



AK C-PACE FOR
LOCAL
GOVERNMENTS:

BENEFITS AND IMPLICATIONS
FOR LOCAL GOVERNMENTS IN
OFFERING COMMERCIAL
PROPERTY ASSESSED CLEAN
ENERGY FINANCING

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INTRODUCTION

Introduction to AEA

The Alaska Energy Authority (AEA) is a public corporation of the State of Alaska governed by a board of directors with the mission to “reduce the cost of energy in Alaska.” AEA is the state's energy office and lead agency for statewide energy policy and program development.

Whether building modern and code-compliant bulk fuel tank farms, upgrading to high-efficiency generators in rural powerhouse systems or integrating renewable energy projects, AEA emphasizes community-based project management. AEA’s core programs work to diversify energy Alaska’s energy portfolio, lead energy planning and policy, invest in Alaska’s energy infrastructure and provide rural Alaska with technical and community assistance.

AEA also manages the Renewable Energy Fund, the Emerging Energy Technology Fund, the Power Cost Equalization Program and various Energy Efficiency and Conservation Programs. AEA provides grants and loans for qualified energy infrastructure projects and also owns energy infrastructure for the benefit of Alaskans.

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Introduction to PFS

Best in Class C-PACE Program Design, Implementation, & Administration:

Pace Financial Servicing provides unparalleled expertise and track record in C-PACE program design and administrative services that work for local governments, property owners, and capital providers

Senior team members have acted as advisors to numerous state administrators in the crafting of C-PACE legislation and program design, including Connecticut, Maryland, Pennsylvania, Colorado, Rhode Island, Texas, Delaware, New Jersey, South Carolina, Virginia, Oklahoma, and others

Our Mission

To support governments in the creation of open, standardized, low-cost C-PACE markets designed to drive private sector C-PACE investment and scale

Core Value

To structure each C-PACE program in a manner that scales energy efficiency and clean energy while fulfilling the unique needs of each jurisdiction

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FUNDAMENTALS OF C-PACE

C-PACE as a Public Policy

C-PACE is a **government policy** that says commercial clean energy (efficiency or generation) projects are a **public benefit** – like a sewer, road extension, etc.

How does **it work**?

- State passes enabling legislation
- Local government creates energy district/passes enabling resolution
- Building owner selects projects
- C-PACE capital provider provides financing
- C-PACE assessment recorded in land records and secures financing

Like other public benefits, C-PACE projects are **secured by the building they benefit** with a **special assessment**

What is C-PACE?

Commercial Property Assessed Clean Energy (C-PACE) is a special assessment- based financing mechanism for commercial property owners and developers to fund energy efficiency, renewable energy, and water conservation projects.



