



Colorado Commercial Property
Assessed Clean Energy

Financing Efficiency Projects

Commercial Property Assessed Clean Energy (C-PACE)

By:

**Tracy Phillips, CEM, CMVP, CDSM, PMVA
Director**



C-PACE Background

- **Program:** Statewide financing program - Finance energy efficiency, renewable energy, and water conservation projects *and* efficient new construction projects
- **Structure:**
 - Statewide “District” enabled by CO legislation
 - Counties voluntarily opt-in to the District
 - Projects financed through private capital
 - Designed to be self-sustaining program
- **Program Sponsor:** New Energy Improvement District (NEID)
 - Seven NEID board members
 - Sponsoring agency: Colorado Energy Office (CEO)

What is C-PACE?

(PACE = Property Assessed Clean Energy)

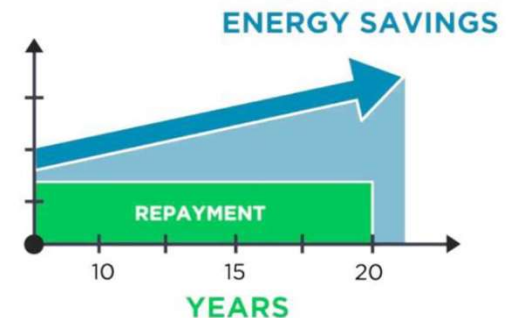
- Innovative financing tool for existing buildings that provides C&I building owners a smarter way to modernize their buildings:
 - **100% financing** - no out-of-pocket expense
 - Includes soft & hard costs
 - **Long term** - up to 25-year finance term
 - Special purpose **assessment** (akin to sewer assessment)
 - Non-recourse and transferable, typically no personal guarantees



How C-PACE Works

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

- Repayment via a **“special assessment” recorded on the property**
 - Costs are spread over periods of up to 25 years, fixed interest rate
 - C-PACE payments made annually through property tax bill
 - Goal: Energy savings \$\$ > the PACE payments, creating cash flow positive projects
 - Positive cash flow not required
- **Repayment obligation can transfer** to new owner upon sale
- Ability to pass through tax assessment to tenants or hotel guests



What's Eligible?

■ Eligible Property Types (C&I)

- Office
- Retail
- Hotel
- Industrial
- Agricultural
- Healthcare
- Mixed-use
- Education
- Warehouse / storage
- Non-profit
- Multifamily (5+ units)

■ Eligible Improvements (examples)

- HVAC upgrades & controls
- Boilers, chillers & furnaces
- Pumps, motors, drives
- Hot water heating systems
- Combined heat & power (CHP)
- High efficiency lighting
- Solar PV systems
- Building envelope (windows, roofs)
- Low-flow plumbing; smart irrigation
- Elevator modernization
- EV charging stations
- Beneficial electrification
- Resiliency (e.g. fire, flood, wind, air quality)

What Else is Eligible?

- **Costs related to eligible improvements (Examples)**
 - Engineering studies; architectural fees
 - Energy audits
 - Renewable energy feasibility studies
 - Roof upgrades (e.g. associated with rooftop solar PV systems)
 - Building structural reinforcement (support solar PV rooftop installations)
 - Environmental clean-up (e.g. asbestos removal for new boiler installation)
 - Commissioning, M&V and maintenance contracts (up to five years)
 - Equipment extended warranties (e.g. PV system inverter extended warranty)
 - Finance closing costs
 - Program participation fee (2.25% of project costs, capped at \$50,000)

