

CivicPACE



PACE for Nonprofits, Affordable Housing & Community Based Organizations

WELCOME

2016 ACEEE Energy Efficiency Finance Forum
Newport, RI



URBAN INGENUITY



ENERGIZE NY™

Agenda:

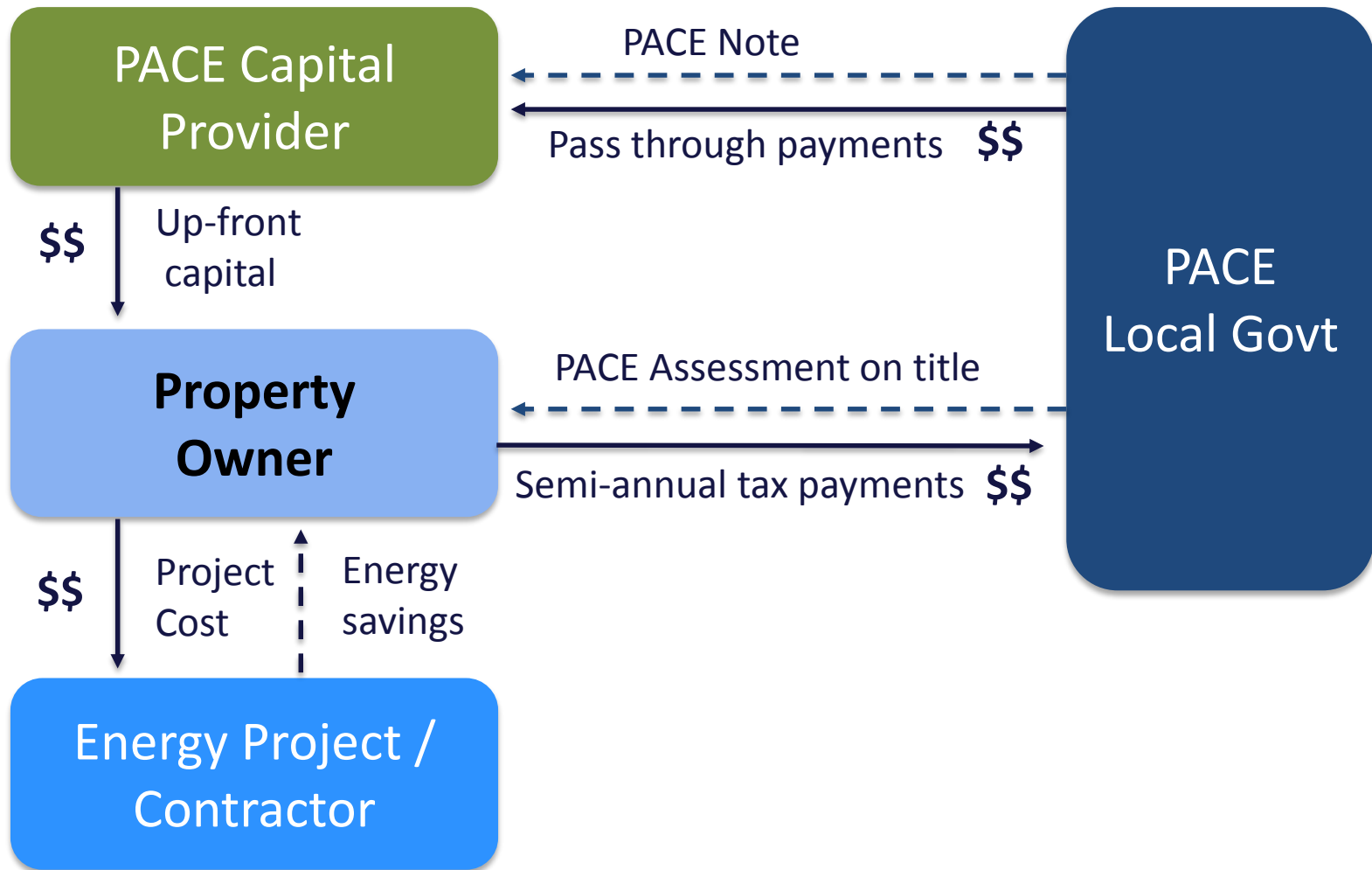
Overview:

- CivicPACE: The market opportunity
- Who We Are: Urban Ingenuity & Energize NY

Case Studies:

- HUD Subsidized Public Housing
- Community Based Organizations
- PACE Secured PPA's
- Credit Enhancements (QECCBs, etc.)
- Tax Exempt PACE Financing

How it works: The PACE transaction structure



What is CivicPACE? – *Serving the Community*

CivicPACE



The US Department of Energy SunShot Initiative is supporting work to help PACE serve non-profit solar customers...



