

LOUDOUN COUNTY C-PACE WORKSHOP



November 7, 2019

- 1. General Overview
- 2. Case Studies
- 3. Program Guide Highlights
- 4. Application Process
- 5. Q&A



VIRGINIA PACE AUTHORITY (VPA)

Building the Future with Commercial PACE Financing

- Loudoun BOS voted unanimously to adopt C-PACE in February 2019
- Loudoun hired Virginia PACE Authority (VPA) after competitive bid process;
 VPA is also the Program Administrator (PA) for the City of Petersburg
- Loudoun has cooperative rider for interested localities
- VPA Non-profit C-PACE PA serving Virginia exclusively:
 - Low administrative fees to encourage use of C-PACE (1.25% of total Project Costs; max \$50,000)
 - Best-in-Class partners Pace Financial Servicing & Slipstream
 - Partner MidAtlantic PACE Alliance (MAPA)
 - Abigail Johnson, VPA Founder and Executive Director
 - Designed and implemented C-PACE legislation and programs around the country and in the Commonwealth including Virginia C-PACE statutes in 2015 and 2019 (added resiliency and stormwater management)
 - Deb Rosiello and Amy Williams provide marketing and admin support for VPA
 - Jessa Coleman, Business Development & Servicing Partner





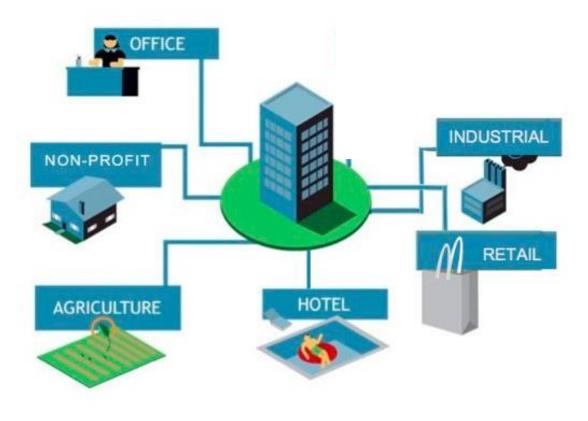
Innovative Financing Tool

- C-PACE stands for Commercial Property Assessed Clean Energy
- C-PACE becomes active when it is enabled at both the state and local levels through enabling legislation
- Innovative product, financing 100% of building measures related to:
 - Energy efficiency
 - Renewable energy
 - Water efficiency
- Provides gap financing for upgrades to existing buildings or for new construction or gut rehab projects



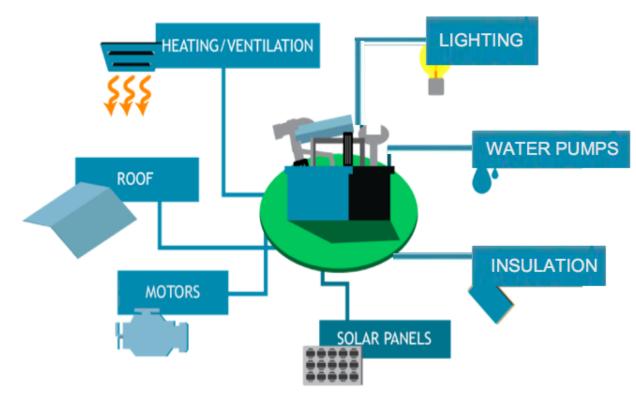


Eligible Property Types



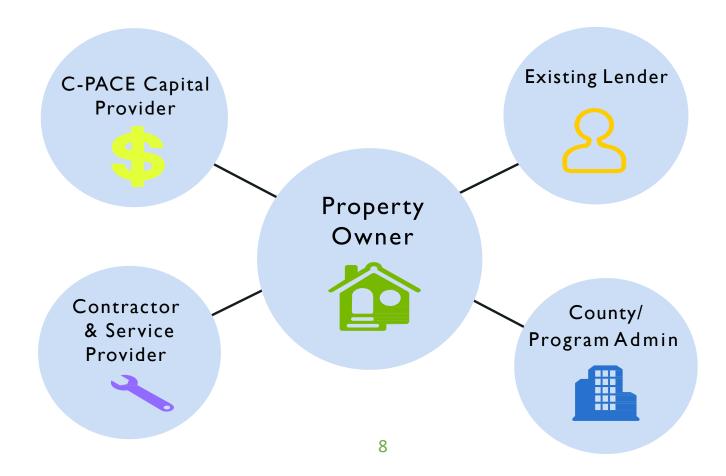


Eligible Energy Improvements





C-PACE participants





A Public-Private Partnership

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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 owners

