

# **UNDERSTANDING C-PACE FOR ENERGY SERVICE COMPANIES**

**NAESCO and Mid-Atlantic PACE Alliance Webinar**

**May 21, 2018**

# Agenda

- I. What is C-PACE and the Mid-Atlantic PACE Alliance (MAPA)?
- II. How is the C-PACE market evolving nationally?
- III. MAPA Contractor survey results
- IV. How do ESCOs engage with C-PACE programs?
- V. Q&A



The Mid-Atlantic PACE Alliance (MAPA) is a regional partnership to advance property assessed clean energy financing solutions. MAPA is supported by a grant from the US Department of Energy.

[www.pacealliance.org](http://www.pacealliance.org)

# Mid-Atlantic PACE Alliance Team & Partners



# What is Commercial PACE?

Commercial Property Assessed Clean Energy (C-PACE) is a tax-assessment based financing mechanism for commercial property owners to fund energy efficiency, renewable energy, and water conservation projects with low upfront costs.



100% financing.  
Funds hard and  
soft costs.



Improves building  
stock + decreases  
operating costs.



Market-based.  
Uses private  
financing.



Spurs economic  
development +  
creates local jobs.

# How does C-PACE work?

- ✓ C-PACE is enabled by statewide legislation and permitted by a local government – a taxing jurisdiction
- ✓ C-PACE assessment is collected by local government with and like any other property tax
- ✓ C-PACE assessment transfers to new owner upon property sale
- ✓ C-PACE helps property owners save money and improve cashflow and property values

# What types of buildings can use C-PACE?



Commercial



Industrial



Multifamily  
(5+ units)



Agricultural



Nonprofit

# What can be financed with C-PACE?



A/C or heat  
pump upgrades



High-efficiency  
lighting



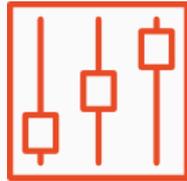
Solar energy  
equipment



Water  
conservation &  
hot water  
systems



High-efficiency  
boilers and  
furnaces



Building energy  
management  
and controls



Building  
envelope  
improvements



Cogeneration,  
energy  
storage and  
more!

# Benefits of C-PACE for Property Owners

- ✓ **No Money Out of Pocket:** 100% financing including soft costs
- ✓ **Immediate Savings:** Cash-flow positive from day one
- ✓ **Extends capital budget:** Paid for from operating savings
- ✓ **Long-term financing (20-25yr):** Reduces annual payment
- ✓ **Comprehensive:** Covers broader capital needs
- ✓ **Transferrable:** Assessments transfer (“run with the land”) to new owner upon sale



# Benefits of C-PACE for ESCOs

- ✓ **Can help overcome upfront cost** constraints (no owner equity requirement)
- ✓ **Expand project scopes** with existing customers with new financing tool
- ✓ **Unlock additional business opportunities** with new clients, (e.g. class B and C office spaces, nonprofits)
- ✓ **Water efficiency and renewable energy systems** may also be financed, either combined with ECMs or as stand-alone upgrade



