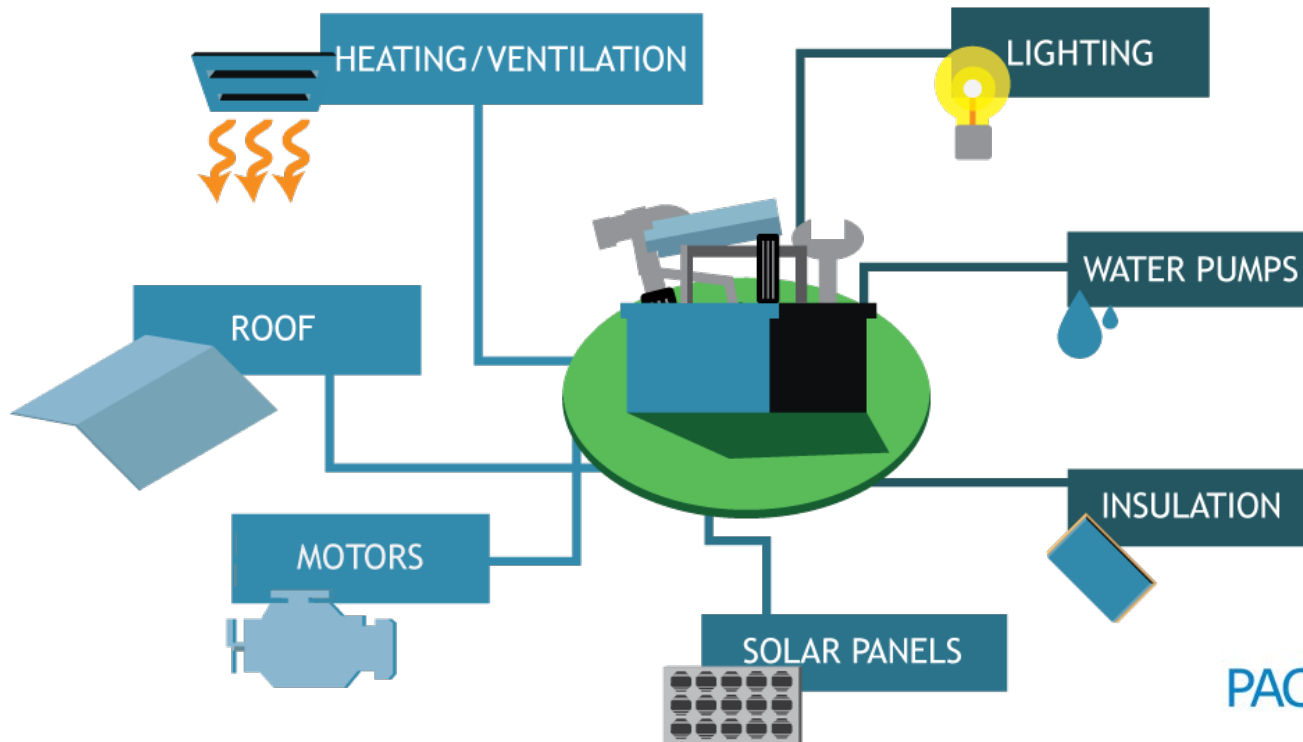


What is PACE?

PACE is a tax-assessment based financing mechanism for energy efficiency, renewable energy, and water conservation projects.

