

# Financing Energy Efficiency & Resilience in Underserved Communities

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# WHAT IS PACE?



*PACE in 90 Seconds Video*



# HOW DOES A PACE DEAL START?



*A Property Owner with a Project... And a Contractor*





# WHAT MAKES A PACE DEAL WORK?

*Someone to Fund the Project*



# WHAT MAKES A PACE DEAL WORK?

*Local Government and a Program Administrator to Approve the Project and “Service” the Financing*



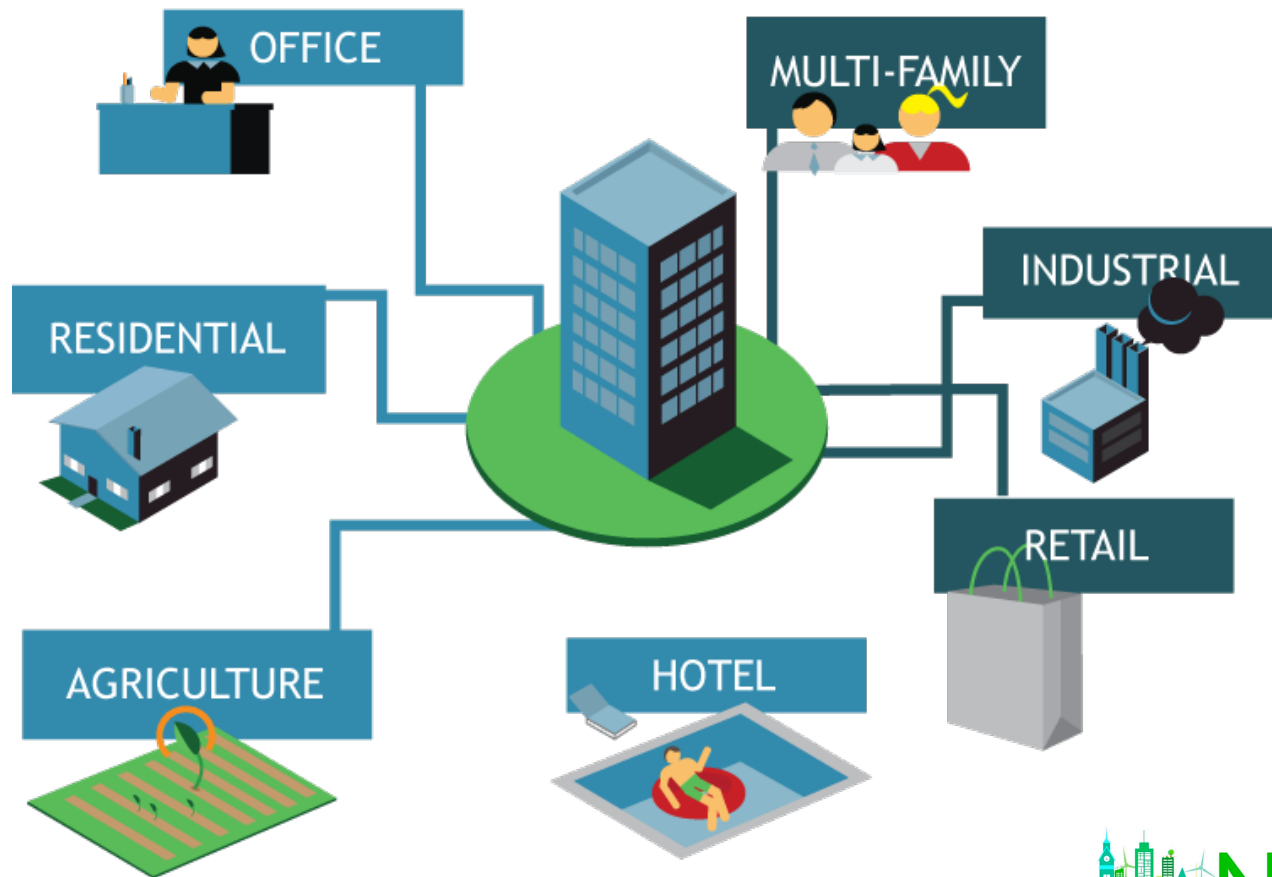
## HOW IS THE COST RECOVERED?

