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Commercial Property Assessed Clean Energy (C-PACE) Financing

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Presentation Overview

- What is C-PACE and how does C-PACE work?
- Map of National C-PACE Programs
- Map of Hirschler C-PACE Expertise
- What are the fundamental elements of a C-PACE financing?
- Who are the C-PACE stakeholders?
- What are the benefits to each C-PACE stakeholder?

Presentation Overview (continued)

- What types of projects and/or properties may be financed through C-PACE?
- What types of improvements may be financed through C-PACE?
- How does a C-PACE financing compare to a conventional loan?
- C-PACE Case Studies

C-PACE: Funding Energy-Efficient Improvements through Commercial Real Estate Special Assessments

- What is C-PACE?
- How does C-PACE work?
- What are the benefits of C-PACE?
- C-PACE in 90 Seconds Video:

<https://www.youtube.com/watch?v=R3Ota3uvM1E>



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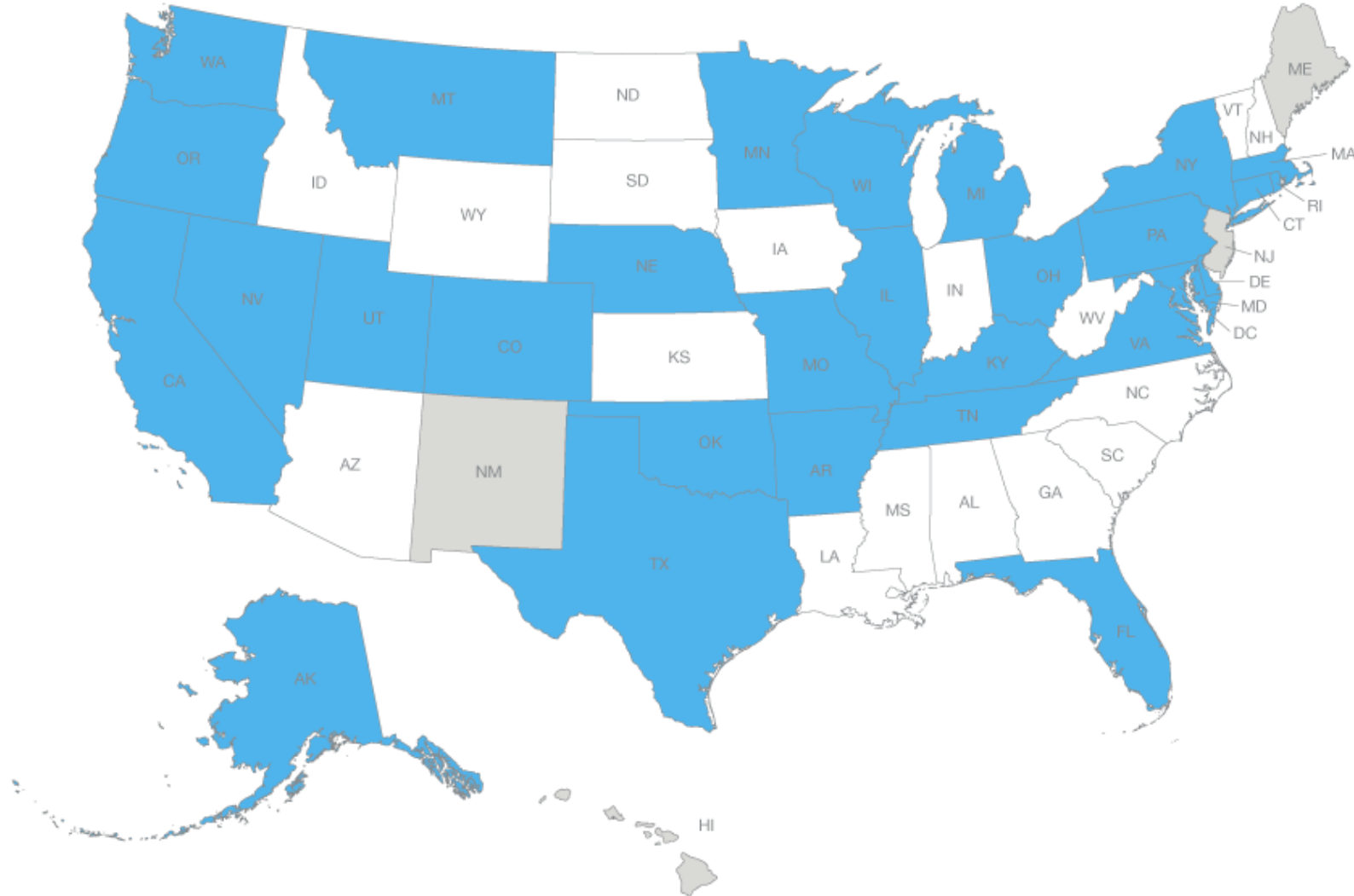


C-PACE BASICS

- Alternative Financing Mechanism Secured by Voluntary Special Assessment Lien.
- Created by State Statute and Governed by Local Ordinance.
- Public-Private Partnership.



