Commercial PACE Status Update

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Property Assessed Clean Energy (PACE)

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28 states + DC authorize PACE (27 states have passed legislation and HI permits it based on existing law)

- CA: 2008
- CO: 2008
- NM: 2009
- TX: 2009
- LA: 2009
- OR: 2009
- NV: 2009
- WI: 2009
- OH: 2009
- NY: 2009
- NJ: 2012
- MD: 2009
- VA: 2009
- GA: 2010
- HI: Existing Authority
- DC: 2010
- ME: 2010
- NH: 2010
- VT: 2009
- MA: 2010
- CT: 2011
- NV: 2009
- NC: 2009
- WY: 2011
- OK: 2009
- MI: 2010 (C&I Only)
- MN: 2010
- IL: 2009
- OH: 2009
- FL: 2010
- MO: 2010
- MA: 2010
- WV: 2011
- NH: 2010
- VT: 2009
- MD: 2009
- DC: 2010
PACE Financing Basics

Government Sponsor

- Creates financing district & approval process
- Attaches repayment obligation to the building via voluntary property assessment
- May provide upfront capital

Property Owner

- Identifies work & chooses contractor
- Repays financing as a line item on the property tax bill (typically over 5-20 years)
Key PACE Benefits

• No or Low Upfront Costs.
  o Removes high first cost barrier to investment.

• Debt of property not person or corporation.
  o Minimizes need to underwrite to personal or business credit.

• Very Secure.
  o Provides investors with repayment security through priority of tax lien. Security enables lower interest rates and longer terms than typical financing vehicles.

• Minimizes holding period bias.
  o Assessment stays with the property, not the owner.

• Addresses split incentives.
  o Property tax assessments may qualify as “pass-through expenses”.

• Attractive across a wide variety of property types and sizes.
  o Property owners have financed $5K to $1 million+ improvements.
PACE Financing Structures

- **Source of capital varies across programs**
  - **Warehouse model**
    - Government or third party program sponsor uses a credit line (or internal capital) to fund projects, followed – potentially - by ‘takeout financing’.
  - **Pooled Bond model**
    - Government or third party program sponsor aggregates project applications and issues a bond to fund all projects at the same time.
  - **Open Market (Owner-arranged) model**
    - Each owner negotiates financing terms directly with an investor. Government program sponsor issues bond to investor and passes through assessment payments to investor.
  - **Hybrid models**
    - A range of structures (including Ygrene)
Existing & Emerging Commercial PACE Programs

22 programs may be operational in next 6-12 months. 12 programs are currently operating.
# Commercial PACE Projects Update

<table>
<thead>
<tr>
<th>Govt. Sponsor</th>
<th>Amount Financed ( $)</th>
<th># Projects</th>
<th>PACE model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sonoma County, CA</td>
<td>$10 M</td>
<td>52</td>
<td>Warehouse</td>
</tr>
<tr>
<td>Boulder County, CO</td>
<td>$1.52 M</td>
<td>29</td>
<td>Pooled Bond</td>
</tr>
<tr>
<td>California PACE</td>
<td>$725 K</td>
<td>7</td>
<td>Pooled Bond</td>
</tr>
<tr>
<td>Palm Desert, CA</td>
<td>$600 K</td>
<td>5</td>
<td>Warehouse</td>
</tr>
<tr>
<td>Placer County, CA*</td>
<td>$319 K*</td>
<td>2*</td>
<td>Warehouse</td>
</tr>
<tr>
<td>Edina, MN</td>
<td>$40 K</td>
<td>1</td>
<td>Open Market</td>
</tr>
<tr>
<td>Ann Arbor, MI</td>
<td>$0</td>
<td>0</td>
<td>Warehouse</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>$0</td>
<td>0</td>
<td>Open Market</td>
</tr>
<tr>
<td>Missouri-Regional</td>
<td>$0</td>
<td>0</td>
<td>Hybrid</td>
</tr>
<tr>
<td>River Falls, WI</td>
<td>Not available</td>
<td>Not available</td>
<td>Warehouse</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>$0</td>
<td>0</td>
<td>Open Market</td>
</tr>
<tr>
<td>WRCOG, CA</td>
<td>$0</td>
<td>0</td>
<td>Hybrid</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>~$13 M-$14 M</strong></td>
<td>96</td>
<td></td>
</tr>
</tbody>
</table>
Commercial PACE Challenges

• **High Legal and Administrative Setup Costs.** Models in the works to defray these costs.

• **Need Significant Deal Flow.** May not be appropriate for small towns and cities as scale is required to reduce costs (regional/ state-wide models can help). Only ~$15 million financed to date.

  - **Mortgage Holder Consent/Acknowledgement Required.**

• **Regulatory Uncertainty.** The OCC has expressed concern about commercial PACE.
Questions?

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