*Building Owner Repays the Assessment to the Municipality, which Repays the Investor(s) via a Trustee*



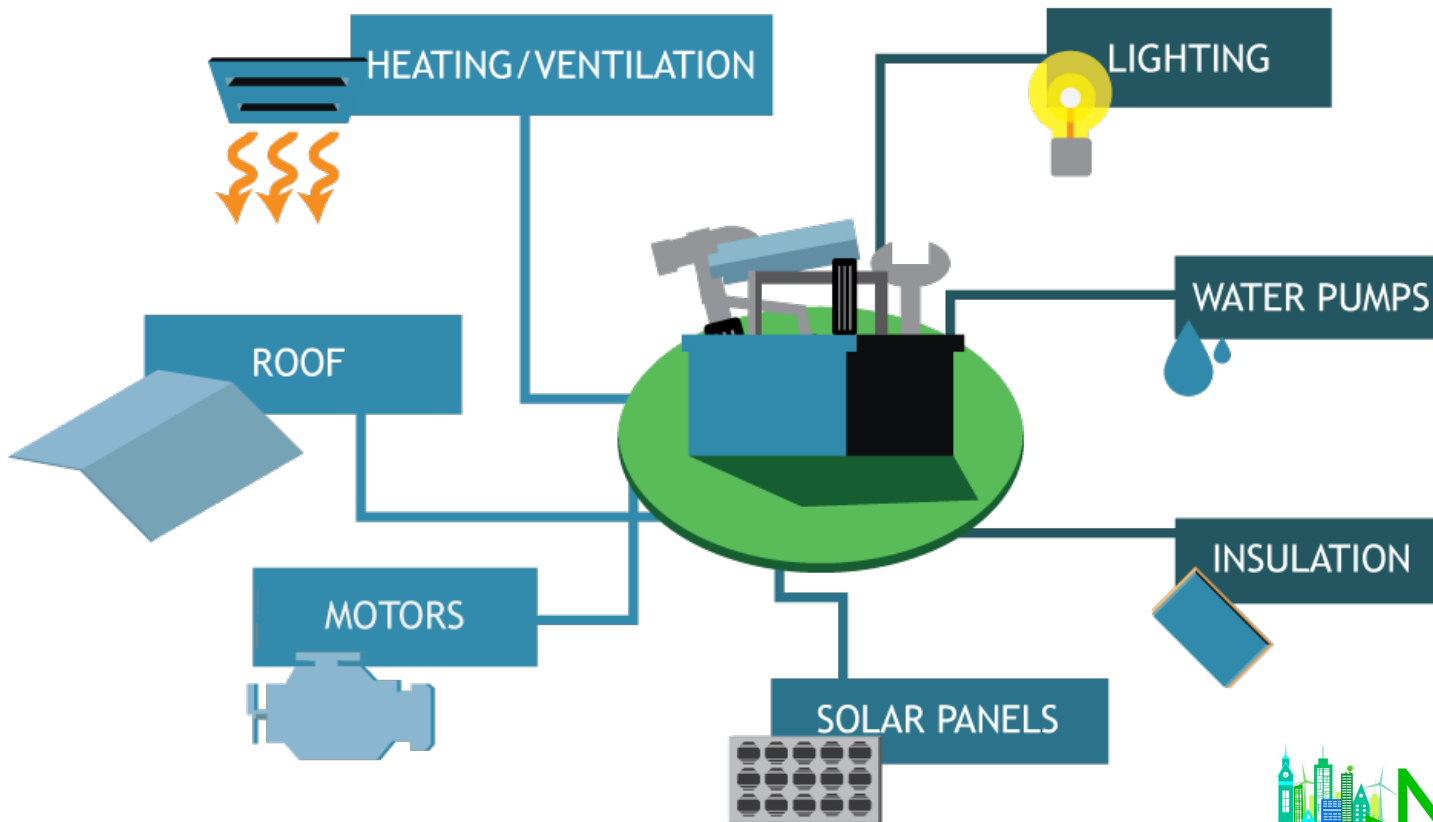
## WHO CAN USE PACE?

