SEEDS FOR SUCCESS 5: FINANCING SUPPORT FROM THE VIRGINIA PACE AUTHORITY
1. General Overview
2. Case Studies
3. Program Guide Highlights
4. Application Process
5. Q & A
GENERAL OVERVIEW
VIRGINIA PACE AUTHORITY (VPA)

Building the Future with Commercial PACE Financing

- **VPA** - Non-profit C-PACE Program Administrator (PA) serving Virginia exclusively:
  - Program Administrator for Loudoun County, Fairfax County and the City of Petersburg; Loudoun and Fairfax hired VPA after competitive bid process;
  - Loudoun and Fairfax have **cooperative riders** for interested localities wishing to speed program implementation;
  - Low admin fees to encourage use of C-PACE (1.25% of total Project Costs; max $50,000);
  - “Best-in-Class” partners - Pace Financial Servicing & Slipstream;
  - Partner in MidAtlantic PACE Alliance (MAPA);
- **Abigail Johnson**, VPA Founder and Executive Director:
  - Designed and implemented C-PACE legislation and programs around the country and in the Commonwealth;
  - Instrumental in amending C-PACE statutes in 2015 and 2019 which added resiliency and stormwater management to the Virginia law;
  - Deb Rosiello and Amy Williams provide marketing/admin support for VPA.
1736 – First Assessment District in Philadelphia

Today – 37,000 Assessment Districts nationwide

- Water & Sewer Service
- Parks
- Sidewalks
- Lighting
- Downtown renewal
- Energy Efficiency/Renewables/Water (PACE)
WHAT IS PACE?

Innovative Financing Tool

- Stands for Property Assessed Clean Energy
- Assessment-based financing
- Enabled by Statewide legislation
- Sponsored by a “local” government – a taxing jurisdiction
- PACE assessment can be collected with and like any other property tax and assessment
- PACE assessment survives sales, including foreclosures
- PACE assessment in arrears is senior to mortgages - but only the past due assessment
- Future PACE assessments are paid by future building owners
WHAT IS C-PACE?

**Innovative Financing Tool**

- C-PACE stands for Commercial Property Assessed Clean Energy
- Virginia law allows for all commercial, agricultural, land, and multifamily > 4 units
- Loudoun allows for all of the above except multifamily
- Finances 100% of building measures related to:
  - Energy efficiency
  - Renewable energy
  - Water efficiency
- Provides gap financing for upgrades to existing buildings or for new construction or gut rehab projects
WHAT IS C-PACE?

Eligible Property Types

- OFFICE
- NON-PROFIT
- FARMS/AG
- INDUSTRIAL
- LAND
- HOTEL
- RETAIL

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WHAT IS C-PACE?

C-PACE participants

C-PACE Capital Provider

Existing Lender

Property Owner

Contractor & Service Provider

County/Program Admin

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WHAT IS C-PACE?

A Public-Private Partnership

PUBLIC

C-PACE loan secured by special assessment on property
Locality enforces C-PACE loan in case of foreclosure

PRIVATE

Funding provided by private Capital Providers for private owners
Contractors hired privately; do not follow public procurement

Public/Private: C-PACE loan installments are paid back either directly to Capital Providers or to them through the Program Administrator

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IDENTIFYING C-PACE OPPORTUNITIES

C-PACE Unlocks Capital

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Barriers for Financing

- Lack of funding?
- Plan to sell building?
- Payback period too long?
- Tenant pays energy bills?
- Unsure if savings will appear?
- Borrower has untraditional credit history?

