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# Energize NY Open C-PACE

## Property Assessed Clean Energy Financing

NYSAC Webinar  
October 2, 2019



# Energy Improvement Corporation

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- Not-for-profit, Statewide Local Development Corporation
- Mission to operate a successful Commercial PACE program in NYS that increases clean energy adoption and reduces GHG emissions
- Funded by NYSERDA and revenue from financings

# Clean Energy Public Benefits

## Property Assessed Clean Energy (PACE)

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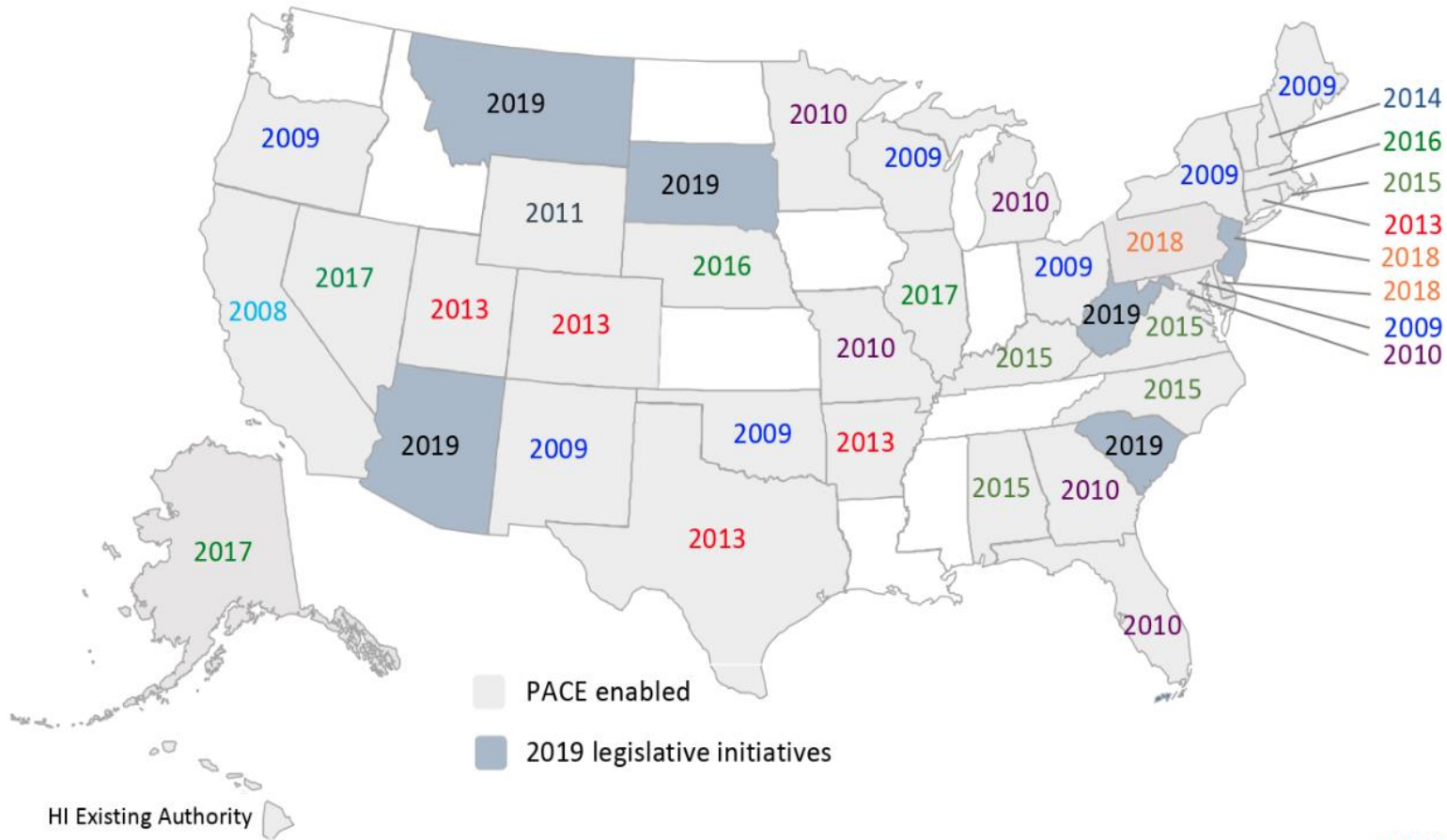
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*“Municipalities would fulfill an important public purpose by providing financing to property owners for the installation of renewable energy systems & energy efficiency measures.”*

