The Mid-Atlantic PACE Alliance (MAPA) is a regional partnership to advance property assessed clean energy financing solutions. MAPA is supported by a grant from the US Department of Energy.

www.pacealliance.org
Who is the Mid-Atlantic PACE Alliance?

We are a partnership between stakeholders in Virginia, Maryland and the District of Columbia, created to accelerate Commercial PACE programs and project closings in the region.

Our team is a collaboration between the Virginia Department of Mines, Minerals and Energy (DMME), the District Department of Energy and Environment (DOEE), and the Maryland Clean Energy Center (MCEC) and other industry and not-for-profit partners. The Mid-Atlantic PACE Alliance is supported with funding from the U.S. Department of Energy.
What is Commercial PACE?

Commercial Property Assessed Clean Energy (C-PACE) is a tax-assessment based financing mechanism for commercial property owners to fund energy efficiency, renewable energy, and water conservation projects with low upfront costs.

100% financing. Funds hard and soft costs.

Improves building stock + decreases operating costs.

Market-based. Uses private financing.

Spurs economic development + creates local jobs.
Social Equity
PACE has been used to preserve affordable housing, rehabilitate churches and synagogues, expand access to clean energy for family farms, and improve classrooms for schoolchildren.

Job Creation
Commercial PACE has infused nearly $600 million investments into local economies and created almost 8,000 local jobs.

Resource Conservation
PACE funds energy efficiency, water conservation, and renewable energy measures that reduce fossil fuel consumption and result in improvements to air, soil, and water quality.
How does C-PACE work?

✓ C-PACE is enabled by statewide legislation and sponsored by a local government – a taxing jurisdiction

✓ C-PACE assessment is collected with and like any other property tax

✓ C-PACE assessment transfers to new owner upon property sale

✓ C-PACE assessment payment can be offset by savings in utility costs for property owner
Example C-PACE Process for Property Owners in Virginia

1. Property Owner works with registered contractor or energy auditor to define scope of work.
2. Property Owner submits request for C-PACE financing.
3. Property owner selects qualified capital provider to fund project.
4. C-PACE application is reviewed and approved by program administrator.
5. Energy-related upgrades installed.
6. Property owner billed annually with property taxes.
What types of buildings can use C-PACE?

- Commercial
- Industrial
- Multifamily (5+ units)
- Agricultural
- Nonprofit
What can be financed with C-PACE?

- HVAC system upgrades
- High-efficiency lighting
- Solar energy equipment
- Water conservation & hot water systems
- High-efficiency boilers and furnaces, heating ventilation
- Building energy management and controls
- Building envelope improvements
- Cogeneration, energy storage and more!
Benefits of C-PACE for Local Governments

✓ **Creates/retains jobs:** New opportunities in high-wage sectors (technical, trades, lending, equipment sales)

✓ **Business retention/Community revitalization:** Upgrade existing buildings (or repurposing to more beneficial use) can attract and retain businesses and grow tax/fee base

✓ **Does not create new debt:** C-PACE financing is provided by private lenders

✓ **Demonstrates leadership on environmental conservation:** Reduces carbon footprint
Benefits of C-PACE for Property Owners

- No Money Out of Pocket: 100% financing including soft costs
- Immediate Savings: Cash-flow positive from day one
- Extends capital budget: Paid for from operating savings
- Long-term financing (20-25yr): Reduces annual payment
- Comprehensive: Covers broad capital and facility improvement needs and can extend building lifespan while improving comfort
- Transferrable: Assessments transfer ("run with the land") to new owner upon sale
MAPA Survey (2017) - Summary Results

VIRGINIA LOCAL GOVERNMENTS
Level of familiarity/interest in C-PACE?

