

# Designing Virginia's Statewide C-PACE Program: Elevating Equity

February 2, 2022



# Virginia Energy and C-PACE

- [§ 15.2-958.3 of the Code of Virginia](#) authorizes local governments to enact Commercial Property Assessed Clean Energy (C-PACE) ordinances and establishes legal parameters for the programs
- Chapter 664 of the 2020 Acts of Assembly adds language to §15.2-958.3 that provides authority for Virginia Energy to offer a voluntary, opt-in C-PACE program option for localities
- Virginia Energy competitively selected the Virginia PACE Authority to design and administer the statewide program, with technical support from Slipstream

# Objective and Housekeeping

- Objective: Elevate equity in the new statewide C-PACE program. Goal is to exchange ideas on:
  1. Ways to best design C-PACE to encourage participation by SWaM/DBE/Veteran-owned and Southwest Virginian businesses
  2. Ways to bring energy efficient and resilient commercial projects to economically underserved communities
- Housekeeping:
  - We are recording
  - To minimize bandwidth issues, please keep video off unless speaking during open discussion
  - Poll questions
  - Chat comments will be noted for each poll

# Agenda

- Introducing our Program Administrator: Virginia PACE Authority
- Commercial Property Assessed Clean Energy (C-PACE) 101
- Ways to Use C-PACE/Case Studies
- Energy Equity goals
- Topic 1: SWaM/DBE/Veteran-owned/SWVA-based participation
- Topic 2: Serving economically underserved communities
- What else? Open discussion (please use raise hand function)
- Next steps

# Virginia PACE Authority

- Formed in 2019 as a 501c3 nonprofit serving Virginia
- Key staff have over nine years of experience
  - National program administrative and project development expertise
  - Providing outreach/education on C-PACE in Virginia since 2015
- Slipstream provides technical support
  - Provides program administrative in Wisconsin, Illinois and Oklahoma
- Currently administers nine localities under contract
- RISE Challenge grant recipient led to development of innovative project development tool, PACEfi project marketplace

# C-PACE 101

## *Commercial Property Assessed Clean Energy*



### **Social Equity**

C-PACE expands access to capital for nonprofits, affordable housing, places of worship, and community-based organizations.



### **Job Creation**

Infused \$2.5+ billion nationally into local economies in 2,600+ projects, creating over 24,000 jobs.



### **Resource Conservation**

Funds clean energy, water efficiency, and resiliency projects, reducing GHG and energy usage, improving air and water quality.

# C-PACE 101 *Innovative Clean Energy Financing Solution*

- C-PACE stands for Commercial Property Assessed Clean Energy.
- C-PACE is enabled by a state statute and local government ordinance.
- C-PACE is a special type of financing that funds a wide variety of sustainable building improvements.
- Private lenders also known as “C-PACE capital providers” offer C-PACE “loans” to private building owners at attractive rates and terms.
- Loan terms that make C-PACE unique include: 100% upfront financing, loan terms of up to 30+ years based on life of equipment, fully-amortizing loans fixed for the full loan period in many cases.
- These loan terms are possible because the C-PACE loan is secured by a voluntary special assessment lien placed on the property by the local government.
- Special assessments are *technically* a tax charged to fund local improvements and are only charged on properties that benefit from the improvements.