How PACE Unlocks Capital

- 100% upfront, 25+ year financing
- Obligation transfers with property
- Positive cash flow in year 1
- Assessment/savings pass to tenants
- Technical review by program administrator
- Secured by property – not by owner guarantee or credit score
**IDENTIFYING C-PACE OPPORTUNITIES**

**C-PACE for Different Borrowers**

**Owners Who Have Financing Challenges**
- Owners with “Zero Cash Down” Focus
- Owners without access to competitive Capital (Non-Investment Grade Credit)

**Owners in Need of Flexibility**
- Buildings that may sell before full payoff
- Building where tenants pay energy bill but owner finances upgrades
- Project has longer payback period

**Owners with Tax Appetite Love C-PACE**
- Full realization of tax credits – including solar ITC
- Accelerated depreciation benefits (MACRS)

**Owners Focused on Net Operating Income**
- Prefer Operating vs. Capital Expenditures
- Don’t want balance sheet tied up with debt
- Want to own vs. lease

- C-PACE is perfect for projects that contractors know are “locked” (the owner knows there is a need but can’t afford to fill that need)
- C-PACE is a way for a project to avoid being “value engineered” to small or to nothing (C-PACE helps you avoid cutting otherwise excess costs)
- C-PACE is a way to “go deep” on a job (can add HVAC, deferred maintenance, etc.)
Case Studies

Main Street Business

The Finishing Touch

**Description:** The Finishing Touch, a custom frame and print boutique in downtown Chestertown, MD, had air conditioners and windows that dated back to 1978. These outdated HVAC systems were inefficient and expensive to operate.

**Solution:** The property owner focused on tenant experience and operational costs as motivation to upgrade the 60+ year old HVAC system and high efficiency windows throughout. The mixed-use building was vastly improved and is now more tailored toward customer and renter comfort.

**Financing:** $134,408

**Measures Financed:**
- HVAC upgrades
- Replacement of more than 1,000 sq ft of low R-value glass

**Savings:**
- $7,000 in the first year and $300,704 in lifetime savings!

Specialty Use

5 Spoke Creamery (Dairy Farm)

**Description:** 5 Spoke Creamery, a Hudson Valley, NY-based artisanal cheese making business, was looking for a way to reduce their electricity costs. Alan Glustoff, the 5 Spoke Creamery owner, was interested in using PACE financing to help fund a solar array and also contribute to his lifelong commitment to a sustainable lifestyle.

**Solution:** A 53kW solar system was installed that provides over 100% of the farm’s electricity needs. The farm used PACE financing combined with state and federal solar incentives, resulting in a cash flow positive project from day one.

**Financing:** $74,687

**Measures Financed:**
- 53kW ground mounted solar array
- Financing term: 5 year

**Savings:**
- Cash flow positive in first year
Case Studies

Basic Retrofit

Medical Office Building

Description: Recently purchased medical office building with pharmacy in need of extensive renovations

Financing: $800,000

Measures Financed:
- Air handling units and thermostat
- Modern elevator controls
- LED lighting
- Roof insulation
- TPO roofing

<table>
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<th>Projected Energy Savings (Cumulative)</th>
<th>EUL</th>
<th>Projected Energy Savings (Annual Average)</th>
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<tr>
<td>kWh</td>
<td>BTU</td>
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Non-Profit

Re-entry Center

Description: A Baltimore-based non-profit wanted to expand the capabilities of its residential re-entry center by building out 5,000 square feet of unused space in their facility. The goal of this project was to complete the planned build out while incorporating energy and water efficient equipment.

Challenge: Underwriting cash flows of a non-profit; many NPOs do not think they are eligible for PACE financing

Financing: $785,000

Measures Financed:
- Insulation and Building Envelope Improvements
- New HVAC and Electrical Installation

Savings: $3,100 in the first year and $80,000 in lifetime savings
Eligible Property Types

- All commercial such as office, industrial, hospitality, retail, agricultural, and real property (e.g. ground mounted solar)
- Nonprofit organizations
- Residential including single family, **multifamily**, condominiums (individual units and common areas) are not eligible
- Public buildings are not eligible

Eligible Improvements

- **Energy and water efficiency**: Any measure that results in reduction in energy/water consumption over a baseline established by an Energy Analysis
- **Renewable energy**: Any system that generates energy from a renewable source
- **Future**: Resiliency and stormwater management measures
PROGRAM GUIDE HIGHLIGHTS

Eligible Projects

• Existing building upgrades and new construction projects

• Project term:
  • One Eligible improvement: Not to exceed EUL\(^{(1)}\) or 30 years, whichever is less
  • Multiple Eligible Improvements: Not to exceed EUL of Improvement with longest EUL or 30 years, whichever is less

