



ELEMENTS OF A WELL-DESIGNED C-PACE STATUTE AND PROGRAM

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www.c-pacealliance.com



A coalition of capital providers and transaction experts committed to achieving the public benefits of C-PACE by increasing the throughput of quality C-PACE financings.

1. Technical assistance to programs
2. Thought leadership (best practices, white papers)
3. Develop / support Program Administration models



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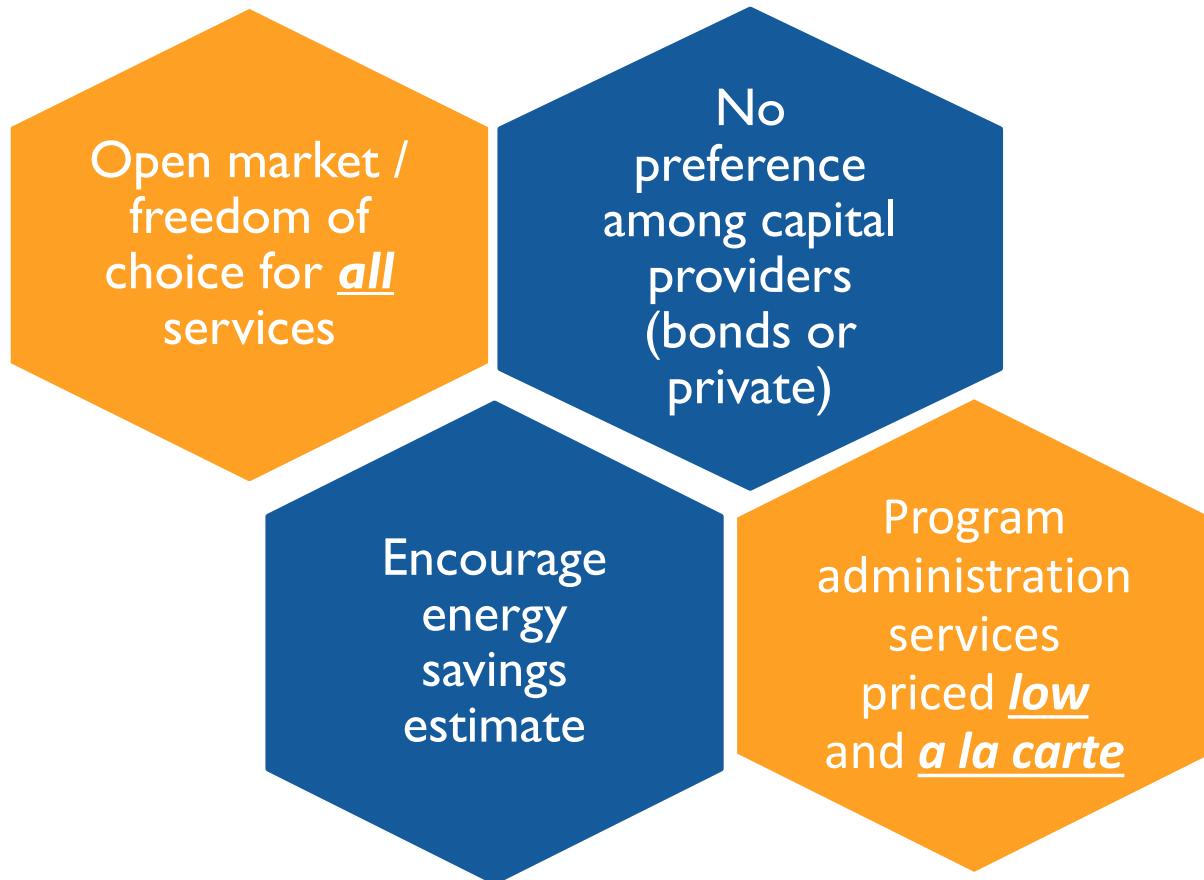
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Steps in Implementing a C-PACE Program



See white paper at www.c-pacealliance.com

Elements in the Statute or Local Ordinance



Elements in the Statute or Local Ordinance

Statewide Consistency

Ideally, encourages consistency via a statewide program that local government may opt into. Possibilities:

- Formal joint powers agreement w/ single PA.
- Informal critical mass of local governments w/ model ordinances and documents.
- Multiple PAs admitted as a group.