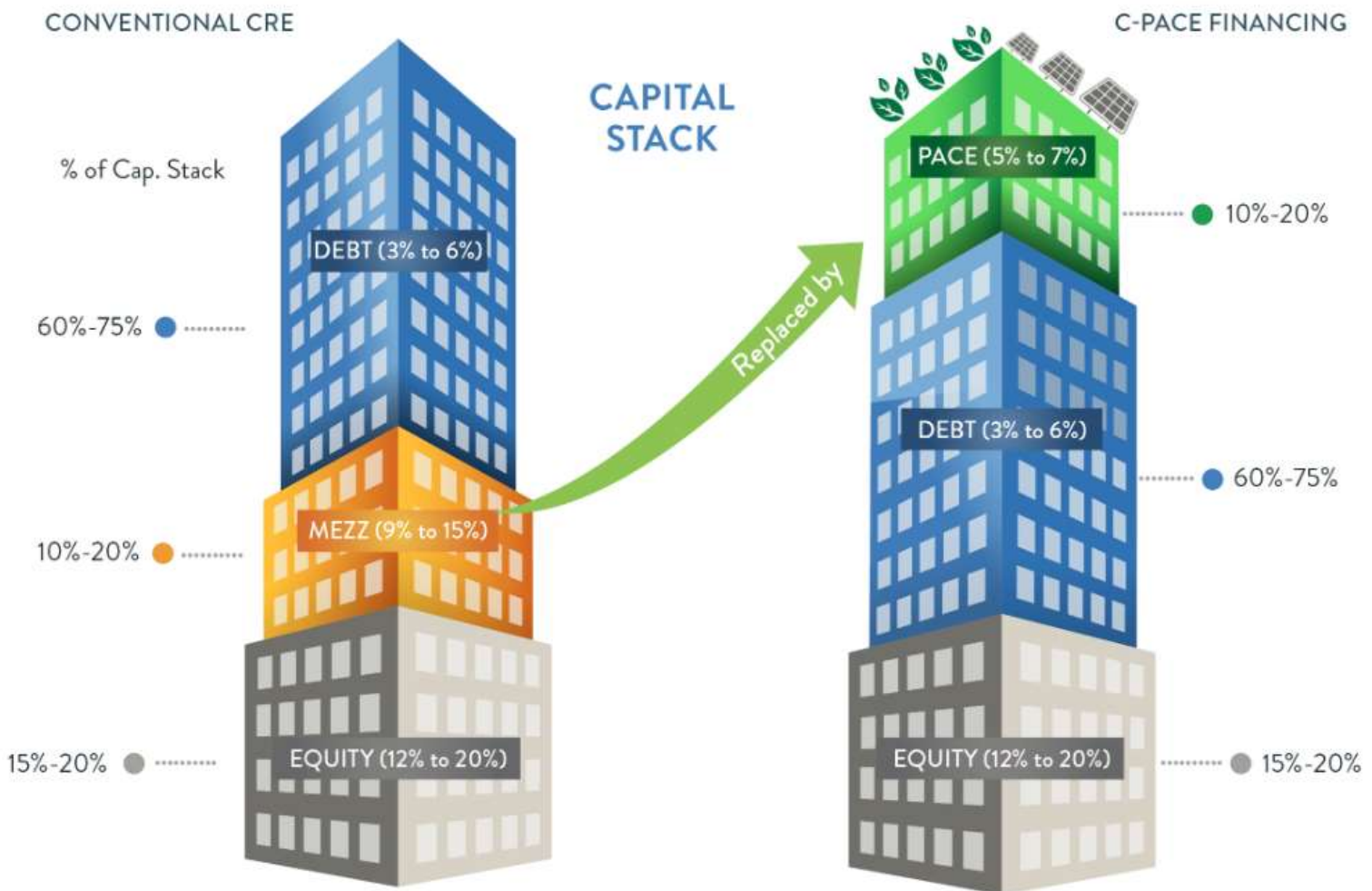
C-PACE for New Construction

- C-PACE financing for 15% to 20% of total eligible new construction costs
- Build to the 2018 IECC to be eligible for 15% of total construction costs
- Exceed (>5%) 2018 IECC to be eligible for 20% of total construction costs
- Enables building design to “push the envelope”



C-PACE for New Construction

Where lower cost C-PACE financing can be used in lieu of mezzanine debt or equity, the developer can often lower their weighted average cost of capital



Graphic credit: EnFlux Building Solutions and Counterpointe Energy Solutions, LLC.

C-PACE Retroactive Financing & Refinancing

■ Retroactive Financing

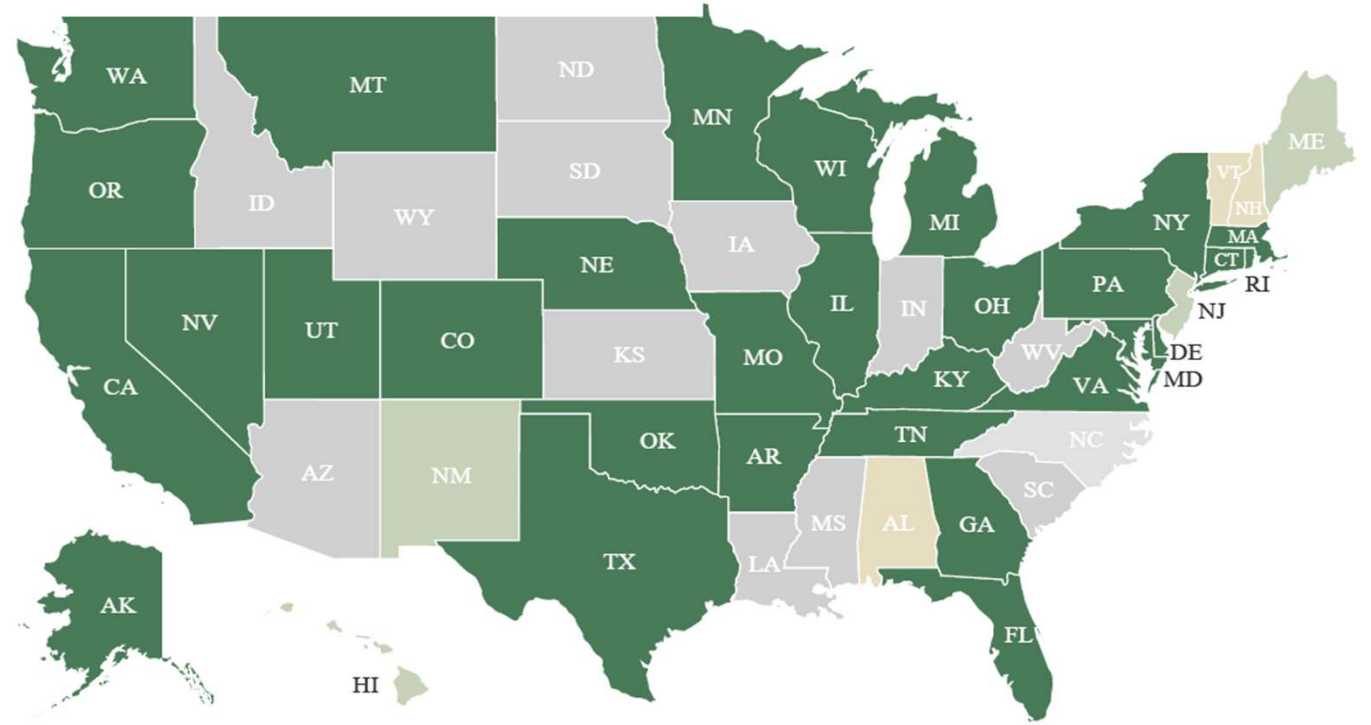
- Applicable to new construction or gut rehabilitation projects
- Completed within two (2) years from certificate of occupancy
- Pay down existing debt and/or fund operational reserves.

