



Greater Cincinnati
**Energy
Alliance**


Advancing C-PACE Financing with
Regional & Statewide Administrators

May 23, 2017

Today's Presenters



- **Chris Jones:** Greater Cincinnati Energy Alliance (SW Ohio and Kentucky)
- **Andy Levin:** Lean & Green Michigan (Michigan)
- **Bracken Hendricks:** Urban Ingenuity (DC PACE, Mid-Atlantic PACE Alliance member)
- **George Caraghiaur:** PACENation Senior Fellow



**PACE is an assessment based
financing mechanism for clean
energy projects.**

Clean energy includes efficient heating
and cooling systems, insulation, roofs,
elevators,
solar panels and more...

Old Concept, NEW Application



- PACE is a public benefit the local government facilitates through a tax assessment. It works the same way as other financed public benefits have for over a century.
- ✓ Water & Sewer upgrades
- ✓ Sidewalk & Street Light upgrades
- ✓ **And now, PACE for individual building upgrades**

PACE: What is it?



- Special Assessment financing for capital improvements
 - Energy efficiency & renewable energy improvements
 - Added to existing real estate tax bill
 - 100% financing (including “soft costs”)
 - Generally, longest term available for capital projects

Why? Special Tax Assessment

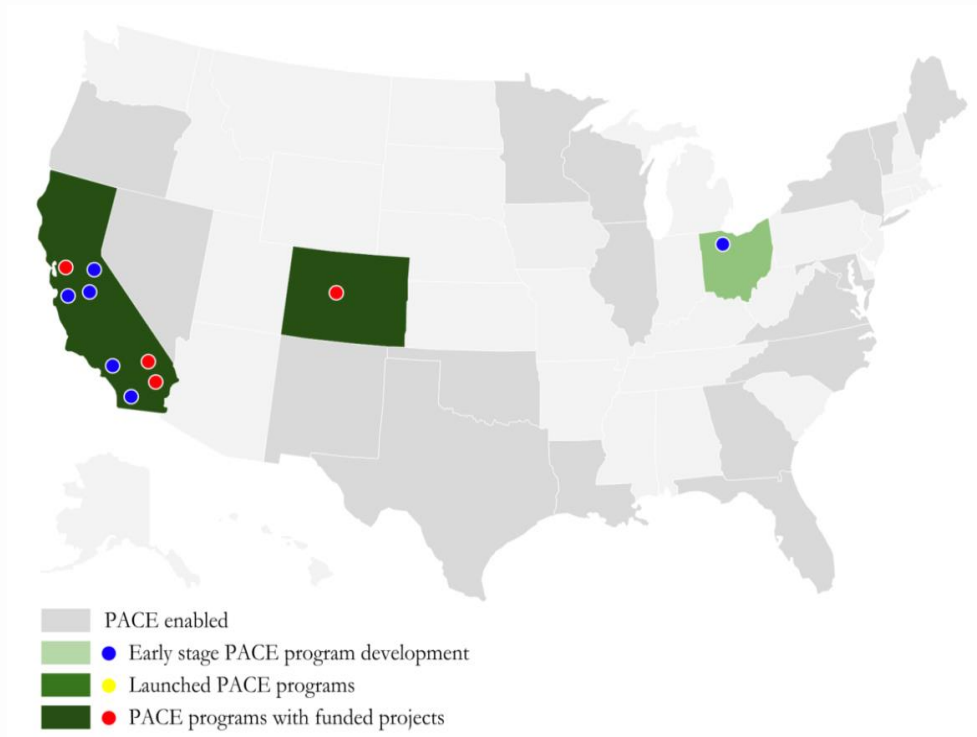


Unique benefits for special assessments:

- Financing the “property” vs. the “business owner”
- No personal or business guarantees required
- “Off book” accounting treatment*
- Can be transferred to tenants in most lease structures (triple nets)
- Upon sale or transfer, remains with the property and not the business

