

A modern multi-story residential building with solar panels on the roof and balconies. The building features a mix of grey, yellow, and red siding. The sky is blue with scattered white clouds. In the foreground, there are young trees and a street lamp.

# Commercial PACE and Resilience C-PACER Financing in Washington

Snohomish County Council: July 13, 2021

# Agenda & Speakers

1. **Welcome, Shift Zero Overview and C-PACER Overview**
    - Rachel Koller, Coordinator, Shift Zero
  2. **Why is C-PACER an opportunity for commercial property owners & counties?**
    - Erik Makinson, President, Resource Synergy
  3. **How do counties implement C-PACER?**
    - Dan Clarkson, Vice President, Energy Efficiency Finance Corp.
- ***Available for Questions***
    - Cliff Kellogg, Executive Director, C-PACE Alliance
    - Michael Yaki, SVP, Petros PACE Finance
    - Richard Martinez, SVP, Kitsap Bank



# Member Organizations



## Carbon Innovations



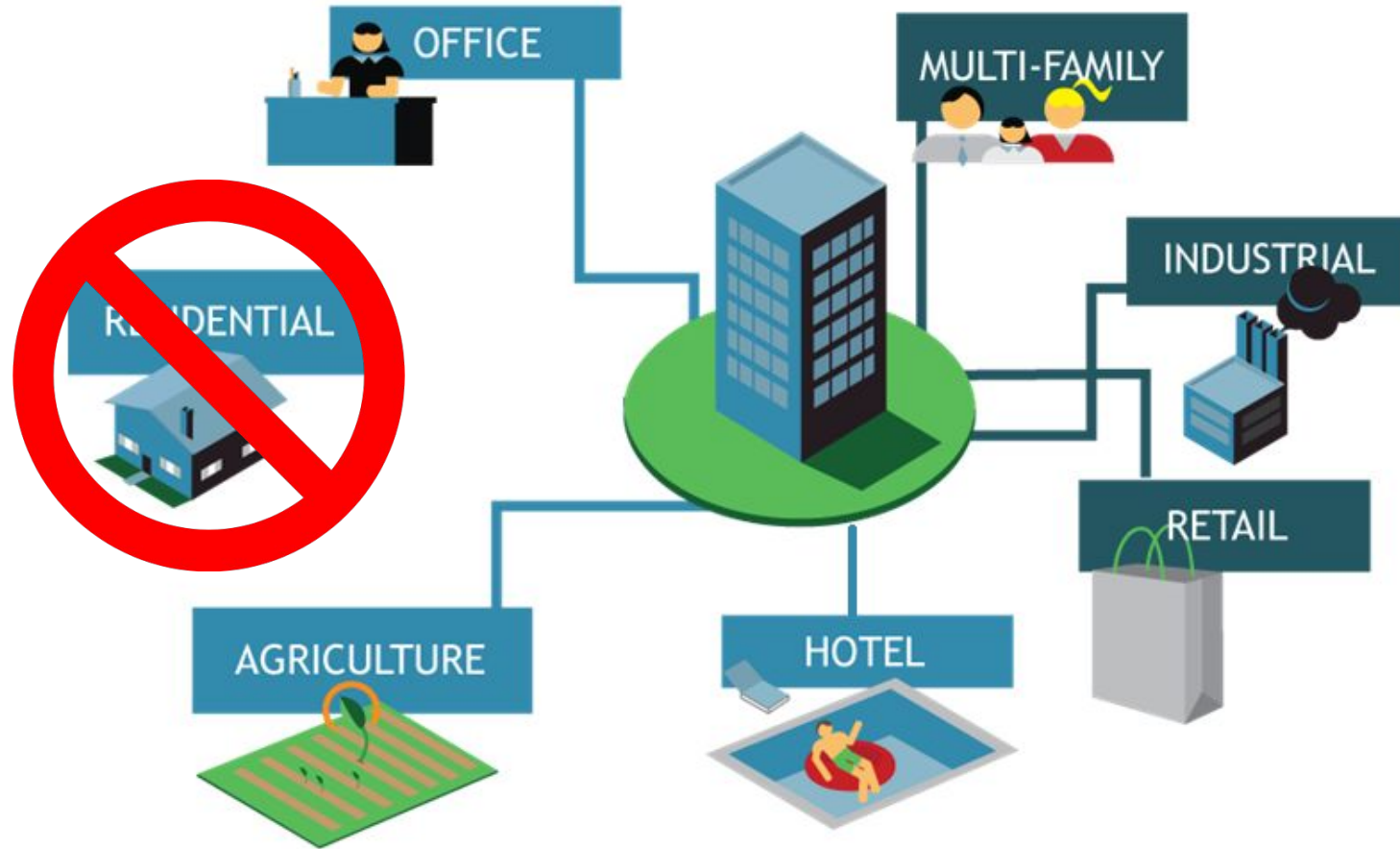
# What is C-PACE? C-PACER?