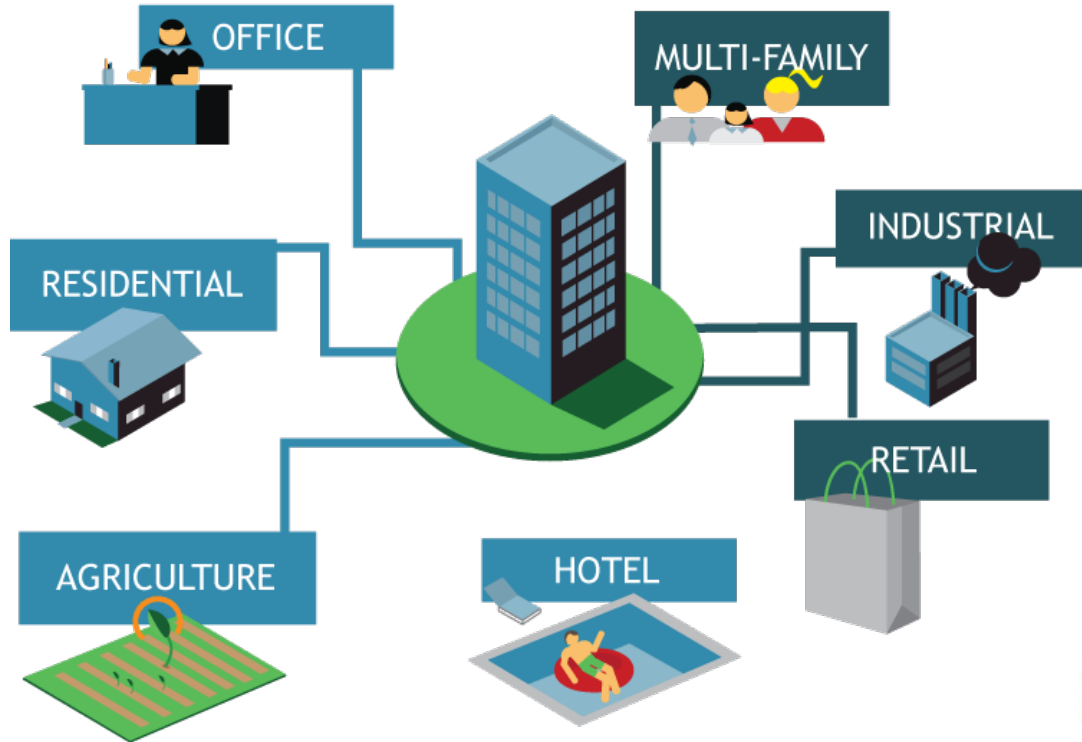
Financeable Improvements

Projects that reduce or generate energy



Building Types

Government owned buildings are usually the only exception



How Does it Work?

Legislative Requirements

- PACE uses the tax assessment structure
 - Tax assessment districts are established to fulfill a public purpose
 - Exactly the same as assessments for sewers, parks, sidewalks, etc.
1. First step- State passes legislation establishing that PACE fulfills a public purpose and can be applied to tax assessments. Legislation also gives government entity authority to establish a PACE program.
 2. Second step- Municipalities pass local ordinances to “opt in” to the state legislation and initiate PACE programs

PACE in Practice

Step by step basics

1. Energy project construction proceeds exactly as it typically would.
2. Rather than property using a typical bank loan, funding is provided by a specialized PACE Lender.
3. PACE Lender provides funding to the contractor, and directs the local government to add a tax assessment to the property's regular tax bill.
 - Assessments are usually paid annually in installments up to 20-30 years.
4. PACE repayment is collected with the property tax payment, with no additional paperwork for the property owner.
5. Local Government remits the PACE portion of the taxes back to the PACE Lender.

PACE Capital Flow



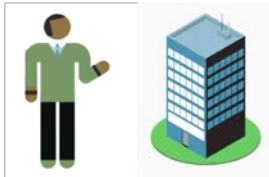
Government/Administrator



Sources of Capital



Energy Service Professionals



Property Owners

- Administrator approves project and property owner
- Financier provides project capital
- Contractor completes project
- Property Owner repays financing via property tax assessment
- Municipality remits payment back to financier