STATES WITH ACTIVE C-PACE PROGRAMS



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Elements of C-PACE Financing

- Generally levied, billed, collected, and enforced in same manner as real property taxes.
- Program created by local government, but can be managed by 3rd party program administrator.
- Remedy through locality's real property tax collection and foreclosure process.
- No acceleration allowed.



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Elements of C-PACE Financing (continued)

- Runs with title to real property and freely assignable by Owner and Capital Provider.
- Transfers upon sale or foreclosure, but is not extinguished by foreclosure.
- Current/past due payments senior to existing mortgage and typically share equal lien status with real property taxes.
- Improvements must be affixed to real property.



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C-PACE Stakeholders

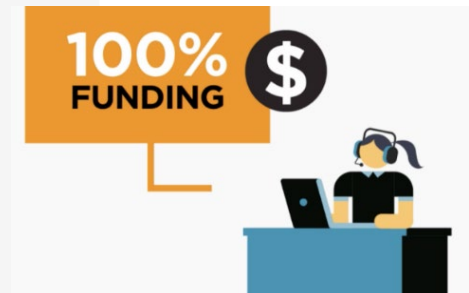
- Commercial Property Owner
- Government Sponsor (Locality)
- Capital Provider
- Program Administrator
- Program Service Providers
 - C-PACE Contractors
 - Energy Services Professionals
 - PACE Consultants



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Property Owner Benefits

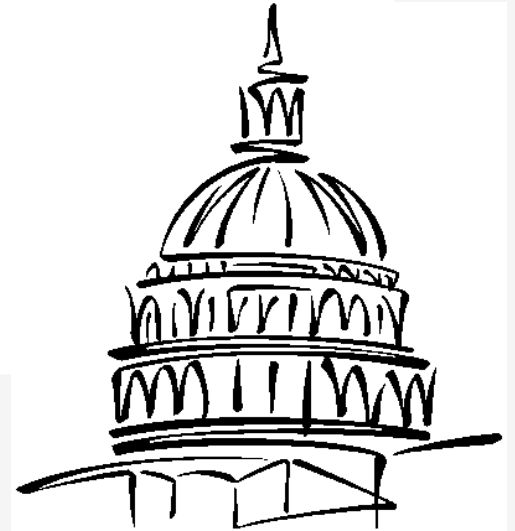
- 100% financing (includes hard and soft costs) and no acceleration
- Fully amortized over extended period (up to 30 years)
- C-PACE improvements typically increase property value and cash flow and decrease operating expenses
- Costs and benefits of C-PACE financing may be shared with and passed through to tenants under most leases
- May satisfy owner equity requirements



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Local Government Benefits

- Economic development
- Environmental impact
- Historic preservation and urban revitalization
- Contributes to public goals at low/no cost
- No financial risk to taxpayers



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Capital Provider Benefits

- Senior lien priority with senior lender consent/subordination
- No acceleration
- Default interest/penalties
- Remedy through tax foreclosure process
- Transfers with property
- Prepayment penalties