100% financing
Funds hard and soft costs



Improves building stock
Decreases operating costs

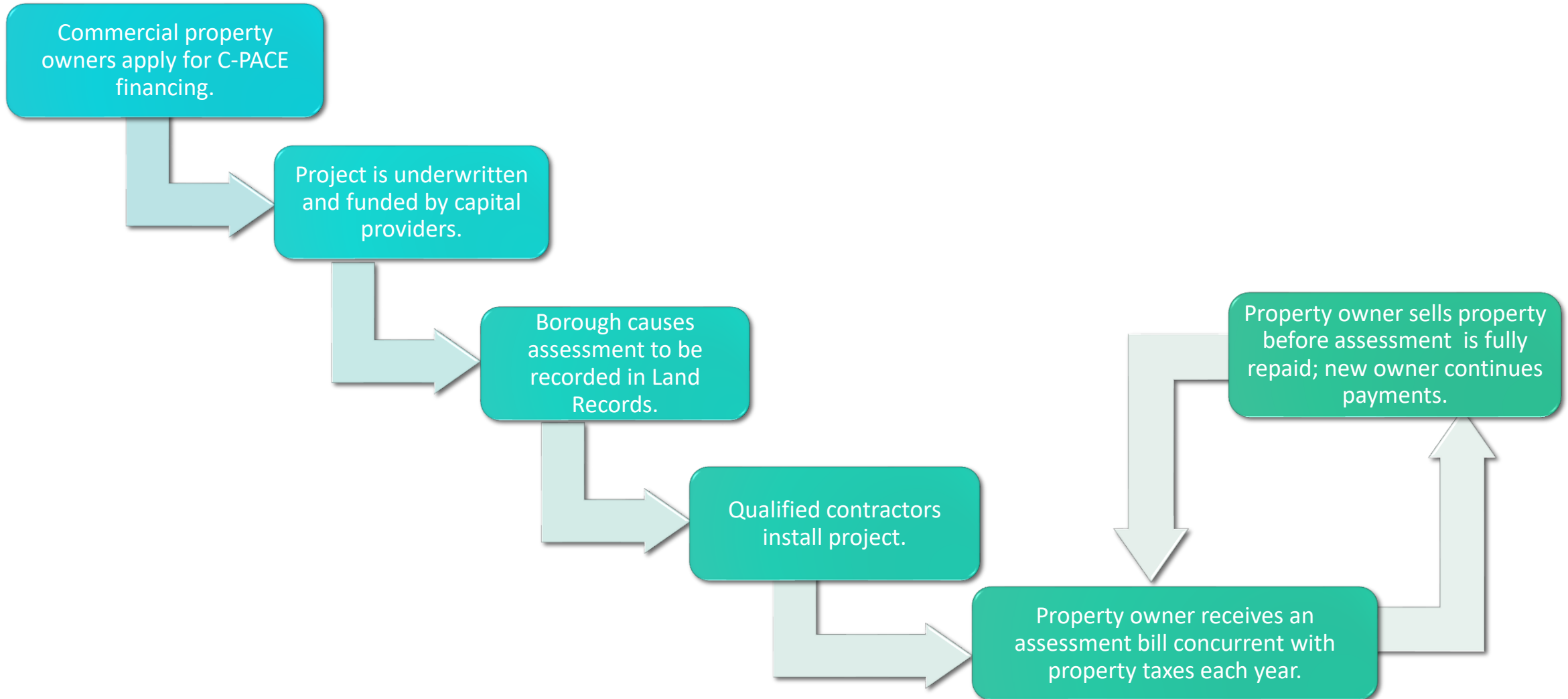


Market-based
Uses private financing

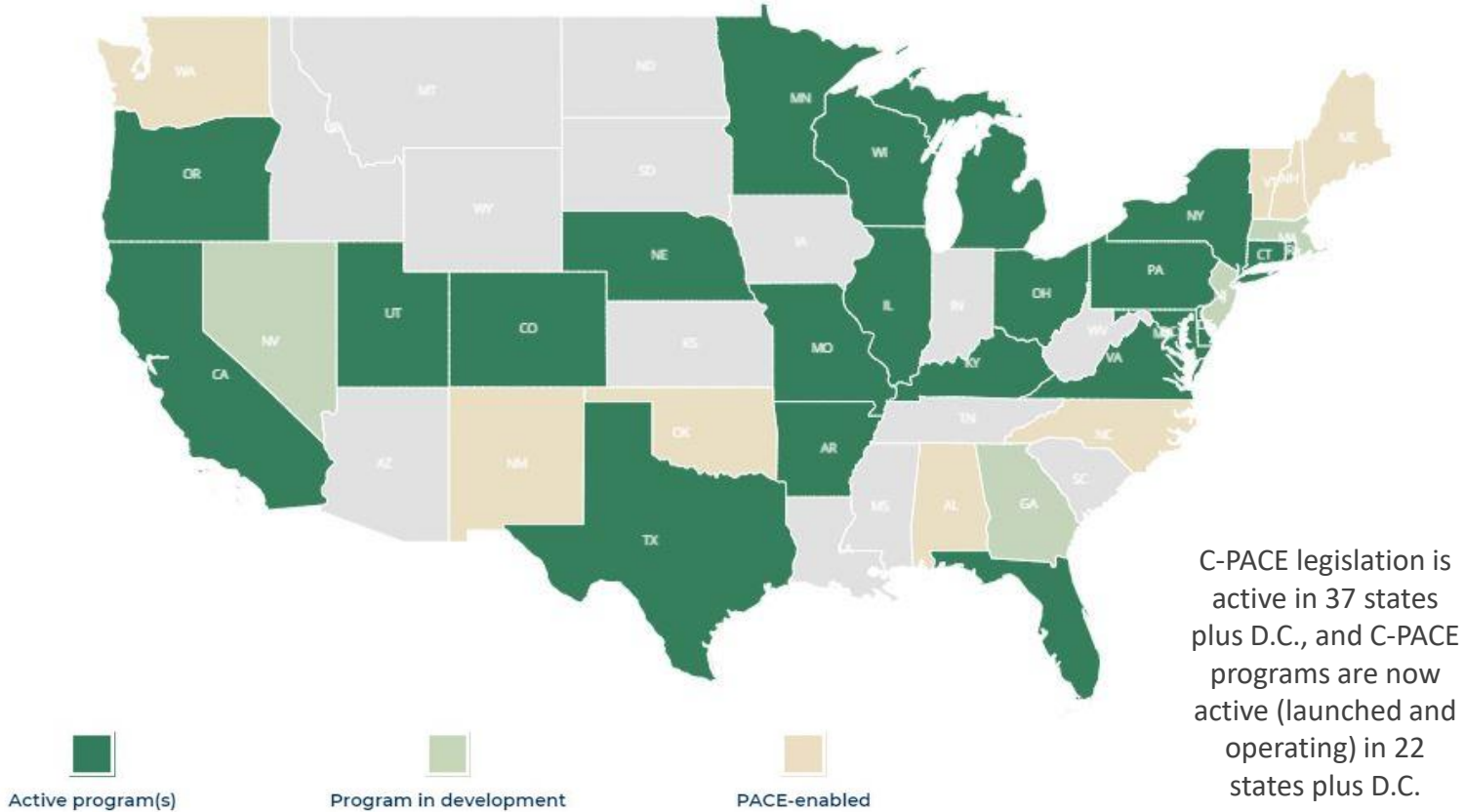


Spurs economic development
Creates local jobs

From Project Origination to Repayment



C-PACE Nationwide



\$1,538
investment (MM)

2,400
(commercial projects)

17,848
jobs created

Benefits of C-PACE for Local Governments

The structure drives job growth, economic development, and clean, efficient energy use:

- Drive private sector investment in your community
- Serve as a tool for business owners to decrease costs and improve asset value
- Improve taxable property base
- Improve resiliency of the built environment
- Create energy efficiency and clean energy jobs
- Help meet efficiency and clean energy standards
- Little to no cost for government

C-PACE During Economic Downturns

- An **important source of credit** for property owners seeking to **make needed capital improvement and implement deferred maintenance** to their properties
- Underwritten against the long term (e.g. 20 – 30 year) asset value of commercial property rather than company credit, making it **a critical source of capital** for non-investment grade buildings
- Can help **complete capital stacks** for projects that are tapped out with their existing lender and can help fill gaps that have been created by construction delays and cost overruns
- Typically paid on an annual basis commencing 12 – 24 months after financing, **allowing time to complete building construction or renovation and stabilization** before payments are due
- Energy saving and building resiliency investments that can be made through private investment are particularly **critical when public investment in these areas is redirected elsewhere**

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PROGRAM DESIGN

What is the Alaska C-PACE Program Platform?

A C-PACE program administrative platform that will work statewide for any municipality choosing to establish a program.



