



# **Commercial Property Assessed Clean Energy (C-PACE) Program**

**Infrastructure Financing Conference**

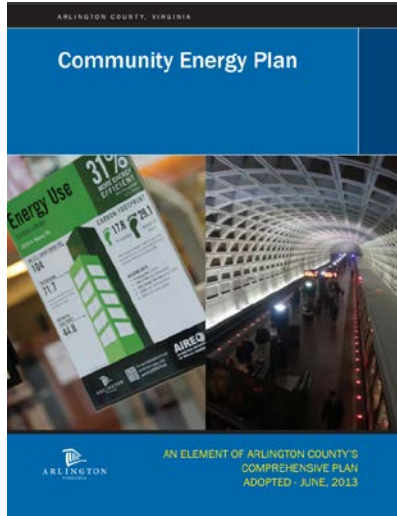
**April 4, 2019**

# What is C-PACE?

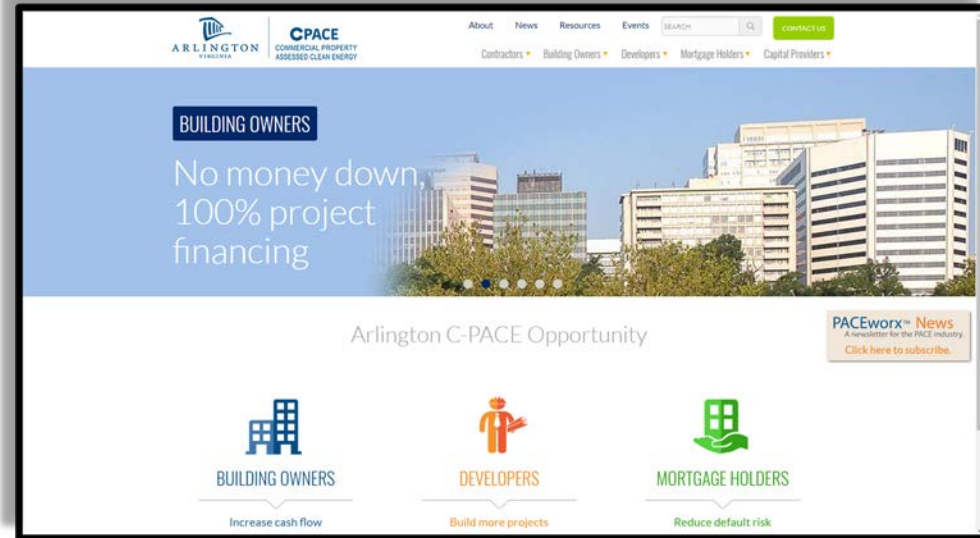
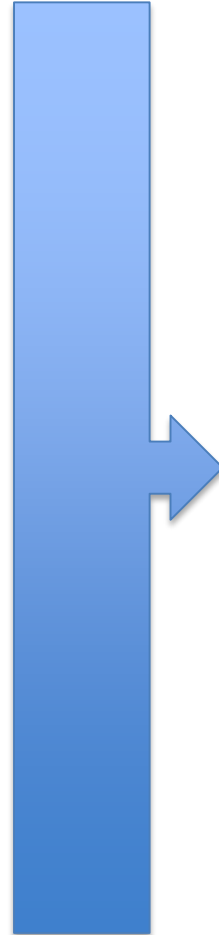
- **New way to finance energy & water efficiency & renewables in commercial building retrofits & new construction**
  - Voluntary, special-assessment based form of financing
  - Improves economics for energy projects
- **Nearly \$900M worth of projects in 1,866 projects nationwide**
- **19 states plus DC have a total of 47 active C-PACE programs**



# Natural Fit for CEP Implementation



**Buildings Renewable Energy**



# Why Create a C-PACE Program?

## ■ Arlington Benefits

- Increase the energy and operational efficiency of commercial buildings
- Advance toward community goal of a 75% lower carbon footprint by 2050
- Increase economic development / local job creation
- Improve resiliency

## ■ C-PACE financing helps address multiple hurdles currently holding back building energy projects

- 100% project financing – hard and soft costs
- Longer term financing = lowers annual payments
- Split incentives – allows pass-through of costs to tenants
- Applies to the property, not the property owner – PACE lien can transfer at sale

# Arlington C-PACE Milestones

- **Jul. 2015:** VA enacted C-PACE enabling legislation
- **Jan. 2017:** SRS selected via RFP as Program Administrator  
  
Process designed to enable other VA jurisdictions to create their own PACE program quickly and efficiently
- **Nov. 2017:** Arlington County Board adopted C-PACE ordinance
- **Jan. 2018:** Arlington launched VA's 1<sup>st</sup> C-PACE program