- Affordable housing
- Houses of Worship
- Charter Schools
- Health Care Facilities
- Higher Ed Campuses
- Non-profit Office

PACE solves key financing challenges for anchor civic institutions...

Non-profits: *Challenges & Opportunities*

Challenges:

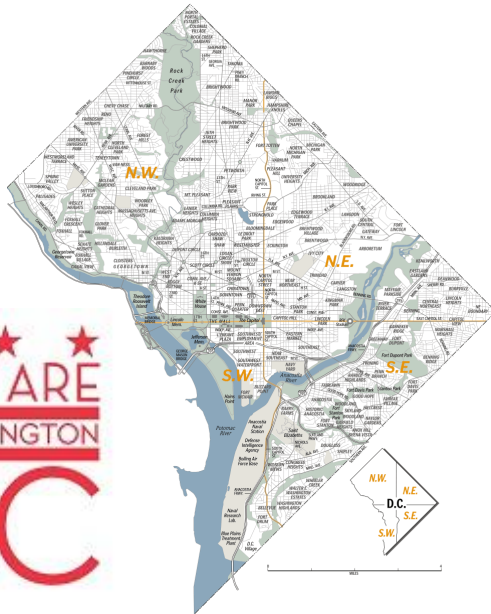
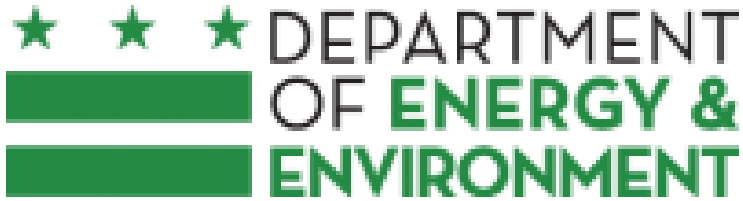
- Poor Credit / Access to capital
- Aversion to debt / Other Priorities
- Low or no tax appetite
- Complex decision-making
- Incentive for ad hoc projects
- “Headline risk” for underwriters

Opportunities:

- Deferred maintenance = Savings
- Interest in new capital structures
- Mission driven
- Focus on OpEx + Cash flow



Urban Ingenuity: *Catalyzing PACE Pipeline*



- DC Program Administration
- Enterprise National Green Platform
- First PACE in Affordable Housing
- Creative Structuring
 - PACE Secured PPAs
 - HUD Approved Public Housing
 - Tax Exempt PACE Financing
- Engage Many Sources of Capital
- Portfolio Screening & Analytics
- Large District Energy Microgrids



Energy Improvement Corporation (EIC)

Not-for-profit, Local Development Corporation

Owned by Member Municipalities – shared service model

Funded by: NYSERDA, US-DOE, financing revenue

Serve property owners with four programs:

- **Energize NY PACE Finance**
- Energize NY Commercial
- Energize NY Residential

Rates:

5 year = 4.00% , 10 year = 4.40%

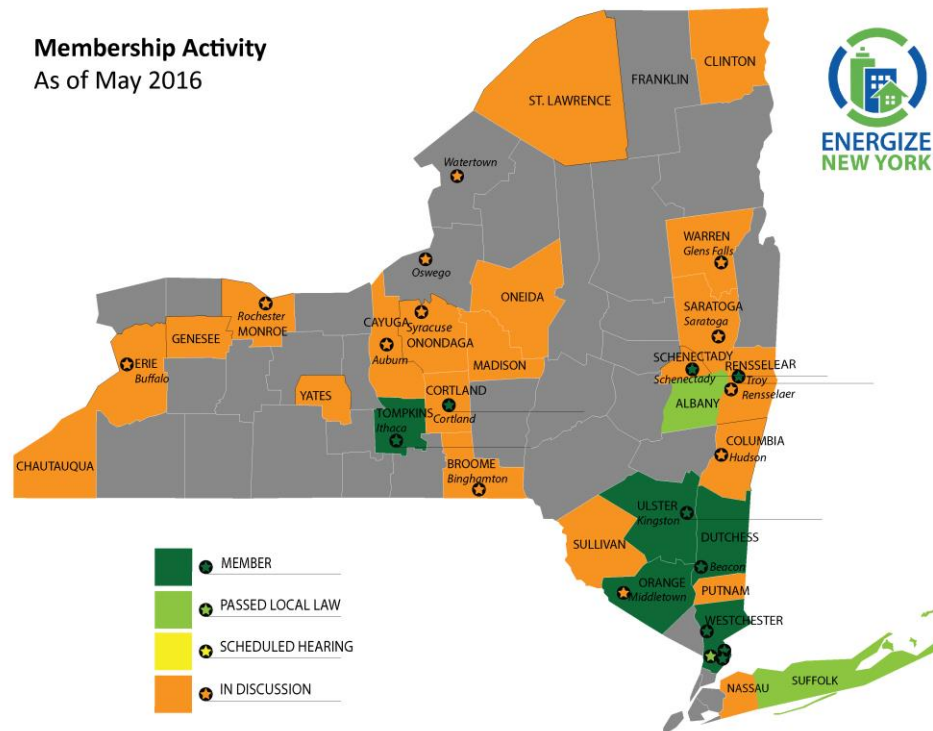
15 year = 4.90%, 20 year = 5.30%

(QECCB: 20YR = < 3%)



ENERGIZE NY™

Membership Activity
As of May 2016



**ENERGIZE
NEW YORK™**

Case Study:

HUD Assisted Public Housing

HUD Assisted Case Study: *Phyllis Wheatley YWCA*



Project: Deep rehab of historic property offering transitional housing to homeless women

Challenges:

- Install solar and highly efficient equipment
- Pays back, without impacting capital budget
- Approval from many public & private partners

Solution: PACE filled a gap in a complex multi-million \$ project

Financed 30 kW rooftop solar
Efficient HVAC systems, heat recovery system, LED lighting, and low-flow water fixtures



HUD Assisted Case Study: YWCA Project Benefits

- PACE Financing: \$635,000 (15 Year Term)
- Tax Equity: \$65,000

Property Owner: Annual Benefit	
Utility savings	\$73,000
PACE Payments	\$(66,000)
Net Cash Flow	\$7,000

Equity Investor Benefits	
SREC Revenue (pre-tax)	\$72,000
ITC	\$36,000
Depreciation	\$35,500
Total Benefit	\$143,500
Tax Equity	-\$65,000
Net Benefit	\$78,500

- PACE finances solar PV and efficiency in one package
- Net benefit \$7,000 per year in cash flow
- Made infrastructure improvements without raising rents
- First use of PACE financing in a HUD-assisted mixed finance property
- Integrated PACE with LIHTC, DHCD, DCHA & other structures

HUD Assisted Case Study: The Economic Case

	Self-Funded	PACE
Investment by Property Owner	\$700,000	\$0.00
Annual Utility Savings	\$77,000*	\$73,000
Annual PACE Payment	\$0.00	\$(66,000)
*Includes \$4k of SREC income		
Net Benefit Year 1	\$(627,000)	\$7,000
Annual Net Benefit Years 2-15	\$73,000	\$7,000
5-year NPV of Cash Flows (@ 6% discount rate)	\$(305,000)	\$27,000
10-year NPV of Cash Flows (@ 6% discount rate)	\$(56,000)	\$58,000
5-year IRR	-15%	Infinite
10-year IRR	3%	Infinite

PACE increases NOI & property value with
Zero dollars out-of- pocket for the owner

HUD Assisted Case Study: *Mixed Finance Precedent*

UI has demonstrated a PACE structure that conforms with HUD-PIH mixed finance requirements for public housing

1. **Inter-Creditor Agreement:**

- i. **PACE Subordination:** to Declaration of Trust (DOT/DORC)*
- ii. **Right to Cure:** DCHA may cure any delinquency in payment*
- iii. **First Refusal:** In foreclosure DCHA can buy Tax Cert for \$1*

2. **Declaration of Trust:** Includes language that ownership transfer under PACE is conditioned on observing the DOT/DORC.

3. **Mixed Finance ACC Amendment:** Language references PACE subordination to the DOT/DORC through inter-creditor agreement

4. **Rental Term Sheet:** HUD is approving terms that include PACE financing along with ACC payments within the capital stack



Case Studies:

Community centers, churches, & housing

PROJECT PROFILE: Wainwright House, City of Rye, NY

Energize NY: simple, low-cost, long-term financing for clean energy upgrades

THE PROJECT

Building details:

- 3 buildings, 18487 sq ft
 - Main House (1931)
 - Carriage House (1931)
 - Fonrose House (1951)

Energy efficiency measures:

- Optimize temperature schedule and install new thermostats
- Upgrade lighting to LED and high efficiency T8s and add lighting controls
- Replace domestic hot water heater (DHW) and switch to natural gas
- Install low-flow faucet aerators and showerheads
- Insulate steam piping
- Add insulation, air seal
- Clean and seal ductwork
- Replace cooling equipment
- Replace boiler and convert to natural gas