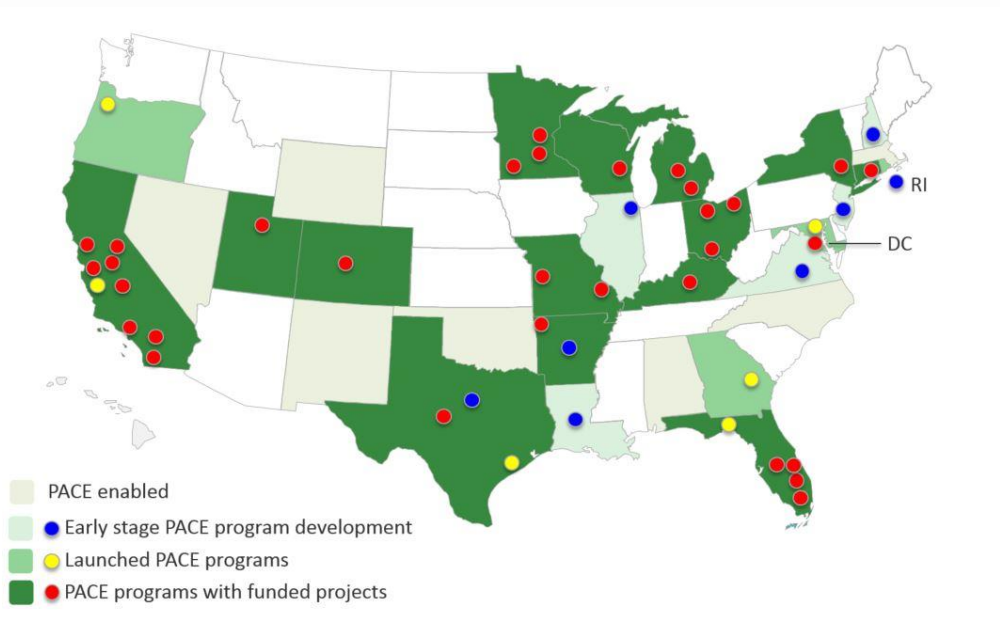
Where PACE?: Nationally 2010

A few buildings = maybe \$1,000,000



Where PACE? Nationally 2016

1,000+ Projects Financed = \$340,000,000+



State Legislation Differences



- Ohio (smallest form of local government)
- KY (can be County but tax fee issues)
- MI
- Mid-Atlantic PACE Alliance (MAPA)
 - DC (state + municipality in one)
 - MD (Counties opt in to MCEC program)
 - VA (Arlington only, rest of state TBD)

State Tax Collection Differences



- Ohio (County level up to 3% fee)
- KY (County/city level; County fee=4.25%)
- MI
- MAPA
 - DC (DC Office of Tax and Revenue)
 - MD (Program has independent servicer)
 - VA: TBD

Program Challenges



- Ohio: minimizing the “fragmentation” of programs
- KY: County-level tax collection fees
- MI:
- MAPA: Creating a cohesive regional market while solving to local challenges
 - DC: Scaling
 - MD: Finance-ability
 - VA: TBD

Program Successes



- Ohio: Top 5 in state PACE production nationally
- KY: 2 of 3 largest population centers served
- MI:
- Mid-Atlantic PACE Alliance
 - DC: CivicPACE
 - MD: 12 counties, 2 more in development
 - VA: Arlington program launching summer 2017

Why a statewide or regional PACE Administration?



- Maximize consistency to enhance private sector investment
- Minimize back office/admin costs
 - **Reports show cost to start is \$500K-\$1M**
- Share templates and best practices
- Consistent and timely response times
- Bring the national PACE lenders to the local market to begin originations at scale

Local contractors, developers and economic development professionals know their market the best!

Complexity of Program Administration



PACE requires complex coordination between multiple organizations:

1. Private Property Owner
2. Energy Contractor
3. Municipal Government
4. Tax Collection office
5. PACE Capital coordination
6. Government reporting/tracking agencies (if required)
 - State Energy Office, Public Service Commissioner, DOE, EPA
7. Utilities

Complexity of Program Administration



An individual PACE special assessment project has 5 key steps and over 75 individual tasks

1. Generate Lead
2. Receive/review application
3. Place property assessment
4. Fund the project
5. Construction and project monitoring

Implementing PACE Administration: Assumptions



- An open market approach with consistent project standards will facilitate private investment
- PACE must stand as a financial product
- State & local governments don't have resources to cost-effectively administer PACE
- Three Stages to implement a PACE program:
 1. Planning
 2. Implementation
 3. Maintenance

PACE Shared Back Office: Marketing



Contractors and property owners need a resource that provides information best practices and business opportunities for PACE in their market.

PACE Program Administration



Lessons Learned:

- Create best practice standard and bring it to local governments
- Marketing and outreach to CRE community
- Train contractors!!!!!!
- Provide marketing collateral to contractors
- Lender consent, early and often
- Leverage existing contractor trade associations

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