Replicability

The PA and policymakers should develop turn-key program (with documents available on its website) that other counties and municipalities can adopt.

Elements in the Statute or Local Ordinance

Strong Credit Security

First and prior
lien on the real
property



Effective *as of*
the funding of a
project, prior to
any construction
period.



May be enforced
by the local
government in
the same manner
as a tax lien
against real
property



Elements in the Statute or Local Ordinance

Mandatory Approval by Mortgage Holder

Consent or acknowledgement, with:

- a description of the financing
- a certification that it does not create an event of default under the mortgage.

Simply giving notice of the financing to senior mortgage holders is not advisable.

Why?

- Protects owner from mortgage default.
- Validates creditworthiness.
- Respects banks and avoids industry-level opposition.
- Lower cost of funds ultimately.

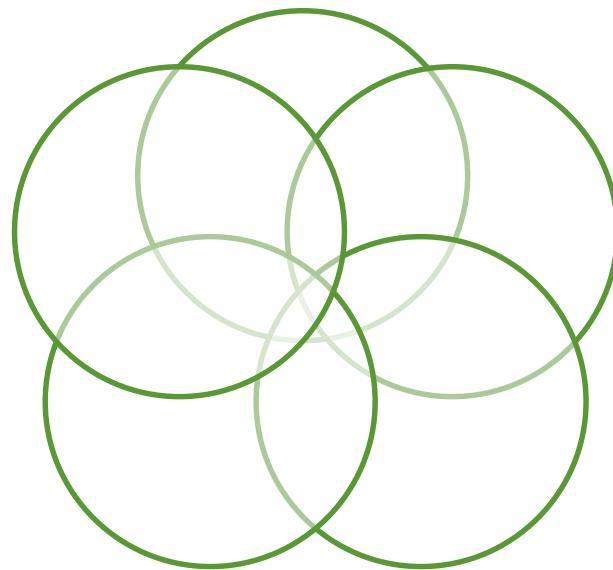
Elements in the Statute or Local Ordinance

Minimum Savings-to-Investment (SIR) Test

Overlooks benefits of resiliency, code compliance, healthier work environments, strategic benefits and tenant retention.

When energy prices are low, an SIR test becomes more difficult.

Adds complexity, time and cost.



For new construction, the energy savings over a hypothetical baseline may not cover the cost of improvements.

If required, “savings” should be a comprehensive and inclusive.

Elements in the Statute or Local Ordinance

Flexibility in Financing Terms

- Term should match the life of the equipment, up to 30 years.
- Include the cost of materials and labor, fees, interest reserves, and all other costs pursuant to the financing and the project.
- Refrain from specifying *financial underwriting* parameters.
- Include renewable energy power purchase agreements or leases as eligible.

Best Practices in Program Administration

Clarity of Roles

Program Administrator	Capital Providers
Coordinate the design of program rules	Cultivate financing opportunities and provide capital at competitive rates
Certify projects predictably and efficiently	Underwrite projects consistently and efficiently
Manage and promote the program	Coordinate with PAs in the approval, closing and collection process

Best Practices in Program Administration

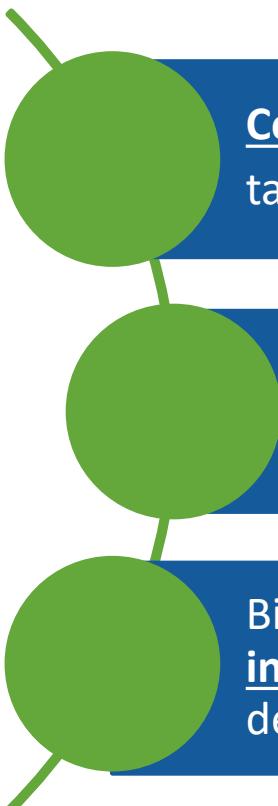
Billing: Identifies the government official and tax assessor who collects assessments without personal liability. Alternatively, allows the Capital Provider to bill and collect from the Owner directly.