Contractors hired privately; do not follow public procurement

Public/Private: C-PACE loan installments are paid back either directly to Capital Providers or to them through the Program Administrator



IDENTIFYING C-PACE OPPORTUNITIES

C-PACE Unlocks Capital

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Barriers for Financing



Lack of funding?

Plan to sell building?

Payback period too long?

Tenant pays energy bills?

Unsure if savings will appear?

Borrower has untraditional credit history?

How PACE Unlocks Capital



100% upfront, 25+ year financing

Obligation transfers with property

Positive cash flow in year 1

Assessment/savings pass to tenants

Technical review by program administrator

Secured by property – not by owner guarantee or credit score



IDENTIFYING C-PACE OPPORTUNITIES

C-PACE for Different Borrowers

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Owners Who Have Financing Challenges

- Owners with "Zero Cash Down" Focus
- Owners without access to competitive Capital (Non-Investment Grade Credit)



Owners in Need of Flexibility

- Buildings that may sell before full payoff
- Building where **tenants pay energy bill** but owner finances upgrades
- Project has longer payback period



Owners with Tax Appetite Love C-PACE

- Full realization of tax credits including solar ITC
- Accelerated depreciation benefits (MACRS)



Owners Focused on Net Operating Income

- Prefer Operating vs. Capital Expenditures
- Don't want balance sheet tied up with debt
- Want to own vs. lease

- C-PACE is perfect for projects that contractors know are "locked" (the owner knows there is a need but can't afford to fill that need)
- C-PACE is a way for a project to avoid being "value engineered" to small or to nothing (C-PACE helps you avoid cutting otherwise excess costs)
- C-PACE is a way to "go deep" on a job (can add HVAC, deferred maintenance, etc.)



EFFECTIVE GAP FINANCING

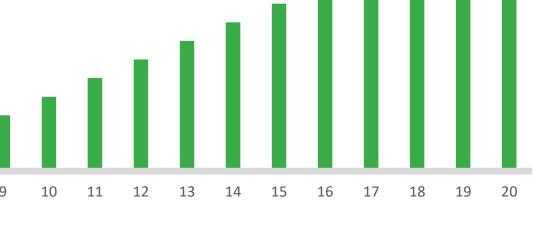
Projects Face an All Too Familiar Scenario....

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Sample \$2M Project with \$320,000 in Annual Savings (~6.25 Year Simple Payback)

Replacing old or broken energy and water systems have multiple benefits:

- ✓ Strong ROI will save \$5.6M over system life
- ✓ Innovative, groundbreaking efficiency technology
- ✓ Replace existing equipment approaching end-of-life
- ✓ 20-year warranties, proven expertise
- ✓ Hedge against rising energy prices
- ✓ Unparalleled tenant comfort





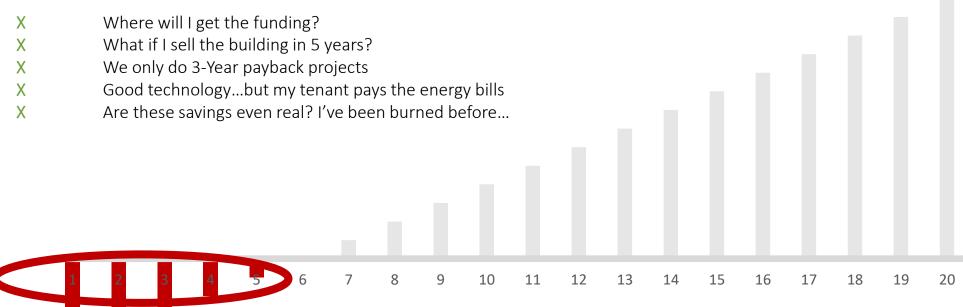
EFFECTIVE GAP FINANCING

Projects Face an All Too Familiar Scenario....

