

TALBOT COUNTY RESOURCE FAIR

SEPTEMBER 18, 2019

MARYLAND
COMMERCIAL
PACE



Sponsored by:



MARYLAND
CLEAN ENERGY CENTER

Administered by:



PACE Financial
SERVICING

THE MD-PACE PROGRAM

MD-PACE is a statewide partnership between PACE Financial Servicing (PFS) and the Maryland Clean Energy Center to build a statewide commercial Property Assessed Clean Energy (PACE) program.



MCEC and PFS are working together to help counties:

- Pass ordinances
- Set up programs
- Standardize approaches to implementing PACE districts

MD-PACE:

- Establishes program guidelines
- Establishes legal documents to govern the PACE process throughout the lifecycle of a project.
- Circulated draft ordinances to 22 out of 23 counties
- Registers contractors and capital providers
- Launched the MD-PACE website: <http://md-pace.com>



C-PACE RECAP

Commercial Property Assessed Clean Energy

1

Benefits commercial real estate properties

2

Property value assessed financing mechanism

3

Improves clean energy and energy efficiency

C-PACE ELIGIBILITY



Building Requirements

- Commercial, Industrial, Non-Profit, Multi-Family >5 Units
- Does NOT work for residential, government
- Located within operational PACE municipality
- Current on property taxes
- Meets other municipal statutory requirements



Project Requirements: If it saves energy, C-PACE can finance it

- High efficiency lighting upgrades
- New automated building and HVAC controls
- Variable speed drives (VSDs) on motors fans and pumps
- High efficiency chillers, boilers, and furnaces
- High efficiency hot water heating systems
- Combustion and burner upgrades
- Fuel switching
- Water conservation
- Heat recovery and steam traps
- Building enclosure/envelope improvements
- Building management systems
- Renewable energy systems
- Etc...

WHAT ARE THE BENEFITS OF C-PACE?

C-PACE solves the economics of energy efficiency by producing “Day 1 Payback.” C-PACE’s property-backed structure is secured by a tax lien, which allows for:

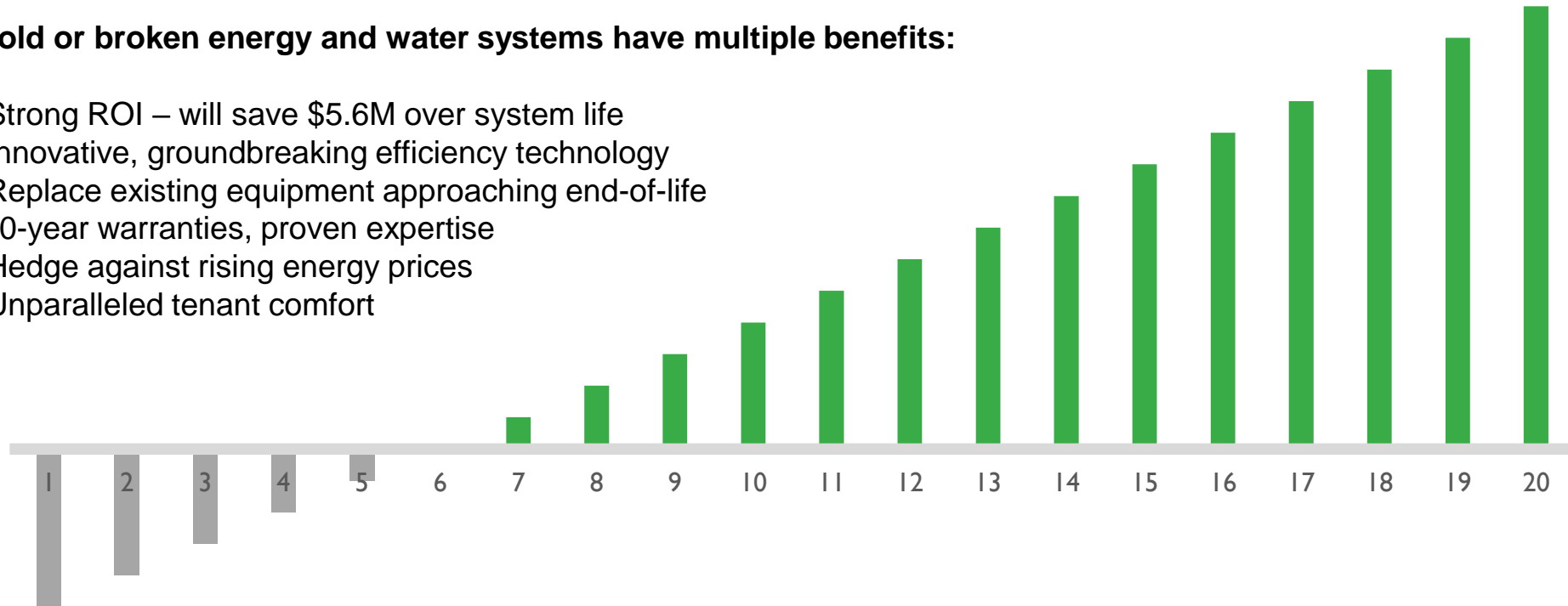
- \$0 down financing
- Long repayment terms (up to 25 years)
- Low, fixed-rate interest (~5-6%)
- Day 1 Payback: projects are cash flow positive from day 1
- Secured by property – not by owner guarantee, bond rating, or credit score