# C-PACE 101 *Innovative Clean Energy Financing Solution*

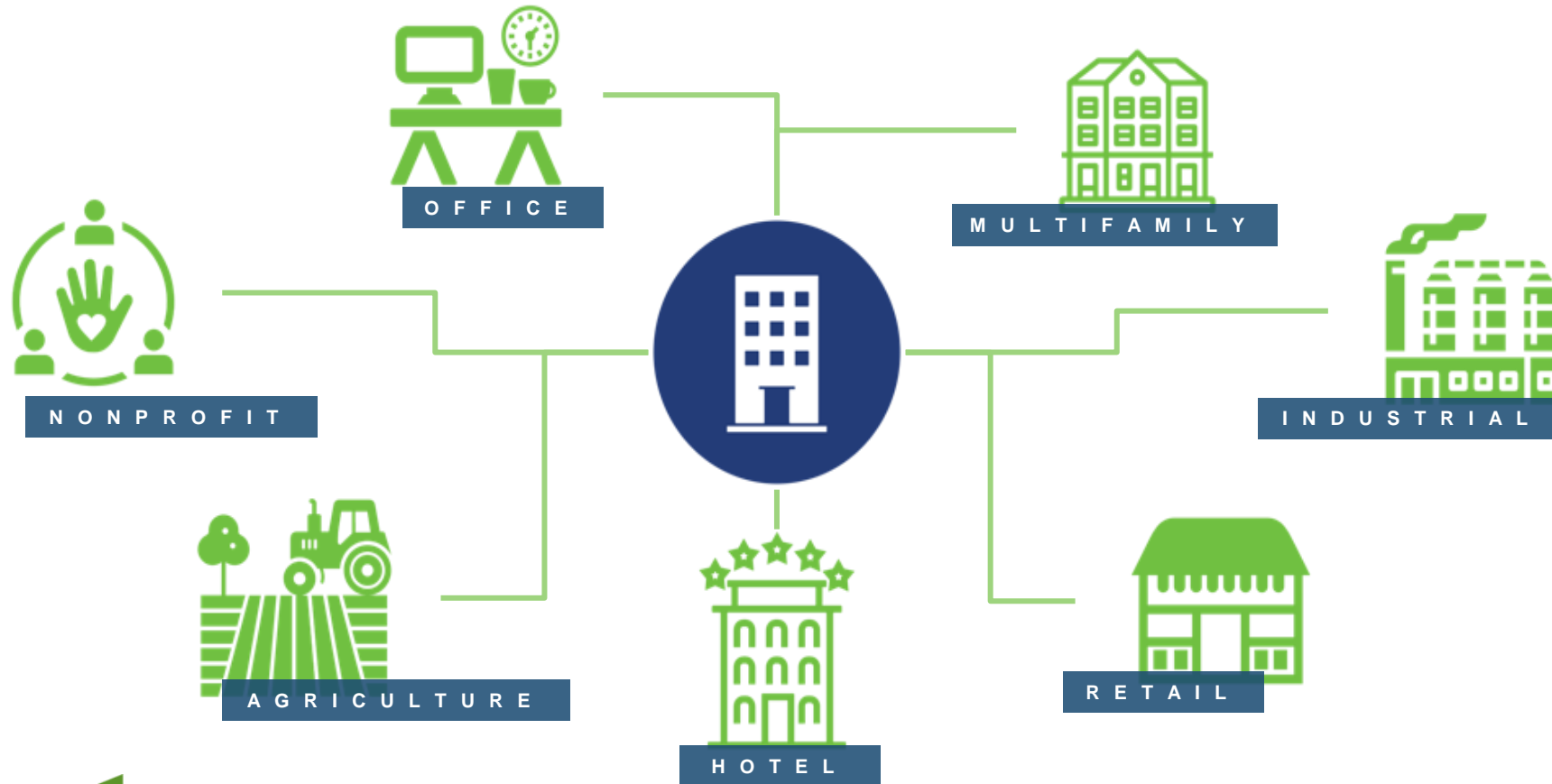
- Special assessments are not new and are used for a wide variety of public improvements like street lighting or sewer upgrades for specific areas or properties.
- In the case of C-PACE, the public benefit is the reduction of energy or water usage, production of renewable energy, and improving buildings through resiliency or stormwater management measures.
- The special assessment lien (legal claim) is placed only on the property funded by the C-PACE loan at the request of the property owner.
- Like any any other special assessment or real property tax, a C-PACE loan is very secure:
  - Delinquent C-PACE loan payments would be paid before any other non-governmental liens in case of default.
  - The C-PACE loan does not become due when a property is sold unless part of the negotiation. Future owners continue to pay the C-PACE loan payments until paid off or the owner decides to prepay the loan.