November 7th, 2019

Sample \$2M Project with \$320,000 in Annual Savings (~6.25 Year Simple Payback)

But treatment of energy improvements as Capex investment considers only short-term costs:





EFFECTIVE GAP FINANCING

C-PACE Makes "Unfinanceable" Projects Financeable

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Sample \$2M Project with \$320,000 in Annual Savings (~6.25 Year Simple Payback)

	Cash	Bank Loan	PACE Assessment	
Down payment amount	(\$2,000,000)	15% - (\$300,000)	\$0	
Loan amount	\$0	\$1,700,000	\$2,000,000	
Loan term	NA	5 yrs	20 yrs	
Interest rate	NA	4.00%	6.25%	
Annual Cash Flow				
Annual payment	NA	(\$382,295)	(\$180,978)	
Annual energy savings	\$320,000	\$320,000	\$320,000	
Net annual cash flow	\$320,000	(\$62,295)	\$139,022	
5-Year Financial Performance				
5-Year Net Cash Flow	(\$400,000)	(\$611,475)	\$695,110	
5-Year NPV @ 6%	(\$258,430)	(\$530,574)	\$585,611	
5-Year IRR	-7%	NA	Infinite	

¹Assumes no utility cost escalation and no performance degradation to simplify case study





Case Studies November 7th, 2019

New Construction: Audi Field

Description: Plans for a 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: D.C. United worked with DC PACE to integrate \$25 million of PACE financing into the \$300 million stadium project. C-PACE unlocked additional funds to green the stadium to LEED Gold standards, incorporating integrated solar, LED field lighting, and aggressive stormwater management measures.

Financing: \$25,000,000 (in a \$350,000,000 project)

Measures Financed:

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

Savings: Improvements are expected to reduce energy use by 25%



Main Street Business



The Finishing Touch

Description: The Finishing Touch, a custom frame and print boutique in downtown Chestertown, MD, had air conditioners and windows that dated back to 1978. These outdated HVAC systems were inefficient and expensive to operate.

Solution: The property owner focused on tenant experience and operational costs as motivation to upgrade the 60+ year old HVAC system and high efficiency windows throughout. The mixed-use building was vastly improved and is now more tailored toward customer and renter comfort.

Financing: \$134,408

Measures Financed:

- HVAC upgrades
- Replacement of more than 1,000 sq ft of low R-value glass

Savings:

\$7,000 in the first year and \$300,704 in lifetime savings!

Renovation/ Adaptive Reuse



Brown's Arcade

Description: Brown's Arcade is a mixed-use commercial building encompassing both retail and business offices. It was constructed in the 18th century and is therefore listed on the National Registry of Historic Places. It is the only building of its kind left in the City of Baltimore, and the last known building of its kind in the state. Its historic roots shine through in embellished Colonial Revival details.

"We are very excited about this opportunity to re-position and transform this historic building with new retail concepts and multifamily apartments in downtown Baltimore alongside our recent acquisition of Brown's Loft which sits on the same 300 block of N Charles Street." – Kelvin Fu, GL Capital

Measures Financed:

- Water conservation measures
- Building enclosure improvements
- Lighting replacements
- New automated building & HVAC controls



Case Studies November 7th, 2019

Basic Retrofit



Medical Office Building

Description: Recently purchased medical office building with pharmacy in need of extensive renovations

Financing: \$800,000

Measures Financed:

- · Air handling units and thermostat
- Modern elevator controls
- LED lighting
- Roof insulation
- TPO roofing

Projected Energy Savings (Cumulative)		EUL	Projected Energy Savings (Annual Average)			
kWh	BTU	\$	years	kWh	BTU	\$
4.7m	329m	857k	20	235k	16m	43k





Re-entry Center

Description: A Baltimore-based non-profit wanted to expand the capabilities of its residential re-entry center by building out 5,000 square feet of unused space in their facility. The goal of this project was to complete the planned build out while incorporating energy and water efficient equipment.

