PACE in New York State:

NYC C-PACE Financing
EIC NY Open C-PACE
Working with lenders, policymakers and philanthropies, we are helping to solve the challenge of climate change

- $165 million of capital mobilized for energy efficiency and clean energy projects
- 751,000 metric tons CO$_2$ eliminated
- Improved 221 buildings and 5,819 affordable housing units
- Created 1,797 jobs

NYCEEC Portfolio by Property Type

- 19% Multifamily affordable
- 55% Commercial & industrial
- 26% Multifamily market-rate
PACE Financing

PACE is legislated in 36 states + Washington D.C.

Over 2,000 commercial PACE projects have closed, totaling over $1 billion

13,305 jobs created

Source: https://pacenation.us/pace-programs/
Property Assessed Clean Energy (PACE) is a tax assessment based financing mechanism providing long-term financing for energy efficiency and renewable energy projects.

- PACE loans are made using private funds through pre-qualified capital providers.
- PACE loans are repaid as a charge on a building’s tax bill.
- PACE debt is non-accelerating and repayment charges can be passed through to tenants on leases where appropriate.
Favorable Financing Terms

**Long term and fixed rate**

Loan terms may be as long as the weighted average useful life of the installed energy improvements, often 20-30 years.

**Transferable and non-accelerating**

- PACE loans are secured by an interest in the property (like mortgages).
- PACE loans do not get accelerated when the borrower is in default (unlike mortgages).
- Although PACE loans have senior lien priority to private loans, only payments that are past due become liens against the property.
- Future payments remain the obligation of the building owner, and transfer with a property to a new owner after it’s sold.
All projects funded with PACE in New York State must meet cost-effectiveness criteria established by NYSERDA.

Energy cost savings generated by PACE projects help offset debt service costs and lead to quantifiable greenhouse gas emissions reductions.
LOCAL LAWS 92 AND 94
Requiring that the roofs of certain buildings be covered in green roofs or solar PV systems
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LOCAL LAW 96
establishing a sustainable energy loan program (i.e. PACE)
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LOCAL LAW 96
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LOCAL LAW 97
the commitment to achieve certain reductions in greenhouse gas emissions by 2050
Carbon emissions caps for NYC’s large buildings starting in 2024

Buildings greater than 25,000 square feet

Increasingly stringent limits on carbon emissions in 2030

Low-cost energy-saving measures for affordable housing

New Office of Building Energy and Emissions Performance at DOB

Penalties for non-compliance and variances for financial hardship
Based on the projected cost of energy efficiency retrofits, Local Law 97 could generate as much as $20 billion in investment.

<table>
<thead>
<tr>
<th></th>
<th>2024 compliance ($ billions)</th>
<th>2030 compliance ($ billions)</th>
<th>Total ($ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multifamily residential</td>
<td>0.9</td>
<td>6.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Other commercial</td>
<td>1.3</td>
<td>11.3</td>
<td>12.6</td>
</tr>
</tbody>
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- Up to 2.5 billion square feet will have to comply with Local Law 97 (approximately 50,000 buildings).
- Demand from multifamily buildings in New York City will be much larger than in other PACE markets throughout the country.

NYC vs NYS

Similarities

• Subject to the same state law
• NYSERDA guidelines apply across the programs
• Open PACE programs *ie*, any qualified lenders may originate loans in NYC and NYS
Differences

- **Administrator:** New York City’s PACE program will be independent and administered by NYCEEC in partnership with the City of New York. Elsewhere in New York State, the Energy Improvement Corporation (EIC) administers its Open C-PACE platform on behalf of its member municipalities. In order to make PACE available, the municipality must enact a local law and sign an EIC participation agreement.
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• **Municipal involvement:** PACE borrowers in NYC will repay their PACE loan on their building’s property tax bill and the City and NYCEEC will service PACE loans. PACE borrowers in the EIC program repay their lenders as instructed by EIC outside of the municipal collection process.
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- **Enforcement:** Under most circumstances it is expected that the City of New York will use its own enforcement options to pursue repayment of delinquent PACE payments. In the EIC Open C-PACE program, lenders enforce repayment directly.
The Borrowing Process

1. **Pre-Qualified Lender**: Provides upfront capital at competitive rate and terms.

