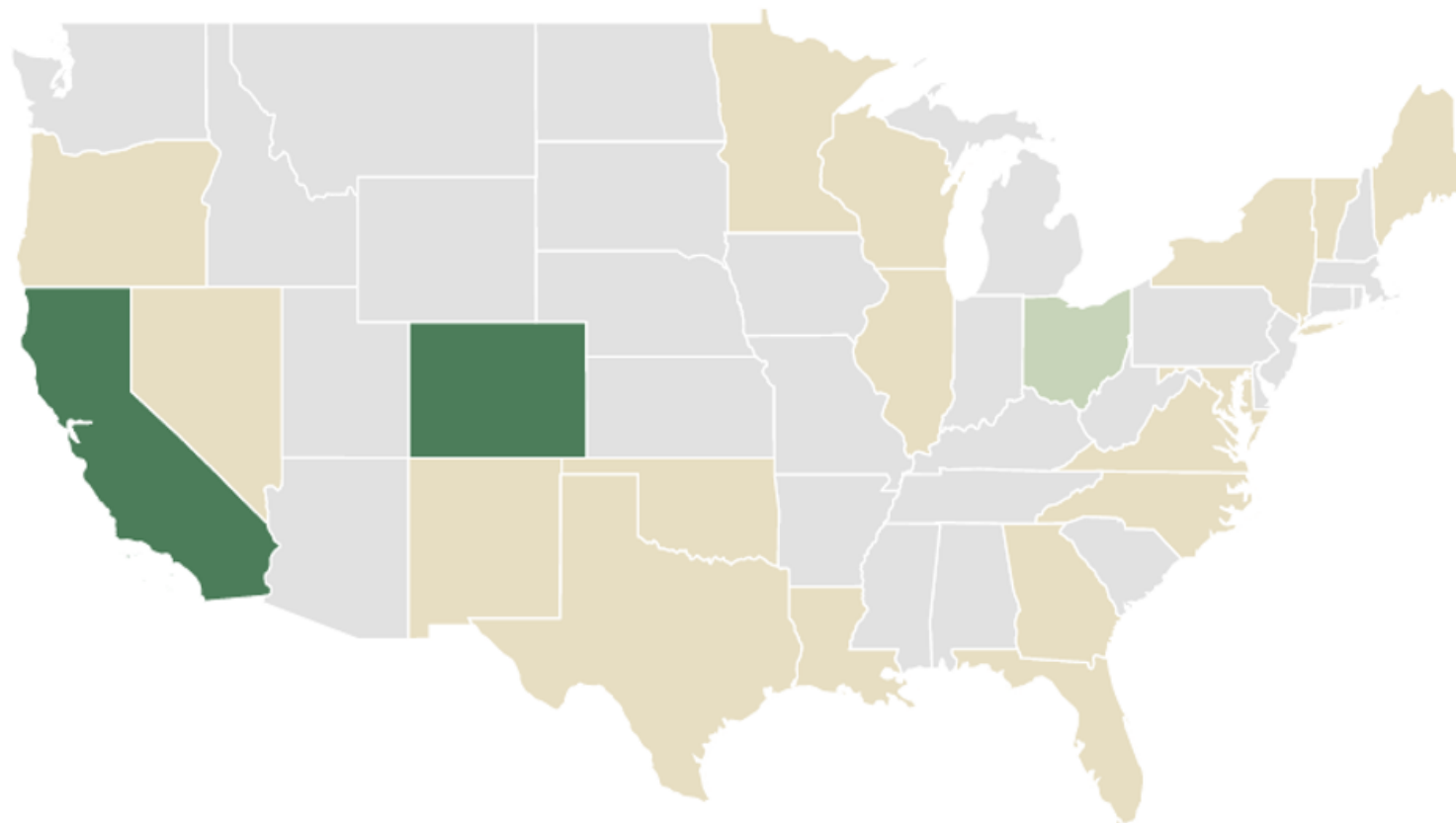
Bricker & Eckler's PACE Team



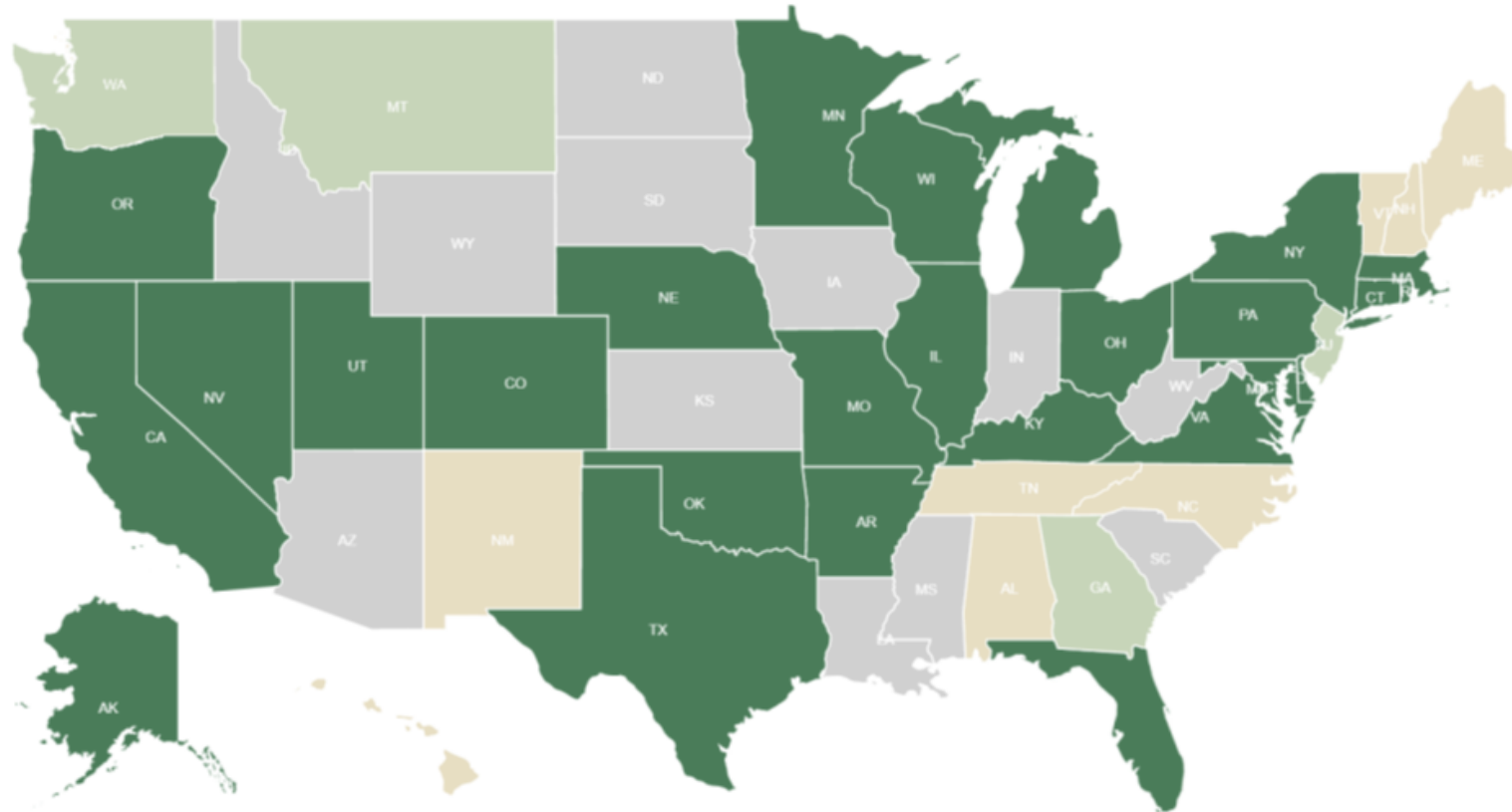
Unmatched experience guiding clients through PACE transactions

- Advise on PACE laws
- Advise on PACE program structure
- Advise on PACE projects
- Partner with C-PACE Alliance
- Partner with PACENation
- Selected as C-PACE Advisor by the US Dept. of Energy
- Regular speakers at national events

PACE - 2010



PACE - 2022



Special Assessments & PACE: “Old Concept, New Application”