PROJECTS FACE AN ALL TOO FAMILIAR SCENARIO....

Sample \$2M Project with \$320,000 in Annual Savings (~6.25 Year Simple Payback)

Replacing old or broken energy and water systems have multiple benefits:

- ✓ Strong ROI – will save \$5.6M over system life
- ✓ Innovative, groundbreaking efficiency technology
- ✓ Replace existing equipment approaching end-of-life
- ✓ 20-year warranties, proven expertise
- ✓ Hedge against rising energy prices
- ✓ Unparalleled tenant comfort

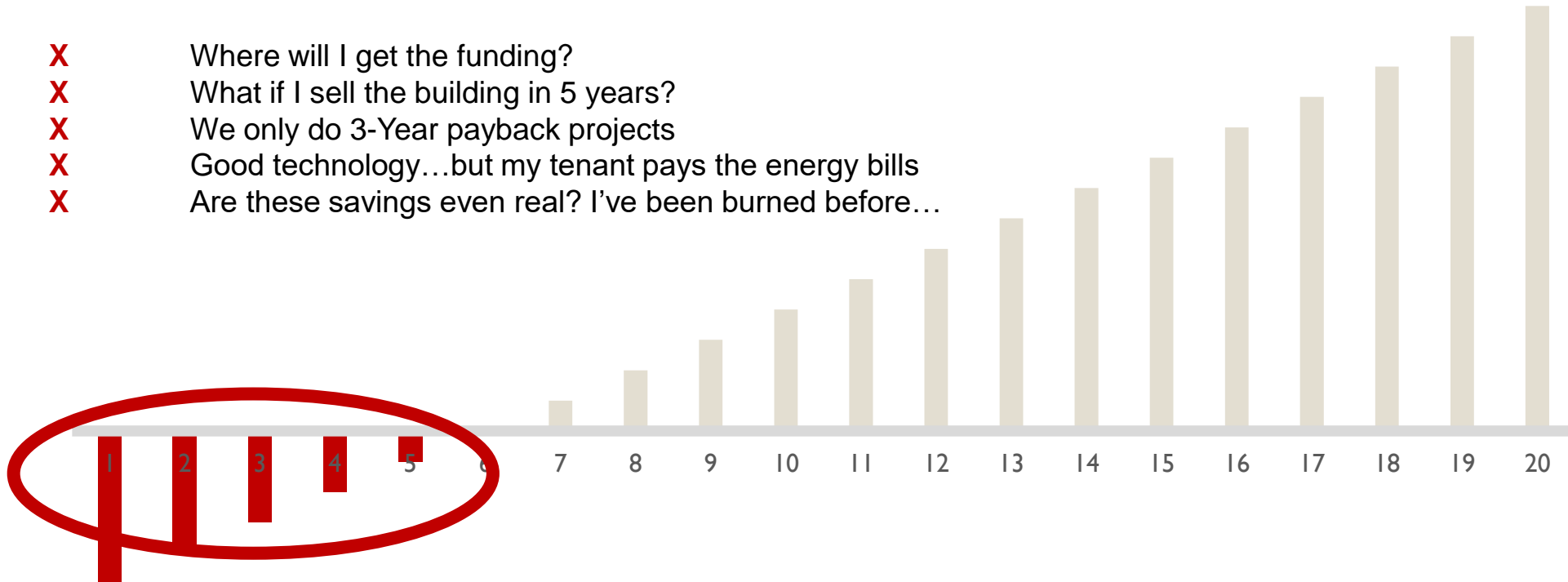


PROJECTS FACE AN ALL TOO FAMILIAR SCENARIO....

