Introduction to Commercial Property Assessed Clean Energy and Resilience (C-PACER) Financing to Commercial Building Owners

Washington Trust for Historic Preservation
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Today`s Speakers

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Agenda

• What is C-PACER? How does it work?
• What are the C-PACER main financing features & advantages including EE/RE project benefits?
• What is the current status and timeline of C-PACER Implementation in WA?
• How to advocate C-PACER for local adoption in your community?
What is C-PACE? C-PACER?

- **Commercial Property Assessed Clean Energy & Resiliency**

- C-PACE is an alternative financing tool to pay energy efficiency, renewable energy, water conservation, and Resilience projects for commercial buildings (retrofits, new construction, & refinancing.)

- C-PACER can fill a gap in the project`s capital stack at a lower cost. No public funds at risk.
C-PACE: State of the Market

*Resource: PACENation | Property Assessed Clean Energy Financing

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

**Investment (MM)**
$2,074

**Commercial projects**
2,560

**Jobs created**
24,000

Cumulative C-PACE Investment, MM (2009-2020)
Who Can Use C-PACER?

Commercial properties are available, even Nonprofits!
How C-PACER Works

1. **Property owner** develops energy generation, energy efficiency, water conservation, or resiliency project. The improvements shall be certified by a qualified professional.

2. **Property owner** identifies **capital provider** for their project. They negotiate financing terms: interest rate, #years, etc.

3. **Property owner** submits application materials to **program administrator**.

4. **Program administrator** reviews application.

5. **Program administrator** approves application or requests additional information.

6. a. **Capital Provider** closes financing.  
   b. County records lien agreement.

7. a. **Capital Provider** funds work.  
   b. **Contractor** implements project.

8. **POST-IMPLEMENTATION**: Property owner repays loan over term to **capital provider**.
C-PACER Main Financing Features & Advantages

- Clean energy & resilience projects generate public goods, & benefits: reduce pollution, meet climate goals, economic development & jobs, reduced emergency response risks, etc. Counties adopt C-PACER ordinances pursuant to State enabling legislation.

- Financing is structured as a property tax assessment with a County lien. Assessment runs with building, survives building sale.

- This structure provides an important credit enhancement and additional security for capital providers & enables longer term financing, 10-20+ yrs., w/lower rates and hence, deeper, longer payback energy efficiency and renewable energy (EE/RE) measures.

- Obligor is building owner. Assessment is voluntarily undertaken and works similar to a local improvement district (LID) of one building.
C-PACER Main Financing Features & Advantages (2)

- All financing is provided and credit underwriting done by a private sector “Capital Provider”. EEFC works with building owners, contractors & Capital Providers investors to structure & arrange financing.

- Assessment billing & collections will be done by Capital Provider.

- First mortgage and other lien holder consents must be obtained in the finance origination process.

- No acceleration in default events, only past due assessments are paid.

- A key benefit for many building owners: in most commercial triple-net leases, property taxes can be passed through to tenants. Tenants enjoy energy costs savings so their share can be geared to match.

- C-PACER helps building owners implement projects to meet mandates of State HB 1257 (2020) building energy performance standards, bldgs. > 50,000 SF. New legislation (2022) applies these standards to >20,000 SF
EE/RE Project Benefits

• Projects begin with energy audits providing information on a building’s potential EE/RE project measures & economics. Goal is a project that can be paid all or in large part from energy cost savings.

• Projects may also meet energy system replacement & upgrade needs and improve building value & tenant comfort/productivity.

• Many contractors provide turnkey engineering & construction with savings verification & guarantees.
C-PACER: Typical Transaction Steps

• Building owner, together with Capital Provider, applies to County pursuant to County-adopted guidelines.