1736

1st Assessment District created in Philadelphia

Today – 37,000 Assessment Districts nationwide

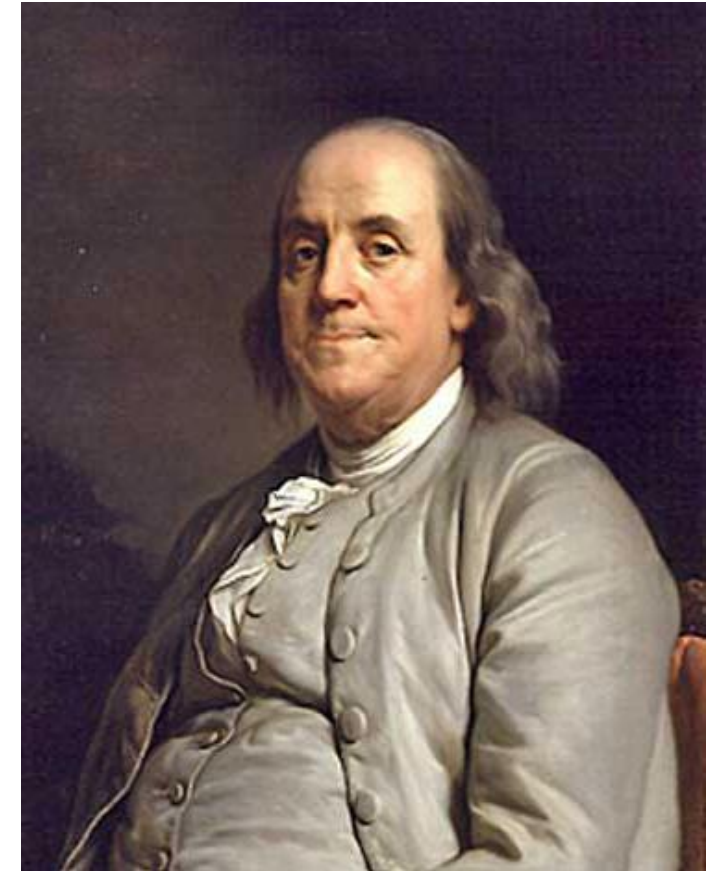
Water & Sewer Service

Parks

Sidewalks & Lighting

Downtown Renewal

PACE - Single Property Owner request



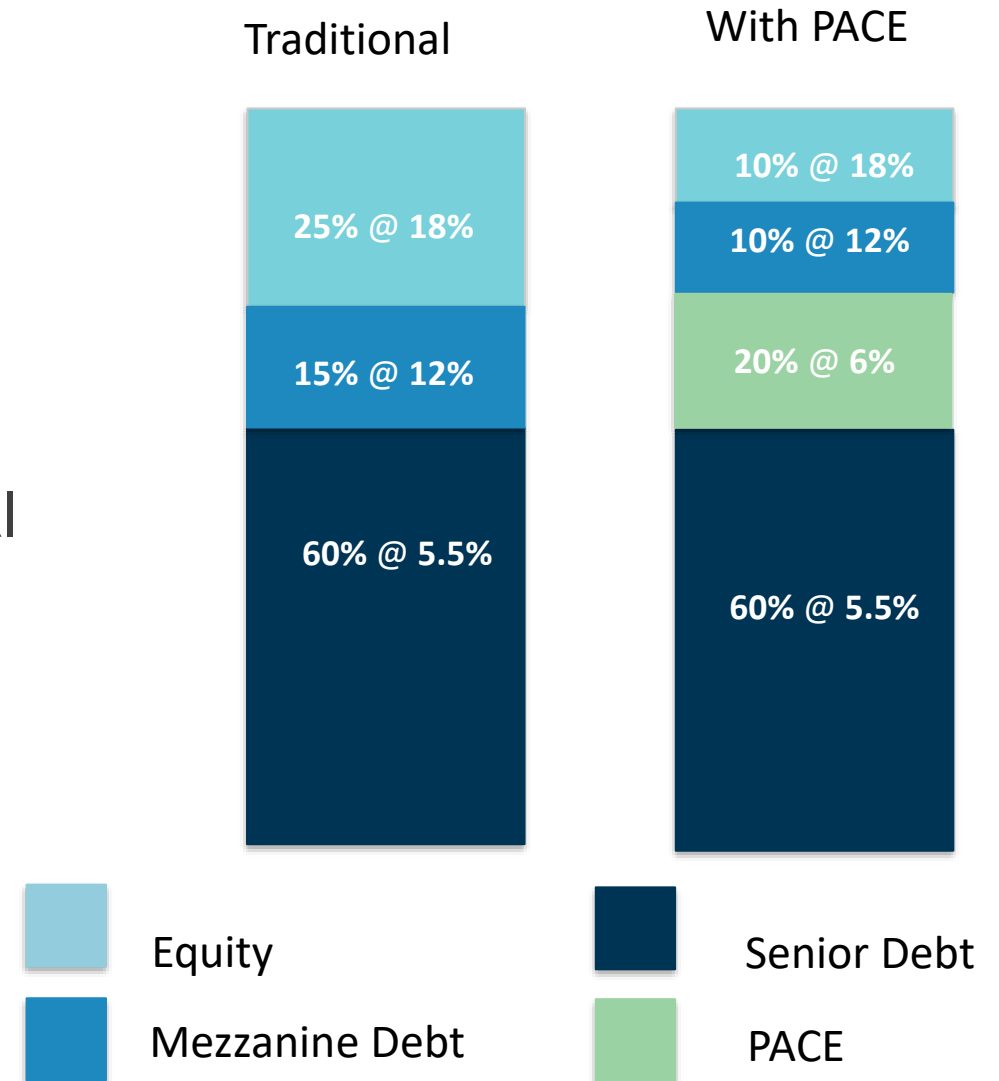
Special Assessments for Energy Improvements – Private Use = PACE