Sample \$2M Project with \$320,000 in Annual Savings (~6.25 Year Simple Payback)

But treatment of energy improvements as Capex investment considers only short-term costs:

- X Where will I get the funding?
- X What if I sell the building in 5 years?
- X We only do 3-Year payback projects
- X Good technology...but my tenant pays the energy bills
- X Are these savings even real? I've been burned before...



....BUT C-PACE TURNS CASH FLOW PROJECTIONS ON THEIR HEAD

Sample \$2M Project with \$320,000 in Annual Savings (~6.25 Year Simple Payback)

	Cash	Bank Loan	PACE Assessment
Down payment amount	(\$2,000,000)	15% - (\$300,000)	\$0
Loan amount	\$0	\$1,700,000	\$2,000,000
Loan term	NA	5 yrs	20 yrs
Interest rate	NA	4.00%	6.25%
Annual Cash Flow			
Annual payment	NA	(\$382,295)	(\$180,978)
Annual energy savings	\$320,000	\$320,000	\$320,000
Net annual cash flow	\$320,000	(\$62,295)	\$139,022
5-Year Financial Performance			
5-Year Net Cash Flow	(\$400,000)	(\$611,475)	\$695,110
5-Year NPV @ 6%	(\$258,430)	(\$530,574)	\$585,611
5-Year IRR	-7%	NA	Infinite

¹Assumes no utility cost escalation and no performance degradation to simplify case study

C-PACE transforms what are typically paid as **Capex investments into Opex expenses**, making most projects **cash flow positive from day one**.

The Main Street Business



Main Street Business: The Finishing Touch

Description: The Finishing Touch, a custom frame and print boutique in downtown Chestertown, MD, had air conditioners and windows that dated back to 1978. These outdated HVAC systems were inefficient and expensive to operate.

Solution: The property owner focused on tenant experience and operational costs as motivation to upgrade the 60+ year old HVAC system and high efficiency windows throughout. The mixed-use building was vastly improved and is now more tailored toward customer and renter comfort.

Financing: \$134,408

Measures Financed:

- HVAC upgrades
- Replacement of more than 1,000 sq ft of low R-value glass

Savings:

\$7,000 in the first year and \$300,704 in lifetime savings!

The Historic Renovation/ Adaptive Reuse



Brown's Arcade

Description: Brown's Arcade is a mixed-use commercial building encompassing both retail and business offices. It was constructed in the 18th century and is therefore listed on the National Registry of Historic Places. It is the only building of its kind left in the City of Baltimore, and the last known building of its kind in the state. Its historic roots shine through in embellished Colonial Revival details.

“We are very excited about this opportunity to re-position and transform this historic building with new retail concepts and multifamily apartments in downtown Baltimore alongside our recent acquisition of Brown's Loft which sits on the same 300 block of N Charles Street.” – Kelvin Fu, GL Capital

Measures Financed:

- Water conservation measures
- Building enclosure improvements
- Lighting replacements
- New automated building & HVAC controls

The Basic Retrofit



Medical Office Building

Description: Recently purchased medical office building with pharmacy in need of extensive renovations

Financing: \$800,000

Measures Financed:

- Air handling units and thermostat
- Modern elevator controls
- LED lighting
- Roof insulation
- TPO roofing

Projected Energy Savings (Cumulative)			EUL	Projected Energy Savings (Annual Average)		
kWh	BTU	\$		year s	kWh	BTU
4.7m	329m	857k	20	235k	16m	43k

The Non-Profit



Non-Profit

Description: A Baltimore-based non-profit wanted to expand the capabilities of its residential re-entry center by building out 5,000 square feet of unused space in their facility. The goal of this project was to complete the planned build out while incorporating energy and water efficient equipment.

Challenge: Underwriting cash flows of a non-profit; many NPOs do not think they are eligible for PACE financing

Financing: \$785,000

Measures Financed:

- Insulation and Building Envelope Improvements
- New HVAC and Electrical Installation

Savings: \$3,100 in the first year and \$80,000 in lifetime savings

MID-ATLANTIC PACE ALLIANCE



MAPA is partnership between stakeholders in Virginia, Maryland and the District of Columbia, created to accelerate Commercial PACE programs and project closings in the region. MAPA is supported by funding from the U.S. Department of Energy.