■ Refinancing

- Refinance the outstanding C-PACE assessment lien with the existing capital provider or a new capital provider

C-PACE Nationwide

- 30 states with active programs
- 3,000+ buildings nationwide
- \$5 billion in C-PACE financing



■ Active program(s)

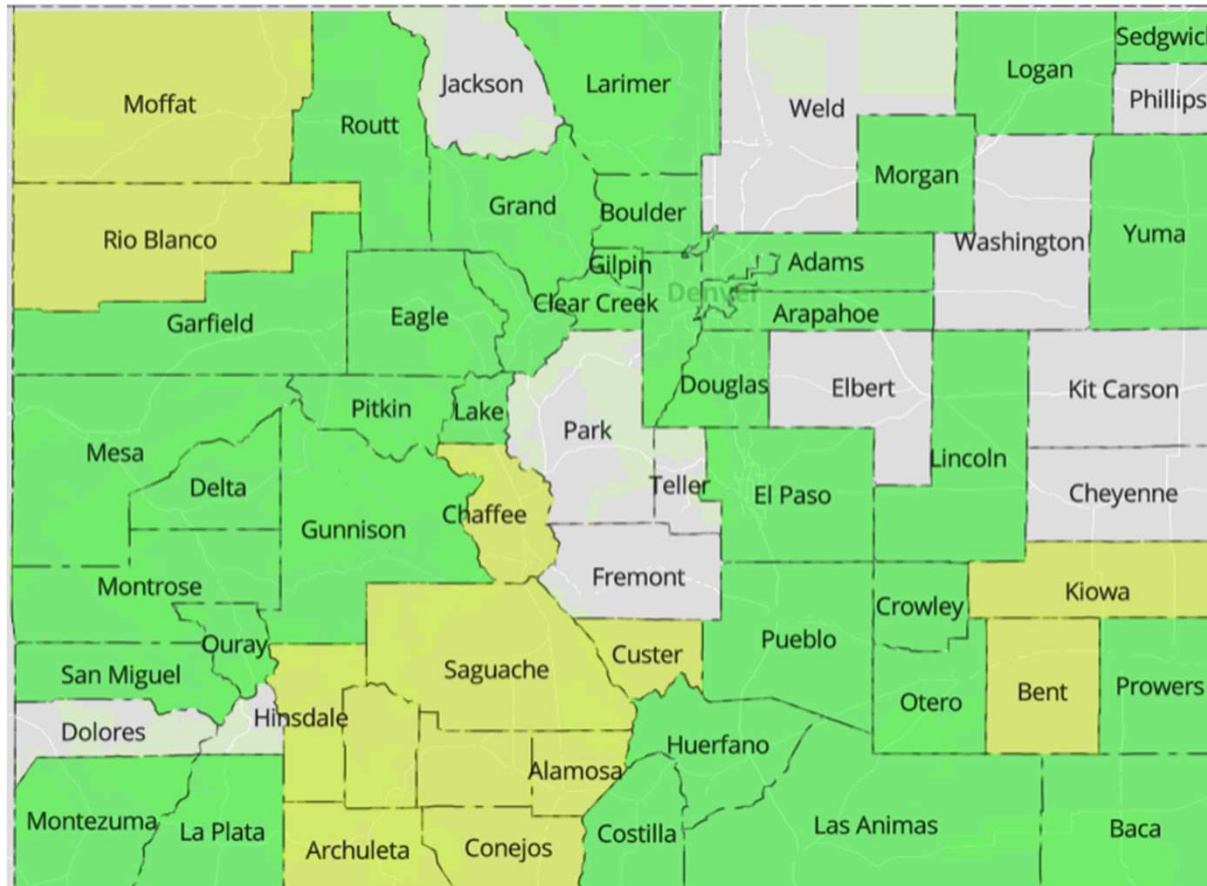
■ Program in development

■ PACE-enabled

* Courtesy of PACENation

Colorado C-PACE Statewide Program

- Counties must opt-in to participate in the C-PACE statewide “District”



■ PARTICIPATING COUNTIES:

- Adams
- Las Animas
- Arapahoe
- Lake
- Baca
- Larimer
- Boulder
- Lincoln
- Broomfield
- Logan
- Clear Creek
- Mesa
- Costilla
- Montezuma
- Crowley
- Montrose
- Delta
- Morgan
- Denver
- Ouray
- Douglas
- Otero
- Eagle
- Pitkin
- El Paso
- Prowers
- Garfield
- Pueblo
- Gilpin
- Routt
- Grand
- San Miguel
- Gunnison
- Sedgwick
- Huerfano
- Summit
- Jefferson
- Yuma
- La Plata

■ IN-DISCUSSION COUNTIES:

- Alamosa
- Kiowa
- Archuleta
- Mineral
- Bent
- Moffat
- Chaffee
- Rio Blanco
- Conejos
- Rio Grande
- Custer
- Saguache
- Hinsdale

- County Collection Fee:** to cover collections & remittance
 - 1% of PACE annual assessment amount

Project Potential

RMI report released in February 2020 – Class B/C buildings

- **15%+ savings with bundled low- and no-cost improvements**
- **35%+ savings with capital improvements**
- **NOI increases between 2.4 to 5.6%**
- **Property value increase between \$5 and \$11 per SF**
 - **50,000 SF building: \$250,000 to \$550,000 in increased value**

With C-PACE, there is no reason for Class B/C buildings to remain inefficient and more costly to operate



Project Origination Drivers

Why owners do projects:

- **Equipment needs** (failing / older equipment)
 - **Bundle projects – the bucket list (solar PV, EV charging stations)**
- **Cost savings** (\$, Net Operating Income)
- **Policy: Building Performance Standards**
 - **EUI reduction targets for covered buildings of 7% by 2026 and 20% by 2030, from a 2021 energy data baseline (50k SF+)**
 - **Energize Denver – EUI reduction targets by 2030 (25k SF+)**