Partial payment of property taxes: Not permitted unless it is a voluntary prepayment.

Clear rules on handling of funds: Ensure that funds will not be lost, stolen or displaced. If not direct-billed by CP, payments should be made into a controlled lock-box, with a third-party firm ensuring proper flow-through of payments.

Best Practices in *Program Administration*

Billing & Collecting



County performs the billing/collecting along with ordinary property taxes. Enforcement by county pursuant to clear rules.

Remittance period: The time from receipt of tax payments to payment of CP should be minimized (<30 days) and reliable.

Billing/servicing not performed by CP or county should involve **strong institution with full disclosure of contracts** including clear rules of default and remedies.

Best Practices in Program Administration

Procedures for Delinquencies and Foreclosures

Capital providers expect clarity on:

- curing delinquencies;
- the foreclosure (or tax certificate sale) process to enforce the assessment with minimal delay.

Allows the right to pursue remedies to be assigned to the Capital Provider.

Publish a program handbook describing the collection and foreclosure processes and timelines

Best Practices in Program Administration

Program Administration Fees

- Should be reasonable considering the size and maturity of the market.
- High fees discourage property owners.
- Successful programs operate with low administration fees, capped per-transaction (One percent or less, with per-transaction caps of <\$75,000).
- Annual service charges should be discouraged or absolutely minimal.
- PAs typically need financial support to cover staff costs until the transaction volume is sufficient to offset these expenses.

Marketing, Education & Training

C-PACE Alliance recommends a modest marketing budget in order to keep fees as low as possible.

Message: C-PACE is an *financing tool* that promotes the adoption of renewable energy and efficiency projects

MARKETING:
General Awareness of C-PACE

EDUCATION:
Seminars, panels and public speaking

TRAINING:
energy savings analysts or project developers who attended a session



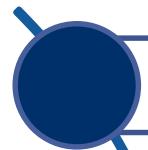
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Appendix: What are our common goals?



Energy efficiency and more renewable energy

Public interest improvements: seismic retrofits, storm resiliency measures, and water efficiency