- C-PACE is an alternative financing tool to pay for energy efficiency, renewable energy, water conservation, and Resilience projects in commercial buildings (retrofits, new construction, & refinancing).
- C-PACER can fill a gap in the project’s “capital stack” at a lower cost. No public funds at risk.
- C-PACE is active in 25+ states and the District of Columbia.
- Since 2005, C-PACE financing has funded 2,500+ projects for \$2B+ of private investment.
- WA enacted C-PACER in 2020.

# Who Can Use C-PACER

*Commercial properties are eligible, even Nonprofits!*



# C-PACER 102

## Property-based financing.

- Energy and water efficiency
- Renewable energy
- Safe drinking water
- Fire, floor, seismic hardening

## Legally, C-PACER is a voluntary property assessment to pay for a public benefit.

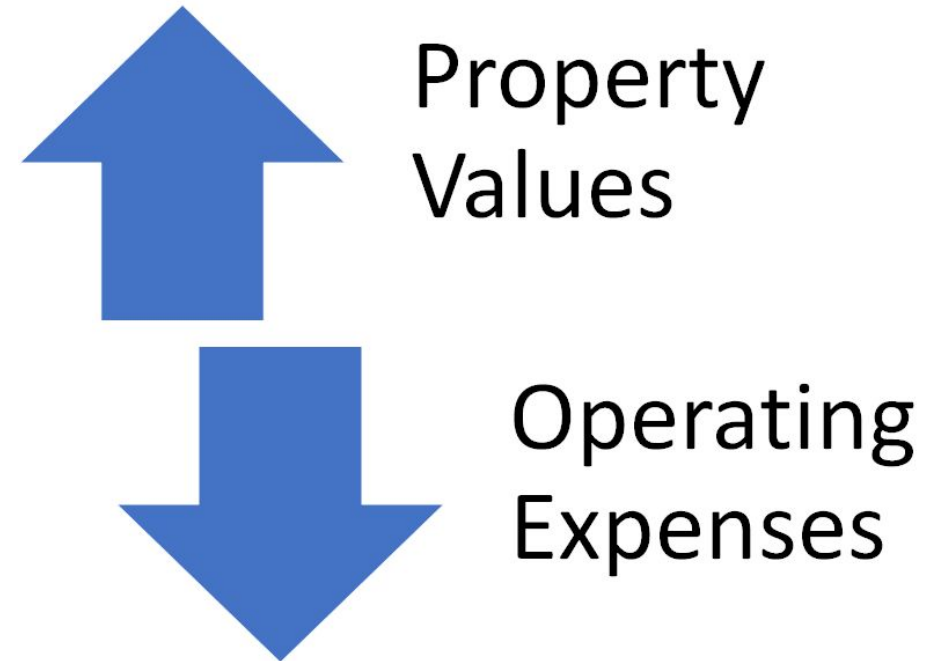
- Funding repaid over a long-time horizon (up to useful life of improvements)
- Assessment lien resides with the building, not the owner
- Non-accelerating - only delinquent amounts are due at foreclosure