• Property value: Assessed or appraised both acceptable

• Project improvements must be permanently affixed during the term of the loan

• Financing thresholds:
  • $50,000 min
  • $25,000,000 max or 30% of Stabilized Value\(^{(2)}\), whichever is greater

1. EUL = Expected Useful Life
2. Stabilized Value - The market value of the property after it reaches stabilized occupancy as evidenced by an appraisal of the property
PROGRAM GUIDE HIGHLIGHTS

Energy Analysis Requirements

• Credentials and Standards of Energy Analysis:
  • Must be performed by Qualified Energy Professional
  • Must meet minimum requirements described in the Program Guide

• Methodology:
  1. For Existing Buildings, document energy and/or water consumption of Property or individual, relevant systems, OR For New Construction, utilize a statutory energy code baseline usage, AND
  2. Include calculations of expected energy and/or water monetary savings to be achieved
     ➢ Quantifiable expected savings during the term of the C-PACE Loan over the baseline usage must be demonstrated

• New Construction/Gut Rehab Methodology:
  1. Itemization of Individual Eligible Improvements: 100% of cost of each measure > code is eligible
  2. Whole Building savings:
     • Exceed code minimum up to 5% => fund up to 20% of total Project Costs
     • Exceed code minimum by more than 5% => fund up to 25% of total Project Costs

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Eligible Property Owners, Capital Providers, and Contractors

Property Owners (Borrowers):
• Eligibility follows state law requirements (title holder of property, no delinquent taxes, liens, loan payments; no bankruptcies, etc.)

Capital Providers:
• Open market program where participation by a wide variety of capital providers is encouraged and supported
• To qualify, fill out and sign RFQ and Agreement found on the website

Contractors:
• All work requiring a license must be installed by a licensed contractor
• To sign up as a Contractor, fill out the registration form and sign the Contractor Terms and Conditions found on the website; all installation contractors, licensed engineers and architects, energy auditors, solar installers/developers, and other service providers can register
APPLICATION PROCESS
APPLICATION PROCESS

Steps to C-PACE Financing

1. Property Owner develops project
   - Identifies contractor: Works with them to develop a proposed scope of work
2. Property Owner submits application package to VPA based on application checklist
   - Identifies capital provider: Works with them to obtain credit approval & proposed financing terms for C-PACE
3. VPA reviews and approves project based on County-specific guidelines
   - Checklist may include:
     - Executed Final Application
     - Signed installation contract(s)
     - Energy analysis
     - Lender consent and subordination Agreement
     - Title report
     - Offer to fund (C-PACE term sheet)
     - Appraisal (if assessed value isn’t used)
     - Substantially Final C-PACE Loan Documents
     - Mortgage lender statements (if applicable)
4. VPA circulates C-PACE Program Agreement for signature
   - C-PACE Program Agreement: County, Property Owner, & Capital Provider are named
5. VPA ensures recording of C-PACE Lien Certificate
   - C-PACE Lien Certificate: County, Property Owner, & Capital Provider are named

Paid directly by Capital Provider (in most cases)

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COLLECTION & REMITTANCE

Steps to C-PACE Financing

6. Capital provider (CP) or VPA on behalf of County bills the Borrower typically semi-annually

7. CP or VPA collects C-PACE payment

8. If VPA collects C-PACE payment, VPA remits C-PACE payment to CP
APPLICATION PROCESS

Virginia PACE Authority website

WHAT IS C-PACE?  LOCATIONS  START HERE  RESOURCES  ABOUT VPA  PROJECT CENTER

PRE-APPLICATION
Click here if you are a Property Owner who wishes to apply.

CONTRACTOR REGISTRATION
Click here to register as a Contractor or Service Provider.

CAPITAL PROVIDER REGISTRATION
Click here to register as a Capital Provider.

PROJECT CENTER INSTRUCTIONS
Click here for step-by-step instructions on the application process.
APPLICATION PROCESS

Application portal - Slipstream
APPLICATION PROCESS

Pre-Application

Thank you for submitting a pre-application for the VA-PACE Program. Congratulations! Your VA-PACE application has been pre-approved.

