

COMMERCIAL PROPERTY-ASSESSED CLEAN ENERGY FINANCING



Philadelphia C-PACE Program *Overview*

January 2021 | PhiladelphiaCPACE.org

Philadelphia Energy Authority



CLEAN, EFFICIENT, AFFORDABLE

energy as a tool for impact

ECONOMIC development

Projects that move the needle on carbon reduction are bringing established companies, investors and entrepreneurs to the city.

CREATING jobs

Statewide, the number of clean energy jobs already outpaces the number of fossil fuel jobs.

ALLEVIATING poverty

Reducing the energy burden for Philadelphians means homes that are safe, warm, healthy and affordable for the long term.

IMPROVING public health

In public buildings, schools, homes and businesses, clean and efficient energy is a vehicle for improving the health of our communities.



What is C-PACE?

Financing tool: Provides long-term funding for energy efficiency, renewable energy, and water conservation projects

Creates measurable savings: Projects must result in energy savings or reductions in water usage for commercial properties

Through a special assessment: Repayment is through a special assessment similar to a property tax assessment

What Makes C-PACE Special?

1

Assessment-based financing stays with property in event of sale

2

Long-term financing (up to 30 years)

3

Competitive rates (typically in 5-7% range)

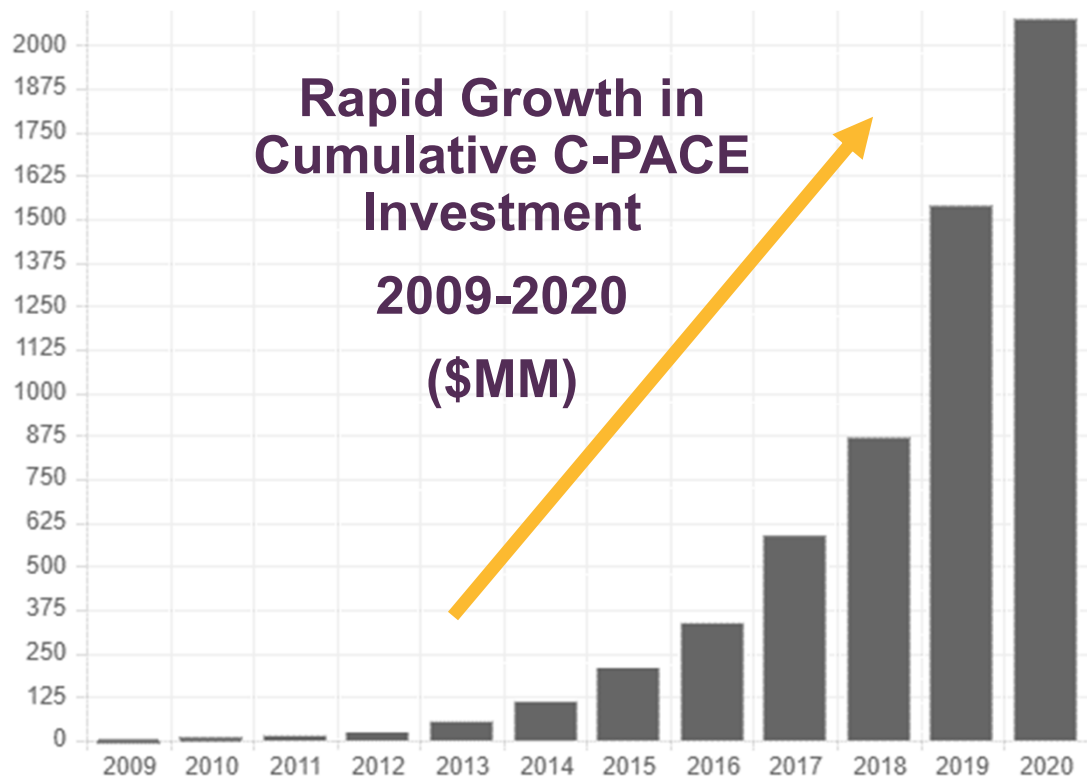
4

Covers 100% of hard and soft costs, limiting upfront cash needed

5

Project savings often generate positive net incoming starting in year one

C-PACE Growth Nationwide Through 2020



**Rapid Growth in
Cumulative C-PACE
Investment
2009-2020
(\$MM)**

- ✓ **\$2,074 MM Invested**
- ✓ **2,560 Projects Funded**
- ✓ **24,000 Jobs Created**
- ✓ **Enabled in 30 States**