Benefits of PACE

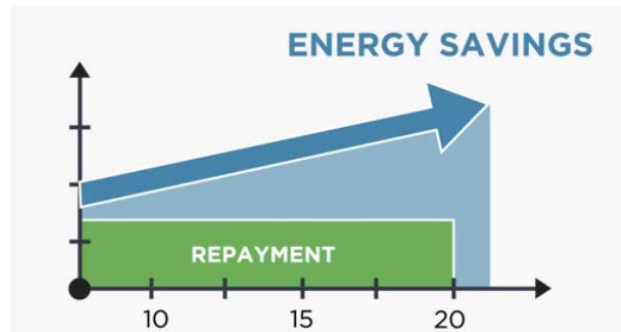
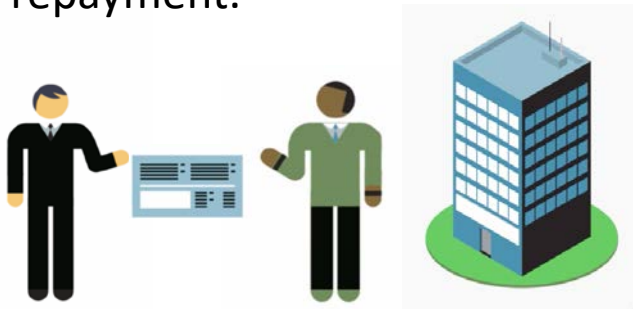
Covers 100% of a projects
hard and soft costs



Low interest rates for
terms up to 20-30 years

Benefits of PACE

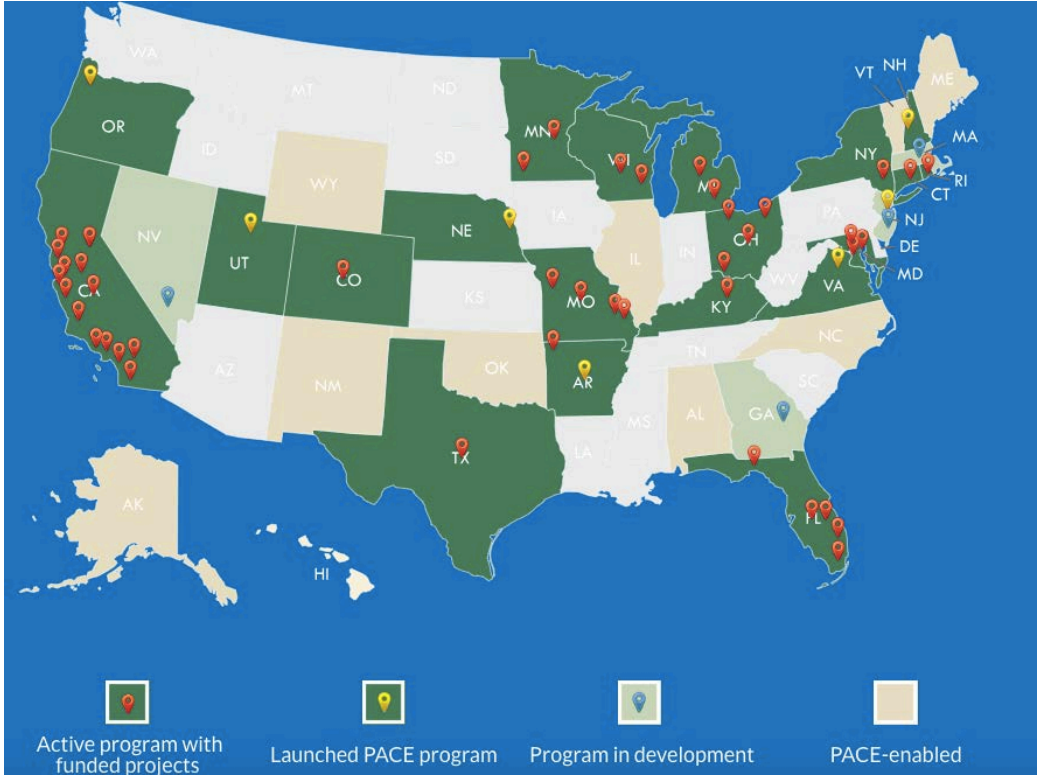
20-30 year amortization enables positive cash flow. Annual energy savings are larger than annual repayment.