C-PACE as a Solution

- Capital improvement projects typically between \$250k to multi-million dollar projects
- Longer simple payback periods on average 10-20 years
- Building ownership turnover typically 5-7 years

C-PACE financing:

- Long-term (up to 25 years) provides better cash flows
- Attached to the building (not the owner) – pass on repayment obligation
- Address needs *and* wish list items

Mortgage Holder Consent

- **C-PACE assessment requires written consent from existing mortgage holder(s) or construction lender(s)**
 - C-PACE assessment lien has priority status akin to sewer assessment
 - Liens for assessments imposed by other governmental entities have coequal priority with the District special assessment lien

- **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 (usually less than 0.4% of building's value)

Consenting Mortgage Holders

- **43 unique mortgage holders have consented to a C-PACE project**
- **13 mortgage holders have consented MULTIPLE times**
- **10 mortgage holders have provided C-PACE project financing**

▪ Academy Bank	1 project	▪ Frist National Bank of Hutchinson	1 project
▪ Access Point Financial	1 project	▪ First National Bank of Monument	1 project
▪ Adams Bank & Trust (1)	1 project	▪ Great Western Bank	1 project
▪ Alpine Bank (4)	5 projects	▪ Guaranty Bank and Trust	1 project
▪ ANB Bank (6)	3 projects	▪ iBorrow	1 project
▪ Bank of Colorado (2)	2 projects	▪ Impact Development Fund	1 project
▪ Bank of the Ozarks	1 project	▪ InBank	1 project
▪ Bank of the West	1 project	▪ Independent Bank	5 projects
▪ Bellco Credit Union (5)	4 projects	▪ JR&B	1 project
▪ Berkley Bank (5)	2 projects	▪ Legacy Bank	1 project
▪ Centennial Lending	1 project	▪ LoanCore Capital	1 project
▪ Citizens State Bank	1 project	▪ Midfirst Bank	4 projects
▪ Citywide Banks (4)	3 projects	▪ Midland States Bank	1 project
▪ Collins Community Credit Union	1 project	▪ Money 360 Advisors	1 project
▪ Colorado Business Bank	1 project	▪ Mutual of Omaha	2 projects
▪ Colorado Historical Society	1 project	▪ Pacific Western Bank	1 project
▪ Colorado Structures Inc (1)	2 projects	▪ Pueblo Bank and Trust	1 project
▪ First Bank (8)	5 projects	▪ Security Services FCU	1 project
▪ First Citizens Bank	1 project	▪ TBK Bank	1 project
▪ First National Bank	1 project	▪ UMB Bank	1 project
		▪ Vectra Bank	1 project
		▪ Waypoint Bank (1)	2 projects
		▪ Wells Fargo	8 projects

Consenting Senior Lenders – New Construction

- **29 unique senior lenders have consented to a new construction C-PACE project**

- **Two senior lenders** have provided C-PACE project financing

■ Access Point Financial	1 project	■ Greater Commercial Lending	1 project
■ Adams Bank and Trust	1 project	■ Greater Nevada Credit Union	1 project
■ Alpine Bank (1)	2 projects	■ Guaranty Bank and Trust	1 project
■ Bank of the Ozarks	1 project	■ iBorrow	1 project
■ Broadmark Realty	2 projects	■ InBank	1 project
■ Centennial Bank	1 project	■ Independent Bank	1 project
■ Collins Community Credit Union	2 projects	■ Origin Bank	1 project
■ Cornhusker Bank	1 project	■ Pacific Coast Banker's Bank	1 project
■ Cost Fund 1	1 project	■ Park View Financial Fund	1 project
■ Exchange Bank	1 project	■ PCSD Resorts SB Credit Private Limited	1 project
■ First Bank (2)	4 projects	■ Plains Commerce Bank	1 project
■ First National Bank of Omaha	1 project	■ Romspen	3 projects
■ First Western Trust	1 project	■ Trust of Illinois	1 project
■ Glacier Bank	1 project	■ UMB Bank	1 project
		■ Waters Edge	1 project

Capital Providers – C-PACE Lenders

- **Conduct underwriting to assess building's financial health:**
 - **Good C-PACE candidate?** Loan-to-Value percentage (< 80% typically qualifies)
 - Outstanding mortgage value / estimated property value
 - **How much financing?** PACE-to-Value percentage (< 30% typically available)
 - Estimated project value / estimated property value
 - **Review building financials & project cash flow projections**
- **Execute financing agreement with property owner**

Qualified Capital Providers

- 51 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



EPIC™ Energy Performance Improvement Calculator

- Powerful cloud-based app for HVAC, EMS and lighting equipment replacement projects that empowers you, in real time, to:



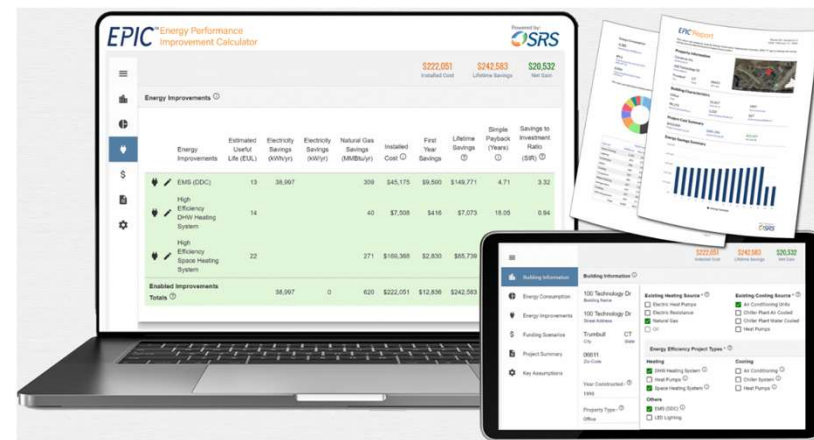
Estimate energy savings



Calculate financial impacts



Win more projects!