- Energy efficiency improvements
 - HVAC
 - Lighting
 - Roofs, windows, insulation, elevators
- Alternative energy improvements
 - Solar photovoltaic (PV) and thermal
 - Wind
 - Geothermal
 - Biomass
 - Nationally: can include non-energy related items



PACE and Capital Stacks

- From a developer viewpoint: Affordable Equity Alternative
- Long-term, fixed rate payback
- Pass Through Assessment Expense
- Cash Flow Positive
- Solution for projects experiencing capital issues (bridge the gap)
- Promotes Sustainable Development
- Prepayment Flexibility



PACE and Capital Stacks

- PACE can be a tool added to other tools used in a project financing, such as TIF, HTC, Bonds, & Opportunity Zones
- PACE is “single parcel” applied
- PACE property types:
 - Commercial properties
 - Industrial
 - Agricultural
 - Colleges and universities (generally privately owned)
 - Hospitals
 - Municipal, county or township properties

Case Studies



PNC Plaza

Columbus, Ohio

- Financing: \$3.3 million
- Energy Savings: \$187,000 annually
- Lighting, roofing, domestic water supply pumps, energy controls



Trivium Worthington

Worthington, Ohio

- Financing: \$325,000
- Energy Savings: \$37,000 annually
- Lighting, HVAC



Trivium Grove City

Grove City, Ohio

- Financing: \$448,500
- Energy Savings: \$59,000 annually
- Building automation system, domestic hot water heater, roofing, walls, windows, LED lighting, HVAC



The Hayden Building

Columbus, Ohio

- Contiguous 13 and 4 story buildings; to be treated as one entity with merged lobby.
- Abandoned or 10+ years in downtown Columbus; rehabilitated into office space
- Improvements
 - HVAC and controls
 - LED lighting
 - Domestic hot water upgrades and reduction
 - Elevator upgrades
- \$4,391,184.78 in PACE financing; \$18.5 million in total project cost



Delco Lofts

Dayton, Ohio

- \$17.6M Senior/Bridge Financing
- \$4.4M of Federal Historic Tax Credits (+/- 90% face value)
- \$5M in State Historic Tax Credits (+/-75% face value)
- \$3.8M Dayton Port Bonds
- PACE Financing
 - LED Lighting
 - Windows
 - HVAC
 - Insulation
 - Thermostats/Controls
- \$650,000 Dayton Port Sales Tax Savings



Dayton Arcade

Dayton, Ohio

- \$7.9M multi-phase project
- Redevelopment of neglected landmark built in 1902
- Retail, office space, public space, housing
- Broad coalition to plan and organize the project
- Wide variety of energy efficiency improvements including:
 - Building envelope
 - Geothermal system
 - HVAC
 - Elevators
 - Energy saving fire protection
 - Dome skylight and windows

The Dayton Arcade

Total square feet:
330,000

Abandoned since:
1991

Phase 1 project cost:
\$95 million

Thanks to a series of economic development tools, this architectural wonder will see new life.

Public and Private Partnerships
City of Dayton Loan
Historic Tax Credits (HTC)
New Markets Tax Credits (NMTC)
Community Reinvestment Area (CRA) Incentives
New Community Authority (NCA) Incentives
Tax Increment Financing (TIF)
Property Assessed Clean Energy (PACE) Financing
Port Authority Sales Tax Incentives
Low Income Housing Tax Credits (LIHTC)



Toledo Self Storage

Toledo, Ohio

- Redevelopment of early 1900's-era commercial warehouse building into a 690-unit self storage facility
- First project in Ohio to use both Qualified Opportunity Zone funds and C-PACE financing
- C-PACE funding: \$1.2 million
- Improvements:
 - Roof replacement
 - Ceiling insulation
 - Double-pane window installation
 - High-efficiency furnaces
 - High-efficiency AC units
 - LED lighting
 - Building controls



Kids First Sports Center

Sycamore Township, Ohio

Kids First Sports Center

- 2017 – LED lighting, 150 kW solar
 - \$656,000 PACE funded
 - 40% Energy Savings, positive cash flow



“We achieved a level of energy efficiency & cost control we never thought possible. PACE funded the solar array which will help power the building for the next 30 years.”