## Can be cash-flow positive from Day 1.

- Projects can be scoped so that utility savings exceed installment payments.
- Low risk to lenders = affordable interest rates!
- Very secure financing - no examples of foreclosure

# Benefits of C-PACER to Property Owners

- **100% Financing:** No out-of-pocket payment for improvements.
- **Cash-Flow Positive:** Energy savings > payments, immediately improving net operating income (NOI).
- **Increases Property Values:** Increase in NOI = Increase in property value.
- **Long Term Financing:** Amortization up to 30 years, based on weighted average life of improvements.
- **Enables Deep Retrofits:** Overcomes payback hurdles that have historically led to projects only with short-term ROI.



# Benefits of C-PACER to Property Owners

- **Increases marketability:** Projects enhance building comfort and aesthetics, attracting tenants and improving employee/customer brand identity.
- **Transferability:** Voluntary assessment is tied to the building, not traditional debt, and can transfer with ownership
- **No personal or corporate guarantees.**
- **Seismic and Fire Retrofits:** Distributes expense over long term
- **Aligns Owner-Tenant Incentives:** In the past, property owners pay for property upgrades while tenants benefit from lower utility bills. C-PACER allows pro rata sharing of both.





# Clean Buildings Act (HB 1257) Compliance

- Passed in 2019.
- Establishes energy efficiency targets for buildings.
- Compliance begins in 2026.
- Incentives for early compliance, penalties for non-compliance.
- C-PACER facilitates compliance by converting large capital investments into operating costs.



# Case Study: Office Building Efficiency

## 1225 North Loop West, Houston, TX

- 200,418 sq ft, built 1984
- \$1.3 million in C-PACE financing
- Replacement of:
  - 35-year old chillers
  - Antiquated control system
  - Inefficient lighting
- 20-year term.
- 38% reduction in energy usage, \$3.66 million in savings over the term.



# Case Study: Urban Redevelopment

## Laacke & Joys Building, Milwaukee, WI

- Mfg. facility to Class A offices
- \$2.2 million in C-PACE Financing, 7% of capital stack
- C-PACE funded improvements:
  - PV Solar
  - Geothermal
  - LED Lighting
  - Windows
- Energy consumption 28% favorable to code