2. **Building Owner/Borrower**: Pays PACE charge on property tax bill.

3. **Taxing Authority (DOF)**: Remits PACE charge payments to Administrator (via trustee).

4. **Administrator (NYCEEC)**: Ensures timely repayment to lender.

**Commercial PACE Flow of Funds**

- Private Sector
- Public Sector
Borrowing Process

1-2 Weeks
Building owners, capital providers, project developers, and contractors may market products and source deals competitively.

The Project submits a pre-application form to NYCEEC and enters the PACE financing pipeline.

1-3 months
Project obtains energy audit or feasibility study as applicable; develops scope of work and PACE financing terms; completes all pre-development work required and submits full application to NYCEEC. NYCEEC approves PACE financing.

~1 month
Required financing documents are executed and New York City places charge on the subject property.

Depending on construction scope of work
Contractor completes work. Construction financing is available through PACE.
NYC Accelerator

Free Help. Simple Fixes. Big Results.

The NYC Retrofit Accelerator’s Efficiency Advisors will:

• Work with you one-on-one to understand your needs
• Connect you with qualified contractors to do the job
• Find cash incentives and financing to help pay for your upgrades
• Train your building staff so your building continues to run efficiently
• Support you every step of the way from project start to finish
Coming Soon

- CAPA rulemaking process (public review)
- NYC Accelerator expansion and marketing
- Financing available by early 2020
Contact Information

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New York City Energy Efficiency Corporation
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EIC NY Open C-PACE
EIC - Energy Improvement Corporation

- Not-for-profit, Statewide Local Development Corporation
- Mission to operate a successful Commercial PACE program in NYS that increases clean energy adoption and reduces GHG emissions
- Controlled by member municipalities – shared service model
- Funded by NYSERDA and revenue from financings
- PACE capital for clean energy improvements - Open C-PACE
“Municipalities would fulfill an important public purpose by providing financing to property owners for the installation of renewable energy systems & energy efficiency measures.”

- Article 5L of the NYS General Municipal Law

Repayments secured through a municipal-based assessment lien
Community Benefits

Member Municipality Advantages

- No collection or enforcement responsibilities
- No obligation to backstop finance repayments
- No financial exposure for EIC and its member municipalities
- No fees to participate
- Generates local economic activity while reducing emissions locally
  and
- EIC receives & reviews applications, energy audits, scopes of work
Eligible Building Types

Commercially and Nonprofit-Owned Buildings

- Multifamily
- Healthcare
- Hospitality
- Industrial
- Warehouse
- Office
- Retail
- Agricultural
- Institutional
- Private colleges

Ineligible Buildings Include
- Public Sector Properties
- Individually-Owned Properties
- 1 & 2 Family Homes
Eligible Clean Energy Improvements

Efficiency:
- Lighting
- HVAC Equipment
- Chillers
- Boiler Conversions
- Furnace Upgrades
- Insulation
- Windows
- Smart Controls
- Pumps
- Variable Speed Drives
- Combined Heat + Power
- Existing Buildings Eligible

Renewables:
- Solar Thermal
- Solar Photovoltaic (PV)
- Small Wind
- Ground Source Heat Pumps
- Anaerobic Digester Gas
- Fuel Cells
- Air Source Heat Pumps
- Air-to-Water Heat Pumps
- Wood Heating Systems
- Energy Storage
- Existing Buildings & New Construction Eligible
Open C-PACE: Capital Providers

Competition and choice for property owners and developers = lower rates and longer terms

3rd Party Capital Providers

- CleanFund
- Counterpointe Energy
- Dividend Finance
- Greenworks Lending
- Lever Energy
- LordCap PACE
- NYCEEC
- PACE Equity
- PACE Loan Group
- Petros PACE Finance
- Twain Financial Partners
- White Oak
Open C-PACE: Application

The Application Process

- Apply directly to capital providers on EIC NY Open C-PACE website
  - Property owner, Project developer or Capital provider may apply to EIC

- Property Underwriting
  - No bankruptcy
  - Current on property taxes & mortgages
  - Mortgage Lender Consent required

- Project Requirements
  - NYSERDA C-PACE Guidance

- EIC records the PACE lien on the property when financing is originated
Energy Audit Requirement