- Jeff Metzger, Owner, Kids First Sports Center

Encore Technologies

City of Norwood, Ohio

Encore Technologies

- 2019 – LED lighting, 100 kW solar
 - \$2.3M PACE funded
 - 30% energy offset, positive cash flow



“PACE helped us add solar to our data center facility which will increase the long term value of our building.”

- John Burns, CEO, Encore Technologies

Sheakley Corporation



City of Sharonville, Ohio

Sheakley Corporation

- 2019 – LED lighting, 80 kW solar
 - \$510,000 PACE funded
 - 30% energy offset, positive cash flow



“PACE allowed us to fund our HQ building’s rooftop solar array and other energy-saving improvements which created a positive cash flow project.”

- Tom Pappas, CFO, Sheakley Corporation

Livingston Health Care Facility



Washington Township, Ohio

Livingston Health Care Facility

- 2017 – 149 kW solar
 - \$447,000 PACE funded
 - 200,000 kWh/year production



“PACE allowed us to install a rooftop solar array when we were expanding the facility’s footprint. It’s going to be less expensive for us to operate over the long haul.”

- Harold Sosna, President, Premier Health Care

Chris Jones

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Organizing PACE Programs

Panelists



Abigail Johnson
President
Abacus Property Solutions



Jason Tiemeier
Associate
Bricker & Eckler LLP

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CDFA-BRICKER PACE WEBINAR SERIES:

Organizing PACE Programs



Abigail Johnson, LEED AP

President, Abacus Property Solutions
Executive Director, Virginia PACE Authority

May 3, 2022

ABBY JOHNSON, LEED AP

Experience

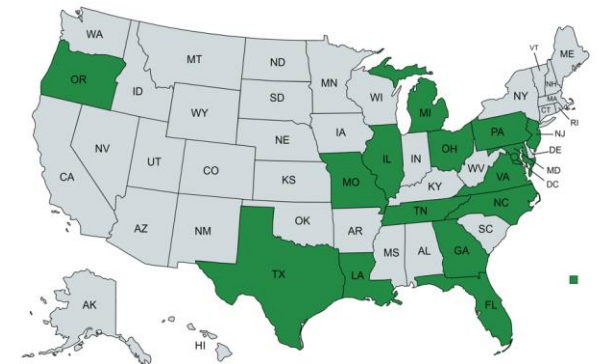
May 3, 2022

- **Real estate advisory expertise**

- 15 years of commercial real estate finance and building science experience
- Founded Abacus to bring the environmental and economic value of energy efficiency and clean energy to the commercial real estate sector
- Expertise in developing clean energy projects and arranging financing for commercial sponsors

- **C-PACE expertise**

- Leads program administration in Maryland (Abacus) and Virginia (Virginia PACE Authority)
- C-PACE Program and project consulting in 13 states and counting such as Illinois, Pennsylvania, New Jersey, Florida, Texas and Virginia
- Developed program structure, guidelines and documents for Virginia, Maryland, Pennsylvania, and for DOE's Mid-Atlantic PACE Alliance
- Significant state and local legislative experience
- Serves on Executive Committee of PACENation's Board of Directors



STAKEHOLDERS

Roles

May 3, 2022

- **Building Sponsor**
 - Developer of new construction project
 - Owner of existing building – owner-occupied or investor-owned
- **Capital Provider**
 - Specialty C-PACE lenders
 - Traditional banking Institutions
- **Contractor/Project Developer**
 - Trades: mechanical, electrical, general contractors
 - Energy auditors, ESCOs, sustainability consultants, project developers
- **Government/Program Administrator**
 - Individual jurisdictions, regional (ESIDs, JPAs), state
 - Third party administrators (gov't, for-profit, non-profit, etc.)
- **Existing Lenders**
 - Existing debt lenders (existing buildings)
 - Construction lenders (new construction)



PUBLIC PRIVATE PARTNERSHIP

Typical scenario

May 3, 2022

PUBLIC



C-PACE loan secured by special assessment on property

Locality enforces C-PACE loan in case of foreclosure

PRIVATE



Funding provided by private Capital Providers for private sponsors

Program admin is hired by public entity and paid through closing fees

Public/Private: C-PACE loan installments are paid back to Capital Providers or taxing authority