FINANCED BY



ENERGIZE NY™
NY State's PACE Program

Project cost: \$313,866
Incentives: \$ 20,325
(Con Edison total incentives)

Term: 20 years
Interest rate: 6.13%
100% financed, 0 down

Cost of financing: \$30,546/yr

Energize NY member:
City of Rye

ESTIMATED SAVINGS

Energy savings: \$34,471/yr
or 1,500 MMBtu (Electric + oil)

Cash flow to owner: \$3,926/yr

Project completion date:
Estimated March 2016

"This is a capital investment that improves all three buildings, reduces equipment maintenance costs and increases comfort for all occupants. We focused on energy conservation as well as increased efficiency in every possible way—from insulation to equipment to LED lighting. With the availability of financing, it just makes sense for us to control expenses as a not-for-profit."

**--Judy Martin,
Wainwright Trustee and
energy advisor, Green
Home Consulting**

PROJECT PROFILE: St. Christopher's Church, Buchanan, NY

Energize NY: simple, low-cost, long-term financing for clean energy upgrades



THE PROJECT

Building details:

5 Buildings part of St. Christopher's Parish:

- Catholic Church built in 1964
- Rectory
- Community Classroom
- 2 outbuildings
- Aggregate 181,000 sq ft

Renewable energy measures

- 36 kW solar electric system
- Roof mounted
- Roof replacement

FINANCED BY



ENERGIZE NY™

NY State's PACE Program

Amount financed: \$150,800

Term: 20 years

Interest rate: 3.83%

**QECCB enhanced interest rate*

Financing Cost: \$ 10,900/yr

Energize NY member:

Town of Cortlandt

Project Completed: April 2016



ESTIMATED SAVINGS

Electric use offset: 100%

Annual average net Cash flow to owner: + \$3,600 yr

"Pope Francis strongly urged the people to protect the environment, and I thought what could I do to protect this environment? Installing solar on our church is another way of keeping his word in our practical life. This project provides us with both financial and environmental benefits"

**-Reverend
Dr. George Oonnoony
Pastor; St. Christopher
Catholic Church**

PROJECT PROFILE: Robson House, Affordable Housing Owned by A-HOME, a not-for-profit

Energize NY: simple, low-cost, long-term financing for clean energy upgrades



THE PROJECT

Building details:

- 1800s building
- 3,816 sq ft
- Multifamily home
- 4 apartments
(2 senior studios,
2 family apartments)
- Oil heat
- Window AC units

Energy Efficiency Measures

- Air sealing and insulation
 - Exterior walls
 - Rim joists
 - Attic

Project Completed:

July 2015

FINANCED BY



ENERGIZE NY™

NY State's PACE Program

Project cost: \$25,717

Incentives: \$ 2,570
(NYSERDA Home Performance with
ENERGY STAR incentive)

Amount financed: \$25,258

Term: 15 years

Total interest rate: 2.94%*
*Westchester County subsidized interest

Energize NY member:
Town of North Salem



ESTIMATED SAVINGS

Energy savings: 31%
(112 MMBtu/yr)

Cash flow to owner:
+\$1,050/yr

"We are planning to upgrade our other properties, since these projects directly reduce our operating costs and improve our bottom line. We can use the saved dollars for things that are important to us, our programs and the residents we serve."

**-Debbie Haglund,
Executive Director; A-HOME**

Project Profile

Large Multifamily Affordable Housing



The challenge

- High heating and air conditioning costs
- Deferred maintenance needs
- Indoor air quality issues

