



Presents

C-PACE financing for Norfolk Chamber of Commerce

May 21, 2020

VIRGINIA PACE AUTHORITY (VPA)

Building the Future with Commercial PACE Financing

Non-profit PACE Program Administrator serving Virginia exclusively:

Current Programs

- Fairfax County, Loudoun County and City of Petersburg
- Awarded Loudoun and Fairfax after competitive bid process
- Low admin fees - 1.25% (max) of total Project Costs; max \$50,000
- Localities can open quickly by riding VPA's existing contract with either Loudoun or Fairfax County

Team

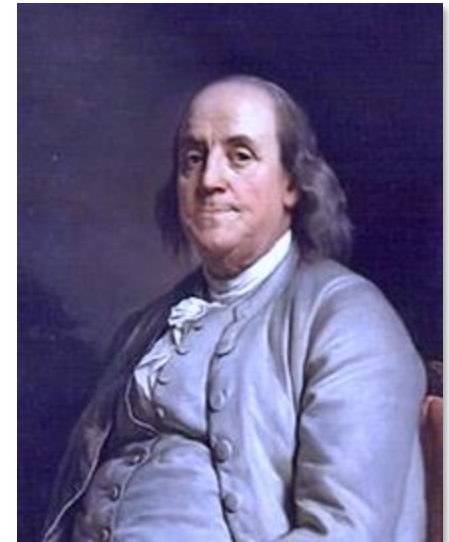
- Abigail Johnson: VPA Founder and Executive Director
- Deb Rosiello and Amy Williams: Marketing/admin support
- Jessa Coleman (PFS-VPA Partner): Biz Dev'p and Servicing



WHAT IS C-PACE?

An Innovative Financing Tool

- Property Assessed Clean Energy is assessment-based financing
- C-PACE stands for Commercial Property Assessed Clean Energy – excludes residential under 5 units; includes all commercial, industrial, agricultural, and vacant land
- C-PACE becomes active when it is enabled at both the state and local levels through enabling legislation; a Virginia statute is already in place
- For most states including Virginia, C-PACE is available for both new construction and existing buildings
- C-PACE is a special assessment enforced like any other property tax or assessment
- C-PACE assessment survives sales, including foreclosures; future assessments are paid by future building owners
- C-PACE is senior to mortgages - but only the past due assessment



Ben created the first assessment district in 1776

WHAT IS C-PACE?

What is C-PACE ? New Applications or Rethinking existing ones



C-PACE is an innovative financing tool that can be used for up to 100% of building costs related to:

Resiliency

Stormwater

Critical infrastructure



. . .also now known as C-PACER

WHAT IS C-PACE?

Resiliency

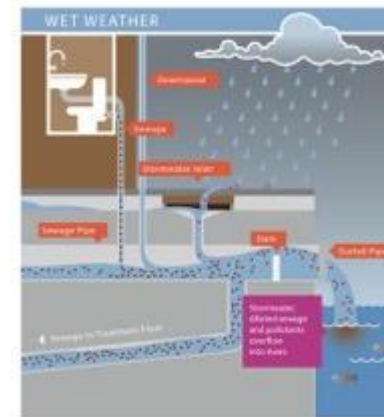
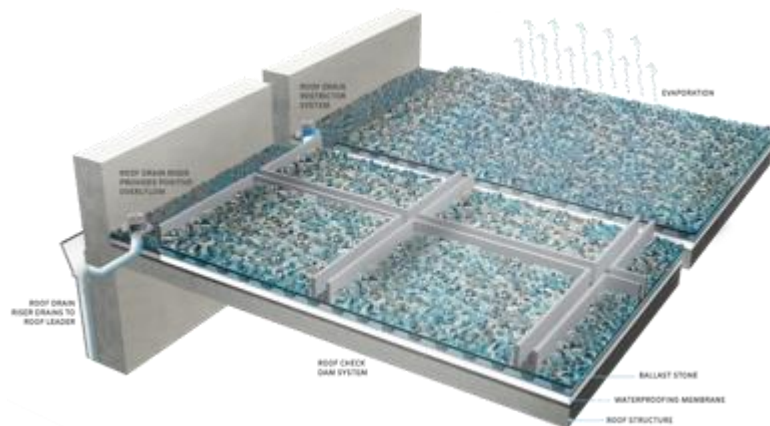
Electricity and Lighting	→	Relocate or protect critical electrical circuitry
Energy Storage/Generation	→	Backup power for critical systems
Elevators	→	Provide backup power source
Envelope and Structure	→	Dry and wetproof building, non-combustible cladding & insulation, Install floating foundations
Envelope and Structure	→	Shutters, impact resistant openings, roof braces
HVAC	→	Raise equipment, upgrade ventilation systems



WHAT IS C-PACE?

