

Commercial Property Assessed Clean Energy Program (C-PACE)

Making Cents of Energy Financing



What is C-PACE?

Commercial Property Assessed Clean Energy (“PACE”) is a public policy initiative created through Section 163.08 of the Florida Statutes to support qualified improvements to real property related to renewable energy, energy conservation/efficiency and wind hardening.

Program Development

2008

State Legislature

- **Reduction of energy** use through **conservation** and **efficiency measures**
- Increased Building **Energy Performance**
- Adopted **energy conservation** planning requirements for local governments

2010

PACE Statute 163.08

- The Legislature found that **properties** improved with “**Qualified Improvements**” receive a **special benefit** and there is a **compelling state interest** in enabling property owners to **voluntarily finance** such improvements with “**Local Government**” assistance

2012

PACE Local Governments

- Initial Local Government was defined as a **County**, or a **municipality**.
- **Separate legal entity** created pursuant to FS 163.01(7)
- Initial **PACE Local Government** Created (4 total)

2013

PACE Assessments

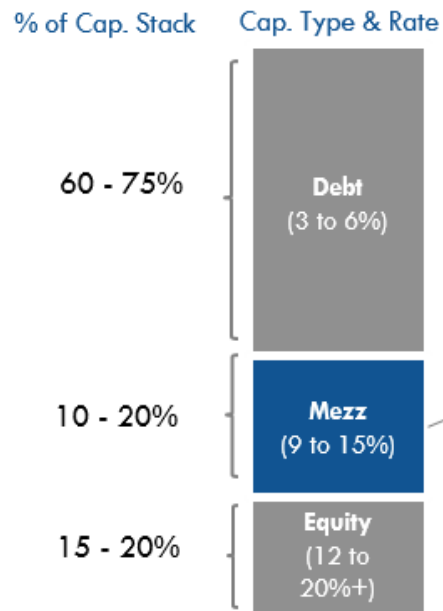
- Initial Assessments levied
- 100+ Commercial PACE Transactions
- \$100M+ Project Amount

Program Features

- Multiple providers
- Private capital as source of funds
- Up to 30% of project
- Repaid by special assessment on tax roll
- Up to 30 years or useful life of products; no balloon
- Non-recourse; Runs with the land, not the borrower
- Expense, not debt
- Stand alone financing or can replace equity or mezzanine loan in capital stack

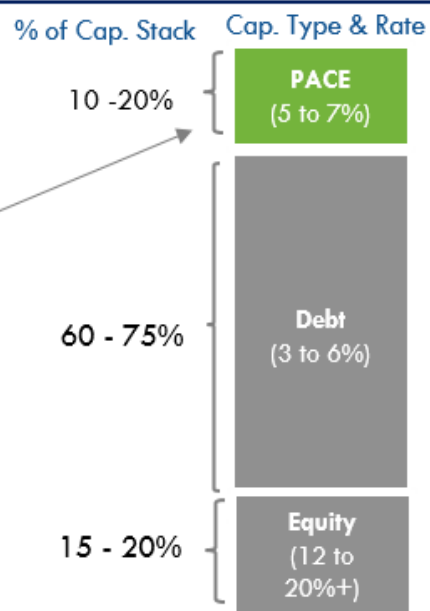


Conventional CRE Capital Stack



BLENDED CAPITAL RATE
8.2%

New CRE Capital Stack with PACE



BLENDED CAPITAL RATE
6.8% to 7.2%

Local Governments

- Agencies/Authorities/Districts created as Local Government under FS 163.08(2)a
 - Adoption of Resolution/Ordinance
 - Interlocal Agreement with County and/or Municipality
- Provide turn-key PACE Program
 - Program Administration
 - Assessment Administration
 - Program Oversight
- Levy and collect the non-ad valorem assessments to fund Qualifying Improvements
 - Services Agreement with Tax Collector and Property Appraiser
 - Similar non-ad valorem assessments include solid waste, drainage and street lighting

Assessments

➤ Lender Notification and Consent

- Lender notification requirement
- Lender consent for projects representing >20% of property value
 - Exception - Energy audit demonstrates energy savings > or = to annual PACE assessment