Energize NY Finance facilitates positive cash flow on deep energy retrofits



Energy Improvement Corporation

PROJECT INFORMATION

DATE OF PROPOSAL
 CUSTOMER
 STREET ADDRESS
 CITY
 STATE
 ZIP CODE

April 28, 2016
 XXXXXXXX
 XX XXXXXX XXXX
 XXXX XXXXXXX
 NY
 XXXXXXX

EEM	Measure Description	Energy Savings					Annual Energy Cost Saved (\$/yr)	Costs	Incentives	Net Costs
		Electric Savings (kWh)	Electric Demand Savings (kW)	Gas Savings (Therm)	Oil Savings (Gallon)	Total Energy Savings (MMBtu)				
1	Oil to Natural Gas Conversion	-	0	-	-	0	\$8,646	\$ 45,000		\$8,646
2	Boiler Replacement - NG	-	0	14,690	-	1,469	\$8,283	\$ 115,000		\$8,283
3	Water Heater Replacement	-	0	6,870	-	687	\$8,809	\$ 60,000		\$8,809
4	Low Flow Device Installation	-	0	1,390	-	139	\$8,73	\$ 4,725		\$8,73
5	Pump - Boiler Distribution (assumes TRVs)	44,811	0	(10)	-	152	\$8,057	\$ 18,000		\$8,057
6	Pump - DHW Recirculation	3,297	0	-	-	11	\$8,93	\$ 1,000		\$8,93
7	Pump - Fuel Oil, Removal	1,998	0	-	-	7	\$8,260	\$ 100		\$8,260
8	EMS - Indoor temp sensors & TRVs	-	0	7,060	-	706	\$8,942	\$ 22,150		\$8,942
9	Common Lighting	14,531	0	350	-	85	\$8,860	\$ 3,660		\$8,860
10	Exterior Lights	11,804	0	-	-	40	\$8,124	\$ 4,200		\$8,124
11	In Unit T12 - LED	4,298	0	(100)	-	5	\$8,03	\$ 4,096		\$8,03
12	In Unit Air Sealing	-	0	1,230	-	123	\$8,61	\$ 8,000		\$8,61
13	Ventilation - improve and use year round	9,800	0	12,710	-	1,304	\$8,0661	\$ 175,000		\$8,0661
	Partner Fee							\$ 33,475		\$33,475
	NYSERDA Incentive - Base								\$ 135,000	\$135,000
	NYSERDA Incentive - Performance								\$ 40,500	\$40,500
TOTALS		80,739	0.00	31,480	0	3,423	\$8,85,871	\$894,406	\$875,500	\$818,906

PROJECT INFORMATION

DATE OF PROPOSAL	April 28, 2016
CUSTOMER	XXXXXXXXXX
STREET ADDRESS	XXXX
CITY	XXXXXXXX
STATE	NY
ZIP CODE	XXXXX

Energize NY Finance Worksheet

Clean Energy Project Cost	494,406
Project Contingency (20%)	98,881
Less: NYSERDA Incentive	(175,500)
Less: Customer Downpayment	-
Net Customer Financing	417,787

BORROWER COSTS

Application Fee	500
Title Search Fee	300
Bankruptcy Search Fee	25
Appraisal Fee (Estimate)	2,000

EIC OPERATIONS

EIC Administrative Fee (4.25%)	17,756
TOTAL FEES TO BE FINANCED	20,581

Rate Lock Period	180 Day
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All in Rate to Borrower

QECB Eligible?	Yes
Term of Financing (in years)	20
Interest Rate	2.64%

Funds Disbursement Date	10/31/16
Tax Payment Date from Municipality	3/2/17

NET FINANCING	438,368
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Capitalized Interest	6,213
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TOTAL FINANCED AMOUNT	444,581
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Projected Energy Cost Savings	85,871
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Annual Principal & Interest Payment	28,894
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Net Energy Cost Savings	56,977
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Case Study:

PACE Secured PPA

PACE-Secured PPA: *Large House of Worship*

Project: Energy and infrastructure upgrades on four large properties for a prominent church



Challenges:

- Monetize tax benefits from solar PV
- Use savings to finance structural work
- Retire traditional mortgage debt

Solution:

- \$3 million in building upgrades, including solar PACE-secured PPA for 300 kW system, partial roof replacements, HVAC upgrades, smart thermostats & controls, LED lighting, low-flow water fixtures