- Article 5L of the NYS General Municipal Law

- Repayments secured through a municipal based assessment lien

# PACE is Nationwide



# PACE Benefits

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Property Assessed Clean Energy (PACE) = alternative, affordable financing

- PACE is not a bank loan
- Pays for up to 100% of the cost of renewable and energy efficiency projects
- Automatically transfers to new owner if the property is sold
- Flexible loan terms not to exceed the average useful life of the improvements, often 20-30 years
- Competitive interest rates

# PACE and Economic Development

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## Lowers Cost of Funds

- ❑ PACE has lower origination costs than mezzanine or equity capital

## Less Need for Equity/Mezzanine Capital

- ❑ PACE provides a long term, fixed rate payback period

## Pass Through Expense

- ❑ PACE is a municipal lien and may be passed through as an operating expense on net leases, similar to tax charges and utility expenses

## Supports Deeper Efficiency in Gut Renovations

- ❑ Facilitates deep energy efficiency retrofit choices and renewable energy projects that might not otherwise be prioritized

# Eligible Building Types

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## Commercially-owned + Not for Profit buildings



- Multifamily
- Healthcare
- Hospitality
- Industrial
- Warehouse
- Office
- Retail
- Agricultural
- Institutional
- Private colleges

### *Ineligible Buildings Include*

- *Public Sector Properties*
- *1-to-4 Family Homes*

# Eligible Improvements

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**Efficiency:** HVAC Equipment, Chillers, Lighting Upgrades, Boiler Conversions, Furnace Upgrades, Insulation, Windows, Pumps, Smart Controls, Variable Frequency Drives, Combined Heat + Power

*Existing Buildings Eligible*

**Renewables:** Solar Photovoltaic (PV), Solar Thermal, Small Wind, Energy Storage, Fuel Cells, Ground Source Heat Pumps, Air Source Heat Pumps, Anaerobic Digester Gas, Wood Heating Systems

*New Construction + Existing Buildings Eligible*





# Program Administration

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## **EIC's Responsibilities:**

- Review applications, energy audits, scopes of work
- Manage capital provider list
- Record the PACE lien on the property when financing is originated
- Bill property owner with instructions to repay the capital provider
  - The bill is backed by a PACE lien that is subordinate to municipal taxes
- Deliver an Annual Report to Member with lists of improved properties and schedule of repayments

## **Member Municipality Advantages:**

- No collection or enforcement responsibilities
- No obligation to backstop finance repayments
- No financial exposure for EIC and its member municipalities
- No fees to participate

# Lien Enforcement

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Financing is secured through a PACE Lien that is subordinate to municipal taxes, and senior to non-municipal liens.

If property owner does not pay the Annual PACE Installment:

The capital provider may redeem the property by **first** paying off any unpaid municipal liens, **then** enforcing the Annual PACE Installment Lien through to foreclosure.

If a benefitted property owner is delinquent on municipal taxes:

The municipality will provide, upon EIC's request, verification to EIC of such delinquencies.

➤ Capital provider may then pay off the delinquent taxes to avoid the municipality redeeming the property.

