Commercial Property Assessed Clean Energy (C-PACE) Financing

City of Petersburg City Council Meeting
• Executive Director, Virginia PACE Authority, a new non-profit PACE program administration organization in Virginia

• President of Abacus, a real estate advisory firm specializing in financing and development of energy efficiency projects

• National and Virginia PACE expert:
  • Instrumental in passage of 2015 Virginia PACE legislation and in working with Senator Lewis on 2019 legislation adding resiliency and stormwater to what PACE can finance
  • Partner in MidAtlantic PACE Alliance (MAPA), a regional PACE initiative
  • Co-author of MAPA toolkit and major contributor to the State Energy Office’s PACE financial underwriting guidelines
WHAT IS C-PACE?

Innovative financial product that provides 100% upfront funding for energy efficiency, renewable energy, water efficiency, flooding, and storm water upgrades.

C-PACE can be used on commercial, industrial, multifamily and non profit buildings.

A C-PACE loan is a public private partnership between the City, property owner/developer and the C-PACE lender.
WHAT IS C-PACE?

Owner agrees to a voluntary special assessment “tax” that is paid back as a line item on his/her real property tax bill. C-PACE lenders like the “senior” position of the C-PACE loan.

Owners develop a project and then receive funding from a private C-PACE lender. C-PACE lenders work with existing lenders, contractors and VPA to come up with a good solution for everyone.

Owners/developers repay the fixed C-PACE payments, twice a year for 15, 20 or 25 years.
WHAT TYPE OF EQUIPMENT IS ELIGIBLE?

- Heating/Ventilation
- Lighting
- Roof
- Motors
- Solar Panels
- Water Pumps
- Insulation
WHAT TYPES OF BUILDINGS ARE ELIGIBLE?

- Office
- Multi-family
- Industrial
- Retail
- Agriculture
- Hotel
- Non-profit
WHAT SIZE PROJECTS CAN BE FINANCED?
BIG AND SMALL
WHY CHOOSE C-PACE OVER OTHER TYPES OF FINANCING?
WHO IS INVOLVED IN A C-PACE LOAN?

- PACE lender
- Contractor
- Property Owner
- Existing Lender
- City/Program Admin
WHY DO BUILDING OWNERS LOVE C-PACE?

- **Reduces cash** needed, due to 100% upfront financing of hard + soft costs
- **Frees up cash** for other projects
- **Reduces annual payments** with long terms
- **Fixed rate** loans provide piece of mind
- Annual energy savings are typically **greater** than annual C-PACE loan payments
- Can fund **small projects** that are hard to finance
- Enables owners without big balance sheets to **install solar** owned by third parties
- **Helps non profits and small businesses** with limited cash and borrowing capacity
- **Eliminates access** to personal assets in case of foreclosure (as loan is secured by property only)
WHY DO CITIES LOVE C-PACE?

- **Economic Development:**
  - Provides financing for critical capital improvements and facilitates redevelopment of “tired” buildings
  - C-PACE provides new funding opportunities for local and regional financial institutions
  - C-PACE creates jobs for contractors and other service providers in the City
  - C-PACE is an economic development tool the City can offer to developers at NO cost to them
  - C-PACE assessments yield revenue through permitting fees

- **Environmental impact:** Potential to reduce carbon emissions

- **Preservation:** Retrofit/rehabilitate historic buildings, such as the Seaboard Salvage Building
The City of Petersburg creates a C-PACE program by passing an ordinance.

The City hires a third party administrator like Virginia PACE Authority (VPA) to manage the program at no cost to the City. VPA is paid from fees generated by the projects.

VPA markets the program to local property owners, who are looking to do projects in the City, as well as contractors, local banks and PACE lenders.
WHAT ARE THE STEPS FOR THE CITY TO USE C-PACE?

4. VPA evaluates and approves C-PACE loans based the City’s program manual. VPA manages all customer related processes through closing.

5. The City records the voluntary special assessment on the property. C-PACE is now like a property tax in terms of how its billed, collected and enforced.

6. After the project is complete, the City (or C-PACE lender) bills the C-PACE payment twice a year like a property tax. VPA or the PACE lender keep track of the payments on behalf of the City.
Thank you!

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