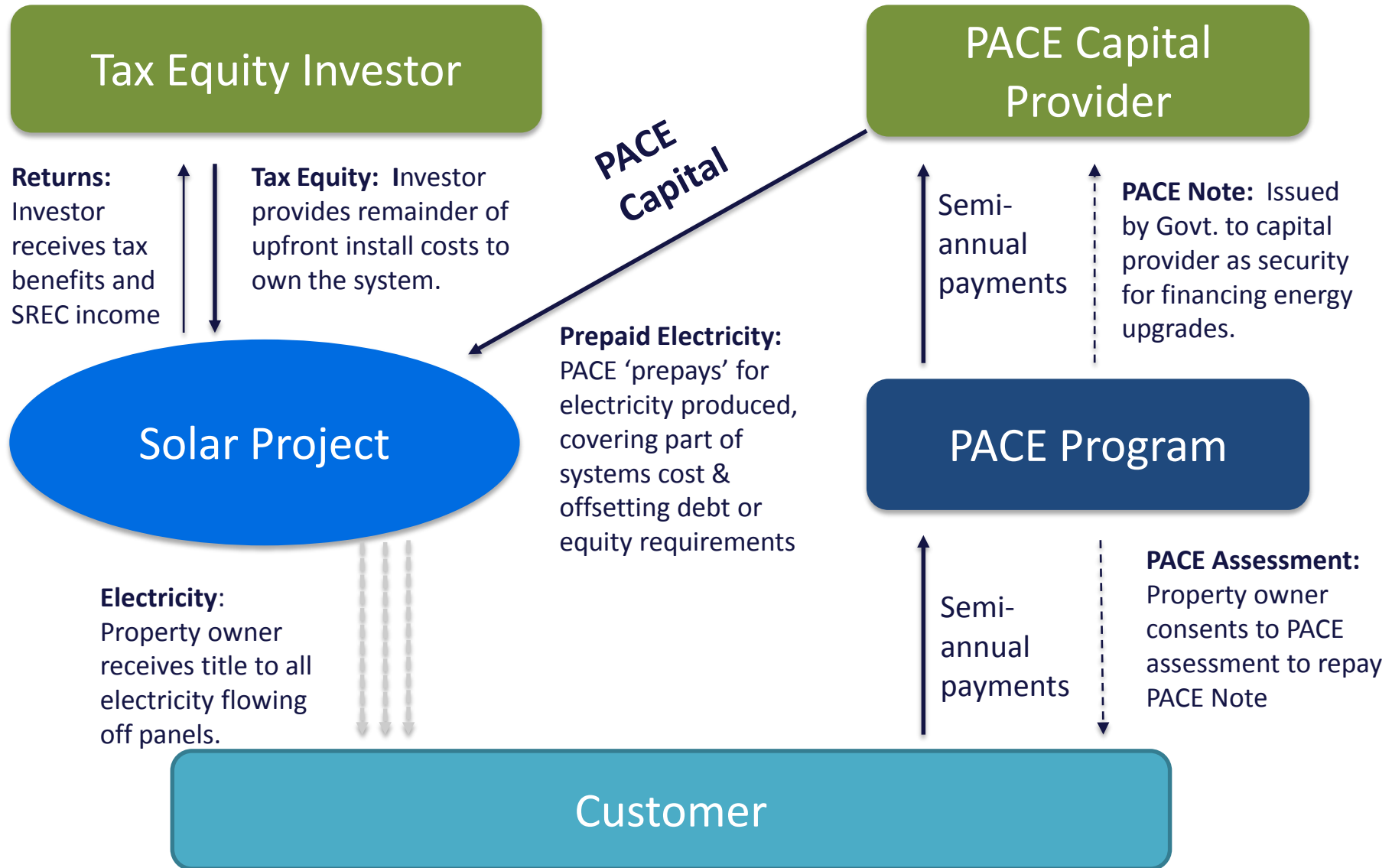
Solar Structuring: *PACE-Enhanced PPAs*

PACE improves Solar PPA contracting...

- 1. PACE is a credit enhancement:** Adds security for investors, reduces default risk, brings more economics into transaction.
- 2. PACE simplifies underwriting:** PACE is tied to the asset not the credit of the borrower, simplifying underwriting.
- 3. PACE eliminates personal guarantees:** PACE security removes the need for contractor or owner guarantees on debt.
- 4. Increases owner benefits:** PACE can structure tax equity investment to maximize cash flows.



PACE-Secured PPA: *Transaction Structure*



Case Study (*Pending*)

PPA + Leasing for Not for Profits



Energize NY PACE Finance will accept PPA/Lease structures

- Eliminates Credit issues between system owner and property owner
Not for profits; small and medium commercial buildings; buildings with no tax appetite
- Up to 20 year terms
Immediately profitable investment; no upfront costs

Energize NY Requirements:

- Project must generate positive cash flow to the property owner
(eg: electricity, roof lease payments, higher tenant bills)
- Transferability must be built into PPA/Lease Contracts
- The Improvements remain operational and cannot be removed through the term of the financing
- The term of the financing is shorter or equal to the term of the PPA