• Closing Documents include:
  o Assessment Agreement, along with Notice of Assessment Interest and C-PACER Lien and Assignments
  o Financing Agreement with C-PACER Capital Provider
  o Lienholder(s) Consent
  o Contractor agreements for turnkey works & services and eligibility certifications

• At Closing, County will record Assessment Agreement & other Closing Documents

• Upon confirmation of recordation, Capital Provider will disburse funds in accordance with Financing Agreement. Construction financing can be arranged. Eligible costs include finance origination fees.
Case Study: Office Building Efficiency

1225 North Loop West, Houston, TX

- 200,418 sq ft, built 1984
- $1.3 million in C-PACE financing
- Replacement of:
  - 35-year old chillers
  - Antiquated control system
  - Inefficient lighting
- 20-year term.
- 38% reduction in energy usage, $3.66 million in savings over the term.
Case Study: Historic Building Revitalization

777 Main Street, Hartford, CT

- Historic bank turned into mixed-use building with 285 units and 6 retail shops
- $1 million in C-PACE Financing
- 20 years term
- C-PACE funded installed measures for:
  - Resiliency: micro grid consisting of Doosan fuel cell, solar array, and island capable control system
  - Efficiency: LED lighting, low flow fixtures, energy and heat recovery systems, smart thermostats (Nest)
  - EV Charging Stations
- Saving $316,927 in the first year.
Case Study: Historic Building Revitalization

McCandless Building, Florence, CO

- 23,006 sq ft., built 1894
- $616,844 in C-PACE Financing
  - Insulation
  - LED Lighting
  - Window glazing
  - Rooftop heating/cooling units
  - PV Solar System
- 20-year term
- 85% reduction in energy usage, $779,814 lifetime energy savings
- Increased building’s value by $600K+
Laacke & Joys Building, Milwaukee, WI

- Mfg. facility to Class A offices
- $2.2 million in C-PACE Financing, 7% of capital stack
- C-PACE funded improvements:
  - PV Solar
  - Geothermal
  - LED Lighting
  - Windows
- Energy consumption 28% favorable to code
C-PACE and Resiliency-WA

TIMELINE:

- **2017**: Shift Zero Task Force formed to identify a path forward for C-PACE in WA.
- **2018**: Members of the Shift Zero Task Force led extensive stakeholder engagement and advocacy to enable C-PACER financing in WA.
- **2019**: They have since continued work with local and national experts and legal counsel to develop model county program documents.
- **2020→2021→2022**: WA enacted C-PACER with HB 2405. Counties must opt-in. They can administer their own C-PACER program or partner with other counties for a regional program.
- **Current Status**: Members of the Shift Zero Task Force led extensive stakeholder engagement and advocacy to enable C-PACER financing in WA.

- **Broad and diverse support from stakeholders including environmental organizations, building owners and professionals, building officials, cities, community banks and labor organization.**

**Current Status:**

- **C-PACER Enacted**
- **Under Consideration**
Recommended Practices for C-PACER Advocacy

**ASSESS**

What does your city need in terms of a C-PACER Program?

- Identify property sectors.
- Determine what projects or measures are eligible.
- Look for any policies like mandatory benchmarking and audit ordinances to support C-PACER uptake in the commercial sector.

**STATUS**

Is C-PACER authorized in your jurisdiction?

- Yes
  - Check out the ordinance that your county adopted to see how you should organize and administer the program in your city and what capital sources you can use.

- No
  - Your voice matters: urge your elected county councilors to take advantage of the easy economic development opportunities of C-PACER. For example: you can reach out to your county executive’s officer to see if this is something they are pursuing, also contact your county council member.
  - Actively support program stakeholder engagement and education.
Resources

- Shift Zero website ([Commercial Property Assessed Clean Energy and Resilience (C-PACER) Financing in Washington – Shift Zero](https://shiftzero.org)) includes model program documents, FAQ: General and Specific to Counties, links to national C-PACE resources
  
  *Also available for County officials: a walk-through of the model documents - contact pacer@shiftzero.org*

- Whatcom County C-PACER Program
  
  - [Commercial - Property Assessed Clean Energy & Resiliency (C-PACER) Program | Whatcom County, WA - Official Website](https://www.whatcomcounty.org/government/property-assessed-clean-energy-and-resiliency-c-pacer)

- Clark County C-PACER Program
  
  - [C-PACER | Clark County (wa.gov)](https://www.clark县政府.org/property-assessed-clean-energy-and-resiliency-c-pacer)

- King County C-PACER webpage
  
  - [King County C-PACER Program - King County](https://kingcounty.gov/property-assessed-clean-energy-and-resiliency-c-pacer)
Discussion & Questions

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