# Capital Providers

Competition and choice for property owners and developers  
= lower rates and longer terms

## 3<sup>rd</sup> Party Capital Providers

- CleanFund
- Counterpointe Energy
- Dividend Finance
- Greenworks Lending
- Lever Energy
- LordCap PACE
- NYCEEC
- PACE Equity
- PACE Loan Group
- Petros PACE Finance
- Twain Financial Partners
- White Oak

# Starting a Transaction

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- ❑ Apply directly to participating capital providers
- ❑ Property Underwriting
  - No bankruptcy
  - Current on property taxes & mortgages
  - Mortgage Lender Consent required
- ❑ NYSERDA CPACE Guidelines for technical qualifications
- ❑ If qualified for capital:
  - Finance Agreement between Capital Provider and Property Owner
  - Benefit Assessment Lien placed on improved property
  - EIC bills and collects directly with property

# Case study: Retlaw Renovation

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Historic hotel renovation in  
Fond du Lac, WI

Capital Provider: PACE Equity

Built in 1924, the hotel fell on hard times and was acquired in 2015.

Total rehabilitation utilized historic tax credits, public financing, bank construction loan, and state grant. PACE filled the funding gap to see the project move forward.

\$2,400,000 PACE financing = approximately 11% of total financing. The building represents an investment of nearly \$21m to the area.

PACE Equity provided project governance, energy engineering, funding and an energy savings guarantee.

# Case study: Lewtan Building

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The landmark Lewtan Building transformed into mixed use multifamily/retail in Hartford, CT.

Capital Provider: Greenworks Lending

Five-story office building built in 1860.

Sat vacant for five years prior to acquisition by current owner.

\$1,088,816 PACE financing

Converting building to 28 apartments and ground-floor retail.

Redevelopment incorporated energy efficient (historic replica) replacement windows, HVAC upgrades, LED lighting, insulation, and 60kW solar installation.

# Case study: Cambridge Court

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Energy conservation measures for affordable multifamily housing in Greenville, MI.

Capital Provider: Petros PACE Finance

Owner of multiple affordable multifamily properties faced prohibitive upfront costs to installing energy efficiency upgrades.

Used PACE to add 20kw solar installation, LED lighting, low-flow plumbing fixtures, and HVAC upgrades.

Combined \$117,580 PACE financing with USDA REAP grant.

Achieved 40% reduction in electricity and natural gas consumption, and 29% reduction in water use.

# Enabling Open C-PACE

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1. Municipality passes local law establishing program within municipal borders
2. Sign Municipal Agreement that codifies EIC duties and program operations
3. Certify Local Law and Municipal Agreement are in effect
4. Provide letter for EIC to provide to County Clerk when filing the PACE lien



# Participating Counties (as of 10/2/19):

*active programs* and *in-process*

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Franklin County

Niagara County

Oneida County

Otsego County

Rockland County

Warren County

Wyoming County

*Albany County*

*Broome County*

*Cayuga County*

*Chautauqua County*

*Clinton County*

*Columbia County*

*Dutchess County*

*Lewis County*

*Madison County*

*Montgomery County*

*Nassau County*

*Putnam County*

*Suffolk County*

*Sullivan County*

*Ulster County*

*Yates County*

# Participating Cities & Towns (as of 10/2/19): active programs and in-process

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City of Beacon

City of Canandaigua

Town of Bedford

City of Glens Falls

City of Geneva

Town of Lewisboro

City of N. Tonawanda

City of Kingston

Town of North Salem

City of Saratoga Springs

City of New Rochelle

Town of Ossining

City of Schenectady

City of Niagara Falls

Town of Rye

City of White Plains

City of Port Jervis

Town of Cortlandt

City of Yonkers

City of Rye

Town of Greenburgh

City of Syracuse

Town of New Castle

City of Troy

Town of Yorktown

# *The County's Perspective*

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Russ Kinyon

Director of Economic Development

Franklin County



# For More Information

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**Sarah Smiley**

Director of Member Services

914-302-7300 x8105

[sarahs@energizeny.org](mailto:sarahs@energizeny.org)