Stormwater Management

Porous Pavement	→	Pervious pavement
Subsurface Infiltration	→	Systems that are typically stone filled trenches beneath landscaped or paved areas
Rooftop	→	Blue roofs, green roofs



Source: Wikipedia

WHAT IS C-PACE?

Critical Infrastructure

Catalytic Air Cleaning System → Delivers cleaner air and better indoor air quality

Adiabatic Humidification → Maintains an optimum indoor humidity (40-60%RH)

Rethinking Options for hospitals:

- Improve health and wellbeing through cleaner air
- Maintain optimum humidity, decreasing airborne infections

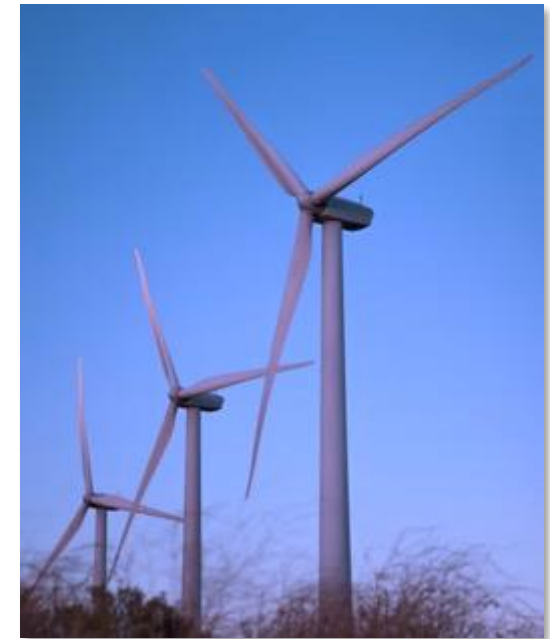


Chinese Hospital - San Francisco, CA

WHAT IS C-PACE IN VIRGINIA?

Innovative Financing Tool

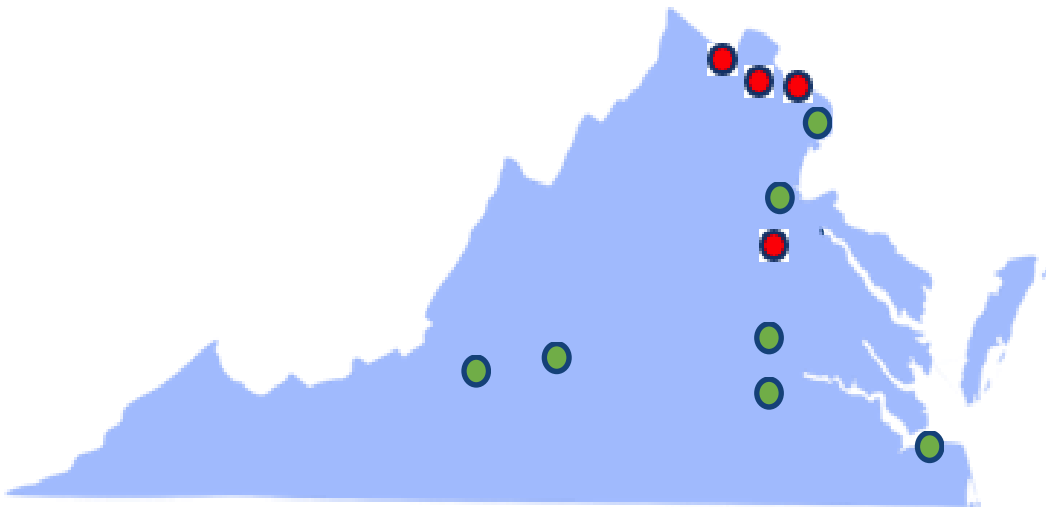
- Virginia law allows C-PACE for all commercial, industrial, 5+ multifamily properties
- Finances 100% of building measures related to:
 - Energy efficiency
 - Renewable energy
 - Water efficiency
 - Resiliency and Stormwater Management
- Provides gap financing for upgrades to existing buildings or replaces a portion of equity or more expensive debt in new construction or gut rehab projects
- In light of the recent Covid-19 pandemic, HVAC equipment and ventilation systems are predicted to be useful upgrades to existing buildings and inclusions for new construction.