- Powered by SRS proprietary data, predictive analytics and proven technology from thousands of energy improvement projects conducted nationwide over the last 10 years
- Subscription-based product (not PACE-centric); **demo available upon request**



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More information at:
Srsworx.com

EPIC – Financial Analytics

- Owner engagement
- Make the “business case” - **compelling investment opportunity**
- Owner has the information to make a **fully-informed, expedited investment decision**
- Make your proposal **stand out** from the competition



EPIC Enables EE + Solar PV

- New functionality: “energy efficiency first” and then “right-sizing” a solar PV system
- Determine optimized combination of EE and solar PV
- Electrification: determine upfront investment and operating cost impact
- Determine investment required to achieve net-zero carbon emissions

Energy Efficiency Project Types * [?]

Like-for-Like Replacements ¹

Heating

- Heat Pumps ⁱ
- DHW Heating System [?]
- Space Heating System [?]

Cooling

- Heat Pumps ⁱ
- Air Conditioning [?]
- Chiller System [?]

System Conversions ¹

Heating and Cooling

- Heat Pumps ⁱ
- Variable Refrigerant Flow [?]

Others

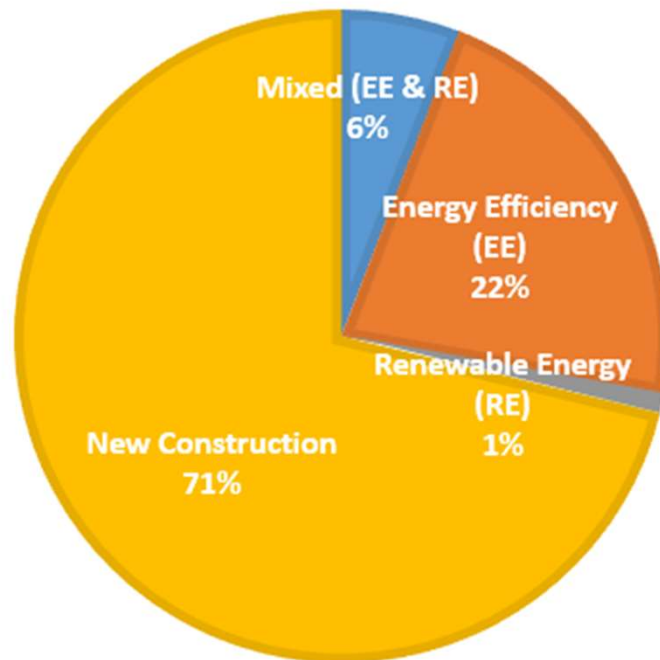
- LED Lighting
- EMS (DDC) ⁱ
- Solar PV
- Windows ⁱ
- Insulation ⁱ
- Air Sealing ⁱ
- Roofing ⁱ

Colorado C-PACE Projects

- C-PACE serving broad range of C&I projects: \$900K median project size
 - Building size: median 52,938 SF; smallest 1,000 SF

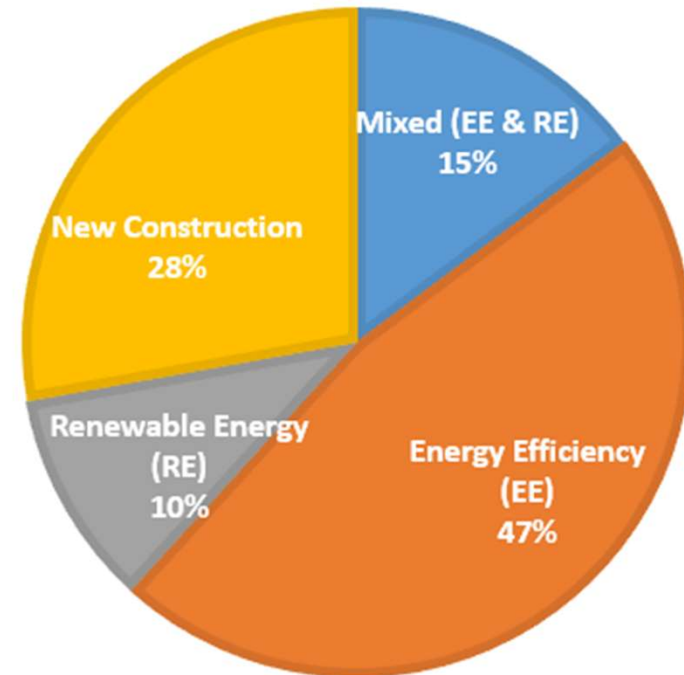
PROJECT TYPES
(\$ FUNDED)

■ Mixed (EE & RE) ■ Energy Efficiency (EE) ■ Renewable Energy (RE) ■ New Construction



PROJECT TYPES
(NUMBER OF PROJECTS)

■ Mixed (EE & RE) ■ Energy Efficiency (EE) ■ Renewable Energy (RE) ■ New Construction



Colorado C-PACE Program Update

- **121 projects financed; \$251.3M in project financing**
 - 2,721 job-years created
 - 803,396 tons of lifetime GHG emissions reduction
 - \$80.8M lifetime cost savings
- **Smallest CO project: \$53K; Largest CO project: \$55.5M**
- **Average project: \$2.1M; Median: \$947K**
- **86 retrofits and 35 new construction projects financed**
- **39 counties participating in the program (>96% C&I bldg stock)**
- **294 registered contractors; 51 registered capital providers**