PACE assessment stays with the property and automatically transfers to a new owner

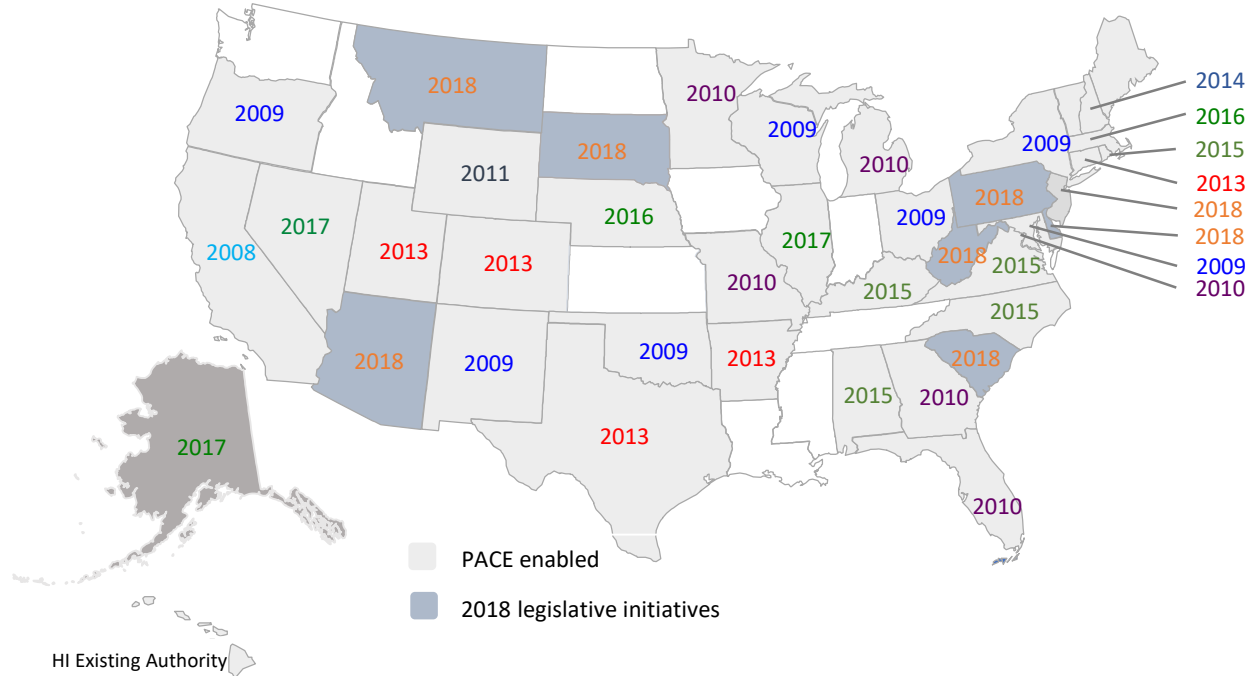
Active PACE Programs Today

33 States + DC with PACE legislation; 22 states + DC with active programs



PACE Legislation

Bills active today: DE, IL, MN, NJ, PA, SD, CA (2)