WHERE IS C-PACE ?

C-PACE in the Mid-Atlantic Region: Virginia

C-PACE in Virginia under rapid development



● To be active in 2020-2021 ● Active Program

Locality	Status	Program Details
Arlington County	Active	Launched in Jan. 2018, Arlington C-PACE is the first active program in the state. Sustainable Real Estate Solutions (SRS) is the program administrator.
Fredericksburg	Active	Fredericksburg enabling ordinance passed Dec. 2018. City intends to self-administer program initially, and staff considers the program to be active.
Loudoun County	Active	Loudoun County and program administrator Virginia PACE Authority (VPA) launched program in November, 2019 late 2019.
Fairfax County	Active	Fairfax County selected VPA as its program administrator in November, 2019. Program launch anticipated in early 2020.
Petersburg	Active Spring 2020	Ordinance passed on July 3, 2019. City rode Loudoun County's contract with VPA in August. Official opening anticipated April 2020.
Richmond	Ordinance enacted	City Council passed ordinance on November 12, 2019. Program to be launched by mid 2020 per ordinance requirement.
Dumfries	Ordinance enacted	City Council passed ordinance on December 3, 2019. No further info is available regarding if they are issuing an RFP or riding a contract with another locality.
Lynchburg	Ordinance enacted	City Council passed ordinance on December 10, 2019. No further info is available regarding if they are issuing an RFP or riding a contract with another locality.
Alexandria	Ordinance in development	Funding to support ordinance/program development approved April, 2019. launch of program anticipated in mid-2020. Anticipated public comment on ordinance in Spring 2020.
Roanoke	Ordinance in development	Anticipated in next few months
Norfolk	Ordinance in development	Anticipated in next few months
Virginia Beach	Studying PACE	Virginia Beach passed a resolution to study C-PACE for 3 months on May 19, 2020.

WHY C-PACE?