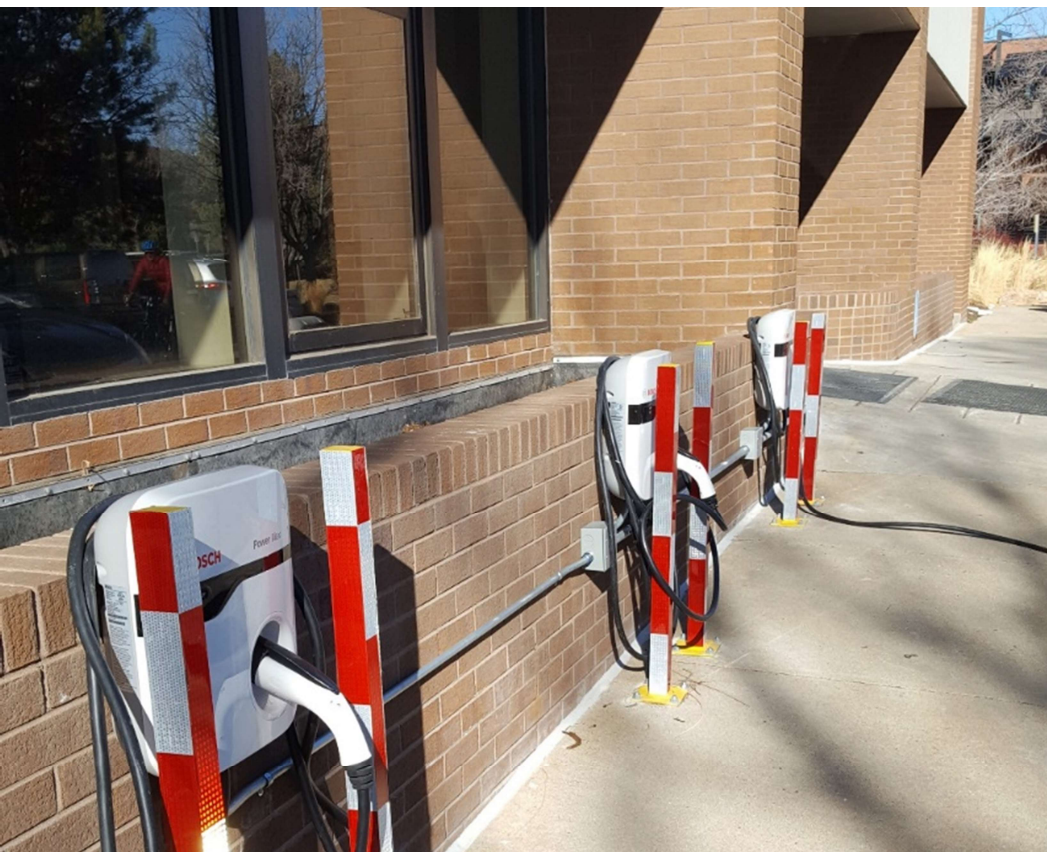
Multi-tenant Case Study

- **Building: Multi-tenant office & warehouse**
- **Project: 100 kW Solar PV system & lighting retrofit**
- **Amount financed: \$330,928; 20-year term**
- **Savings: \$939,959 lifetime cost savings, 3,806 tons GHG**
- **Roof Replacement considered**
- **Excluded grower tenant from project**