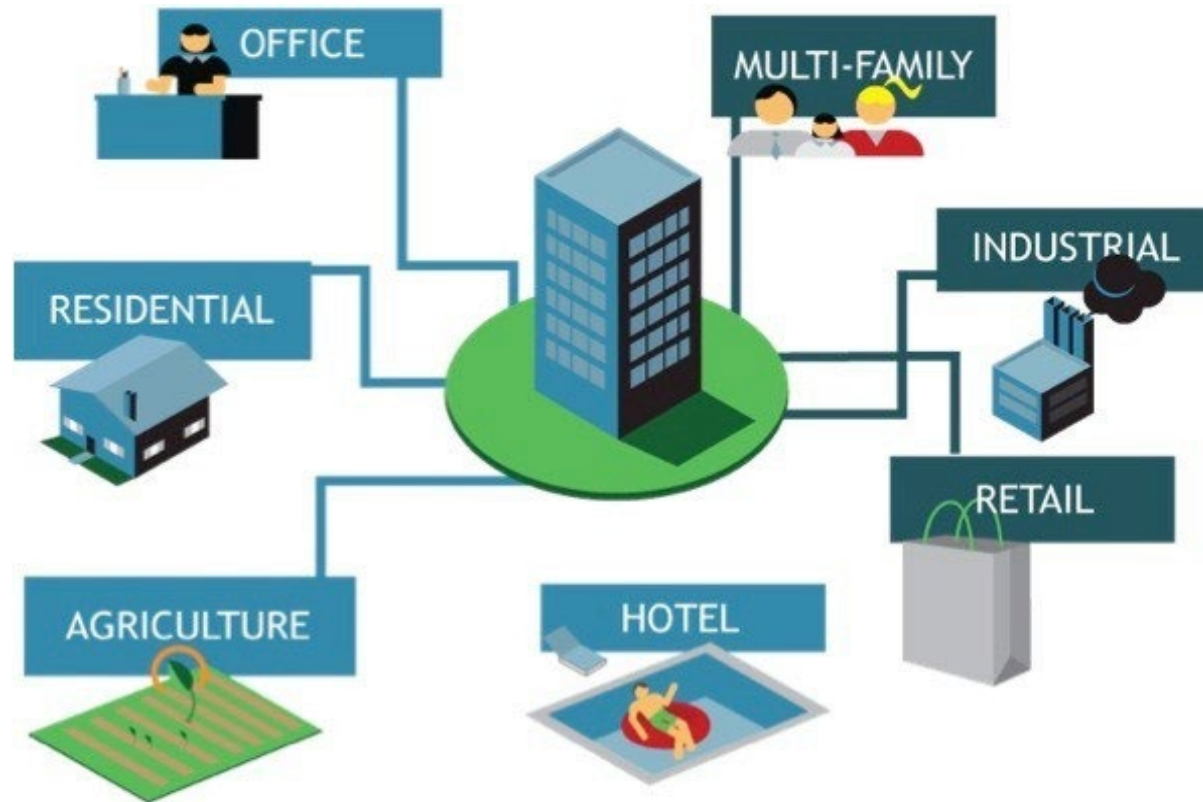
Types of C-PACE Projects

- Existing commercial property renovations
- Non-profit property rehabilitations
- New construction projects



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Types of C-PACE Properties



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Energy Efficient Improvements

- HVAC
- Solar panels
- Geothermal improvements
- Energy efficient lighting
- Water heaters
- Air sealing
- Insulation
- Replacement windows
- Electronic vehicle charging equipment
- Wind resistance improvements (*Florida*)
- Seismic retrofits (*California*)
- Resiliency; storm water management (*Virginia*)

Traditional Financing v. C-PACE

	Traditional Bank Financing	C-PACE Financing
Project	HVAC and Lighting	HVAC and Lighting
Project Cost	\$100,000	\$100,000
Loan	\$75,000	\$100,000
Interest Rate	5%	6.25%
Term	5 years, fully amortizing	15 years, fully amortizing
Monthly Payment	\$1,415	\$857
Annual Payment	\$16,984	\$10,290

Case Study 1: D.C. Elementary School

Project at a Glance

- Aging facility (Built 1965)
- Significant load (30k Ft²)
- Failing building systems
- Tax-exempt owner
- Limited capital budget
- Robust utility savings opportunity
- Strong solar exposure
- Stable property value
- Engaged owner



Case Study 1: D.C. Elementary School

Highlights

- Retrofit on existing building
- Energy and water-saving mechanical upgrades
- Rooftop solar system
- Incentive from D.C. Sustainable Energy Utility

Challenges

- Construction timing
- Incentives deadline
- Title issues

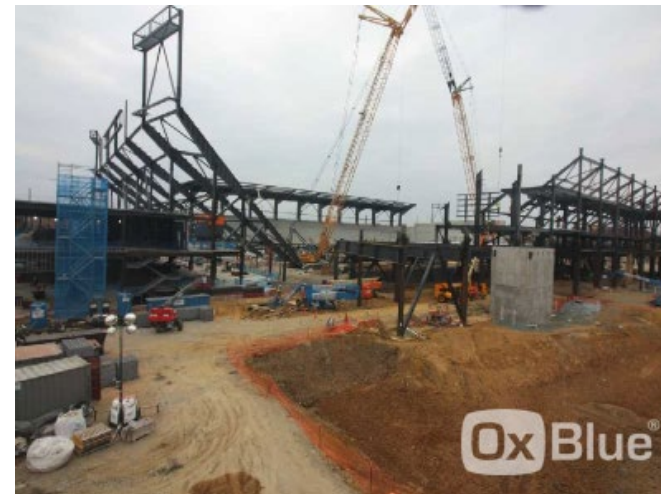
Economics

Total C-PACE Assessment	\$1,429,554
Assessment Term	20 years
Average Annual Energy Savings	\$139,000
Approximate Annual Assessment Payment	\$126,600
Annual Net Savings	<u>\$12,400</u>

Case Study 2: D.C. United Stadium

Project at a Glance

- First new construction C-PACE project in D.C.
- Largest C-PACE project in the United States
- 20,000-seat Audi Field
- Created opportunity for unique building-integrated solar system and LEED Gold certification
- Significant job creation and energy savings benefits to District



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Case Study 2: D.C. United Stadium

Highlights
• Integrated solar panels on building canopy
• High-efficiency HVAC
• Low-water fixtures
• Storm water management to benefit Anacostia River

Challenges
• Involved late in the master transaction
• Complex capital stack
• Educating project financing counterparties on C-PACE

Economics	
Total C-PACE Assessment	\$25 million
Assessment Term	20 years
Annual Estimated Energy Savings	<u>25%</u>

Conclusion

- Beneficial Financing Alternative to Traditional Financing
- C-PACE Law, Program Structure, and Documents Different in Every State and Locality
- Continually Evolving C-PACE Landscape

C-PACE Resources

- C-PACE Alliance (www.c-pacealliance.com)
- PACENation (www.pacenation.us)

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NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
NORTHERN VIRGINIA CHAPTER

QUESTIONS



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