Challenge: Underwriting cash flows of a non-profit; many NPOs do not think they are eligible for PACE financing

Financing: \$785,000

Measures Financed:

- Insulation and Building Envelope Improvements
- New HVAC and Electrical Installation

Savings: \$3,100 in the first year and \$80,000 in lifetime savings





Eligible Property Types and Improvements

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Eligible Property Types

- All commercial such as office, industrial, hospitality, retail, agricultural, and real property (e.g. ground mounted solar)
- Nonprofit organizations
- Residential including single family, multifamily, condominiums (individual units and common areas) are <u>not</u> eligible
- Public buildings are <u>not</u> eligible

Eligible Improvements

- Energy and water efficiency: Any measure that results in reduction in energy/water consumption over a baseline established by an Energy Analysis
- Renewable energy: Any system that generates energy from a renewable source
- Future: Resiliency and stormwater management measures







Eligible Projects

- Existing building upgrades and new construction projects
- Project term:
 - One Eligible improvement: Not to exceed EUL⁽¹⁾ or 30 years, whichever is less
 - Multiple Eligible Improvements: Not to exceed EUL of Improvement with longest EUL or 30 years, whichever is less
- Property value: Assessed or appraised both acceptable
- Project improvements must be permanently affixed during the term of the loan
- Financing thresholds:
 - \$50,000 min
 - \$25,000,000 max or 30% of Stabilized Value⁽²⁾, whichever is greater
- 1. EUL = Expected Useful Life
- 2. Stabilized Value The market value of the property after it reaches stabilized occupancy as evidenced by an appraisal of the property





Energy Analysis Requirements

- Credentials and Standards of Energy Analysis:
 - Must be performed by Qualified Energy Professional
 - Must meet minimum requirements described in the Program Guide
- Methodology:
 - 1. For **Existing Buildings**, document energy and/or water consumption of Property or individual, relevant systems, OR 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





Eligible Property Owners, Capital Providers, and Contractors

November 7th, 2019

Virginia PACE A



Property Owners (Borrowers):

• Eligibility follows state law requirements (title holder of property, no delinquent taxes, liens, loan payments; no bankruptcies, etc.)



Capital Providers:

- Open market program where participation by a wide variety of capital providers is encouraged and supported
- To qualify, fill out and sign RFQ and Agreement found on the website





- All work requiring a license must be installed by a licensed contractor
- To sign up as a Contractor, fill out the registration form and sign the Contractor Terms and Conditions found on the website; all installation contractors, licensed engineers and architects, energy auditors, solar installers/developers, and other service providers can register



Steps to C-PACE Financing

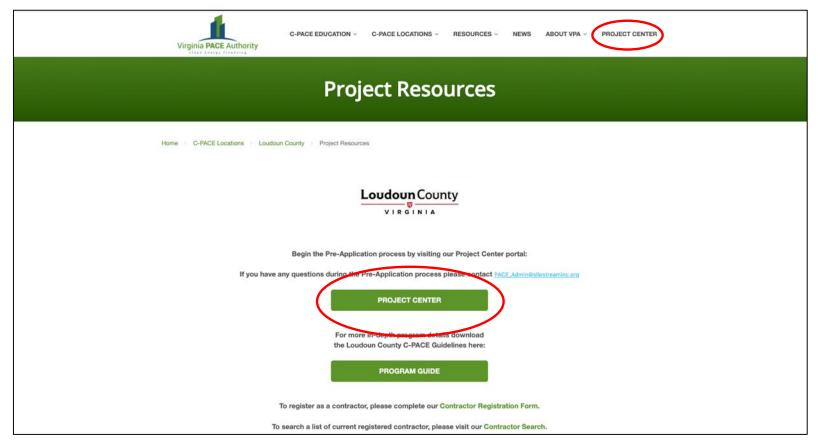
November 7th, 2019



Identifies contractor: Works with them to develop a proposed scope of work Identifies capital provider: Works with them to obtain credit approval & proposed financing terms for C-PACE

