Northern Water Winter 2019 Stakeholders Meeting

Presented by
Tracy Phillips, CEM, CDSM, CMVP
Director, Colorado C-PACE Program

Administered by:

In partnership with:
Case Study Video: “Power of PACE”
What is C-PACE?

- New Way financing that provides C&I building owners a smarter way to modernize their buildings:
  - 100% financing (no out-of-pocket expense, i.e. includes soft & hard costs)
  - Long term (up to 25 years, not to exceed the weighted EUL of eligible improvements)
  - Lower utility costs
  - Cash flow positive projects
  - No personal guarantees / non-recourse
  - Special purpose assessment (akin to sewer assessment)
How C-PACE Works

C-PACE is a voluntary tax assessment-based, private financing program

- Building owners choose to install eligible EE, water efficiency and RE improvements
- Costs are spread over periods up to 25 years
- Repayment via a new charge ("Assessment") on the owner’s property tax bill from the County (like a sewer or sidewalk assessment)
- Goal: Energy savings $$ > the PACE payments, creating cash flow positive projects
- Repayment obligation can transfer to new owner upon sale
Counties must opt-in to participate in the C-PACE statewide “District”

County Servicing Fee: to cover semi-annual billing, collections & remittance services

Up to 1% of PACE annual assessment amount, included on owners property tax bill
What’s Eligible?

- **Eligible Property Types (C&I)**
  - Office
  - Retail
  - Hotel
  - Industrial
  - Agricultural
  - Healthcare
  - Non-profit
  - Multifamily (5+ units)

- **Eligible Improvements (examples)**
  - Water efficiency
  - Automated building controls
  - Boilers, chillers & furnaces
  - Building envelope (insulation, windows)
  - Combined heat & power (CHP)
  - High efficiency lighting
  - Hot water heating systems
  - HVAC upgrades & controls
  - Solar PV systems (roof upgrade)
  - Pumps, motors, drives
  - Green roofs
  - EV charging stations
What Else is Eligible?

- **Costs related to eligible improvements** (Examples)
  - Engineering studies
  - Energy audits
  - Renewable energy feasibility studies
  - Equipment extended warranties (e.g. PV system inverter extended warranty)
  - Roof upgrades
  - Building structural reinforcement (support rooftop installations)
  - Environmental clean-up (e.g. asbestos removal for new boiler installation)
  - Maintenance contracts (up to five years)
  - Program Administration fee (2.5% of project finance amount)
  - Capital provider fees
C-PACE Program Structure

- C-PACE is designed as an “open source funding model”
  - Prequalified private Capital Providers fund eligible projects
  - No public funds are used to finance projects

- Owner may choose a preferred capital provider upfront, OR

- Program Administrator can review pre-approved projects with qualified capital providers to determine their funding interest
  - Capital providers submit financing term sheets for owner decision
Qualified Capital Providers

- 28 capital providers pre-qualified, representing multiple sectors:
  - Community banks, credit unions, and PACE-specialty investors
  - Serving small to large property/project sizes in both existing building & new construction
C-PACE Program Structure

- C-PACE assessment requires written consent from mortgage holder
  - C-PACE assessment lien has priority status akin to sewer assessment
- Case to provide mortgage lender consent
  - Increase owner’s ability to repay mortgage (better NOI)
  - Increase building’s value
  - C-PACE assessment is non-accelerating; i.e. in a default scenario only payments in arrears come due
**CO Consenting Mortgage Holders**

- 18 consenting mortgage holders in Colorado to date

<table>
<thead>
<tr>
<th>Bank/Union</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Point Financial</td>
<td>1 project</td>
</tr>
<tr>
<td>Alpine Bank</td>
<td>1 project</td>
</tr>
<tr>
<td>ANB Bank</td>
<td>2 projects</td>
</tr>
<tr>
<td>Bank of Colorado</td>
<td>1 project</td>
</tr>
<tr>
<td>Bellco Credit Union</td>
<td>2 projects</td>
</tr>
<tr>
<td>Citywide Banks</td>
<td>3 projects</td>
</tr>
<tr>
<td>Colorado Business Bank</td>
<td>1 project</td>
</tr>
<tr>
<td>Colorado Structures Inc</td>
<td>2 projects</td>
</tr>
<tr>
<td>First Bank</td>
<td>1 project</td>
</tr>
<tr>
<td>First National Bank</td>
<td>1 project</td>
</tr>
<tr>
<td>Great Western Bank</td>
<td>1 project</td>
</tr>
<tr>
<td>Independent Bank</td>
<td>1 project</td>
</tr>
<tr>
<td>Midfirst Bank</td>
<td>1 project</td>
</tr>
<tr>
<td>Midland States Bank</td>
<td>1 project</td>
</tr>
<tr>
<td>Mutual of Omaha</td>
<td>2 projects</td>
</tr>
<tr>
<td>Security Services FCU</td>
<td>1 project</td>
</tr>
<tr>
<td>UMB Bank</td>
<td>1 project</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>4 projects</td>
</tr>
</tbody>
</table>
C-PACE for New Construction

- Building’s baseline energy consumption based on 2015 IECC
- Energy savings credit is delta between code and proposed EE design
- C-PACE financing for 15% to 20% of total eligible new construction costs
- Enables building design to “push the envelope”
- Engage construction lender early in the process
CO C-PACE Program Update

- 35 projects financed; ~$32.8M in project financing
  - 24 in 2018, ~$24.8M (452% increase over 2017)
- Smallest project: $54K; Largest project: $7.1M
- 22 counties opted into the program (>70% commercial bldg stock)
- 161 registered contractors; 28 registered capital providers
- Prescreened projects: 630
- Projects in “active” development: 58 representing >$100M
Contact Information

Tracy Phillips
Director
Colorado Commercial Property Assessed Clean Energy
720-933-8143
tphillips@copace.com

Ken Gallagher
Manager, Technical Support Services
Colorado Commercial Property Assessed Clean Energy
877-325-1882
kgallagher@copace.com