“a formal evaluation of the energy consumption of a building …for the purpose of identifying appropriate energy efficiency improvements”

Any of the following will qualify the Scope of Work

- NYSERDA incentive program approval
- Utility rebate program approval
- C-PACE Guidance compliant energy audit with a BCR > 1
- Pre-qualified measures with measure-specific audit
Open C-PACE: Qualified Energy Audit

Comprehensive Energy Audit - Whole Building Approach

- ASHRAE Level 2 or 3 energy audit
- ENERGY STAR® savings calculation tools or other automated software
- NYSERDA program (e.g., Multifamily Performance, FlexTech)
  - Benefit-to-Cost Ratio Requirement: BCR > 1

Single-Measure Energy Audit - Qualify Specific Improvements

- NYSERDA Program – Incentives provided versus NYS Energy Code
- Utility Program – Rebates provided versus NYS Energy Code
- Qualified Energy Audit – Measure specific energy savings
Open C-PACE: Qualified Prescriptive Measures

Prescriptive Measure Approach - Qualify Specific Equipment or Materials

Cost Effective Energy Efficiency Improvements* selected from Pre-Qualified Lists of Prescriptive Equipment or Measures

- NYSERDA Program – Incentive Eligible Measures
- Utility Program – Rebate Eligible Measures
- Other Pre-Qualified Improvements
  - ENERGY STAR® certified products
  - Consortium for Energy Efficiency (CEE) listed products
  - Federal Energy Management Program (FEMP) certified products

*Presumed to be generally cost effective, even if BCR < 1
Who Qualifies as a PACE Energy Auditor?

- Contractors approved to perform audits in NYSERDA or utility programs
- NYSERDA-approved certifying entities provide licenses or certifications
  - New York State Licensed Professional Engineer (PE)
  - New York State Licensed Architect (RA or AIA)
  - Association of Energy Engineers Certified Energy Manager (CEM)
  - Association of Energy Engineers Certified Energy Auditor (CEA)
  - ASHRAE Building Energy Assessment Professional
  - Building Performance Institute BPI Multifamily Building Analyst
  - BPI Home Energy Professional Energy Auditor (BEP)
  - Investor Confidence Project ICP Quality Assurance (QA) Assessor
What Renewable Energy Measures Qualify for PACE?

- Eligible Renewable Energy System Technologies are identified in the NYS statute and in the NYSERDA C-PACE Guidance Document

Renewable Energy System Feasibility Study

“… a written study, conducted by a contractor certified by the authority … for the purpose of determining the feasibility of installing a renewable energy system.”

Who qualifies to perform a PACE Renewable Energy Study?

- Contractors approved to perform studies in NYSERDA or utility programs
- NYSERDA-approved certifying entities provide licenses or certifications
Case Study: Lewtan Building

The landmark Lewtan Building transformed into mixed use multifamily/retail in Hartford, CT.

Capital Provider: Greenworks Lending

Five-story office building built in 1860.

Sat vacant for five years prior to acquisition by current owner.

$1,088,816 PACE financing

Converting building to 28 apartments and ground-floor retail.

Redevelopment incorporated energy efficient (historic replica) replacement windows, HVAC upgrades, LED lighting, insulation, and 60kW solar installation.
Energy conservation measures for affordable multifamily housing in Greenville, MI.

Capital Provider: Petros PACE Finance

Owner of multiple affordable multifamily properties faced prohibitive upfront costs to installing energy efficiency upgrades.

Used PACE to add 20kw solar installation, LED lighting, low-flow plumbing fixtures, and HVAC upgrades.

Combined $117,580 PACE financing with USDA REAP grant.

Achieved 40% reduction in electricity and natural gas consumption, and 29% reduction in water use.
Historic hotel renovation in Fond du Lac, WI
Capital Provider: PACE Equity

Built in 1924, the hotel fell on hard times and was acquired in 2015.

Total rehabilitation utilized historic tax credits, public financing, bank construction loan, and state grant. PACE filled the funding gap to see the project move forward.

$2,400,000 PACE financing = approximately 11% of total financing. The building represents an investment of nearly $21m to the area.

PACE Equity provided project governance, energy engineering, funding and an energy savings guarantee.
Robert Fischman
Director
PACE Compliance Officer

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