# Case Study: Hotel and Office Building (MD)

**Project:** Commercial office building and hotel implementing cost-saving efficiency upgrades.



Energy Efficiency Measures: Building envelope, LED lighting & HVAC replacement

Total Project Cost: ~ \$1,400,000

C-PACE Financing: ~ \$1,400,000

Money Down: \$0.00

**Term:** 20 years

**Annual PACE Assessment:** ~\$125,000

**Annual Cost Savings:** ~\$155,000

**Net Annual Cash Flow:** ~\$30,000

**Lifetime Cost Savings:** ~\$3,000,000

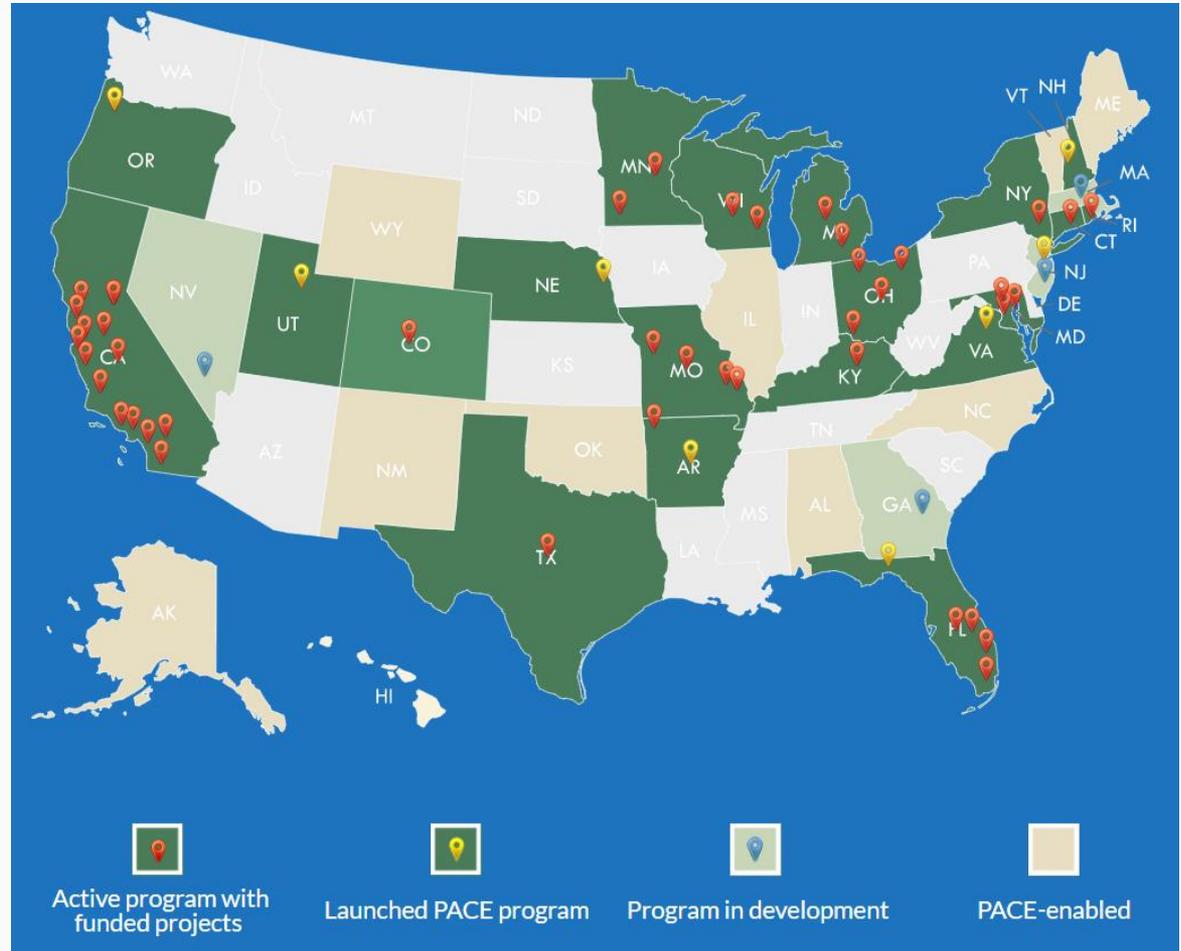
**PACE to Value <10%**

**LTV < 80%**



# Where is C-PACE?

- Available in 32 states + DC
- 19 state with active programs
- \$588 million funded for 1,454 C-PACE projects



# C-PACE Project Volume in the Mid-Atlantic

- ✓ **DC** \$10M from a dozen projects to close this year (2018). \$34M already closed
- ✓ **Maryland** expects 5-7 projects to close in 2018. totaling \$8M: \$10M closed to date in 15 projects (Launched Dec. 2016)
- ✓ **Arlington, VA** expects a 3-5 projects to close in 2018 (Launched Dec. 2017)