*Almost Any Property Owner — including All These plus Single-Family Residential*



## WHAT CAN PACE BE USED FOR?

*Projects that Conserve or Generate Clean Energy — and in NJ, Hurricane-Resistant Construction, Flood Proofing, Shelters, and Water Conservation*

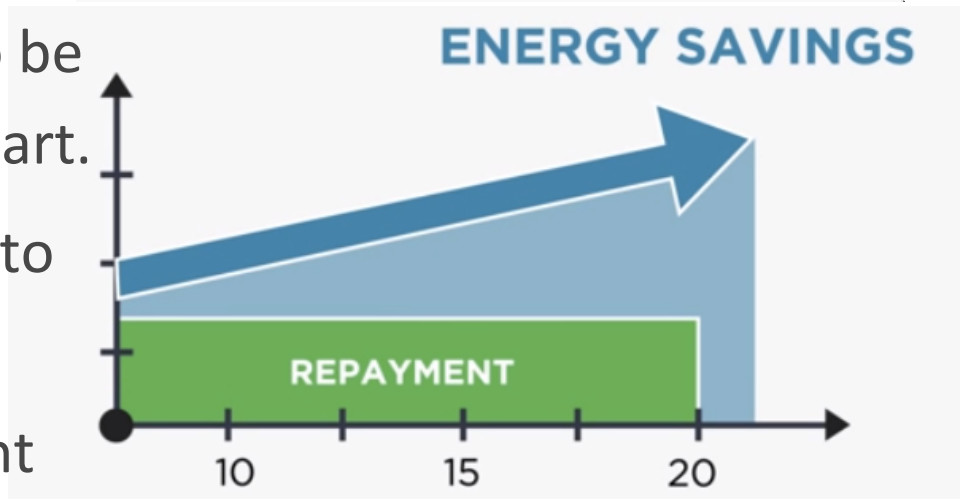
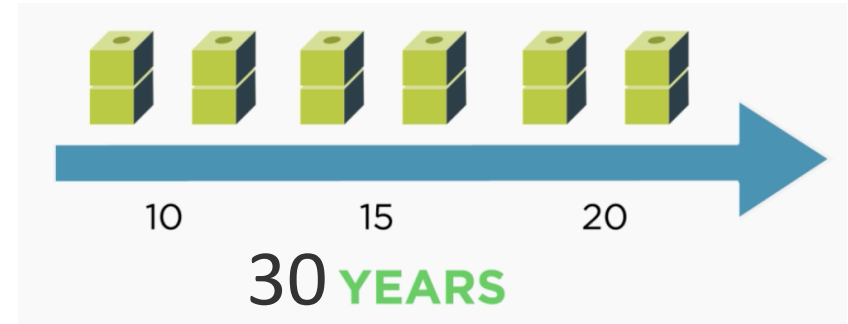




# WHAT MAKES PACE ATTRACTIVE TO BUILDING OWNERS?

## Key Features

- Long Term Repayment
- Makes Long Payback Projects Work
- Energy projects = designed to be cash flow positive from the start.
- PACE automatically transfers to new owner upon sale
- Eliminates the landlord/tenant split incentive



# PACE BENEFITS – EVERYONE WINS

Owner	Capital Provider	Mortgage Holder	Municipality	People
100% financing, No upfront cost	Assessment is a secure asset	↑Asset value, collateral	Costs reimbursed	Jobs
Saves money immediately	New asset class, better returns	Improves owners cash flow	Attract/retain ratables, competitiveness	Reduced carbon pollution
↑Asset Value, NOI	Can be securitized		Jobs	↑Upgrades building stock/ Community
Assessment can be shared with tenants, and transfers on sale			↑Sustainability	



## WHO WE ARE AND WHAT OUR ROLE IS

*The Center for Regenerative Community Solutions, a NJ 501(c)(3) Nonprofit*

- Providing local communities with educational services on the effects of climate change and other related issues that can affect their long term ability to regenerate their ecological and economic systems,
- Providing local government institutions with assistance to undertake actions and initiatives to reduce and ameliorate present and expected extreme weather and other climate change effects,
- Providing small businesses and non-profit organizations with funding to undertake actions and initiatives to reduce and ameliorate present and expected climate change effects in low and moderate-income communities, including communities impacted by Hurricane Sandy.



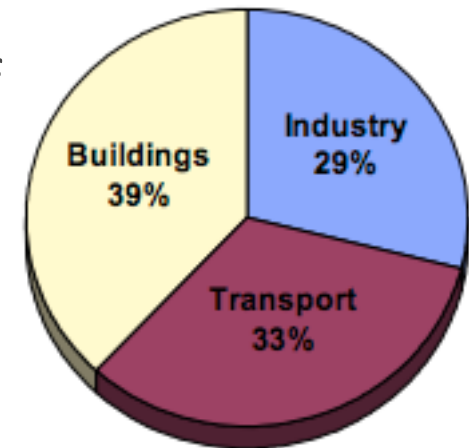
# WHY NEW JERSEY PACE?