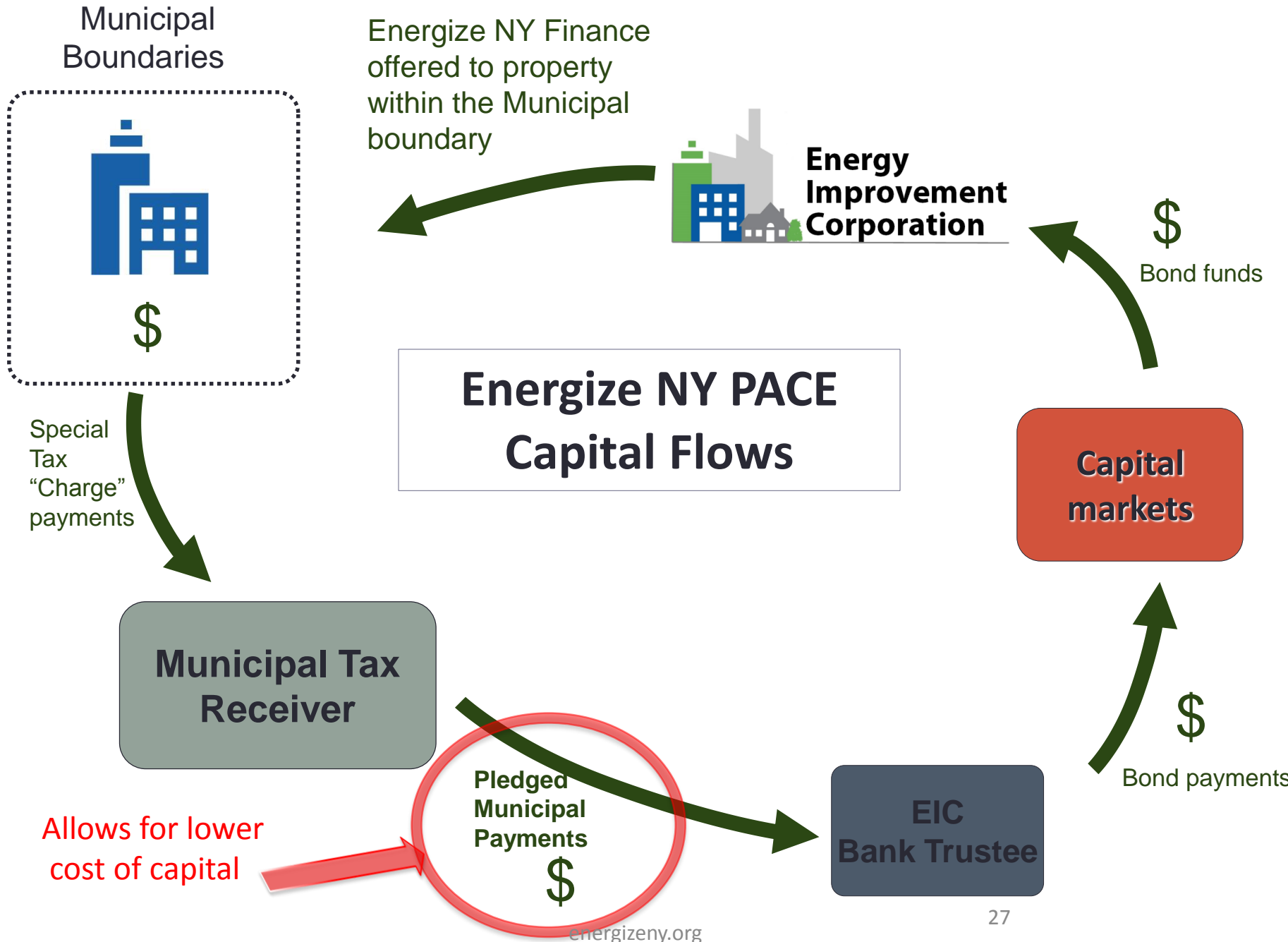
Case Study:

Capital Structuring Innovation

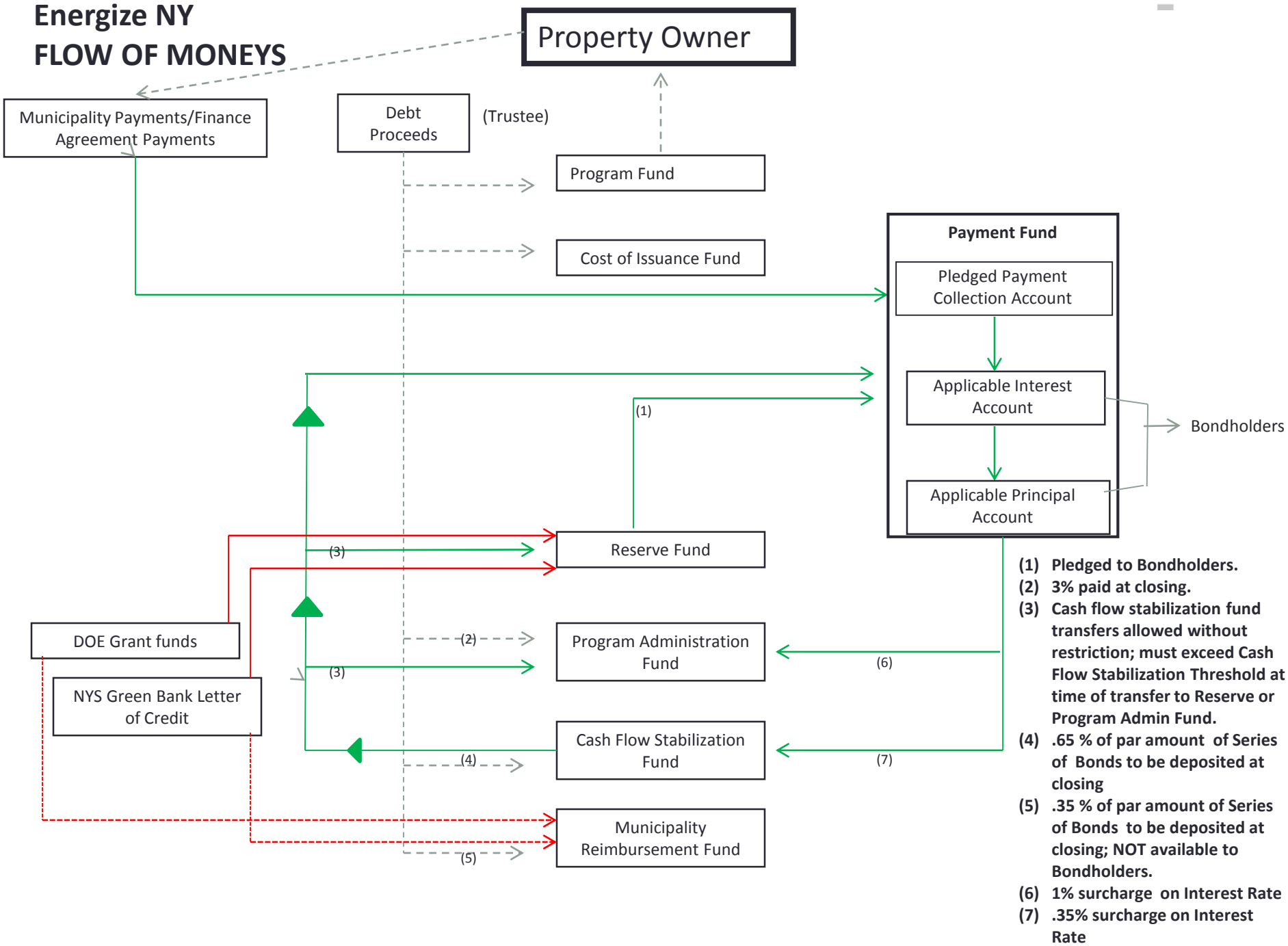
Energize NY Finance leverages Federal Qualified Energy Conservation Bonds



- Westchester government allocated QECCB bonding authority to Energize NY
- Affordable multifamily housing & not-for-profits
- Federally subsidized interest rates (0.9% - 3.0% as of 12/15/15)



Energize NY FLOW OF MONIES



- (1) Pledged to Bondholders.
- (2) 3% paid at closing.
- (3) Cash flow stabilization fund transfers allowed without restriction; must exceed Cash Flow Stabilization Threshold at time of transfer to Reserve or Program Admin Fund.
- (4) .65 % of par amount of Series of Bonds to be deposited at closing
- (5) .35 % of par amount of Series of Bonds to be deposited at closing; NOT available to Bondholders.
- (6) 1% surcharge on Interest Rate
- (7) .35% surcharge on Interest Rate

Tax Exempt PACE: *Nonprofit HQ & Retail*

Sources & Uses	
IRB (tax-exempt)	\$6,000,000
Taxable Mortgage	\$2,000,000
Local Govt. Grant	\$3,000,000
Financing Gap	\$2,000,000
Project Cost	\$14,000,000

\$2.9 M savings above code over 20 years qualifies the property for \$2 M+ in PACE

PACE Financing	
Tax-Exempt PACE	\$1,500,000
Taxable PACE	\$500,000
Total PACE	\$2,000,000

- No first-cost barrier allows energy upgrade
- HVAC, LED Envelope, Restaurant Equipt.
- Bond counsel approved tax-exempt use of PACE
- PACE Provides \$2M of Equity into \$14M rehab
- Tax-exempt / taxable PACE split mirrors IRB

CivicPACE: *Empowering Public Benefits*

- PACE is a Public Benefit codified under statute
- Designed to improve sustainability of building stock
- Benefits should flow to all members of community
- Civic organizations are the fabric of communities
- CivicPACE realizes the promise of PACE



URBAN INGENUITY



Thank you!

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CivicPACE