Goals

- ✓ Increase market awareness through coordinated outreach and education.
- ✓ Promote harmonized program design throughout the region.
- ✓ Drive demand and increase volume of C-PACE projects in the region.



Benefits

- ✓ Create streamlined and consistent processes for property owners and contractors working with C-PACE programs in the region
- ✓ Maximize consistency to foster economic development & encourage private capital investment
- ✓ Coordinate marketing approaches and develop consistent messaging about C-PACE





Questions?

THANK YOU!

Comments & Questions:
Jessa Coleman
jcoleman@paceservicing.com
202-844-9504

Appendix

THANK YOU!

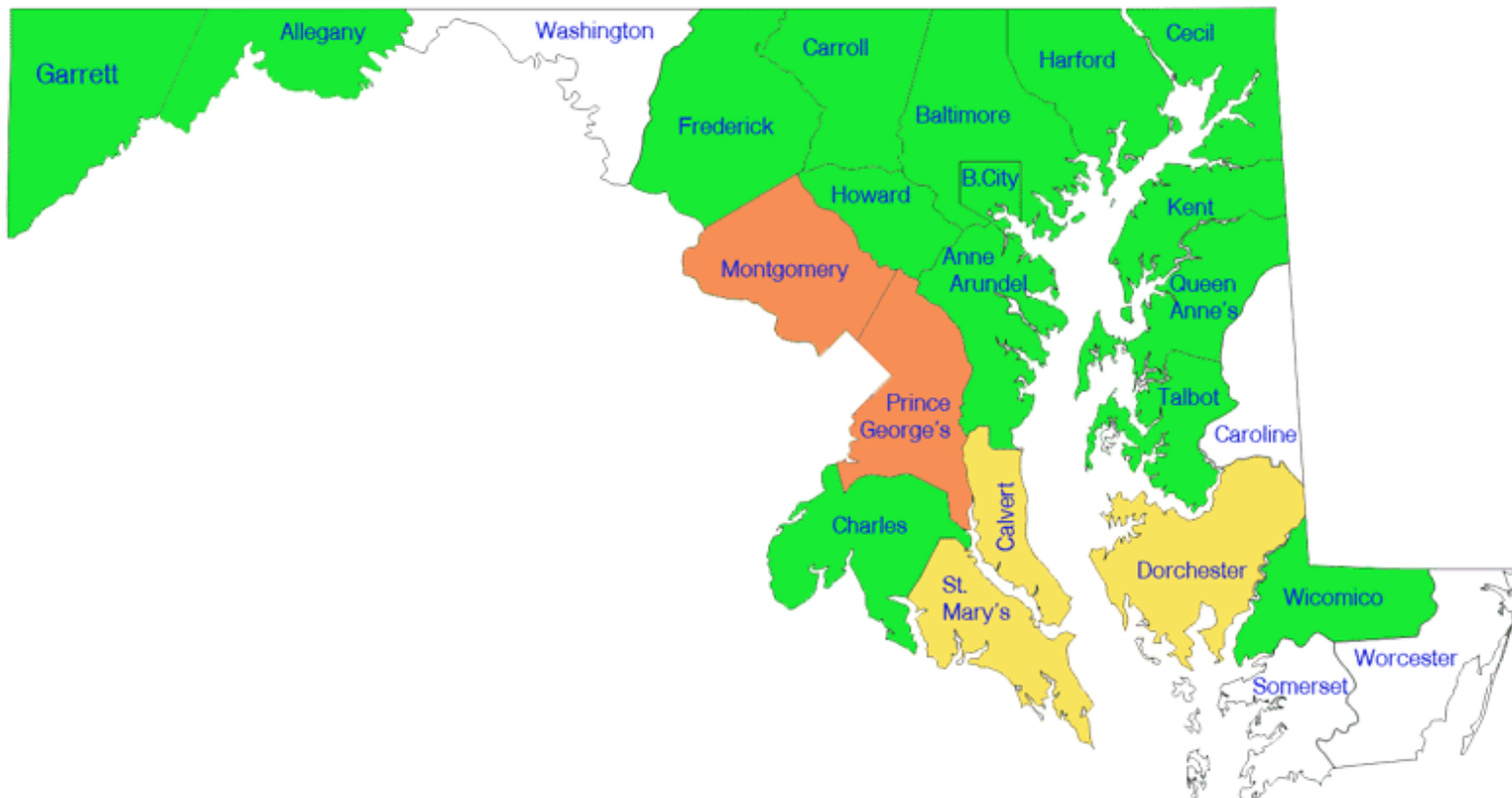
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MD-PACE MAP