The next step in the process is to work with your designated representatives to develop and define the PACE Project. An Energy Analysis will need to be completed according to the requirements in the Program Guide (Section 4: Energy Analysis Requirements). Simultaneously to the project development process, the Program Administrator recommends contacting any current mortgage holders to acquire written Mortgage Lender Consent for the proposed PACE Financing.

The Virginia PACE program is working to approve multiple Capital Providers. If a PACE Capital Provider has not already been determined, please contact us at info@virginiapace.com to obtain a list of eligible PACE Capital Providers.

Please log in to the VA-PACE Project Center to complete the Final Application, submit documents, review program materials, and apply for additional projects. Please contact VPA with any questions at PACE_Admin@slstreaminc.org.
APPLICATION PROCESS

Project pipeline

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Existing Applications

<table>
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<tr>
<th>Submit Date</th>
<th>Property Address</th>
<th>Property Owner Legal Name</th>
<th>Project Cost</th>
<th>Eligible Community</th>
<th>Status</th>
<th>Type</th>
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<td>Pre-Approved</td>
<td>Application</td>
<td>Final Application</td>
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<td>11/1/2019</td>
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APPLICATION PROCESS

Final Application

VA-PACE Final Application

The purpose of this Final Application is to confirm property owners and proposed PACE Projects meet all eligible requirements set forth in the VA-PACE Program Guide. The data collected here and document submissions are required for completion of the Final Application. A signed copy of the Final Application will be delivered to the Project Administrator and the property owner. Any PACE Projects will receive a Notice of VA-PACE Approval letter. If the Project Administrator determines that the Final Application is incomplete, then the Applicant will receive a request for more information. A copy of this Final Application signed by the key principal(s) is a required document.

CONTACT: For questions about VA-PACE or application status, email PACE.Admin@slipstreaminc.org.

PROPERTY LOCATION

| Address Line 1 | 1 Harrison St SE | County | Loudoun |
| Address Line 2 | | | |
| City | Leesburg | ZIP | 20175 |

POINT OF CONTACT INFORMATION

| Business Contact Name | Deb Rosario |
| Title | Administrative Assistant |
| Business Contact Phone | (503) 241-5027 |
| Business Contact Email | deb-rose@paceprop.com |

PROPERTY OWNER INFORMATION

| Property Owner Legal Name | Deb Rosario |
| Property Owner Business Classification | Tenancy in Common |
| Key Principal Name | Deb Rosario |
| Property Type | Nonprofit |
| Value of Property | $200,000.00 |
| Valuation Source | Other |

Have you ever filed for bankruptcy or is the property currently on asset to a bankruptcy? No
Are there delinquent property taxes, utility payments, or property-secured debt payments for the property? No
Are any involuntary liens recorded against the property? No

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PROJECT CENTER

Documents

Property: 1 Harrison St SE, Leesburg VA 20175

Email Contact Person

Click this link to email the Final Application to the contact person only.

Key Principals

Click this link to email the Final Application to the contact person and each Key Principal.

Required Document

Received

Program Guidelines for specific instructions on required documentation.

Previous

Go to previous page

Next

Go to next page

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## PACE Capital Provider Registration

To become a PACE Capital Provider in the VA PACE program, please provide the information below. Capital Providers must also submit an executed PACE Capital Provider Request for Qualifications (RFQ) signed by the CEO of your institution. Information about your firm and designated point of contact will be displayed on the VA PACE program website.

### Required Information

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### Additional Information

- **Select Logo Image**
  - Choose File
  - jpg, jpeg or png file type with a maximum size of 100KB

- **PACE Capital Provider RFQ**
  - Choose File
  - pdf file type with a maximum size of 1MB

### Privacy Statement

© 2019 - Slipstream
THANK YOU!

Contact Information

Virginia PACE Authority

Abby Johnson: 757-603-3555  abby@virginiapace.com
Deb Rosiello: 203-241-5307  deb@virginiapace.com

www.virginiapace.com
@va_pace on Twitter