

"C-PACE" Primer

Property Assessed Clean Energy (PACE) financing for capital improvements on commercial property

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1

Setting the Table

National, Global ESG/CSR Trends

“Green, social and sustainable debt issuance hit a cumulative \$1.1 trillion in 2021, **a 57 percent increase** from a year earlier.” ~ Politico (4/28/22)

ESG/CSR trends

- Money raised to fund climate and other sustainability efforts is **exploding**.
- Net-Zero Banking Alliance now includes nearly 115 member banks representing over **\$70 trillion** in assets (38% of total global assets).
- For smaller financial institutions, modern investment strategy must approach ESG/CSR investing in a sober and **highly-collateralized** fashion.



C-PACE

concept:

Long term, fixed rate financing for capital energy improvements on retrofits and new construction.

Off-balance sheet, land secured financing with super senior lien priority.

C-PACE Vitals:

30+ state availability

Active Commercial PACE Programs

\$4,192 (MM) ITD

Total Investment Inception-to-Date

2,900 projects

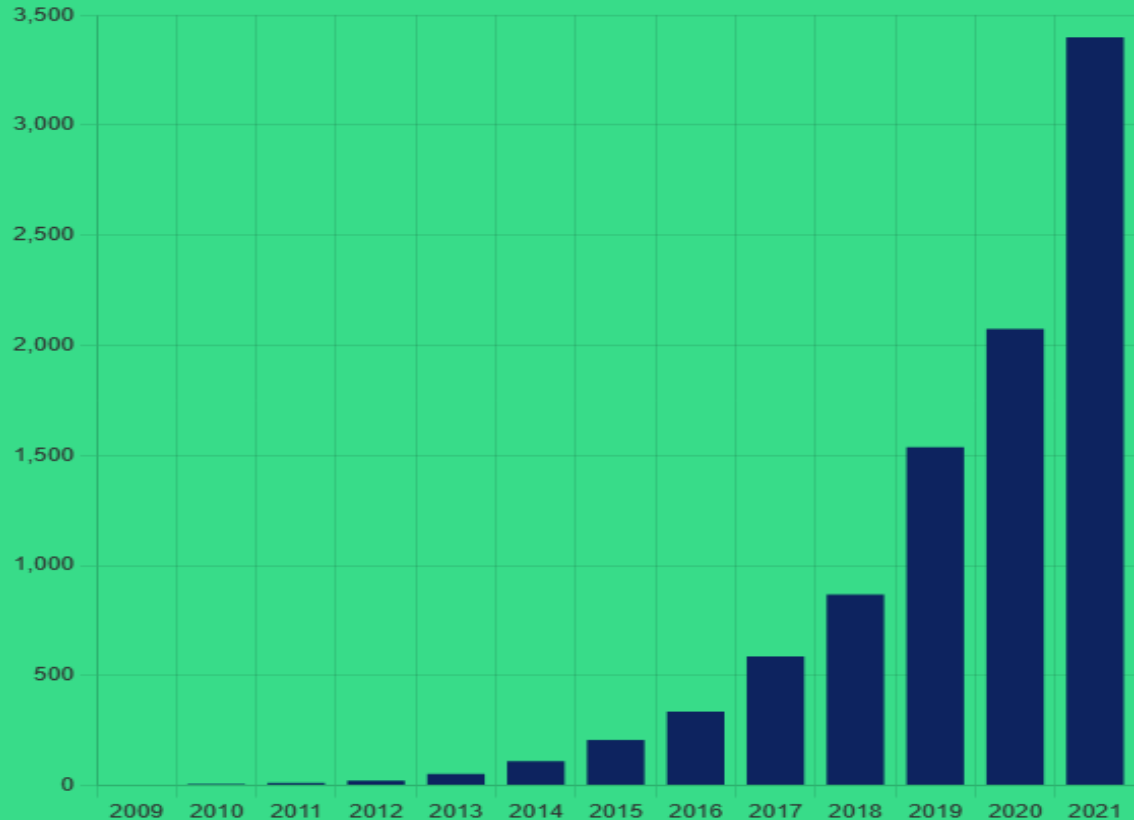
Average Project Size = ~\$1.4 Million

52,000 job-years created

A massive ESG economic development success

CUMULATIVE C-PACE INVESTMENT, MM (2009-2021)

**Pattern of
Exponential
Growth**



Growth now set to **accelerate**.
IRA is the largest energy and climate
stimulus bill passed in U.S. history.

Inflation Reduction Act (2022)

Will stimulate sustainable debt investment for entire
commercial buildings sector

\$370+ billion expected to drive down GHG emissions by 40%

Significant expansion of tax incentives for energy efficiency
improvements to homes and buildings, including the 179D, 45L
and 25C incentives



2

C-PACE Basics

What is it, how does it work, and why is it special?