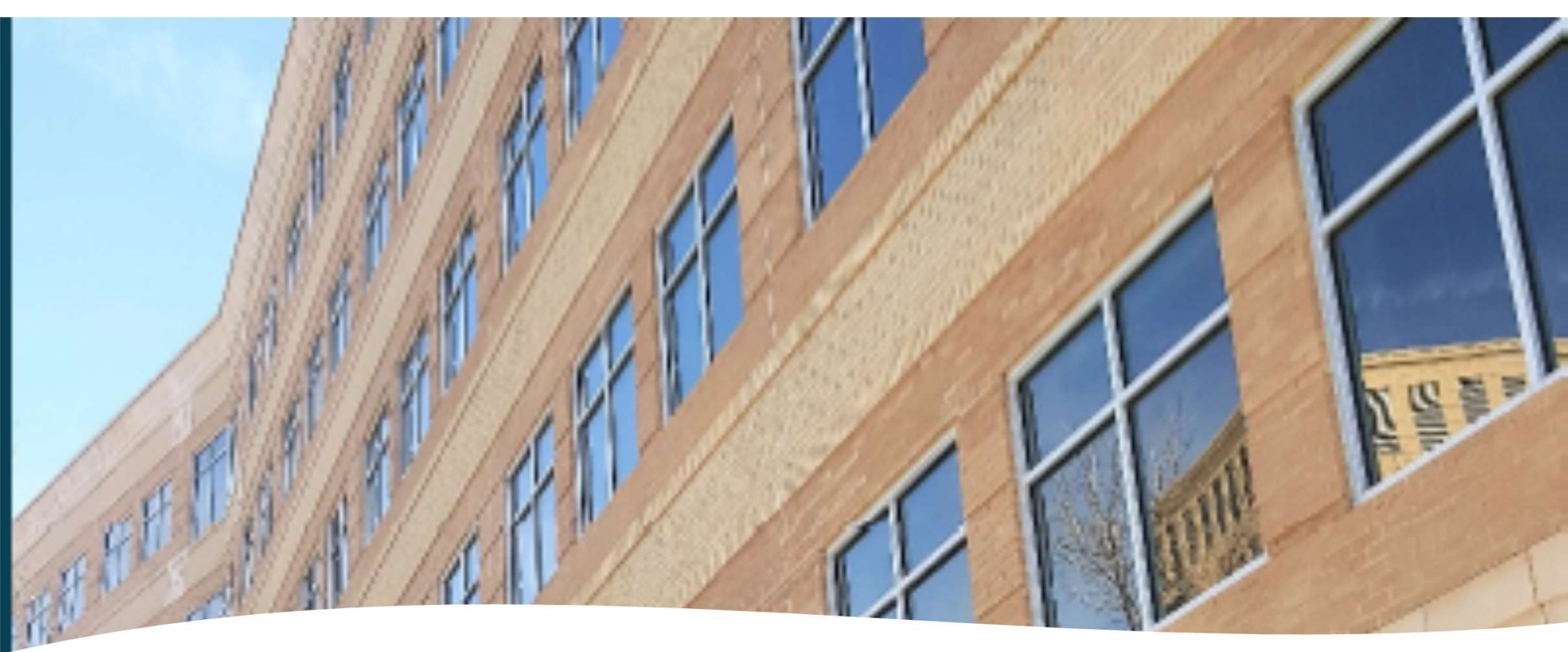
Small Building Case Study

- **Building: 3,938 SF dry cleaners**
- **Project: 46 kW Solar PV system**
 - **Ground and roof mount**
- **Amount financed: \$125,940; 12-year term**
- **Savings: \$369,689 lifetime cost savings; 1,528 tons GHG**
- **ITC, MACRS, SolarRewards, EnergySmart**



Energy Efficiency & Solar PV Case Study

- **Building:** Office for digital marketing & social media firm
- **Project:** 16 kW Solar PV; RTU replacement; RTU controls; exterior lighting; roof replacement
- **Amount financed:** \$296,251; 15-year term
- **Savings:** \$289,333 lifetime cost savings; 1,869 tons GHG
- **Other measures included:** EV charging stations



Comprehensive Energy Efficiency Case Study

- **Facility: Two Large Commercial Office Buildings**
- **Project: Energy management system; RTU replacement; evap condensers; advanced metering (FDD); LED retrofit; water efficiency**
- **Amount financed: \$7,166,166; SIR 0.57, 20-year term**
- **Other measures included: LEED-EB**
- **37% energy reduction; 52,109 tons GHG emission reduction**

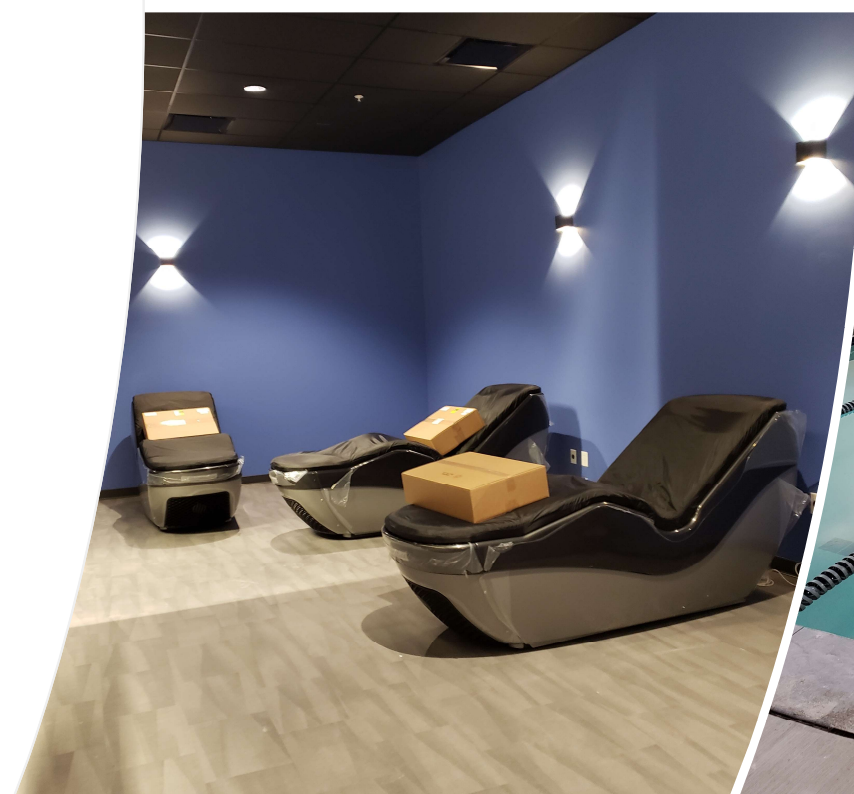
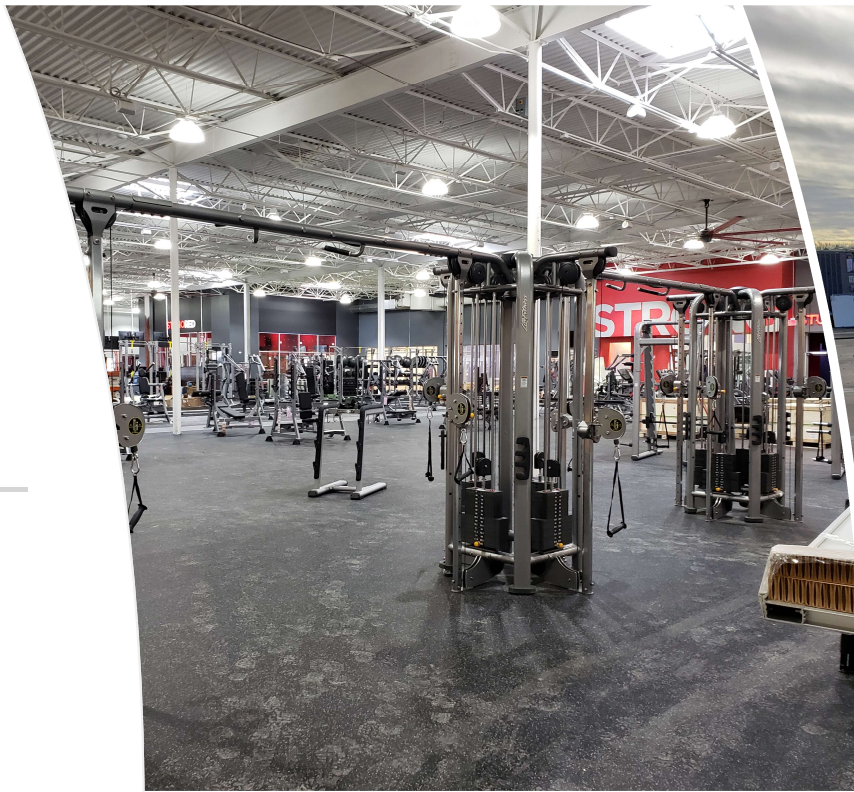