*New Jersey PACE is a DBA and a Program of CRCs*

➤ Our Main Initiative Today – Carbon Reduction and Storm Resiliency through PACE

- Buildings and Industry Account for 68% of all Carbon Emissions
- Buildings Consume 70% of the Electricity Load

**CO<sub>2</sub> Emissions from Fossil Fuels**



- Most Impacted Businesses Can't Build Back Better
- Financing is the Greatest Bottleneck in Improving Buildings and Communities



## NEW JERSEY'S LEGISLATION

### *Where Things Stand Today*

- Original NJ PACE Law Signed 2012
- Like Most States, NJ Statute Needed Amending
- NJPACE Led Advocacy Efforts for 3 Years
- Amending Legislation Passed with Large Bipartisan Majorities, at the end of June 2015
- Awaiting Governor's Signature



# WHAT'S IN THE NEW LEGISLATION

## *Key Elements of A2579 / S1510*

- Private Financing Allowed, along with Bonds
- Removes DLGS Role in “Approving” Programs
- Adds Resiliency Improvements
  - Storm protection
    - flood-proofing
    - wind protection
    - safe rooms and shelters
  - Water conservation
    - green roofs
    - low-flow plumbing
    - rain gardens



# KEY STEPS IN THE PACE PROCESS

## *How PACE will Work in New Jersey*

- Municipality Passes Ordinance to Establish a PACE Program and Selects One or More PACE Administrators
  - —in some cases in partnership with counties
- Contractor, Consultant (“Project Originator”) or Property Owner Submits Project to PACE Administrator
  - Multiple Reviews – Engineering, Financial, Commercial Mortgage Lender Approval, Investor, Municipality
- Municipality Registers Special Assessment with County
- Financing is Provided to Contractor in Stages
- Project is Completed and Commissioned
- Financing is Repaid through Property Tax System



# SINGLE FAMILY RESIDENTIAL VS. COMMERCIAL/INDUSTRIAL

## *What Counts as “Residential”*

- Residential PACE started in 2007 in Berkeley
- Biden 2009 Announcement “Recovery through Retrofit”
  - <https://www.youtube.com/watch?v=2mbYjaEx3jo>
- Federal Finance Housing Authority (FHFA) ruling
- Court Battles with FHFA Unsuccessful
- Commercial PACE Emerges — C&I, institutional (Churches, Hospitals, Schools & Universities), Agricultural, and Multifamily
- Status of Residential PACE Nationally and in NJ
- Residential Explicitly Included in New Jersey (1<sup>st</sup> since 2010)





# NEW JERSEY PACE ROLE

## *What We Provide*

- Advocacy and Policy Development
- A Safe, Trusted Open-Access Platform with Competitive Rates
- Outreach and Education to Maximize PACE Benefits for All of NJ
- Community Engagement including Revitalization
- Program Administration, Project Approval
- Financing through our For-Profit Arm
- Monitoring, Data Repository, Comparative Studies



# SOME EXAMPLES OF WHAT'S POSSIBLE

## How PACE is Being Used in Other States

- Single-Family Residential Projects Now Outnumbering Commercial, in #s and Total \$

Estimated Residential Market

Estimated Commercial Market

42000

Number of Projects

860

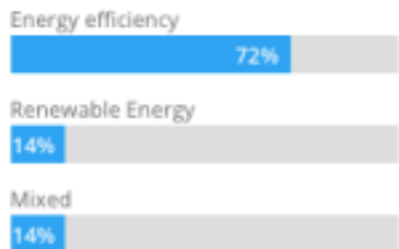
\$, millions

335

Number of Projects

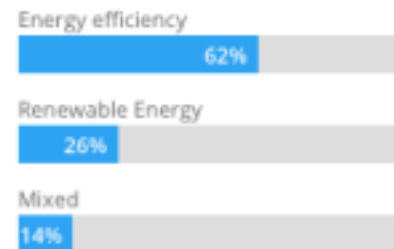
123

\$, millions



10320

Jobs Created



1620

Jobs Created

Source: PACENow.org



# MUNICIPAL OPPORTUNITIES THROUGH PACE

## *Uses in Underserved Communities*

- Establish Special Assessments for Public Good
  - Revitalize Downtowns
  - Restore Abandoned / Under-Utilized properties
  - Engage business and community leaders
  - Improve the Environment
  - Encourage Resilience and Regenerative Design
- “Troubled” or “Distressed” Communities Must Use Counties or County Improvement Authorities to Manage their Programs



