Energize NY Open C-PACE
Property Assessed Clean Energy Financing

NYSAC Webinar
October 2, 2019
Energy Improvement Corporation

- 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)

“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

HI Existing Authority

PACE enabled
2019 legislative initiatives
PACE Benefits

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

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

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

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

- *Existing Buildings Eligible*


- *New Construction + Existing Buildings Eligible*
Program Administration

**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

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

3rd 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

- 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

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

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

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

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
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The County’s Perspective

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