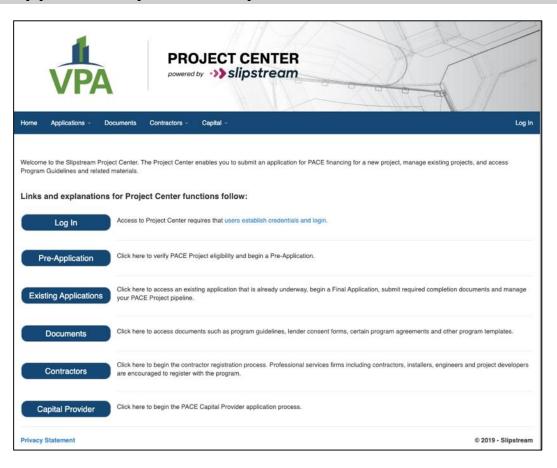


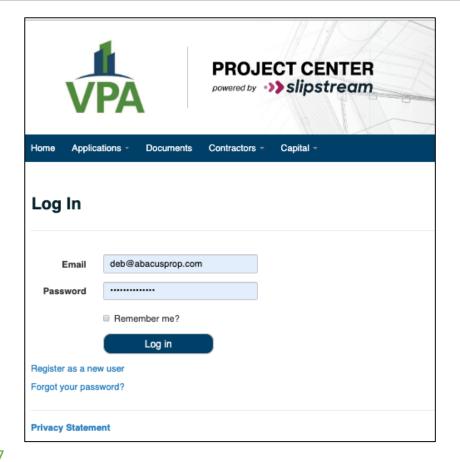
Virginia PACE Authority website





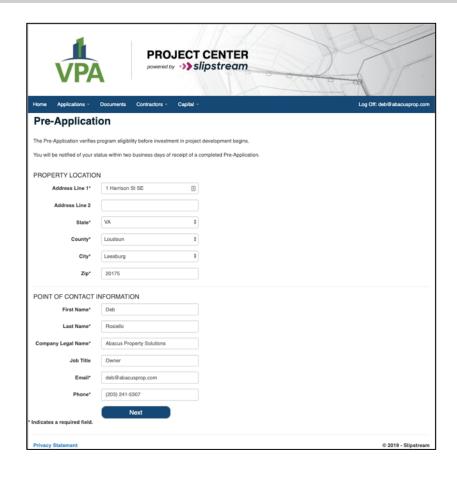
Application portal - Slipstream

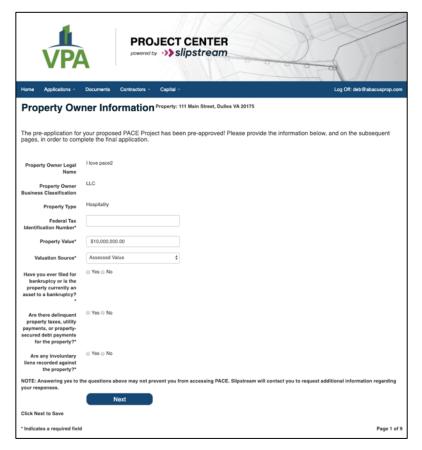






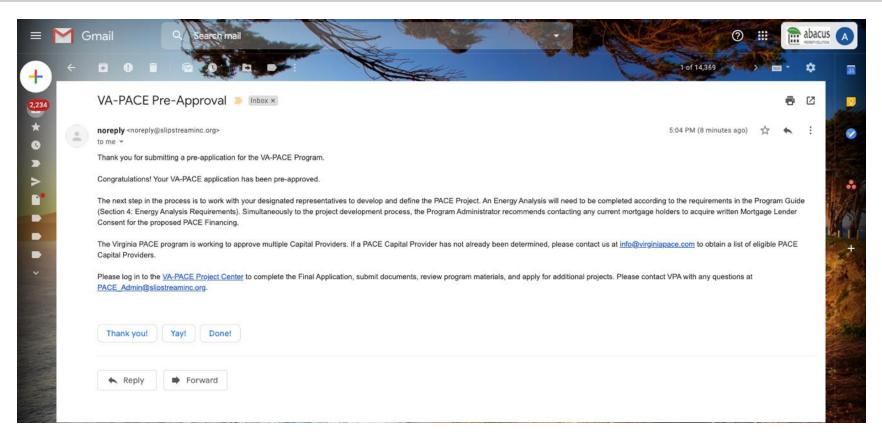
Pre-ApplicationNovember 7th, 2019





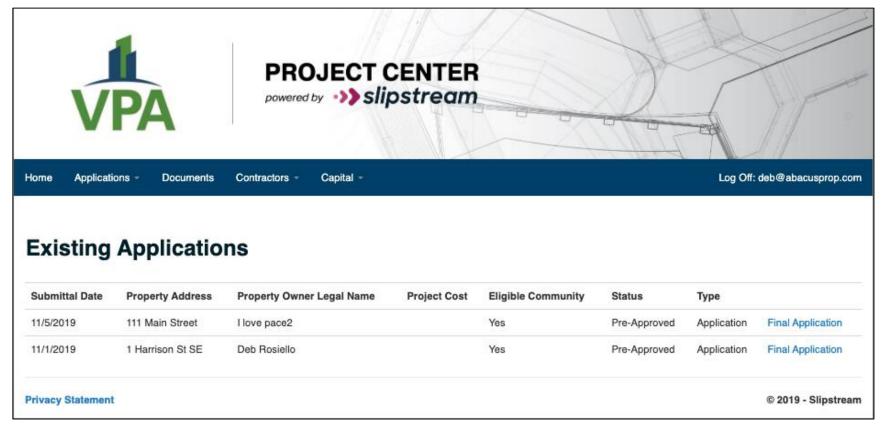


Pre-Application





Project pipeline November 7th, 2019





Steps to C-PACE Financing

November 7th, 2019



Identifies contractor: Works with them to develop a proposed scope of work Identifies capital provider: Works with them to obtain credit approval & proposed financing terms for C-PACE a

Property Owner submits application package to VPA based on application checklist



Checklist may include:

- Executed Final Application
- Signed installation contract(s)
- Energy analysis
- Lender consent and subordination Agreement
- Title report
- Offer to fund (C-PACE term sheet)
- Appraisal (if assessed value isn't used)
- Substantially Final C-PACE Loan Documents
- Mortgage lender statements (if applicable)



Final Application

November 7th, 2019

VA-PACE Final Application



The purpose of this Final Application is to confirm property owners and proposed PACE Projects meet all eligibility requirements set forth in the VA-PACE Program Guide. The data collected here and document submissions are required to complete this verification process. Once the Program Administrator completes a review of this information, approved PACE Projects will receive a Notice of VA-PACE Approval letter. If the Program Administrator determines that the Final Application is incomplete then the Applicant will receive a required for more information. A copy of this Final Application signed by the key principal(s) is a required document.

CONTACT: For questions about VA-PACE or application status, email PACE_Admin@slipstreaminc.org.

PROPERTY LOCATION

 Address Line 1
 1 Harrison St SE
 County
 Loudoun

 Address Line 2
 State
 VA

 City
 Leesburg
 ZIP
 20175

POINT OF CONTACT INFORMATION

Business Contact Name Deb Rosiello Company Legal Name Abacus Property Solutions

Title (Job Title) Administrative Assistant

Business Contact Phone (203) 241-5307 Business Contact Email deb@abacusprop.com

PROPERTY OWNER INFORMATION

Property Owner Legal Name Deb Rosiello
Property Owner Business Classification Test Run

