



Commercial Property Assessed Clean Energy (C-PACE)

City Council
November 10, 2020

What is C-PACE?

Program offering innovative, alternative financing for energy efficiency, water efficiency, renewable energy, stormwater management, and resiliency systems in existing commercial, multifamily, non-profit & industrial properties and new construction of same property types

- Voluntary, special-assessment tax lien
- Long term (up to 20+ years)
- Lowers energy and water costs
- Competitively sourced Third-party financing
- No personal guarantees
- Non-accelerating
- Combine with utility, tax, and economic development incentives
- Transferable payment obligation (akin to sewer assessment)
- Funds hard and soft costs

Why is C-PACE Important?

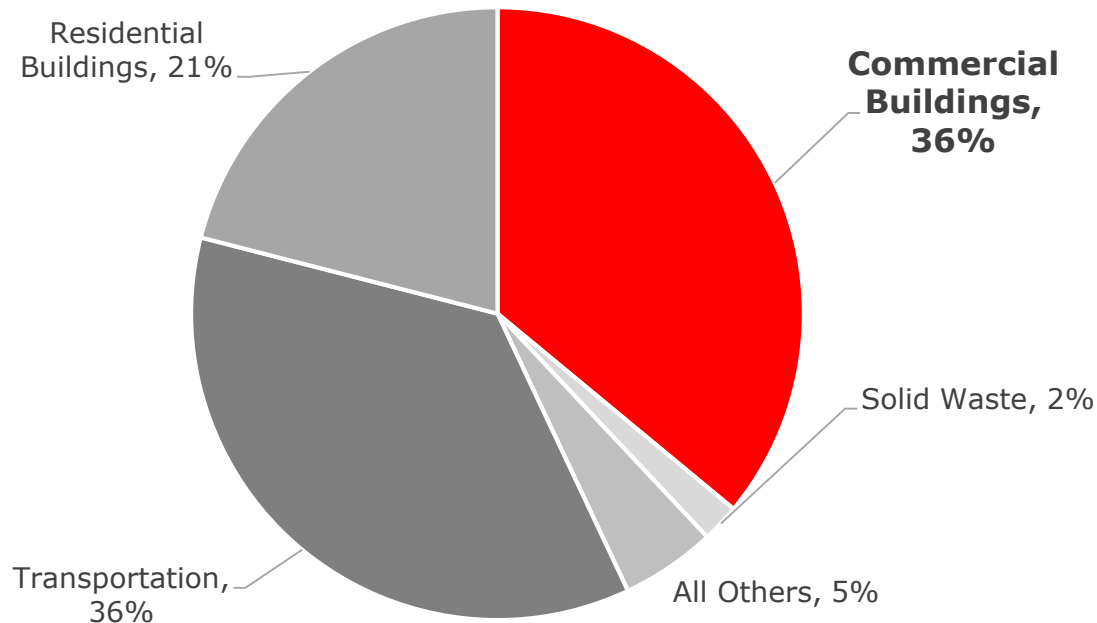
- Supports commercial, industrial, multi-family, and non-profit properties' investment in energy efficiency, water efficiency, renewable energy, stormwater management, and resiliency

Existing Buildings	New Construction
<ul style="list-style-type: none">✓ Upgrade existing energy and water systems✓ No Money Out of Pocket (up to 100% financing)✓ Immediate savings (may be cash-flow positive day 1)✓ C-PACE commonly used on class B & C properties	<ul style="list-style-type: none">✓ Construct high performance buildings✓ Finance a portion of project costs (e.g., up to 20%)✓ Lower WACC, increase ROE, fill gap✓ Avoid value engineering

Why is C-PACE Important?

- Environmental Action Plan 2040 Community Energy Action Item
- Support's Alexandria's greenhouse gas emission reductions
- Supports 2019 Green Building Policy goals

Carbon dioxide equivalent Emissions from the City's 2015 GHG Inventory



What's Eligible?

- **Eligible Property Types (C&I)**
 - Office
 - Retail
 - Hotel
 - Multifamily (5+ units)
 - Industrial
 - Healthcare
 - Non-profit / Institutional
- **Non-Eligible Property Type**
 - Condominiums
- **Eligible Improvements (examples)**
 - Automated building controls
 - Boilers, chillers & furnaces
 - Building envelope (insulation, windows)
 - Combined heat & power (CHP)
 - Water conservation
 - High efficiency lighting
 - Hot water heating systems
 - HVAC upgrades, VRF installs, controls
 - Solar PV systems, incl. roof upgrades
 - Pumps, motors, drives
 - Electric Vehicle Charging Infrastructure
 - Stormwater & Resiliency



C-PACE Program Structure

- Third-Party Program Administrator (PA) works with City to develop program
- PA provides outreach, marketing, training, tools, and project development support to facilitate successful loans
- Property Owner works with PA to assess and develop project and obtain competitively-sourced loan from Third-Party Qualified Capital Provider (CP)
- Property Owner repays loan via “C-PACE special assessment” billed and collected by CP, including fees for PA and CP. The City does not pay any fees or fund C-PACE projects.
- VA law requires Property Owner to receive mortgage holder consent



Hypothetical Examples

	Notes	Example Project 1	Example Project 2
Project Costs			
Direct Cost	(Engineering, Design, Implementation)	\$ 1,000,000	\$ 100,000
Addt Project Costs	(i.e. Energy Audit, title report, etc.)	\$ 11,200	\$ 11,200
Total Project Costs		\$ 1,011,200	\$ 111,200
Fees			
Fees	Program Admin, Capital	\$ 21,791.00	\$ 3,709.00
Total Project Fees		\$ 21,791.00	\$ 3,709.00
C-PACE Loan			
Total C-PACE Loan	Including Capitalized Interest	\$ 1,038,156	\$ 115,484
C-PACE Loan Repayment			
Annual C-PACE Loan Repayment	Assume - Interest Rate 6%, Amortization	\$ (90,511)	\$ (10,068)
Service Fee (if applicable)		\$ (1,358)	\$ (330)
Total C-PACE Loan Annual Repayment		\$ (91,869)	\$ (10,398)
Projected Annual Savings (Minimum)	Goal is a Savings-to-Investment (SIR) > 1	> \$92,000	> \$10,400