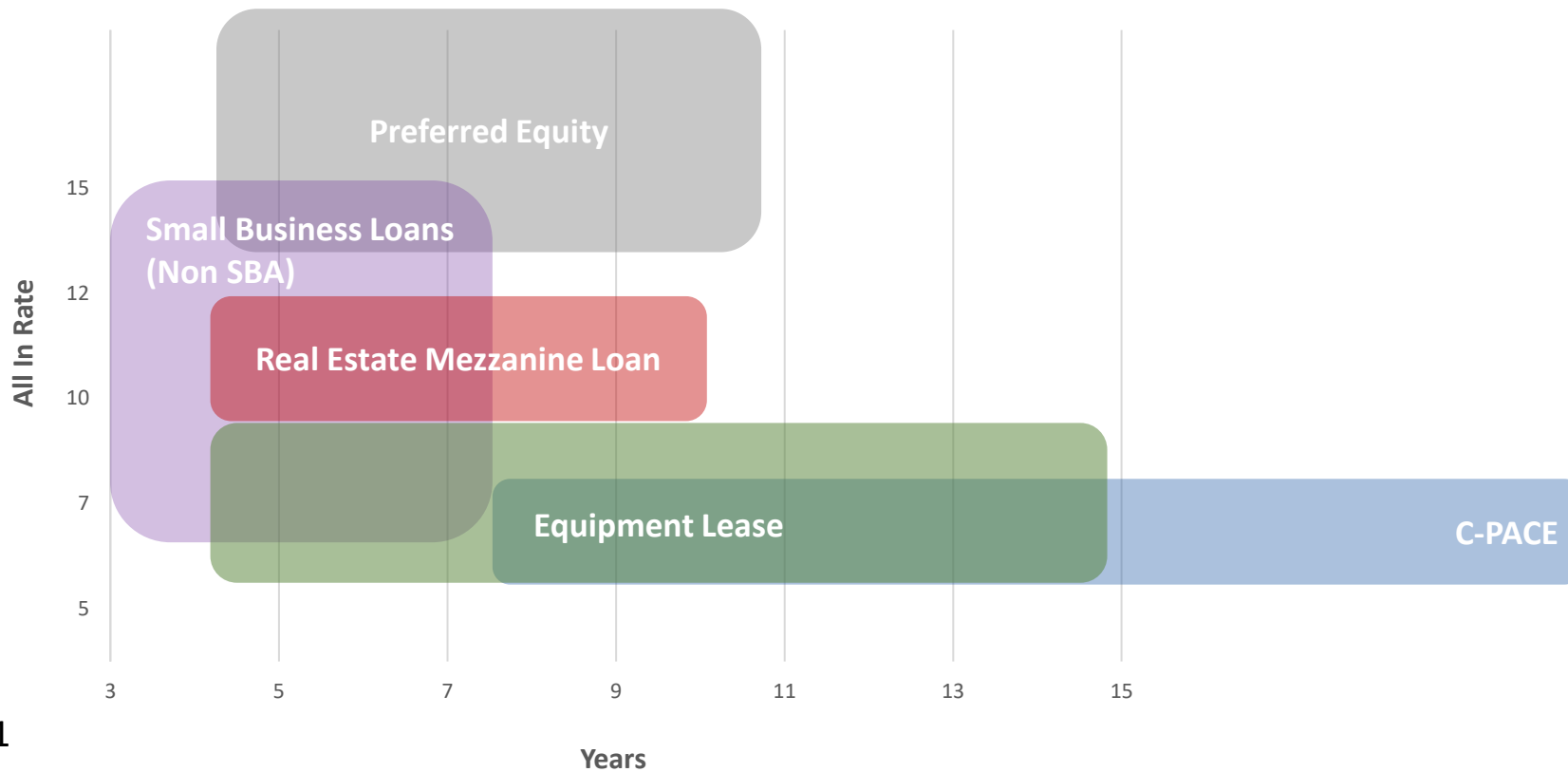
Benefits to Building Owners and Developers (and to their contractors making the sale)

- ✓ **No cash upfront** = projects gets done
- ✓ Long financing terms **reduce** annual payments
- ✓ **Fixed** interest rates provide peace of mind
- ✓ **Solves** split incentive between landlord and tenant
- ✓ **Reduction** in costs – energy, water, flood premiums, stormwater, maintenance, business interruption, etc.

- ✓ Annual energy savings typically **greater** than loan payment
- ✓ **Automatically** transfers to new owner
- ✓ **No** access to personal assets in case of foreclosure
- ✓ Borrower financial wherewithal **less important**
- ✓ Potential **off-balance sheet** treatment

WHY C-PACE?

