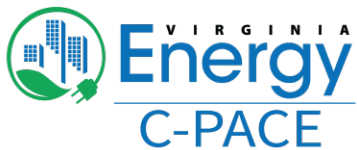


# Commercial Property Assessed Clean Energy (C-PACE)

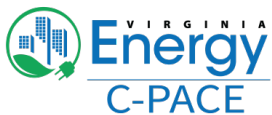
Overview of C-PACE and the new  
VA C-PACE Program

November 2022



# Virginia PACE Authority (VPA)

- Organized as a 501(c)(3) nonprofit
- Key staff have 10 years of experience in C-PACE around the country and in Virginia since 2014
- Program administrator for the VA C-PACE Program sponsored by the Virginia Department of Energy
- Administer 10 legacy C-PACE programs



# C-PACE 101 *Commercial Property Assessed Clean Energy*



## **Economic Development**

Infused \$4.2 billion nationally into local economies in 2,900 projects, creating over 52,000 jobs.



## **Clean energy and resiliency**

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*

100% upfront financing for eligible projects and properties

Eligible projects: energy efficiency, renewable energy, resiliency environmental remediation, and EV infrastructure

Eligible properties: private and nonprofit commercial, multifamily and agricultural -only residential 1-4 units excluded

Competitive fixed-rate, fully amortizing loans for up to 30+ years

No personal or corporate guarantees

Refinance eligible improvements two years after completion

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

Private lenders known as Capital Providers structure financing terms directly with borrowers

Secured by a voluntary special assessment lien placed on the property

As a special assessment, stays with property upon sale or refinance

As a special assessment, lien is enforced by the locality or Capital Provider (per 2022 statutory changes)

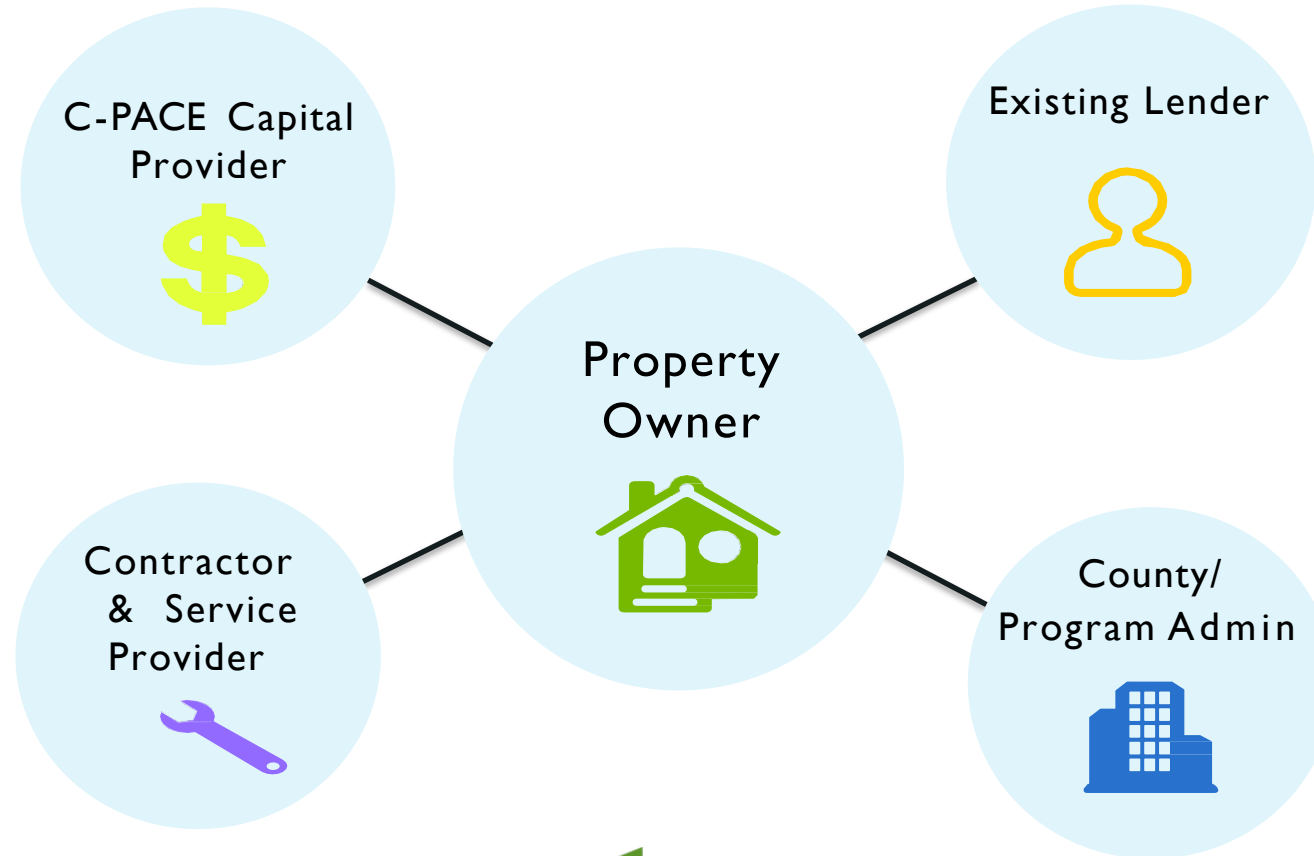
C-PACE loans are prepayable per agreement with Capital Provider