Ben created the  
1<sup>st</sup> assessment  
district in 1776



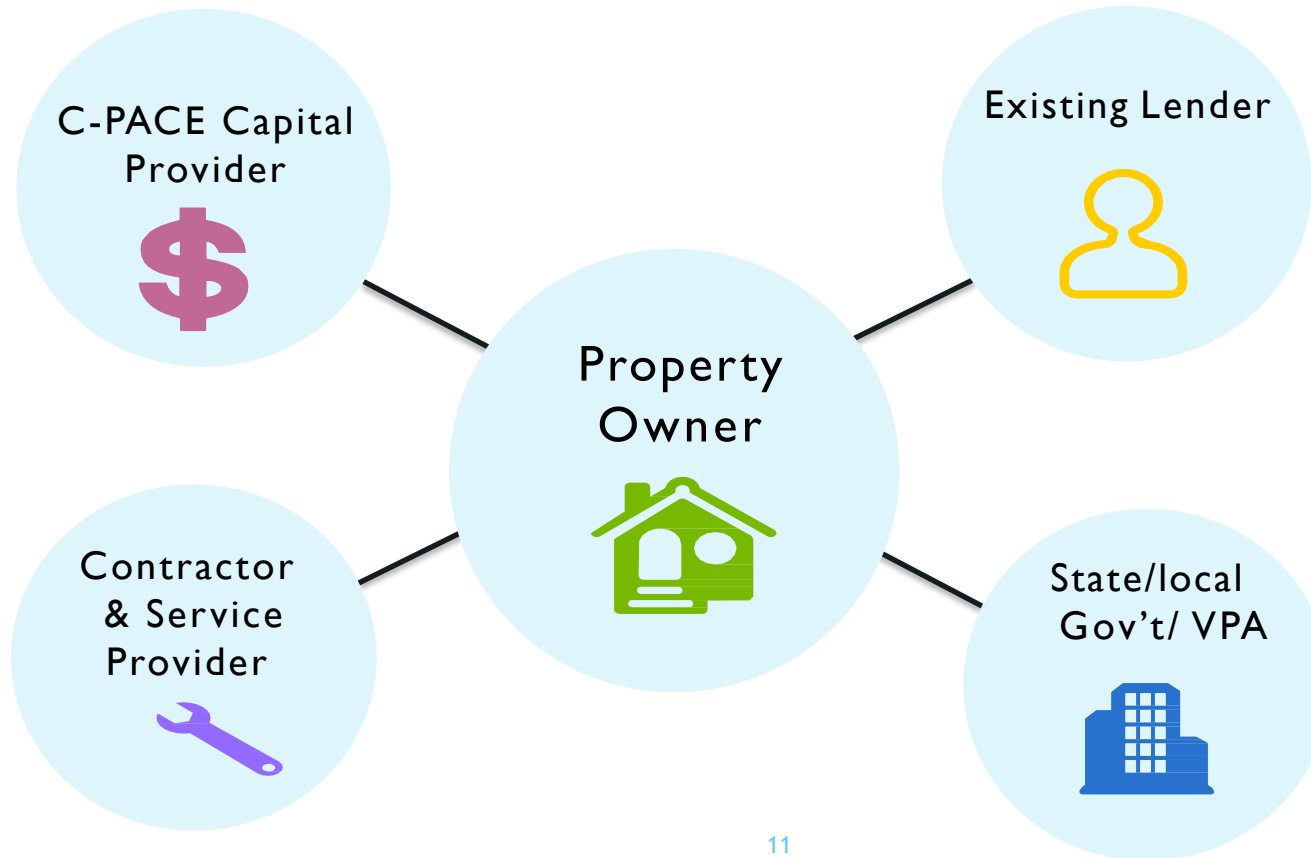
# Property/Ownership Types



# Eligible Improvements



# Who are the stakeholders?



# How do stakeholders work together?

## *Public Private Partnership*

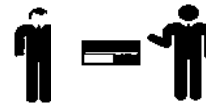
**PUBLIC**



C-PACE loan secured by special assessment on property

Locality enforces C-PACE loan in case of foreclosure

**PRIVATE**



Private capital providers fund the loans for private owners. Work is performed by private contractors and service providers

Public/Private: C-PACE loan installments are paid back to capital providers either directly or through VPA

# Ways to Use C-PACE



Retrofit your building that you own or want to buy



Pay for part of cost of a new building or “gut” rehab



Work with landlord to upgrade tenant space



## Retrofit your building that you own or want to buy



20-year, \$785K C-PACE loan for improvements to nonprofit social services center

- Pay for building upgrades with C-PACE and use cash instead for operations or other purposes
- Enhance building value by upgrading building with highly efficient improvements
- Install high-efficiency improvements that lower utility and maintenance costs and can make C-PACE cash flow neutral or even positive
- High efficiency improvements increases building value over time
- Focus on building value not borrower financial strength when qualifying a C-PACE loan