Key Attributes:

Innovative solution for financing energy efficiency, renewable energy, disaster resiliency, and other property improvements.

Property owners can access **100% private financing** for eligible improvements which are paid back over terms of up to 20 years or more.

Eligible measures include high efficiency HVAC, LED lighting, solar panels, insulation, building envelope, roofing, resiliency measures, and more.

PACE is structured as a special assessment and is collected by the county collector in the same manner as property taxes. In some areas third-party collection is available.

Public benefits: PACE programs create good-paying jobs, save businesses on their energy bills, and reduce significant amounts of pollution – **all without increases in public spending.**

PACE is not “command-and-control” – but rather supports customer choice and energy independence in the marketplace.

Why is C-PACE special?

Value Proposition for Property Owners

C-PACE is a better way to finance energy efficient building improvements, non-recourse and does not accelerate.

Property Owners and Developers use C-PACE financing to **replace equity or mezzanine debt** in their capital stack.

In addition to offering a significantly lower cost of capital, C-PACE offers compelling benefits, including the ability to pass through the cost of the payments to tenants, no operating covenants, and **off-balance sheet financing**.

Flexibility and Wide Range of Applications

A wide range of property types and development projects are eligible, including:

Multifamily • Retail • Hotels & Hospitality • Office • Mixed Use • Senior Living • Medical • Warehouse • Flex Space • Light Industrial

C-PACE works well with various forms of financing including traditional bank mortgage loans, federal or state historic tax credits, new markets tax credits, and state, federal, and utility incentive and rebate programs.

Case Studies

Angad Arts Hotel - \$10M

Improvements

- Insulation, Windows, LED Lighting, High Efficiency Heating and Cooling, Building Envelope Measures

Savings

- \$659,000 in the first year
- Total Savings over 20-years: **\$10.9M**
- Estimated 66,000 tons of carbon emissions saved



“ The redevelopment of the Missouri Theatre building has been in the works for some time and **PACE financing is a critical piece of the puzzle...** We are happy to utilize this excellent tool that the City provides and are considering its use on future projects as well.”

~ Steve Smith, Lawrence Group

Case Studies

4534 Olive - \$613k

Mixed-Use Redevelopment

- 33 R-Units, 3k sq. ft. Retail

Improvements

- LED lighting, high-efficiency HVAC, and building envelope improvements

Savings

- Total Savings over 20-years: **\$1.6M**



Above: Rendering of 4534 Olive as a mixed-use residential and commercial development. Rendering: Acturis

Right: 4534 Olive before construction started on the vacant warehouse (center) and adjoining 3-story building (far left). Photo: nextSTL.com



“ This project is an excellent example of **creative reuse of underutilized and vacant properties**. We intend for Set the PACE St. Louis to be part of more future redevelopment projects in the City of St. Louis.”

~ Otis Williams, St. Louis
Development Corporation

Case Studies

Missouri Athletic Club – \$2.4M

2016 Design/Build Award: A Place in AC History

Improvements

- Energy management controls, HVAC upgrades, new on-site steam generation, high-efficiency lighting

Savings

- \$200,000 Total Annual Savings
- Cash flow positive from year one
- Projected to save **\$360k per year** by year 20



“ The City's stock of old buildings **cannot keep up with demands for energy efficiency** without some major retrofits, which can be expensive. We created 'Set the PACE St. Louis' to ease the burden and encourage savings — both financially and environmentally — for business owners to use.”

~ Mayor Francis Slay



3

PACE industry pioneers

Leading innovation and cost efficiency born of experience

Our **PACE** financing achievements, from design to success

Enabling Legislation

Built broad coalition to pass PACE legislation in 2010 in Missouri and 2017 and 2019 in Illinois. Additional legislative campaigns in Texas, Arkansas, and California. Missouri market at ~\$200M over 3600 projects.

Sale of Startup to Industry Leader

Energy Equity Funding acquired by Ygrene Energy Fund in 2017 and DeLear takes position as executive in the new entity. Launches social impact department in 2021.

Won Numerous Competitive Bids

Founded startup Energy Equity Funding and won RFP processes in the City of St. Louis (3), St. Louis County (2), and Fayetteville and Little Rock/Pulaski County in Arkansas.

Awards and Recognition

PACEsetter Award for Promoting Diversity, Equity, and Inclusion (2022)

Recognition from the City of St. Louis Board of Aldermen (2018)

Program Design, Project Origination, and Administration

Set the PACE St. Louis recognized as being one of the best performing C-PACE programs in the nation with highest per capita funding.

Awards and Recognition (cont.)

Community Partner Award MOKAN Minority Contractors Association (2017)

Design/Build Award MAC (2016)

Energy Efficiency Champion Award (2012)

Thanks!

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