✓ 7 jurisdictions responded
✓ Of those, 3 reported being “very familiar” and 3 reported being “somewhat familiar” with C-PACE
✓ 1 reported that they are “starting the process of learning/limited knowledge.”
✓ 6 out of 7 reported that PACE may have “some value” in their jurisdiction. 1 reported that PACE would have a “high value.”
Barriers to C-PACE in VA

✓ Most jurisdictions surveyed are just now “getting educated about C-PACE.”
✓ The most cited barrier to enabling C-PACE: “lack of resources/funding to stand up a program.”
✓ Other barriers cited:
  • Lack of knowledge or awareness of C-PACE
  • Not sure if there is demand
  • Don’t have a champion to push it through
  • Lack of political support
  • Too many other pressing issues
Role of the Mid-Atlantic PACE Alliance

✓ Increase market awareness through coordinated outreach and education.

✓ Provide resources to local governments to reduce time/cost of standing up program.

✓ Promote harmonized program design throughout the region to streamline participation in C-PACE programs.

✓ Drive demand and increase volume of C-PACE projects in the region ($80 in assessment value, ~160 projects).
Benefits of a Harmonized Approach to C-PACE

✓ Streamlined and consistent processes and project eligibility benefits to property owners, capital providers, and contractors working with C-PACE programs in multiple jurisdictions in the region

✓ Fosters more cohesive regional market to encourage more private capital investment

✓ Coordinated marketing approaches and consistent messaging about C-PACE tailored to specific audiences
Case Study: Hotel & Office Building (MD)

**Project Need & Solution:** Commercial office building and hotel implementing cost-saving energy efficiency upgrades.

**Energy:** Building envelope, HVAC replacement, LED Lighting

Total Project Cost: ~ $1,400,000
Money Down: $0.00
C-PACE Financing: ~ $1,400,000 **Term:** 20 years
Annual PACE Assessment: ~$125,000
**Annual Cost Savings:** ~$155,000

Net Annual Cash Flow: ~$30,000
Lifetime Cost Savings: ~$3,000,000
PACE to Value <10%
LTV < 80%
**Case Study: Downtown Office Building (DC PACE)**

**Customer:** Downtown office building with energy-conscious anchor tenant
- High annual energy spend
- Building constructed in 1980s, due for capital upgrades

**Challenge:** Finance large retrofit project without adding debt

**Project:** EE, water conservation measures, roof replacement
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<thead>
<tr>
<th></th>
<th>Self-Funded</th>
<th>C-PACE</th>
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<tbody>
<tr>
<td>Investment by Property Owner</td>
<td>$1,600,000</td>
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<tr>
<td>Annual Utility Savings</td>
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<tr>
<td>Annual PACE Payment</td>
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<td>Net Benefit Year 1</td>
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<tr>
<td>Annual Net Benefit Years 2-20</td>
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<td>5-year NPV of Cash Flows (@ 6% discount rate)</td>
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<td>10-year NPV of Cash Flows (@ 6% discount rate)</td>
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<td>5-year IRR</td>
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<tr>
<td>10-year IRR</td>
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Note: Project financials have been simplified for illustrative purposes. Source: DC PACE

PACE increases NOI & property value with zero dollars out-of-pocket for the owner.
**Challenge:** Ice manufacturer in central Connecticut wanted to lower the energy costs at its new 12,324-square-foot plant.

**Solution:** CT C-PACE program financed $306,641 project which included a 100-kW solar PV system. Credit for energy generated reduces energy bills; owner qualifies for $268,813 in incentives ($89,638 federal investment tax credit, and $179,175 state renewable energy credit).

**Result:** A cash-flow-positive project

- *Increased cash flow* by $170,654 over the 20-year finance term.
- The building’s value increased an estimated $328,425, and the manufacturer now touts the high-tech, green facility as part of its marketing strategy.
Next Steps: C-PACE in VA

- Release of Regional C-PACE Program Toolkit and model local ordinance (June 2018)
- VAECC Model Ordinance (now available) and webinar (Sept. 2018)
- Continued coordination with/outreach to local governments showing strong interest in C-PACE
- Maryland Clean Energy Summit + MAPA Forum (October 2018)
Contact Mapa

Daniel Farrell
Energy Financing Program Manager
VA DMME Division of Energy
(804) 692-3207
daniel.farrell@dmme.virginia.gov