C-PACE PROGRAM DEVELOPMENT – SOME CONSIDERATIONS

Structure

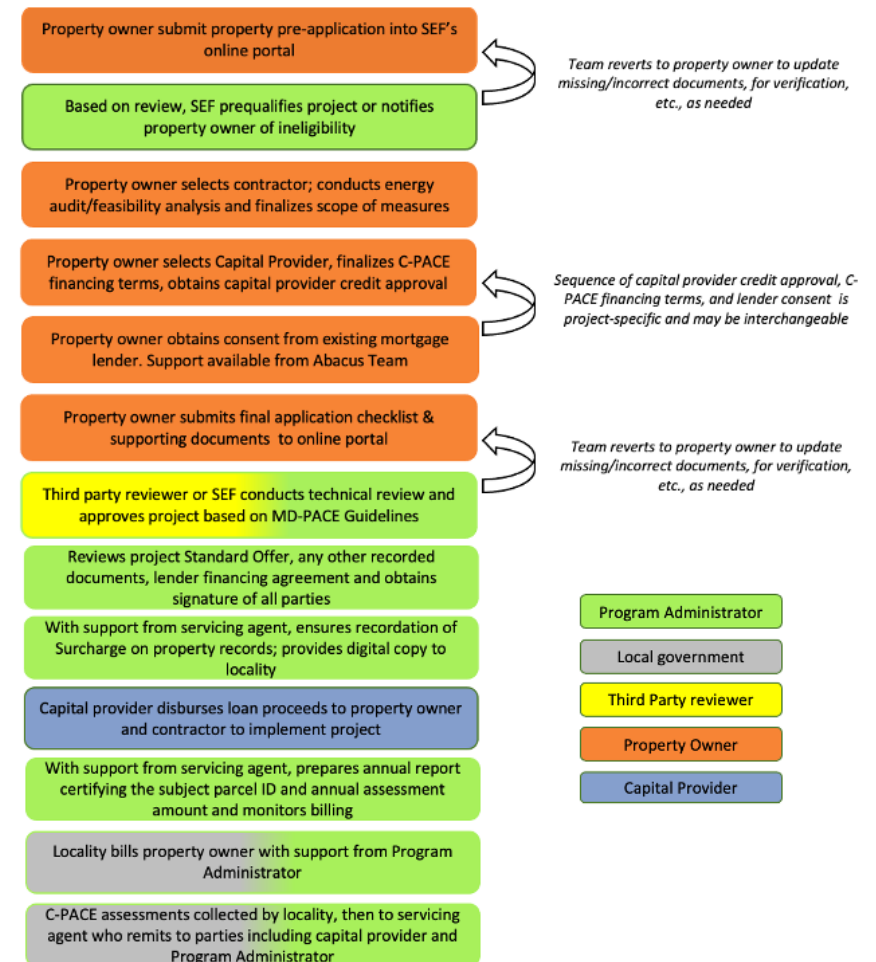
May 3, 2022

• Legislative

- State enabling legislation
- Local ordinance or resolution
- Differences of state or local law or practice

• Structural

- Uniformity – legal, administrative
- Lender consent
- Lien priority
- Eligibility
- Fees
- Certifications
- Program administrator role
- Closing and post-closing protocols
- Marketing and education



C-PACE PROGRAM DEVELOPMENT – SOME CONSIDERATIONS

Lessons Learned – Some Examples

May 3, 2022

- **Limit statutory “re-dos” at state or local level**
 - Creates C-PACE fatigue
 - Makes harder to keep ordinances up to date
 - Know impacts of legislative policy (e.g., ability to enforce)
- **Create uniform program throughout state to avoid confusion and complexity to avoid. .**
 - Different programs across jurisdictional borders = little demand
 - Adopting ordinances without input from C-PACE community
 - Create stand-alone program with structural flaws
 - Repealing ordinances
- **Consequences of different kinds of program administration models**
 - On-bill C-PACE – needs servicing by program admin or local gov’t
 - Capital Provider billed and collected – HUD consideration