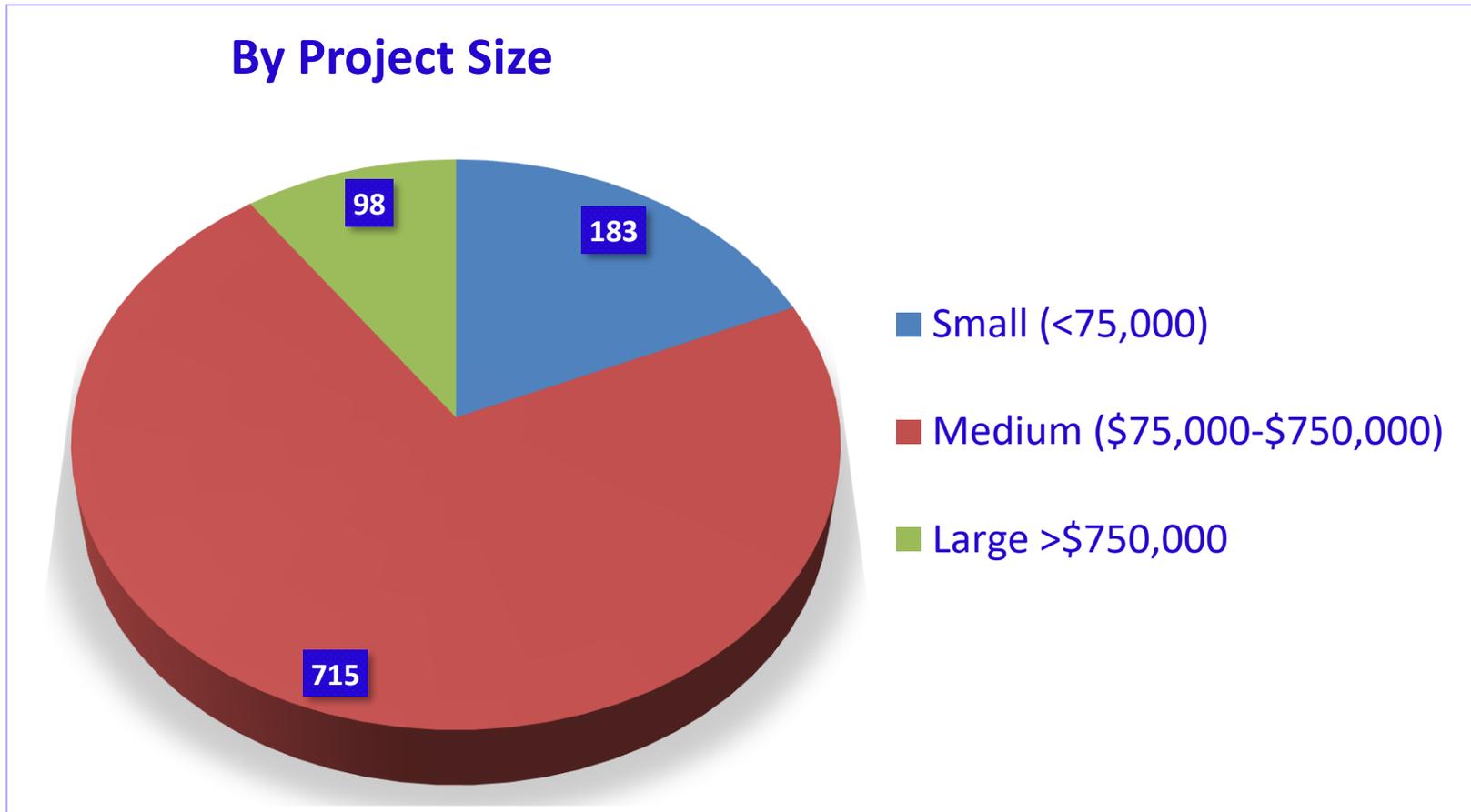
# C-PACE Improvements by Type

- ✓ Energy Efficiency (56%)
- ✓ Renewable energy (26%)
- ✓ Mixed (18%)

2010-2017: \$588M Nationwide (1445 Projects)

2014-2017: \$530M closed

# C-PACE By Project Size



# \$ by Market Category

- ✓ Office: \$90 M
- ✓ Mixed Use: \$70 M
- ✓ Retail: \$65 M
- ✓ Industrial: \$55 M
- ✓ Health Care: \$50 M
- ✓ Hospitality: \$40 M
- ✓ Multifamily: \$40 M
- ✓ Education: \$3 M

# C-PACE Projects by State

State	\$ funded (millions)
California	208
Connecticut	101
Minnesota	42
District of Columbia	34
Texas	34
Missouri	28
Ohio	25
Florida	20
Colorado	19
Wisconsin	15



Source: PACENation.us

# Who is driving C-PACE projects?

- ✓ Currently, contractors and capital providers drive most deals, followed by property owners finding the program.
- ✓ Economic development agencies and capital providers are expected to drive some deals.