## Pay for part of cost of a new building or “gut” rehab



Far Southeast Family  
Strengthening  
Collaborative (FSFSC)

- Fund 100% of 15-20+% of hard and soft construction costs with C-PACE
- Replaces own cash, additional investor or more expensive supplemental loans
- Enhance building value with highly efficient improvements
- Defer payments and pay only interest during construction

20-year \$2.2MM  
loan for as part of  
capital stack for  
new headquarters  
of DC based  
nonprofit





## Work with landlord to upgrade tenant space



Multifamily portfolio:  
20-year, \$4.8MM C-PACE  
loan for boiler upgrades  
with \$3.78MM in lifetime  
savings

- Landlord can upgrade tenant space/building with no upfront costs
- Landlord can share or pass through the costs of the C-PACE loan to the tenant depending on lease
- Lower utility and maintenance costs paid by tenant can justify paying the costs of the C-PACE loan
- Landlord may be able to consider the C-PACE loan as a operating expense and not a long-term liability

Annie's Ace Hardware:  
Minority-owned  
developer used \$400k of  
C-PACE for tenant  
upgrades with reduced  
annual CO2 of  
85.7 metric tons





# Energy Equity Goals for C-PACE

- Increase awareness of and provide education on C-PACE opportunities for small businesses and/or SWaM/DBE, and Veteran businesses, nonprofits, and community-based organizations
- Promoting C-PACE as a means of economic development/revitalization in historically underserved communities
- Promote C-PACE in the capital stack for affordable multifamily projects
- Use C-PACE to address community resiliency in these areas

# Topic 1: Designing C-PACE to encourage participation by SWaM /DBE and Veteran businesses

- On the Virginia website, deploy functionality that will allow users to filter searches for registered contractors based on SWaM/DBE/Veteran certification status
- In marketing channels, spotlight businesses in HEDCs that have participated in C-PACE through downloadable case studies and spotlight interviews
- Provide training modules to target contractors, borrowers and lenders
- Downloadable resources (e.g., Case Studies)
- Training and use of online financial tools

# Topic 2: Ways to bring energy efficient and resilient projects to economically underserved communities

- Invite CDFI lenders to participate
- Develop tools to facilitate smaller projects: PACEfi funding platform, connecting C-PACE Capital Providers and borrowers
- Explore opportunities for integration with VA Housing/DHCD programs
- Apply for statewide HUD approval for multifamily participation
- Potentially a "PACE Express" option for smaller projects in the future

# Outreach partnerships in HEDCs

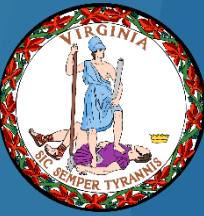
- Partner with electric utilities and coops to enable property owners to combine C-PACE financing with utility incentives
- Educate developers on how C-PACE can reduce capital costs for brownfield redevelopments, LIHTC, New Market, and OZ tax credit developments
- Educate developers on how C-PACE can finance measures that reduce impacts of climate change driven natural disasters on HEDCs
- Work with partners to translate marketing materials for non-English speaking communities (e.g., Spanish, Korean, Chinese)
- Communicate with Virginia agencies and advisory boards on program developments and opportunities to collaborate, like DHCD's HIEE program for low-income housing and the DNR's Coastal Resilience Plan initiative

# What else? Open Discussion.

- What other programs might we work to integrate with C-PACE?
- What barriers to leveraging C-PACE to further equity goals have we not touched on?
- What ideas haven't been brought up yet?

# Next steps

- Draft documents to be shared for feedback over next month
- Statewide program roll out in Q2 following documents finalization
- Test PACEfi: <https://pacefi.com/>



Contact us anytime:

**Bettina Bergoo**

**[Bettina.bergoo@energy.Virginia.gov](mailto:Bettina.bergoo@energy.Virginia.gov)**

**Abby Johnson**

**[abby@virginiapace.com](mailto:abby@virginiapace.com)**