Source: PACE Nation

Philadelphia C-PACE Program

Sample Projects



Energy Efficiency

- HVAC upgrades
- Building controls
- LED lighting
- Green roofs



Renewable Energy

- Solar
- Fuel cells
- Other renewable generation facilities



Water Conservation

- High-efficiency equipment
- Condensate water reuse
- Low-flow fixtures
- Some stormwater management projects

Full list of eligible projects is in the Program Guidelines available at PhiladelphiaCPACE.org

The Met

Project Overview

Property Type: Concert Hall

Financing Amount: \$6,000,000

Building Measures: Window replacement, roof insulation, new HVAC system, LED lighting, new elevators and new domestic hot water system

Environmental Impact:
Reduction of building's annual CO2e by 181 metric tons



Property Owner:

Holy Ghost I, LP



Capital Provider:

Enhanced Pace Finance LLC



- ✓ \$6MM C-PACE retroactive financing to strengthen the capital stack and repay higher cost debt
- ✓ Used for energy measures that exceed code requirements and achieved operating cost savings
- ✓ The Met entertain venue gave a major boost to N. Broad Street development when it opened in late 2018 but pandemic has been challenging

J-Centrel

Project Overview

Property Type: Mixed-Use

Financing Amount: \$1,500,000

Building Measures: LED lighting, insulation, window replacements, energy recovery units, low-flow plumbing, and more

Environmental Impact: Reduction of the building's total carbon footprint by 2,700 metric tons of CO2 equivalent



Property Owner:
SHIFT Capital



Capital Provider:
Twain Financial Partners



- ✓ \$1.5MM C-PACE financing filled **final piece of capital stack**
- ✓ Use for energy and water efficiency measures that exceed code requirements and achieved **immediate operating cost savings**
- ✓ Used for **commercial space** which includes retail storefronts, spaces for entrepreneurs and an accelerator for local businesses

Olde City Day School Solar

Project Overview:

Property Type: Commercial

Financing Amount: \$559,469

Building Measures: Installation of solar panels and roof improvements

Environmental Impact: Reduction of building's total carbon footprint by 6,900 metric tons of CO2 equivalent



Property Owner:
The Capers Company

Capital Provider:
Greenworks Lending



- ✓ \$559K C-PACE financing covered **100% of hard and soft costs** for solar installation
- ✓ Solar generation expected to offset almost **100% of tenants' electricity needs**
- ✓ Owner achieves savings without grants / subsidies; project economics enabled by
- ✓ C-PACE financing structure, tax benefits, utility bill savings and expected SREC revenue

C-PACE in the COVID-19 Economy

1

Improves Cash Flow:

Energy efficiency projects financed with C-PACE can generate annual savings

2

Provides Liquidity:

Retroactive financing can reduce debt service payments or free up cash for businesses

3

Strengthens City & Workforce:

Addressing Philadelphia's carbon footprint creates a more resilient city

Application Process



Includes Energy Conservation Measures (ECM) Survey

COMMERCIAL PROPERTY-ASSESSED CLEAN ENERGY FINANCING

Philadelphia **C-PACE**



Contact Information

Philadelphia Energy Authority

CPACE@philaenergy.org

215-686-4483

PhiladelphiaCPACE.org

Philadelphia C-PACE Appendix



Philadelphia C-PACE Eligibility

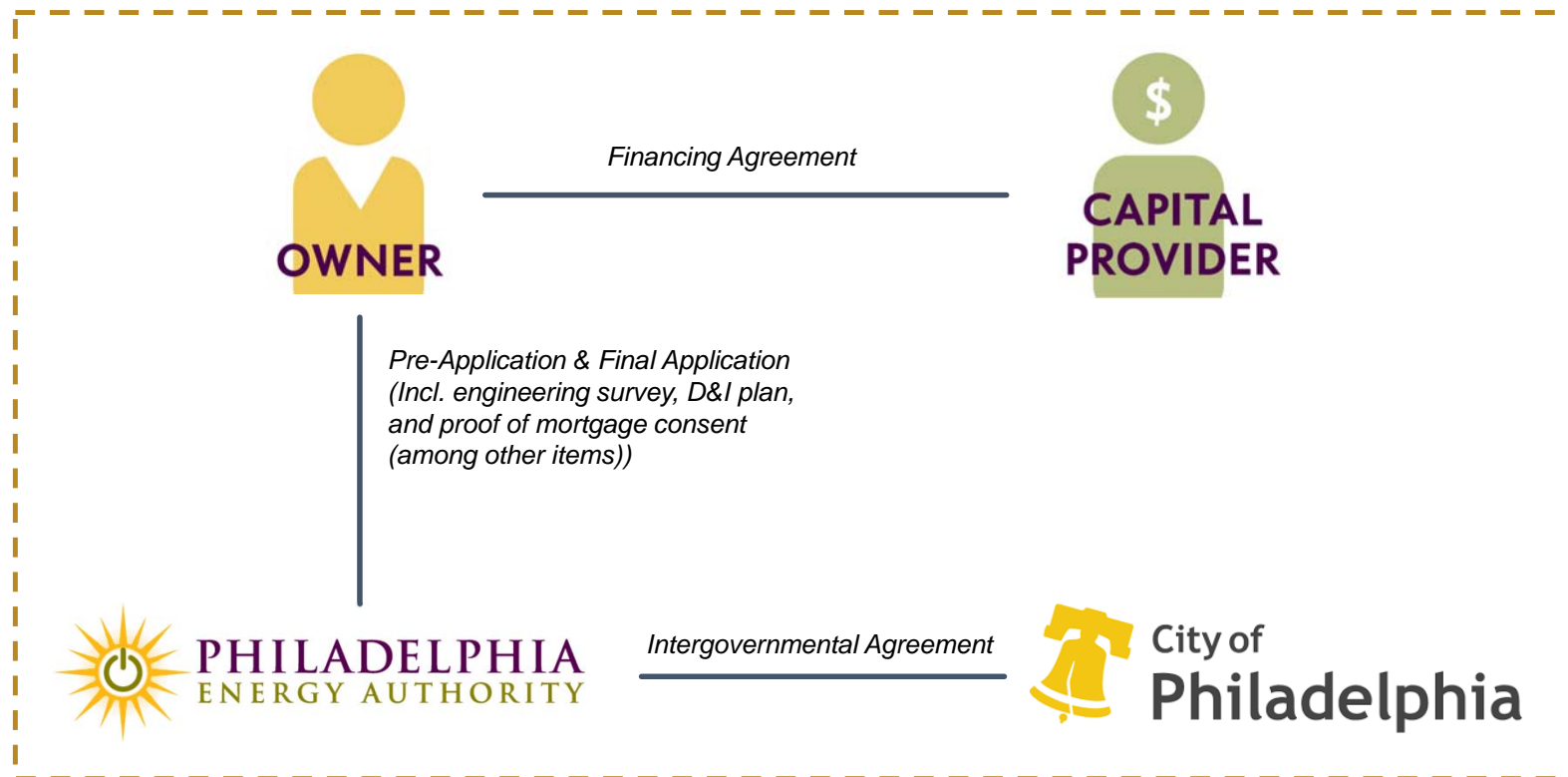
PROGRAM REQUIREMENTS

- Located in Philadelphia
- Commercial and industrial properties only
 - Residential and multi-family properties not allowed
- Building upgrades, gut rehabs, new construction permitted
 - New construction projects must exceed code requirements