 C-PACE enabled
MD-PACE administered

 C-PACE enabled
County administered

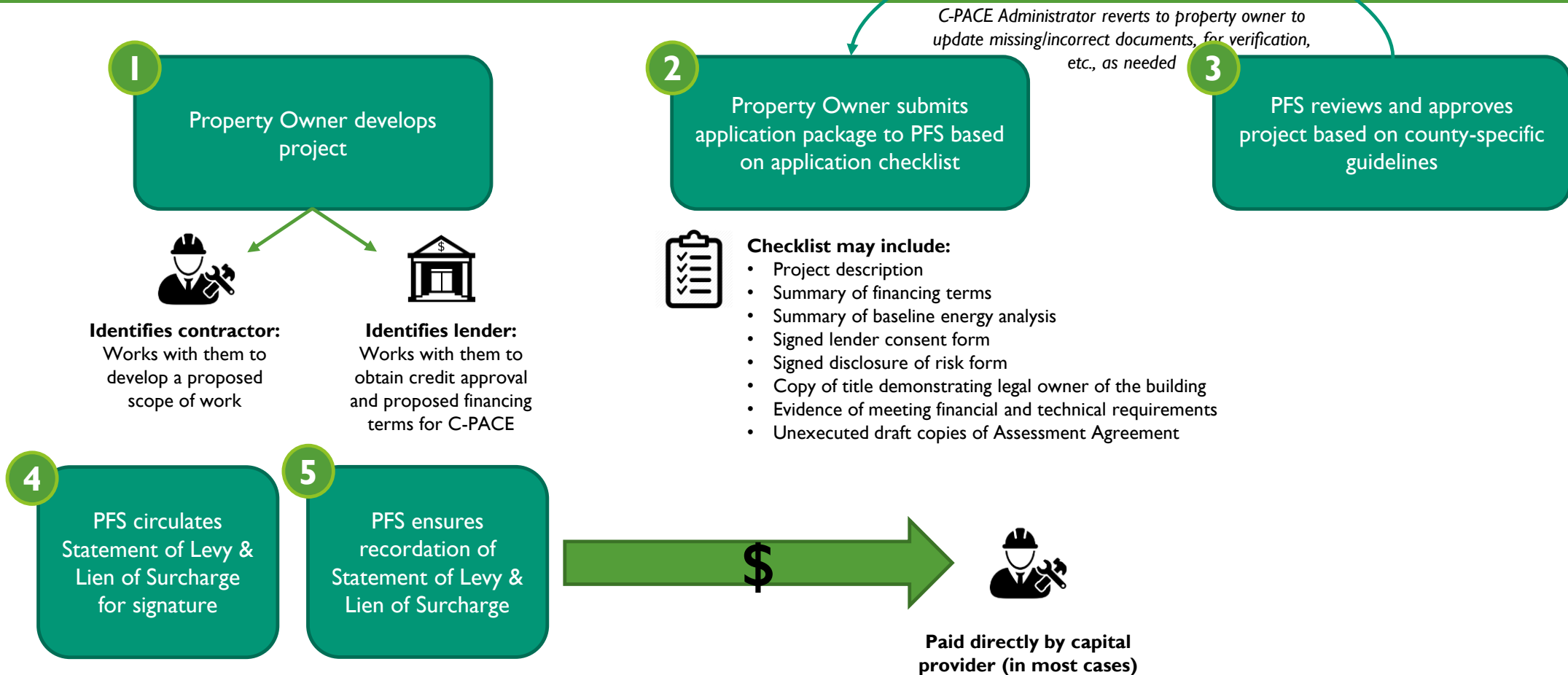
 C-PACE in
development



Jurisdictions in MD with a C-PACE Program:

- Allegany County
- Anne Arundel County
- Baltimore County
- Baltimore City
- Carroll County
- Charles County
- Frederick County
- Garrett County
- Harford County
- Howard County
- Kent County
- Montgomery County
- Prince George's County
- Queen Anne's County
- Talbot County
- Wicomico County

HOW C-PACE WORKS



Identifies contractor:
Works with them to develop a proposed scope of work

Identifies lender:
Works with them to obtain credit approval and proposed financing terms for C-PACE

Statement of Levy & Lien of Surcharge signed by:
County, Property Owner, & Lender

COLLECTION & REMITTANCE