As Alternative to Other Types of Financing

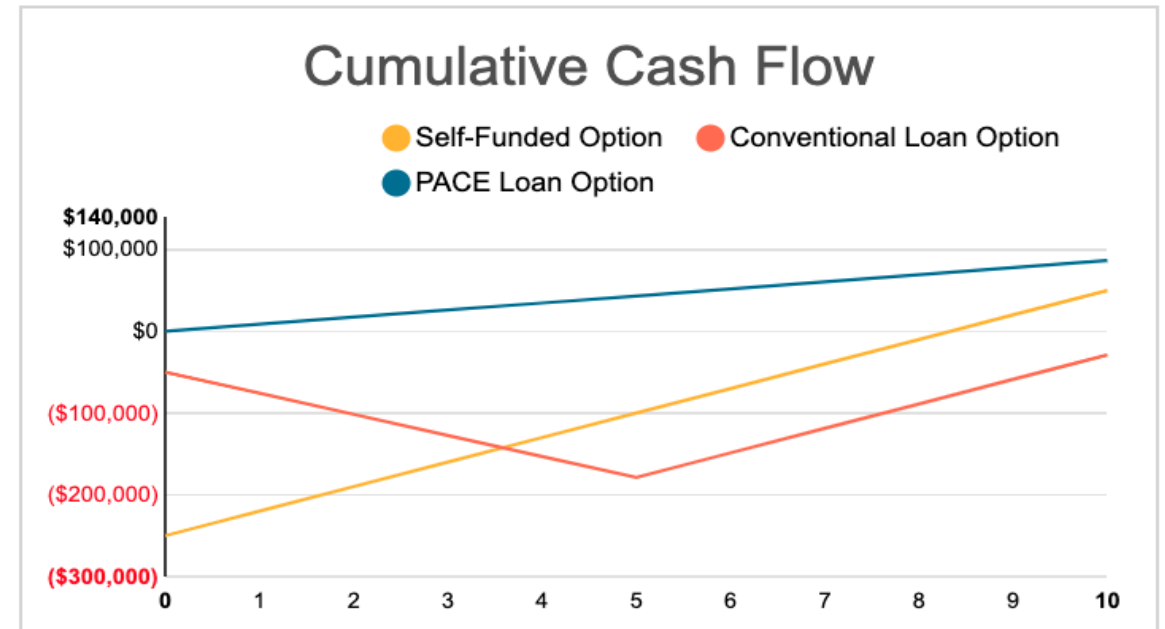


C-PACE
*fixed rate,
non recourse
and non
accelerating*

WHY C-PACE? FINANCIAL CASE FOR C-PACE

\$250,000 loan, 5.75% rate, 20 year term

Summary of Results			
	Self-Funded	Conventional Loan	PACE
Out-of-Pocket Investment	(\$250,000)	(\$50,000)	\$0
Average Annual Savings	\$30,000	\$30,000	\$30,000
Annual Payment	\$0	(\$44,610)	(\$21,356)
Cash Flow Impact Year 1	(\$220,000)	(\$75,763)	\$8,644
Net Project Cash Flow Year 2	(\$190,000)	(\$101,526)	\$17,288
Years to Positive Project Cashflow	8.33	10.96	IMMEDIATE
Debt Service Over Finance Term	\$0	(\$223,052)	(\$427,117)
10-Year Project NPV	(\$29,197)	(\$64,091)	\$63,622
20-Year NPV	\$94,098	\$59,204	\$99,147



WHY C-PACE?

Benefits to Cities and Counties

- ✓ Helps localities meet **economic development** & sustainability goals
- ✓ Encourages redevelopment of existing assets and construction of new ones
- ✓ Increases property tax base and revenue for the locality
- ✓ Creates **more jobs** for local trades
- ✓ Provides financial incentive to prospective developers that **does not fiscally impact the locality**

C-PACE can do all these things...

at NO COST to the locality.

New Construction: Audi Field

Description: 20,000 seat stadium for the D.C. United soccer team required additional investment

Challenge: To unlock additional funds to build the stadium to LEED Gold standards and extend sustainability commitments

Solution: \$25MM of C-PACE funding was integrated into the \$350MM stadium project. C-PACE financing paid for incorporating solar PV, LED field lighting, and aggressive stormwater management measures.

Financing: \$25MM of a \$350MM total project cost

Savings: 25% Energy use reduction anticipated

Measures Financed:

- 884 kW Solar System
- High Efficiency HVAC Systems
- LED Field Lighting
- Insulation
- Site Stormwater Conservation
- Green Roof
- Low Flow Water Fixtures

Case Studies

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

Specialty Use (Solar)



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 over 5 years

Measures Financed:

- 53kW ground mounted solar array

Savings:

- Cash flow positive in first year

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!

House of Worship



St. Paul's English Lutheran Church

Description: Established in April 1843 as the first English speaking Lutheran Church in Washington DC and moved to current location at 4900 Connecticut Avenue NW in 1930. St. Paul's had an aging HVAC system had incurred significant expenses for repair and maintenance. Finally, in the summer of 2016 the compressor motors for the HVAC System failed. The existing system was old and the necessary repairs were likely only a temporary fix.

Financing:

- \$900,000
- 20 year term adjusted every 5 years
- no prepayment penalties

Measures Financed:

- New HVAC system including a central control system to optimize the efficiency

APPLICATION PROCESS

Steps to C-PACE Financing

1

Property Owner (PO)



Identifies contractor



Identifies Capital Provider

2

Property Owner submits application package to VPA



3

VPA reviews and approves project and PO, Capital Provider & Locality sign Tri-Party Agreement



4

Lien recorded, funds remitted to PO or Contractor to begin construction



5

Project is completed and PO makes first semi-annual payment



6

C-PACE loan payments remitted to Capital Provider



THANK YOU!

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