FINANCING REQUIREMENTS

- \$100,000 minimum
- 95% lien-to-value limit
- Up to 30-year term
- Capital Provider registration with statewide C-PACE database
- Retroactive financing available

Key Parties



Process Details: Step-by-Step List

1. **Property Owner** submits [Pre-Application](#) to **PEA**
2. **PEA** confirms eligibility via Pre-Application Approval to **Property Owner**
3. **Capital Provider** underwrites funding
4. **Property Owner** gets consent from **Mortgage/Lien Holder**
5. **Property Owner** contracts with **Developer/Contractor** for capital improvements
6. **Capital Provider** finalizes Financing Agreement with **Property Owner**
7. **Property Owner** submits [Final Application](#) to **PEA** for review and approval
8. **PEA, City, Property Owner** and **Capital Provider** sign C-PACE Statement of Levy & Lien Agreement; **PEA** submits signed document to Department of Records for recordation
9. **Property Owner** and **Capital Provider** execute Financing Agreement
10. **Capital Provider** pays **Developer/Contractor** for installed improvements
11. **PEA** provides amortization schedule and payee info to **Paying Agent** at close of each financing
12. **PEA** bills **Property Owner** annual repayment due on schedule with property taxes
13. **Property Owner** makes payment to **Paying Agent**, who then confirms payments receipt to **PEA**
14. **PEA** provides **Paying Agent** instructions for distribution of assessment payment to **Capital Provider** and administrative payment to **PEA**

Key Application Requirements

- ✓ Engineering survey explaining the baseline energy and water usages and the expected savings
- ✓ Consent from existing mortgage/lienholder(s)
- ✓ Diversity & Inclusion Plan discussing commitment to local and diverse businesses

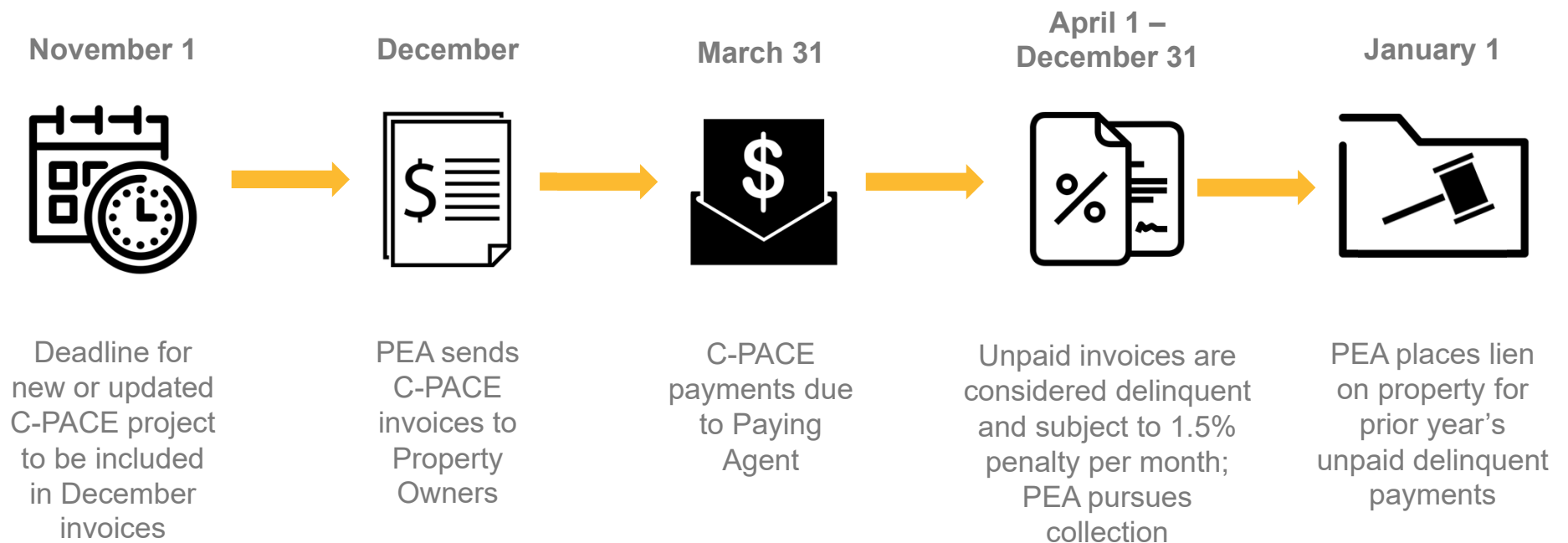
Why do mortgage holders consent?