Keep it Low Cost & Simple

Establish clear, concise guidelines and transparent processes without high fees



Keep it Open

Catalyze innovation and promote growth through open-market administration



Keep it Standard

Enable scale by implementing one set of rules for capital providers and contractors

Developing an Administrative Platform



Design	Implementation	Administration
<ul style="list-style-type: none">• What does the law say about how a C-PACE program is established?• What is the role of the municipality under the law?• Which roles of the municipality can be outsourced?• How does the flow of funds for C-PACE work according to the tax code?	<ul style="list-style-type: none">• How many municipalities are legally permitted to implement a program?• Which municipalities have the appetite and capacity to implement a program?• Is the entire state willing/able to implement a program or will individual programs be implemented in each municipality?• Is there a statewide program sponsor?	<ul style="list-style-type: none">• How should the program engage with contractors, capital providers, and other stakeholders?• How should the program market the program?• How does the program administrator record assessments?• How are assessment payments delivered from the municipality to the capital provider? (collection and enforcement)

Developing an Administrative Platform



Design	Implementation	Administration
<ul style="list-style-type: none">• Determine flow of funds for C-PACE/role of tax collector• Identify and confirm C-PACE enforcement remedies• Design standard ordinance• Design standard admin agreement for tax collectors• Design servicing agreement• Design recorded C-PACE document• Design project technical standards• Legal/FA aid on tax/assessment law – basis for C-PACE operation• Create program guidelines	<ul style="list-style-type: none">• Outreach to local governments to bring into program• Passage of local C-PACE ordinances	<ul style="list-style-type: none">• Onboard/register lenders• Onboard/register contractors• Create program website• Application review• Assessment creation• C-PACE collection and servicing• Continual marketing and outreach• Channel partner development• Upkeep of website• Upkeep of marketing collateral• Upkeep of program documents

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ALASKA C-PACE STATUTE

The Alaska C-PACE Statute

“A municipality* may **establish an energy improvement assessment program** under AS 29.55.100 - 29.55.165 to finance the installation or modification of **permanent improvements** that are fixed to existing privately owned commercial or industrial property and are **intended to reduce energy consumption or demand, energy costs, or emissions** affecting local air quality, including a product, device, or interacting group of products **or devices that use energy technology to generate electricity, provide thermal energy, or regulate temperature”**

**First-class and second-class boroughs*

Program Requirements by Statute

Assessment Financing Amount

An assessment under this section may repay financing for costs of an energy improvement project, including:

- The cost of materials and labor necessary for the project
- Various fees (permit fees, inspection fees, lender fees, program application and administrative fees, project development and engineering fees, third-party review fees, etc.)

Maximum Loan Term

20 years or the useful life of the project, whichever is shorter

Maximum Financing Amount

May not exceed 20% of the assessed value of the property at the time of program application;

Possible Waiver: If the total financing repaid by assessments does not exceed 50% of the assessed value of the property at the time of program application

Lender Consent

Existing mortgage/line holders must be given 30 days notice of an assessment and must consent to the assessment in writing

Savings to Investment Ratio

The financed amount must be exceeded by the projected monetary savings to the property owner over the life of the assessment as a result of the energy improvement project

Possible Waiver: If the total financing repaid by assessments does not exceed 50% of the assessed value of the property at the time of program application

Project Review & Verification

The property owner shall obtain from an independent, third party qualified energy auditor:

1. Review of the energy or emissions baseline conditions and the projected reduction in energy costs, energy consumption or demand, or emissions affecting local air quality, as appropriate
2. Verification that the energy improvement project was properly completed and is operating as intended

Direct Acquisition by Owner

The property owner may purchase directly the equipment and materials for the project and contract directly, including through lease, a PPA, or other service contract, for the project

Program Requirements by Statute

Assessment Lien

Assessments and any interest or penalties on the assessments are liens on the property assessed and are prior and paramount to all liens except municipal tax liens and special assessments.

Assessment liens may be enforced for enforcement of property tax liens.

Assessment liens run with the land, and that portion of the assessment under the assessment contract that has not yet become due is not eliminated by foreclosure of a property tax lien.

Penalties and interest may be added to delinquent installments of the assessments

A municipality may recover costs and expenses, including attorney fees, in a suit to collect a delinquent installment of an assessment in the same manner as in a suit to collect a delinquent property tax.