Aggregate Market Data

Commercial PACE

C-PACE OVERVIEW

\$588

Millions

1445

Commercial projects

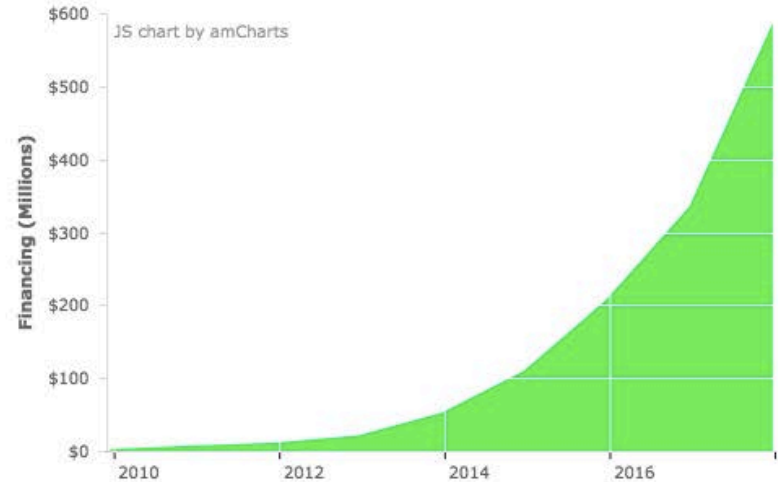
8,826

Jobs created

(Source: 15 jobs per million, EcoNorthwest)

Cumulative C-PACE Financing

2010-2017



What The Heck is Going On With R-PACE?

Timeline

FHFA (Federal Housing Finance Agency) – Federal Regulator of Fannie Mae and Freddie Mac

- Issued statement in 2010 that they would cease purchasing mortgages on PACE-encumbered properties. This has not changed since 2010.

FHA (Federal Housing Administration) – Sets standards for construction, underwriting, and insures loans made by banks and other private lenders for home building. (HUD)

- Released guidance in August, 2016 supporting PACE; Repealed this guidance in December, 2017

PACENation – National Industry Association for PACE Financing

- Released Consumer Protection Standards for R-PACE Providers in October, 2016

DOE (Department of Energy) – Cabinet of the White House

- Released best practices for R-PACE in December 2016

State of California

- Passed 2 consumer protection and disclosure laws (AB 1284 & SB 242) to create regulatory framework under the California State Finance Law and Department of Business Oversight in 2017



Aggregate Market Data

Residential PACE

R-PACE OVERVIEW

\$5,128 **216,000**

Millions

Home upgrades

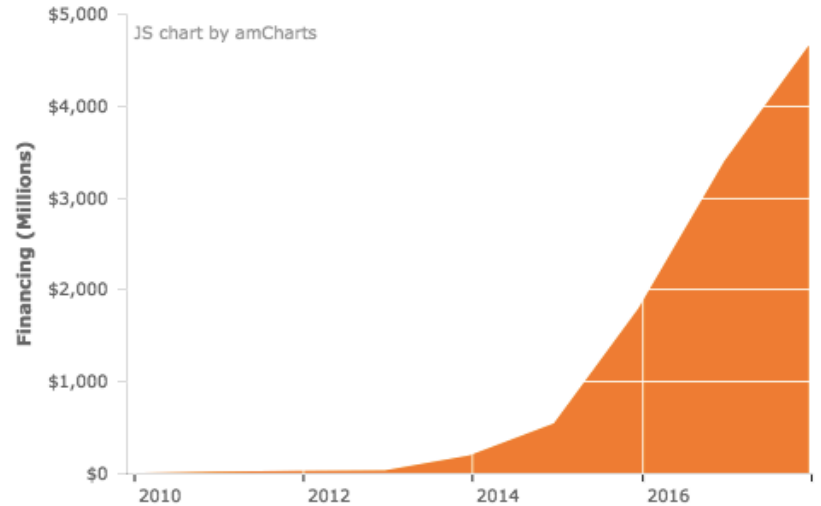
40,300

Jobs created

As of May 2018

Cumulative R-PACE Financing

2010-2017



Public Private Partnership

Why PACE is Working

- Meets a real market need
- Helps building owners finance projects they want and need
- 100% Voluntary for all parties involved
- Increases building value – collateral value
- Private market – open market
- Low-to-no burden on local governments
- Creates long lasting local jobs



Elyssa Rothe

Director, Policy & Market Development

914-572-4236

elyssa@pacenation.org

www.pacenation.org