MAPA Survey Results

**CONTRACTOR SURVEY:  
SPRING-SUMMER 2017**

# Who responded?

- ✓ 15 responses from 6 states, all outside of the MAPA region:
  - CO
  - CT
  - TX
  - MS
  - OH
  - RI

# Working with C-PACE

How did you learn about C-PACE?



- C-PACE program administrator
- C-PACE program capital provider
- Local government
- Other contractor or trade association
- Other - Write In

Value	Percent	Responses
C-PACE program administrator	33.3%	5
C-PACE program capital provider	13.3%	2
Local government	13.3%	2
Other contractor or trade association	26.7%	4
<u>Other - Write In (click to view)</u>	13.3%	2

Totals: 15

# What types of contractors work use C-PACE?

- ✓ The majority of contractors are not general contractors. (9 out of 15)
- ✓ 11 out of 15 specialize in energy performance, followed by: lighting; envelope; mechanical and controls; and electrical.
- ✓ Four contractors specialize in Solar PV.
- ✓ The most common services provided were: energy audits/commissioning/M&V; design/engineering; electrical; and lighting.
- ✓ 50% of firms had between 5-25 employees.

# How are contractors working with C-PACE programs?

- ✓ 86% of firms received orientation and training to work with C-PACE.
- ✓ Of those, 78% received training from a program administrator. The remaining firms received training from a capital provider.
- ✓ 73% of firms work with multiple C-PACE program administrators and across multiple jurisdictions.

# How many C-PACE projects are contractors completing?

- ✓ In the past 2 years:
  - Most firms (73%) completed less than 5 C-PACE projects.
  - Many firms (67%) closed on less than \$500,000 in C-PACE financing. 2 firms reported C-PACE projects valued between \$500,000-\$1M.
- ✓ More than half of firms reported that C-PACE represents less than 5% of total annual sales.
- ✓ No firms reported C-PACE representing more than 25% of total annual sales.

# Who is using C-PACE?

- ✓ Firms reported seeing patterns in:
  - Market subsector (10 firms checked this box)
  - Building age/condition (11 firms)
  - Financial circumstances (11 firms)
  - All of the above (8 firms)
- ✓ Contractors report seeing average utility bills for properties using C-PACE of between \$15,000-\$25,000 and \$50,000-\$100,000.
- ✓ Most contractors report a project timeline of between 3-12 months, with many reporting between 6-9 months is average.

# Contractors: Interacting with Property Owners

- ✓ Most contractors agree that financing is *sometimes* a barrier to closing a project. 26% reported that financing was *often* a barrier to closing.
- ✓ All contractors reported that they forecast savings.
- ✓ Many contractors (12 out of 15) reported that they either keep in contact with building owners or track savings after a project is complete. 5 reported that they do both.
- ✓ The ways that contractors track savings is not standardized. Only 2 contractors reported using the same tracking software.

# Marketing C-PACE

- ✓ Word-of-mouth/customer referrals was reported to work particularly well for contractors.
- ✓ A couple of firms reported that face-to-face meetings and network marketing (advertising with trade groups/property owner associations) are useful.

# To Register with Mid-Atlantic Programs

✓ Arlington County, VA C-PACE:

<https://Arlington-pace.us/contractors/contractors-directory/>

✓ DC-PACE:

<https://dcpace.com/service-providers/service-provider-directory/>

✓ MD-PACE: <https://md-pace.com/contractors/>

# To Contact Program Administrators

- ✓ DC-PACE: Upasana Kaku,  
[ukuku@urbaningenuity.com](mailto:ukuku@urbaningenuity.com)
- ✓ VA: Arlington County, Scott Dicke,  
[Sdicke@paceworx.com](mailto:Sdicke@paceworx.com)
- ✓ MD-PACE: Gerard Neely,  
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# CONTACT MAPA

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