 Key Principal Name
 Title

 Deb Rosiello
 Owner

Property Type Nonprofi

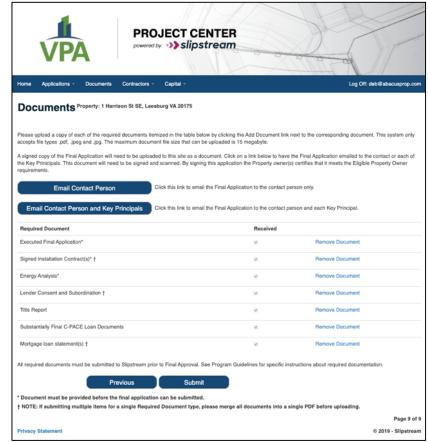
Value of Property \$300,000.00 Valuation Source Other

Have you ever filed for bankruptcy or is the property currently an asset to a bankruptcy? No

Are there delinquent property taxes, utility payments, or property-secured debt payments for the

property.

Are any involuntary liens recorded against the property? No





Steps to C-PACE Financing

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VPA reviews and approves

project based on County-specific

Property Owner develops project

Identifies contractor: Works with them to develop a proposed scope of work Identifies capital provider: Works with them to obtain credit approval & proposed financing terms for C-PACE

VPA circulates C-PACE Program Agreement for signature

C-PACE Program Agreement: County, Property Owner, & Capital Provider VPA ensures recordation of C-PACE Lien Certificate

C-PACE Lien Certificate: County, Property Owner, & Capital Provider are named Property Owner submits application package to VPA based on application checklist



Checklist may include:

- Executed Final Application
- Signed installation contract(s)
- Energy analysis
- Lender consent and subordination Agreement
- Title report
- Offer to fund (C-PACE term sheet)
- Appraisal (if assessed value isn't used)
- Substantially Final C-PACE Loan Documents
- Mortgage lender statements (if applicable)

\$



Paid directly by Capital Provider (in most cases)



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COLLECTION & REMITTANCE

Steps to C-PACE Financing

November 7th, 2019

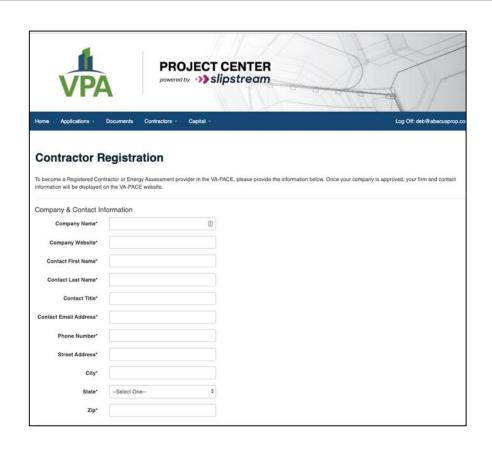
Capital provider
(CP) or VPA on
behalf of County
bills the Borrower
typically semiannually

CP or VPA collects C-PACE payment If VPA collects C-PACE payment, VPA remits C-PACE payment to CP



COLLECTION & REMITTANCE

Contractor Registration

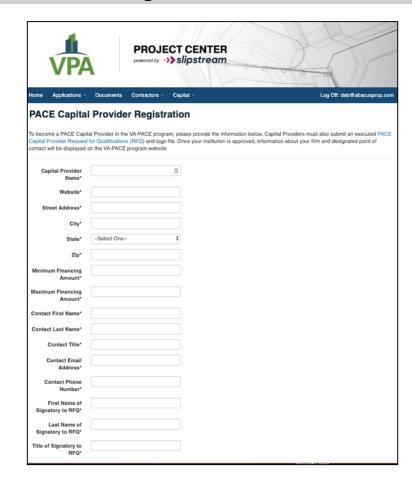


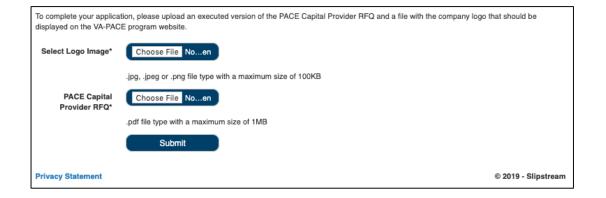




COLLECTION & REMITTANCE

Capital Provider Registration







THANK YOU!

Contact Information

