







— Demystifying C-PACE

How to successfully leverage C-PACE financing for green infrastructure improvements




— Demystifying C-PACE

Panelists:


			
Katie Leesman Ballard Spahr LLP	Lisa Shulock Philadelphia Energy Authority	Molly Skilton Citizens Bank	Shelah Wallace Nuveen

40




C-PACE

Lisa Shulock
Director, Commercial Programs
Philadelphia Energy Authority



PHILADELPHIA
ENERGY AUTHORITY

COMMERCIAL PROPERTY-ASSESSED CLEAN ENERGY FINANCING

Philadelphia **C-PACE**


PhiladelphiaCPACE.org



What is C-PACE?

42

It's a
financing tool
that provides
long-term
funding for
projects.

- Energy efficiency
- Renewable energy
- Water conservation
- Resiliency
- Indoor air quality

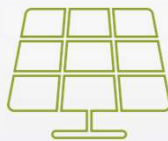
43

Eligible Project Measures



Energy Efficiency

- HVAC upgrades
- Building controls
- LED lighting
- Green roofs



Renewable Energy

- Solar
- Fuel cells
- Other renewable generation facilities



Water Conservation

- High-efficiency equipment
- Condensate water reuse
- Low-flow fixtures



Indoor Air Quality



Resiliency

May include seismic strengthening, stormwater management projects, etc.

44

Financing is
based on a
**special
assessment.**

- Similar to a property tax assessment
- Based solely on the value of the asset and energy improvements (not the owner's credit)
- Does not require guarantees

45

**Why use C-PACE
for a project?**

46



1

It covers up to 100% of the borrower's hard and soft costs.

This limits upfront cash needed for projects.

47



2

It has a fixed-rate term of up to 30 years.

In a volatile interest rate environment, financing is stable and matches project payback period.

48

3

C-PACE is attached to the property and not the owner.

If the building is sold, the loan's term doesn't accelerate as a result of the sale.

49

4

It's cheaper than many other financing options.

With C-PACE's low-risk position in the capital stack, it can drive down the cost of construction.

50

5

Energy and water savings often exceed the repayment amount.

This creates positive net operating income for the borrower.

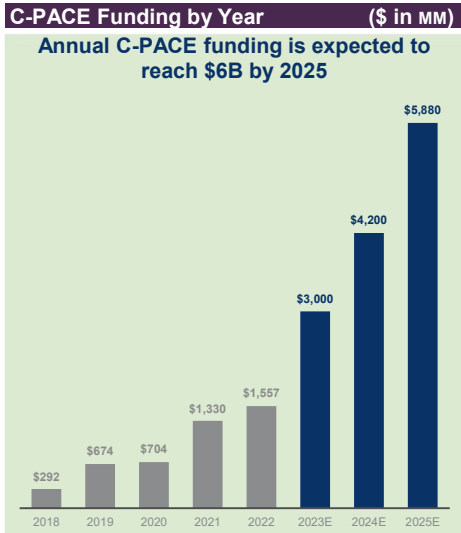
51

6

C-PACE enables property owners to meet increasingly stringent building codes.

52

C-PACE Growth



Growth Drivers

✓ Expanding C-PACE Availability

The number of jurisdictions with C-PACE enabling legislation has grown from 7 to 32 states plus the District of Colombia from 2015 to 2023. Key new markets include Boston, Chicago, New York City, and Las Vegas.

✓ Local Energy Efficiency Requirements Driving Greater Penetration

Regulatory directives such as Local Law 97 drive growth in demand for energy efficiency upgrades across major markets

✓ CRE Market Volatility Increases Attractiveness of C-PACE

Volatility in the commercial real estate market opens a new opportunity for C-PACE as banks reduce their lending

✓ Growing Understanding and Acceptance of Product

Acceptance of C-PACE continues to grow among both lenders and developers

✓ Cost Effective

C-PACE financing is lower cost than senior debt while property enhancements and features result in lower operational costs

Borrowed from PACE Equity

53

Current Trends – Why Owners are Turning to C-PACE

- Challenging lending environment
- Gap Filling Capital for Equity/Debt
- Funding to Ensure Project Sustainability Goals are Met
- Cost Overrun Funding
- Financing for ESG/Carbon Mandates
- Interest Rate Hedging
- Bridge to Stabilization

54

Eligible Project Types in most Markets

Existing Building Retrofits

Replacement, refurbishment or new installation of all measures from "Eligible Measures"



123 S. Broad St. Units 1 & 2
 \$4.1MM financing
 Energy & Water Measures

New Construction/Gut Rehab

All measures from "Eligible Measures" that help the building exceed code



Somerset Station
 \$17.9MM new construction financing
 Energy & Water Measures

Refinancing with C-PAGE

All measures from "Eligible Measures" for projects completed within past 730 days



The Met
 \$6MM retroactive financing
 Energy & Water Measures

55

New Construction: Somerset Station

Property Type: Multifamily

Financing Amount: \$17,914,777

Rate and Term: 6.7%, 30 years

Close Date: 2/10/2023

Building Measures: Building envelope, HVAC, lighting, domestic hot water

Environmental Impact: 26% more efficient than required by Philadelphia's building energy code; reduction of the building's total lifetime carbon footprint by 22,620 metric tons of CO2 equivalent

Neighborhood: Kensington/Port Richmond



Property Owner: Riverwards Group



Capital Provider: Nuveen Green Capital



Qualified Engineer: EE Consultants LLC



Senior Lender: Citizens Bank

56

56