# Case Study: Historic Building Revitalization

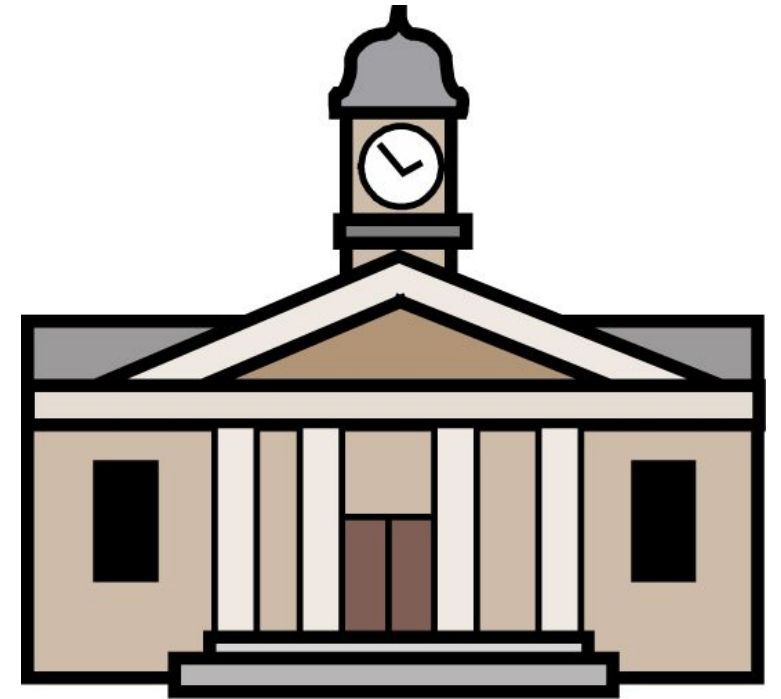
## McCandless Building, Florence, CO

- 23,006 sq ft., built 1894
- \$616,844 in C-PACE Financing
  - Insulation
  - LED Lighting
  - Window glazing
  - Rooftop heating/cooling units
  - PV Solar System
- 20-year term
- 85% reduction in energy usage,  
\$779,814 lifetime energy savings
- Increased building's value by \$600K+



# WA C-PACER: Now it's up to Counties!

- Counties can administer their own C-PACER program or partner with other counties for a regional program.
- Shift Zero, local counsel, and national experts drafted a model county ordinance, program guidebook, and template transaction forms.
- Adopting the same C-PACER framework in every county makes it easier for building owners, professionals, and lenders to work statewide.

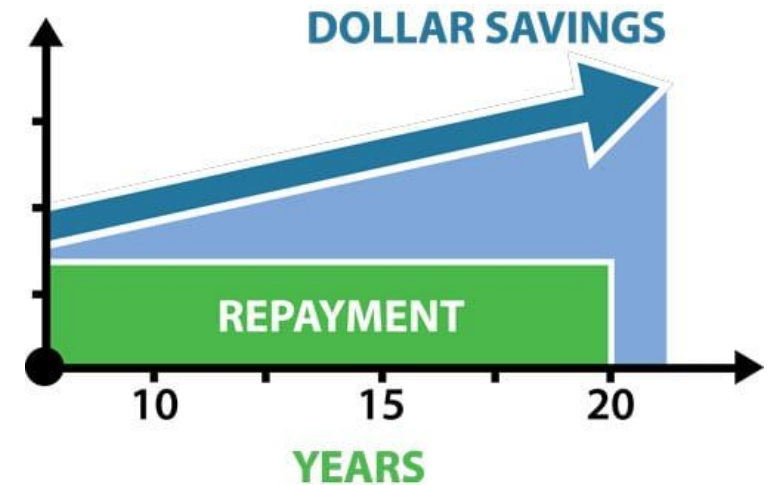


# C-PACER Model Program Documents

- **Model county ordinance** provides the legal framework for establishing the C-PACER programs.
- **Program guidebook** is the handbook that describes the C-PACER program: qualifying improvements, application process, qualifications for capital provider, mortgage holder consent requirements, etc.
- **Template closing documents** provide standard forms for establishing the transaction and placing the assessment on the property.
- **Checklist** is a table of contents for a program administrator to confirm that all forms have been completed with associated supporting documents.

# How C-PACER Works

1. Projects improvements identified.
2. Project improvements certified by a qualified professional.
3. Property owner and C-PACER capital provider negotiate financing terms: interest rate, # years, etc.
4. Obtain lender consent from other mortgage holders.
5. Paperwork filed, County files lien on property.
6. C-PACER capital provider funds the improvements.
7. Installment payments collected by C-PACER capital provider.



# County Adoption Steps



1. Review model documents with counsel.
2. Identify a county official (or third party) as the program administrator to check applications for completeness.
3. Introduce C-PACER county ordinance.
4. Establish public comment period and hold public hearing for comments.
5. Adopt county ordinance.

*The county's role is limited. The property owner, capital provider, and qualified professionals do the work.*



# Resources

Shift Zero website ([shiftzero.org/pace](http://shiftzero.org/pace)) includes:

- Model program documents
- Overview of C-PACER Flyer
- FAQ: General and Specific to Counties
- Links to national C-PACE resources

Also available for County officials: a walk-through of the model documents - contact [pacер@shiftzero.org](mailto:pacер@shiftzero.org)

# Discussion and Questions



Contact Us:

<https://shiftzero.org/pace/>  
[pacer@shiftzero.org](mailto:pacer@shiftzero.org)