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

# C-PACE 101

## *Project Stakeholders*



# Statewide Update

- New documentation is now available to localities:
  - Legal: C-PACE ordinance, program agreement, recording documents, etc.
  - Technical: Program Guide centralized application and approval process
- For existing C-PACE programs, a simple amendment is needed to update prior documentation
- Statewide program allows new localities to join using one set of standardized documents and guidelines
- VPA will work with localities for marketing/outreach. New updates are being made to the website, marketing collateral, tutorials and training.

# VA C-PACE Opt-in Process

## *Localities*



Locality staff review Ordinance and program documents. VPA answers any questions



VPA works with staff and elected officials to present C-PACE at public hearing, if necessary



Staff issues public notice that Ordinance will be on docket of next Council/BOS meeting



Locality adopts Ordinance and executes Virginia Energy-Locality Agreement



Locality designates Point of Contact and Program Manager



VPA markets, vets and approves projects and facilitates loan closings with Locality

*Note: Existing programs remain operational in interim*



# § 15.2-958.3: 2022 Amendments

- Addition of safe drinking water, environmental remediation and EV infrastructure as eligible improvements
- Common areas of cooperatives and POAs eligible
- Locality can delegate billing, collection (including enforcement), and remittance of C-PACE Loan payments to third-party
- Specific locality opt-in language for statewide program

# § 15.2-958.3: 2022 Amendments

Resiliency improvement: an improvement that increases the capacity of a structure or infrastructure to withstand or recover from natural disasters, the effects of climate change, and attacks and accidents, including, but not limited to:

1. Flood mitigation or the mitigation of the impacts of flooding
2. Inundation adaptation
3. Natural or nature-based features and living shorelines
4. Enhancement of fire or wind resistance
5. Microgrids
6. Energy storage and
7. Enhancement of the resilience capacity of a natural system, structure, or infrastructure

# C-PACE Potential Benefits for Virginia

- Powerful economic development tool:
  - If 15% of buildings in VA were financed with C-PACE:
    - 250,000 jobs would be created
    - \$32 Billion economic impact
    - 17 million metric tons of reduced carbon



*Source: From PACENation's A PACE Enabled World, January 20, 2022*

# Opportunities of VA C-PACE Program

## *Building Owners and Developers*

- Install high performing improvements with no upfront costs
- Pays for wide range of hard and soft costs in both existing buildings and new construction
- Lowers cost of new construction or gut rehab
- Addresses value engineering issues in high performing buildings
- Helps meet ESG Targets

# Building Retrofit

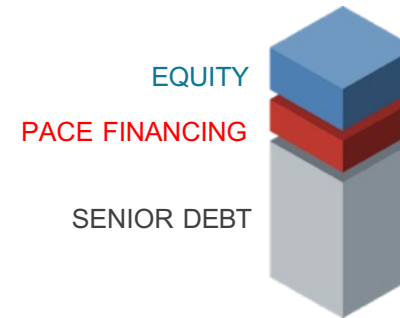
- Pay for building upgrades with C-PACE and use cash instead for operations or other purposes
- Enhance building value by upgrading building with highly efficient improvements
- Install high-efficiency improvements that lower utility and maintenance costs, making C-PACE cash flow neutral or even positive
- Off-balance sheet potential
- Pass through to tenants depending on lease type



20-year, \$785K C-PACE loan for nonprofit

# New development or gut rehab

- Fund up to 25% of hard and soft construction costs
- Gap financing that replaces equity or more expensive “mezz” debt
- Lowers overall cost of capital on development projects, improves ROI
- Defer payments for multiple years
- Interest only financing available
- Funding soft costs in loan can improve construction cash flow



20-year, \$1.93MM C-PACE loan on new hotel

# Select Projects in pipeline

- Large mixed use tourism project in Shenandoah County
- New senior housing project in Winchester County
- Upgraded warehouse facility in Suffolk
- Several Multifamily projects in Richmond
- Senior housing/assisted living in Prince William County
- Ground up multifamily in Newport News



# Opportunities of VA C-PACE Program

## *Localities*

- Free Economic development tool
- Meet Sustainability and/or resiliency goals
- Attract or retain new businesses
- Help small and underserved communities and businesses that cannot access affordable capital easily
- Building values increase over time
- Create new jobs



# THANK YOU!

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