➤ Assessment Lien Position

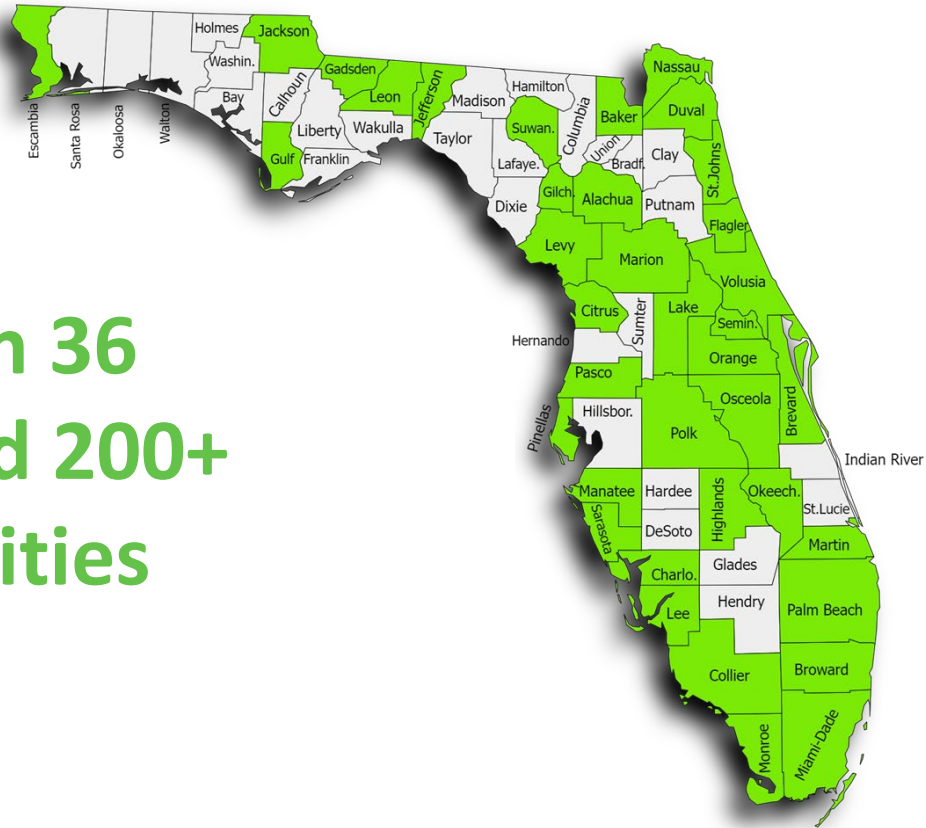
- Senior - Current year assessment
- Junior - Remaining assessment years

➤ Non-Acceleration

- PACE Assessments can not be accelerated
 - Exception - voluntary pre-payment

Program Footprint - Florida

Enabled in 36
Counties and 200+
Municipalities



Financing Process

Project Eligibility

- Eligible Provider
- Determine Project and Building Eligibility
- Determine Eligible Improvements

Project Review

- Provider Underwrites Project
- Sr. Lender Notice/Consent
- Final Assessment Resolution Adopted

Project Closing

- Financing Documents
- Closing/Funding
- Record Lien
- Annual Tax Payment

Eligible Improvements



**A/C or heat
pump upgrades**



**High-efficiency
lighting**



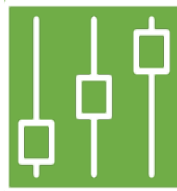
**Solar energy
equipment**



**Hot water
delivery systems**



**High-efficiency
boilers and
furnaces**



**Building energy
management
and controls**



**Building
envelope
improvements**



**Cogeneration,
energy storage
and more!**

Eligible Properties

Commercial Properties



OFFICE



INDUSTRIAL



MULTIFAMILY



RETAIL



HEALTHCARE



HOSPITALITY



NONPROFIT



AGRICULTURAL



MIXED USE

Project Types

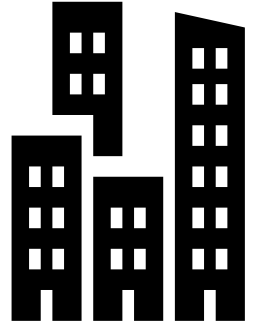
- Renovations
- New Construction
- Adaptive Reuse
- Refinance (36 months)
- Equipment Installation

** Property located in member county*

** Does NOT work for residential (1-4 units)
and government owned properties*

Property Owner Benefits

- ✓ **No Money Out of Pocket:** 100% financing including hard & soft costs
- ✓ **Immediate Savings:** Cash-flow positive from day one
- ✓ **Extends capital budget:** Paid for from operating savings
- ✓ **Long-term financing (25-30yr):** Reduces annual payment
- ✓ **Comprehensive:** Covers broader capital needs
- ✓ **Transferrable:** Assessments are transferable (“run with the land”)



ESCO Benefits

- ✓ **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)
- ✓ **Renewable energy systems** may also be financed, either combined with ECMs or as stand-alone upgrade



Thank You



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