PROGRAM STRUCTURE WITH MANY VARIANCES

	In Guide?	In Ordinance	City of Norfolk	City of Roanoke	City of Alexandria
Closing Fee	Yes	No	1.25%	1.25%	1.25%
Total Project Costs					
Floor for fee	Yes	No	\$3,300	\$3,300	\$3,300
Ceiling for fee	Yes	No	\$50,000	\$50,000	\$50,000
"Servicing" (BCR + Reporting)	Yes	No	1.5% of annual pymt; floor = \$330, ceiling = \$1,800	1.5% of annual pymt; floor = \$330, ceiling = \$1,800	1.5% of annual pymt; floor = \$330, ceiling = \$1,800
Billing (the B in BCR)	Yes	No	Capital Provider or VPA	Capital Provider or VPA	Capital Provider or VPA
Collection (the C in BCR)	Yes	No	Capital Provider or VPA	Capital Provider or VPA	Capital Provider or VPA
Remittance (the R in BCR)	Yes	No	Capital Provider or VPA	Capital Provider or VPA	Capital Provider or VPA
City/County Seal included on tax bill?	Yes	No	No	No	No
Reporting required?	Yes	No	Only if servicing	Only if servicing	Only if servicing
Recorded documents	No	No	C-PACE Certificate with amortization schedule Lender/owner consent	C-PACE Certificate with amortization schedule Lender/owner consent	C-PACE Assignment of Lien, Lender/owner consent
Eligible Property Types	Yes	Yes	Multifamily 5+ units	Multifamily 5+ units	Multifamily 5+ units
Resiliency and stormwater?	Yes	Yes	Yes	Yes	Yes
2 year lookback, comm condos, no project limits	Yes	Yes	mentioned; will follow up	asked 6/1/2021	sent sample
included areas		No	N/A	N/A	N/A
Loan term	Yes	Yes	shorter of (weighted average) useful life or 30 years (checking with attorney)	shorter of weighted average useful life or 30 years	shorter of measure with longest life or 30 years based on GAAP
Project Minimum Loan Amount	Yes	Yes	\$50,000	\$30,000	\$50,000
Project Maximum Loan Amount	Yes	Yes	30% of market value or \$25MM, whichever is greater	\$20MM	30% of market value or \$25MM, whichever is greater
Fully amortization required	depends	depends	Yes	Yes	Yes
Program Maximum Loan Amount (private loans)	Yes	Yes	N/A	N/A	N/A
Property tax due dates	N/A	N/A	3/31; 9/30; 12/5	4/5 and 10/5	6/15 and 11/15

PROGRAM STRUCTURE WITH FEWER VARIANCES

County	Max Debt-to-Value Ratio	Max Loan-to-Value Ratio	Savings-to-Investment Ratio	Minimum Loan Amount	Maximum Term (in years)*	Retroactive C-PACE Financing?
Allegany	None	None	None	\$25,000	20	No
Anne Arundel	None	None	≥ 1	\$25,000	20	No
Baltimore	$\leq 90\%$	$\leq 20\%$	None	\$5,000	20	No
Baltimore City	None	None	None	\$25,000	25	Yes
Carroll	None	None	≥ 1	\$25,000	20	No
Cecil	None	None	None	\$25,000	20	No
Charles	None	None	≥ 1	\$25,000	20	No
Dorchester	None	None	None	\$25,000	20	No
Frederick	None	None	≥ 1	\$15,000	20	No
Garrett	None	None	None	\$25,000	20	No
Harford	None	None	None	\$25,000	20	No
Howard	None	None	≥ 1	\$15,000	20	No
Kent	None	None	None	\$25,000	20	No
Queen Anne's	None	None	None	\$25,000	20	No
Talbot	None	None	≥ 1	\$25,000	20	No

THANK YOU!

Contact information

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Virginia PACE Authority info@virginiapace.com

www.abacusprop.com

www.virginiapace.com



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Panelist

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Associate
Bricker & Eckler LLP

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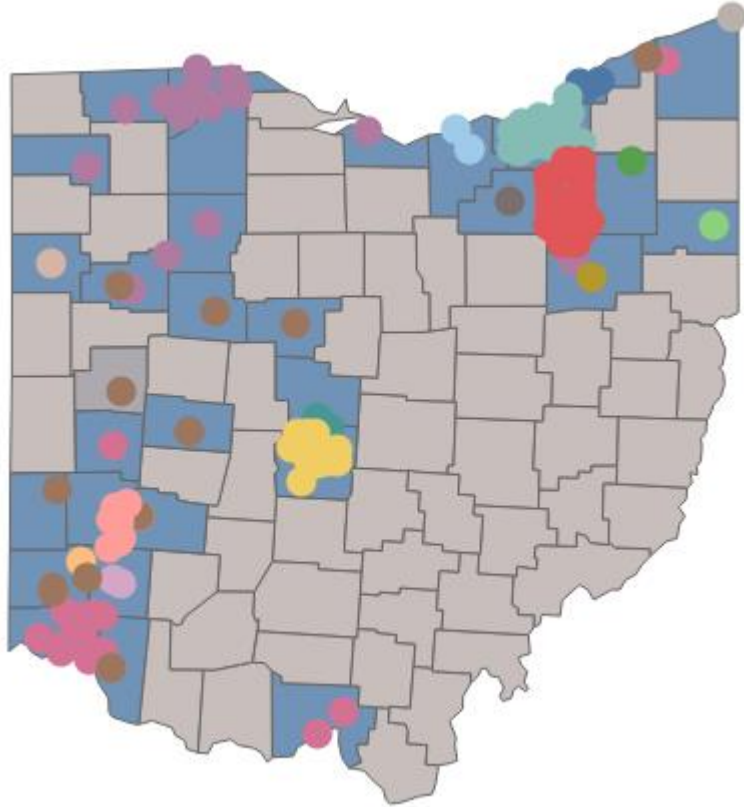
Attorney