- C-PACE projects generally:
 - Increase property's collateral value
 - Reduce building operating cost
- Payments do not accelerate
- Only the current year's C-PACE payment is senior to mortgage

Over 200 financial institutions have already consented to C-PACE financing in other markets

Full list of requirements is in the Program Guidelines available at PhiladelphiaCPACE.org

Invoicing & Payment Timing



Enforcement

- Unpaid C-PACE Special Assessment payments are considered delinquent on April 1
- A lien is recorded on property the following January 1 if C-PACE Assessment payment is still outstanding
- At the Capital Provider's request, PEA will pursue enforcement of the lien through a sheriff's sale process
- Capital Provider must make PEA whole for any costs of enforcement
- Per the Philadelphia C-PACE Statute, in the event of a proceeding to force payment on a lien on the property, the C-PACE lienholder shall be required to make the City whole for any shortfall on payment on any City liens based on any type of City claim, up to the full amount of repayment of the lien

Capital Provider Qualification Process

- Philadelphia C-PACE operates an “open market” program
- Capital Providers must register with the statewide C-PACE Capital Provider Database managed by the Sustainable Energy Fund
- Registration form is available on the [Pennsylvania C-PACE website](#)
- Upon approval of registration, the Capital Provider will be added to public database on the [Pennsylvania C-PACE website](#)
- All Pennsylvania Financial Institutions are automatically C-PACE Capital Providers per the Pennsylvania C-PACE Statute
- Pennsylvania Financial Institutions are still encouraged to register so they appear on the list of C-PACE Capital Providers

Registered Capital Providers

Abacus Property Solutions, LLC

CCG PACE Funding, LLC

Clean Fund

Commercial PACE Finance

Counterpointe SRE

C-PACE Capital Group

CREA Group IC-PACE Capital

Dividend Finance, LLC

Ecosave

ENHANCED PACE Finance, LLC

Greenworks Lending, LLC

Imperial Ridge Real Estate Capital (fak
Lever Capital)

Inland Green Capital, LLC

LordCap Pace, LLC

PACE Equity

Petros PACE Finance

Reinvestment Fund

Rockwood Management Company

Stonehill PACE

Twain Financial Partners

VGG Consulting

White Oak Global Advisors, LLC

List with full contact information is available at PhiladelphiaCPACE.org

Qualified Engineering Professionals

- Property Owners must obtain surveys performed by Qualified Engineering Professionals stating the energy and water usage baseline and projected savings from C-PACE Project
- A Qualified Engineering Professional is someone who holds one of the following certifications:
 - *Certified Building Energy Assessment Professional (BEAP)* (offered by ASHRAE)
 - *Certified Energy Auditor (CEA)* (offered by Association of Energy Engineers [AEE])
 - *Certified Energy Manager (CEM)* (offered by AEE)
 - *Certified High-Performance Building Design Professional (HBDP)* (offered by ASHRAE)
 - *Certified Measurement and Verification Professional (CMVP)* (offered by AEE and Efficiency Valuation Organization)
 - *Licensed Professional Engineer (P.E.)*
 - *Investor Confidence Project (ICP) Quality Assurance Assessor*
 - *Investor Confidence Project (ICP) Project Developer*
 - *Certified Passive House Consultant (CPHC)*
 - *EMA's Energy Management Professional (EMP)*
- As a resource for Property Owners, PEA has provided a list of self-certified Qualified Engineering Professionals on the [Philadelphia C-PACE website](#)
- Qualified Engineering firms [are invited to self-certify their credentials](#) to be added to the website
- **PEA does not verify, vet, endorse, or rank Qualified Engineering Professionals**