# CASE STUDY:

## *Affordable Multifamily Uses PACE in D.C.*

### ■ The Challenge

An affordable multifamily housing property located in Southwestern DC required an energy efficiency upgrade. Built 7 years ago, this building houses low income tenants. The building manager was looking for opportunities to save money without adding additional debt. This property is part of HOPE VI program administered by the US Department of Housing and Urban Development (HUD). Units within the building are individually metered and the tenants' electricity bills are subsidized through the HUD utility allowance program. Project goals included:

- Improve overall building performance
- Reduce energy costs
- Reduce operating costs

### ■ The Solution

PACE financing was especially attractive for this market segment because the property tax assessment repayment mechanism can be accounted for as an operating expense and not debt. Property manager immediately recognized the advantages of PACE. While the initial interest was in solar only, dialogue with DCPACE program staff expanded the scope of improvements to include a number of energy efficiency measures, such as lighting improvements and control system. The following characteristics of PACE were especially appealing to the property owner:

- Tax-assessment nature of PACE financing
- Zero up-front cash investment
- Immediate positive cash flow



#### PACE in DC

DC PACE program provides the capital necessary to make critical building upgrades that increase cash flow and future-proof your asset.



## CASE STUDY:

### *Teamsters' meeting hall nears zero energy use*

#### **The Challenge**

The International Brotherhood of Teamsters, one of the world's largest labor unions, took advantage of PACE financing to save money and make its local hall more sustainable.

The Teamsters' Local 848 meeting hall is located in Long Beach, California. Local 848 represents over 7,000 blue and white collar professional workers who attend monthly meetings at the Long Beach hall. Monthly energy bills for this 2 story and 16,500 square foot office building averaged \$2,500. The Teamsters recognized that the building could benefit from some energy efficiency and renewable energy upgrades. The Los Angeles County PACE program helped identify the following goals for this project:

- Improve overall building performance
- Reduce energy and operating costs
- Make necessary energy efficiency and renewable energy upgrades
- Reduce greenhouse gas emissions

#### **The Solution**

Teamsters Local 848 is located in LA County and was able to draw on the County's team of finance and project development experts, including ReNewAll, a PACE project developer for the LA County PACE program. The LA County PACE program allows local property owners to leverage the up-front private-sector capital to make their buildings more energy efficient.



#### **PACE in Los Angeles**

The LA County PACE program offers 100% financing to eligible commercial, industrial and multi-family property owners for on-site energy efficiency, renewable energy and water-saving improvements that enhance a building's value while lowering greenhouse gas emissions.



# CASE STUDY:

## *Funding upgrades to industrial properties with PACE*

### ■ The Challenge

Two industrial properties in Fresno, CA are taking advantage of PACE retrofit funding arranged by Figtree Financing, a California based clean energy financing company. The buildings house the industrial and corporate branches of a small business, Pacific Coast Anodizing Inc., that specializes in an electrochemical process of forming an anodic oxide coating to aluminum. The facilities totaling over 12 thousand square feet were built in the 1970s and 80s and would benefit from an upgrade. The building owner identified the following reasons for the project:

- Replace outdated mechanical equipment, specifically chiller and HVAC units
- Reduce costs and maintain uninterrupted business operations

### ■ The Solution

The City of Fresno was the first large city to join Figtree's extensive service area in California, which now includes 46 municipalities and is growing. Fresno property owners can choose to enter into voluntary contractual assessments to pay for energy efficiency, renewable energy, or water conservation improvements over a period of 20 years. Figtree provides 100% financing with a fixed interest rate repaid along with annual property taxes and assessments. Figtree's PACE program fits well within Sustainable Fresno, the city's comprehensive long-term sustainability plan. The following aspects of PACE financing attracted the building owner:

- Zero up-front cash investment
- 20 year financing
- Preservation of traditional bank credit and cash for working capital
- PACE assessment stays with the property upon sale.



### Figtree Financing

The Figtree PACE program provides no money down PACE financing to help commercial and residential property owners improve their properties and lower their utility bills with energy efficiency, renewable energy and water conservation upgrades.



## GETTING ALL SECTORS ONBOARD

### *Serving LMI, Climate-Impacted, Underserved Areas*

- Resiliency in Disadvantaged Neighborhoods
- Inadequate Public-Sector Response
- Strengthening Self-Sufficiency and Autonomy
- Community Shelters
- Energy Microgrids
- Community Solar
- Reducing Carbon and Other Pollution
- Keeping the Money Local



# QUESTIONS & DISCUSSION

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