Bricker & Eckler LLP

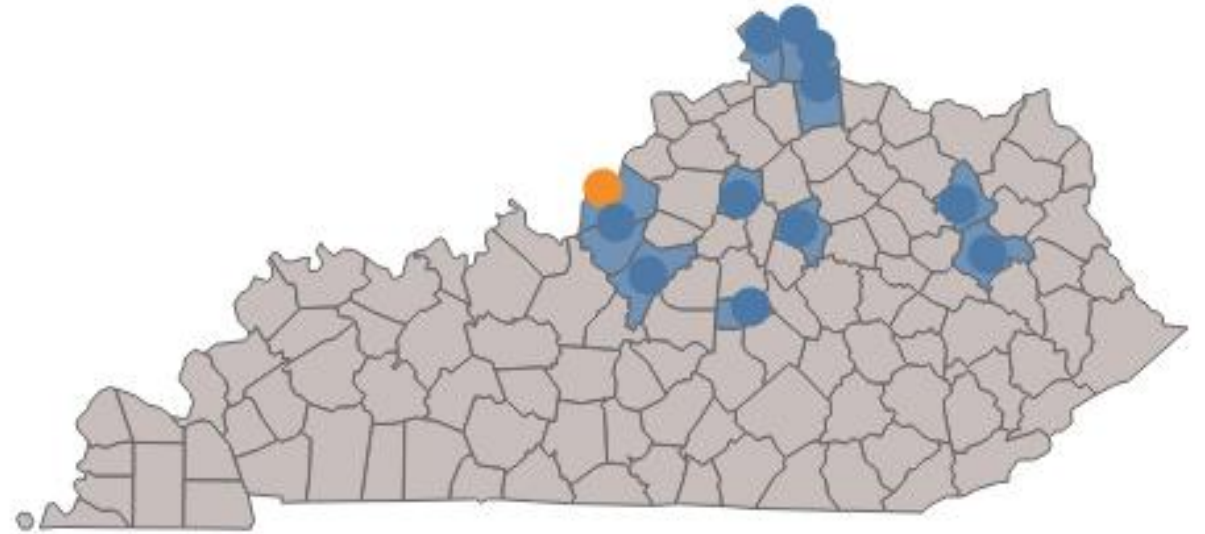


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C-PACE in Ohio and Kentucky



Total financed to date:
\$500M+



Total financed to date:
\$20M+

State Authorizing Legislation



- PACE = “Property Assessed Clean Energy”
- 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 (Ohio example)

Ohio PACE Programs



“The ESID”: Energy Special Improvement District

- Northwest Ohio Advanced Energy Improvement District
- Northeast Ohio Advanced Energy District (includes City of Cleveland)
- Columbus Regional ESID
- City of Cincinnati ESID (NOT a regional approach)
- Summit County ESID
- Delaware & Warren County ESIDs
- “Project Specific” ESIDs within jurisdictions (Boardman Twp.)

Kentucky Programs



“The EPAD”: Energy Project Assessment District

- City of Covington (2015 to present)
- Lexington-Fayette County
- Louisville-Jefferson County
- County level programs throughout the state (NKY, central KY)

Program Considerations



- Clear, concise program guidelines
- Maintain good relationships with all parties of the transaction: PACE lenders, legal team, local government officials (tax collection departments)
- “Effective” marketing of the program
- Look for process improvements (i.e. Delegated Authority within local government)

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PACE Resources



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Upcoming Events



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HOUSING FINANCE Week

INTRO WebCourse:
ADVANCED WebCourse:

REGISTER FOR
ONE OR BOTH!

MAY 23-24

MAY 25-26

CDFA Food Systems Finance Webinar Series:

Where's the Beef? Financing Meat Processing Infrastructure

Tuesday, May 10, 2022 @ 2:00 PM - 3:30 PM Eastern

CDFA // BNY Mellon Development Finance Webcast Series:

What Development Finance Needs to Know about Web3

Tuesday, May 17, 2022 @ 2:00 PM - 3:00 PM Eastern

CDFA Infrastructure Finance Learning Series: Building the Foundation for Infrastructure Projects

Tuesday, May 31, 2022 @ 1:00 PM - 4:00 PM Eastern

Register online at www.cdfa.net

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Technical Assistance

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