**Website:** [www.arlington-pace.us](http://www.arlington-pace.us)

# Public-Private Partnership

- **Rich Dooley**, Arlington Initiative to Rethink Energy (AIRE)
  - Arlington C-PACE Program Manager
  - Community Energy Coordinator
  
- **Scott Dicke**, Sustainable Real Estate Solutions' Director of VA C-PACE Programs
  - Arlington C-PACE Program Administrator
  - Provides outreach, education, and infrastructure to support the start-up and sustainable growth of new C-PACE programs across the Commonwealth
  - Collaborates with building owners, developers, contractors, mortgage holders and capital providers to meet stakeholder underwriting needs
  - SRS partners with state and local governments nationwide to administer C-PACE programs in: CA, CO, CT, OH, OR, RI, UT, VA

# What's Eligible?

## ■ Eligible Property Types (C&I)

- Office
- Retail
- Hotel
- Multifamily (5+ units)
- Industrial
- Healthcare
- Non-profit

## ■ Non-Eligible Property Type

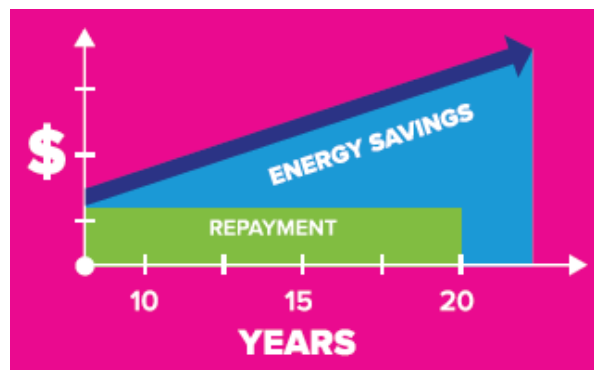
- Condominiums

## ■ Eligible Improvements (examples)

- Automated building controls
- Boilers, chillers & furnaces
- Building envelope (insulation, windows)
- Combined heat & power (CHP)
- High efficiency lighting
- Hot water heating systems
- HVAC upgrades, VRF installs, controls
- Solar PV systems, incl. roof upgrades
- Pumps, motors, drives

# C-PACE for Existing Buildings – Arlington

- Building owners choose to install eligible energy efficiency, renewable energy, and/or water efficiency improvements
- 100% financing (no out-of-pocket expense, soft or hard costs) by private capital provider
- Costs are spread over periods up to 20+ years
- Repayment via a “PACE special assessment” billed and collected by private capital provider
- The repayment obligation can transfer to the new owner upon sale
- Goal: Energy savings \$\$ > the PACE payments; creating cash flow positive projects
- Target market is Class B & C buildings, Class A also eligible





# C-PACE for New Construction – Arlington

- **Developers can tap C-PACE financing to:**
  - Construct more efficient buildings, i.e. lower operating costs
  - Increase tenant comfort; accelerate occupancy
  - Include improvements often “value engineered” out of a project
- **Potential benefits to developer:**
  - Finance 15-20% of “Total Eligible Construction Cost”
  - Reduce owner equity contribution or high-cost mezzanine loan amounts
  - No personal guarantees required
  - No impact on working capital or developer’s credit



# Arlington C-PACE Structure

- **Arlington is not paying SRS for its program administration work, nor is Arlington providing the capital for C-PACE projects**
- **Program administrator (PA) provides stakeholder tools & support services to facilitate successful transactions**
  - PA fee applied to closed transactions, aligning all interests
- **Open market access to private capital**
  - No public funds are used to finance projects
  - Property owner options:
    - Choose a preferred capital provider upfront, or
    - Program Administrator can review pre-approved projects with pre-qualified capital providers to determine funding interest
  - Repayment via a new “PACE special assessment” billed and collected by capital provider
- **VA law requires owners to receive mortgage holder consent**
  - PACE special assessment is a priority lien, akin to sewer assessment

# C-PACE in the Mid-Atlantic

## ■ VA, MD, DC

- Mid-Atlantic PACE Alliance (MAPA) is a regional partnership of government, non-profit, and private sector entities. Goal is to accelerate the implementation of Commercial PACE programs and projects in the Mid-Atlantic region.

## ■ Statewide

- MAPA encourages local jurisdictions in VA to consider regional coordination
- Consistency in program requirements across VA jurisdictions is key to scaling C-PACE
- Arlington C-PACE legal and program documents available for review
- SRS engaging jurisdictions across the Commonwealth



# Questions?

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- **Scott Dicke**, Sustainable Real Estate Solutions' Director of VA C-PACE Programs
  - [SDicke@PACEworx.com](mailto:SDicke@PACEworx.com) or 703-344-6432
  
- **C-PACE Program website:** <https://arlington-pace.us/>