Qualified Engineering Professionals

Burns Mechanical, Inc.

Clark Energy, Inc.

Concord Engineering Group

Curtin Engineering LLC

Ecosave, Inc.

Edison Energy

Effectiv Energy Solutions

EG2 Engineering, P.C.

Energy Systems Group

Evolution Energy Partners

GEM Master Planning

Grin Sustainability, Inc.

Jacobs Engineering Group

Kitchen & Associates

Maxwell Lighting & Energy

McCormick Taylor

Mondre Energy, Inc.

Noresco

PEER Environmental

Pennoni

ProtoGen, Inc.

Practical Energy Solutions

PWI Engineering

Remington & Vernick Engineers

The Stonehouse Group

Square K Energy Solutions

TEN (The Efficiency Network)

Van Lore Group

List with full contact information is available at PhiladelphiaCPACE.org

Program Fees

Application Fee: Currently Waived

Origination / Closing Fee:

Percentage or flat fee per project based on the schedule to the right

Annual Admin Fee:

Annual fee of \$750 per project

Other Fees:

Fees related to recordation, lien placement and PEA’s collection costs in event of delinquency will also apply

Origination / Closing Fee Schedule			
For C-PACE Financing Amounts		Fee Structure Applied:	Percentage / Flat Fee
from	to		
\$100,000	\$2,000,000	Percentage	1.250%
\$2,000,001	\$2,222,222	Flat Fee	\$25,000
\$2,222,223	\$4,000,000	Percentage	1.125%
\$4,000,001	\$4,500,000	Flat Fee	\$45,000
\$4,500,001	\$6,000,000	Percentage	1.000%
\$6,000,001	\$8,000,000	Flat Fee	\$60,000
\$8,000,001	\$10,000,000	Percentage	0.750%
\$10,000,001	\$15,000,000	Flat Fee	\$75,000
\$15,000,001	\$20,000,000	Percentage	0.500%
\$20,000,001	and greater	Flat Fee	\$100,000

Comparison to Statewide Guidelines

Key Categories	Philadelphia C-PACE	Statewide Guidelines
<i>Program Administrator</i>	Philadelphia Energy Authority	Sustainable Energy Fund
<i>Minimum Project Size</i>	\$100,000	\$10,000
<i>Lien-to-Value Ratio</i>	95% maximum	N/A
<i>Diversity and Inclusion plan</i>	Required with Final Application	N/A
<i>Measurement and Verification</i>	Annual data submission per the City's benchmarking law	2-3 years of data submission required depending on reporting mechanism
<i>New Construction</i>	2018 IECC Code applies in Philadelphia; new construction must surpass code	Must meet certain standards listed in SEF Program Guidelines
<i>Program Fees</i>	Hybrid percentage/flat fee structure for origination; \$750 annual fee per project	0.75-1.25% origination fee; annual fee capped at \$250
<i>Statement of Levy and Lien</i>	Four-party agreement signed by Property Owner, Capital Provider, PEA and City	Three-party agreement signed by Property Owner, Capital Provider and relevant county
<i>Obligation to repay municipal liens</i>	In event payment is forced for the lien, Capital Provider must make City whole for any payment shortfall for any City lien	N/A
<i>Website</i>	PhiladelphiaCPACE.org	PennsylvaniaCPACE.org