Repeat Owner Case Study

- **Building: 97,395 SF office building**
- **Project: BAS upgrade; VFDs; roof replacement; LED lighting**
- **Amount financed: \$626,466; 20-year term**
- **Savings: \$780,098 lifetime cost savings; 5,974 tons GHG**
- **First of nine projects developed by Ogilvie Properties**

“Gut Rehab” Case Study

- **Building: 56,586 SF
Recreational /
Fitness**
- **Project: windows
and skylights; HVAC;
destratification fans;
LED retrofit**
- **Amount financed:
\$1,695,315, 20-year
term**
- **Total gut-rehab (big
box retail)**





“Gut Rehab” Case Study

- Transformation of the historic Knights of Pythias building into a boutique limited-service hotel (Rathbone Hotel and Parlor Bar)
- Building: 12,500 SF Hotel
- Project: Insulation, Roofing, Windows and Caulking, Elevator, Water Efficiency Fixtures, HVAC, Lighting and Electrical Upgrades
- Amount financed: \$1,650,000; 25-year term
- Savings: \$190,714 lifetime cost savings; 4,075 tons GHG



Non-Profit Case Study

- **Building: 146,217 SF Museum**
- **Project: LED retrofit**
- **Amount financed: \$61,865; 10-year term**
- **Savings: \$229,206 lifetime cost savings; 1,085 tons GHG**
- **First non-profit to use C-PACE financing in CO**




Non-Profit Case Study

- **Building: 120,378 SF Senior Center**
- **Project: Chiller plant retrofit, efficient HVAC equipment, exhaust fans, and LED lighting**
- **Amount financed: \$1,924,121; SIR 1.09, 20-year term**
- **Lifetime cost savings: \$3,630,209; 23,939 tons GHG**



New Construction Case Study

- **Building: 26,000 SF 36-room hospitality**
- **Amount financed: \$2,800,000; 25-year term**
- **19.2% of total construction costs financed**
- **One of 14 hospitality new construction projects**
- **Improved insulation and windows, VRF fan coils units, DOAS, low-flow plumbing fixtures, low LPD**



New Construction Case Study

- **Building: 231,500 SF hospitality**
- **Residences, hotel, restaurant**
- **Amount financed: \$55.5M; 25-year finance term**
- **20% of total construction costs financed**
- **Exceed 2015 IECC by 17%**
- **Design included water source heat pumps, efficient snowmelt, heat recovery, high insulation levels, low-flow plumbing, low LPD**



New Construction Case Study – Retroactive Financing

- **Building: 72,310 SF US Olympic Museum**
- **Amount financed: \$8,494,303; 25-year term**
- **15.5% of total construction costs financed**
- **Exceeded 2015 IECC by 6.7%**
- **Improved insulation and windows, High Efficiency Heat Pumps, low LPD**

Benefits of C-PACE

- Long-term financing (up to 25 years)
- No out-of-pocket (100% financing)
- Lower cost of capital
- Smaller debt service payments – help projects “pencil out”
- No recourse to business owners – no personal guarantees
- Ability to hand off repayment obligation

Project Start – Submit Prequalification Submission Form

- **Prequalification Submission (PQS) form – program “application”**
 - **General building information**
 - **Current mortgage and assessed or appraised value**
 - **General project SOW**
 - **Mortgage holder**
 - **Contractor/Capital provider**
- **Letter of Eligibility**
- **Schedule kickoff call**

C-PACE
Colorado Commercial Property
Assessed Clean Energy

Project Pre-qualification Submission Form

Welcome to Colorado C-PACE! We're delighted you're considering the C-PACE program. To get started, simply submit this completed Pre-qualification Submission Form (PQS) and any attachments to service@copace.com. Note that multifamily projects and projects that will use tax credits require additional information—see Appendices for supplemental forms.

Before you fill out this form, remember that to be eligible for the Colorado C-PACE program, a property must:

- Be located in a [participating C-PACE county](#)
- Require financing for [eligible energy improvements](#)
- Be current on property taxes and municipal assessments
- Not be in bankruptcy or mortgage default
- Be used for commercial, industrial, or agricultural purposes

Questions? Contact the Colorado C-PACE program manager via the toll-free number 877.325.1882 or info@copace.com.

I. CONTACT INFORMATION

Name _____
Company name _____
Email _____
Phone _____
Address _____
City _____
State _____ ZIP Code _____

I am a:

Building owner Capital provider
 Building/property manager Real estate developer
 Contractor/auditor/project developer Other: _____

Project type:

Existing building retrofit New construction

Contact Information

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For more information visit:

www.copace.com