Transparency and simplicity

Long-term, lower-cost financing

Local economic development

High usage of C-PACE

Appendix: Goals



Core Principles

1. Engage stakeholders and consider best practices

2. Continuously collaborate on design

3. Encourage open markets and freedom of choice for all services

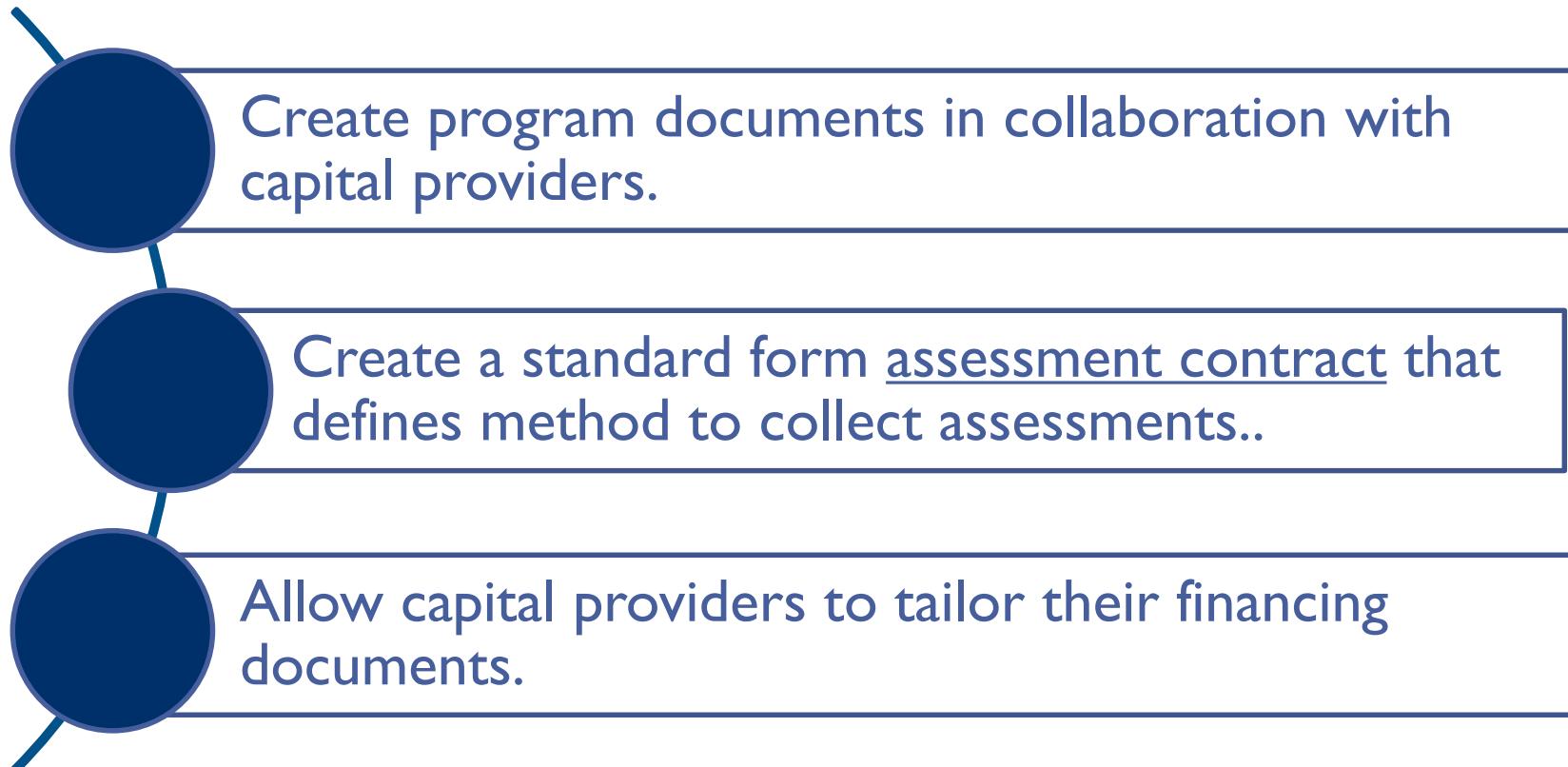
4. Policymakers should support and guide local governments: consistency matters!

5. Converge toward standards, especially for the creation of a secondary market



Appendix: Best Practices in *Program Administration*

Drafting Documents

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- Create program documents in collaboration with capital providers.
 - Create a standard form assessment contract that defines method to collect assessments..
 - Allow capital providers to tailor their financing documents.

Appendix

Certification of Project Compliance:

The PA or the local unit of government should provide a written statement on request that the C-PACE financing for a particular property meets the program requirements.

Appendix

Underwriting by Capital Providers:

Allows Capital Providers to perform the financial underwriting to confirm the Property Owner's ability to repay the assessments. PAs should not do any financial underwriting, because it duplicates the Capital Providers' work with no marginal benefit.

Appendix

Efficient Closing Process:

Predictable, transparent and efficient. The closing process must also be in a proper order for Capital Providers, for example, the tax assessment must be in place before (or contemporaneously with) the project's funding.

Most Capital Providers transfer the C-PACE financing to a secondary institutional investor after closing, so a smooth transfer process is also important.

Appendix

Property Owner's Satisfaction with the Work of Third Parties: A program should acknowledge that Property Owners are solely responsible for the selection of contractors and any other third parties involved in completing their projects.

Continuous Improvement: Periodically review the process to submit applications, determine program eligibility, and obtain approvals. Contracts with PAs should specify acceptable service levels.