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THE ROLE OF THE MUNICIPALITY

The Role of the Municipality

Legislative Opt-in	Execute Assessment Contract	Assessment Servicing
<p>A municipality must pass an ordinance to establish an energy improvement assessment program.</p> <p>A municipality may:</p> <ol style="list-style-type: none"> 1. Self-administer 2. Hire and set the compensation of a program administrator and program staff. 3. Contract for professional services necessary to administer a program. 	<p>A municipality that authorizes financing through assessments shall:</p> <ul style="list-style-type: none"> • Enter into an assessment contract with the borrower; • Enter into a lender contract with the lender; • File written notice of each assessment in the property records of the recording district in which the property is located. 	<p>A municipality shall:</p> <ol style="list-style-type: none"> 1. Enter into a contract with an owner of privately owned commercial or industrial property to impose an assessment to repay the financing of an energy improvement project;* 2. Enforce assessment liens in the same manner as enforcement of other property tax liens. <p><i>*May contract with the governing body of another taxing unit to perform the duties of the municipality relating to collection of assessments.</i></p>

Compensation. A municipality may impose fees to offset the costs of administering a program. The fees may be assessed as a program application fee paid by the property owner applying to the program; a component of the interest rate on the assessment; or a combination of both.

The Role of the Municipality

The municipality shall prepare a report for a proposed program that includes:

1. A **map** showing the boundaries of each proposed region within which the program is available;
2. A **form for a contract between the municipality and a property owner** specifying the terms of assessment under the program and financing provided by a third party or the municipality, as appropriate;
3. If the proposed program provides for third-party financing, a **form for a contract between the municipality and the third party** regarding the servicing of the debt through assessments;
4. A **description of projects that may qualify** for assessments;
5. A **plan for ensuring sufficient capital** for third-party financing and, if appropriate, raising capital for municipal financing;
6. If bonds will be issued to provide capital to finance energy improvement projects, a **description of the methods for calculating financing**
7. A **method to calculate a period of assessment**
8. A **description of the application process and eligibility requirements** for financing repaid by assessments under the program;
9. A method for a property owner applying to participate in the program to **demonstrate the property owner's ability to fulfill financial obligations** and pay assessments; the method must be based on appropriate underwriting factors
10. An **explanation of the manner in which the municipality shall assess the property and collect assessments**
11. The **lender notice requirement**
12. The **review requirements**
13. A **description of marketing and participant education services** provided by the municipality for the program;
14. A **description of quality assurance and antifraud measures** instituted by the municipality for the program and the consequence or penalty prescribed by the municipality for a property owner who participates in the program but does not complete an energy improvement project as proposed; and
15. A **description of the insurance requirements**, incl. a requirement that the owner have insurance against damage to the project for the life of the assessment.

The Role of the Municipality

One or more municipalities may implement or administer jointly a program; if two or more municipalities jointly implement a program, a single public hearing held jointly by the cooperating municipalities

Option One

Shared hearing and mutual adoption of common ordinance and report

Mutual adoption of program administrative platform

RECOMMENDED

Option Two

Separate hearings and separate adoption of similar ordinances and reports

Mutual adoption of program administrative platform

Option Three

Separate hearings and separate adoption of similar ordinances and reports

Separate adoption of different program administrative platforms

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PROGRAM DOCUMENTS

Key Documents

Resolution of Intent	<ul style="list-style-type: none">• Must contain a finding that financing energy improvement projects through assessments serves a valid public purpose;• Must contain a statement that the municipality intends to allow privately owned commercial or industrial property owners to make assessments to repay financing for energy improvement projects;• Must contain a description of energy improvement projects that may be subject to assessments;• Must contain a description of the boundaries of a region within the municipality's boundaries in which the program is available;• Must contain a description of any proposed arrangements to make third-party financing available or any financing the municipality will provide for energy improvement projects• Must contain a description of municipal debt servicing procedures for any third-party financing and assessments;
Non-Codified Ordinance to Approve C-PACE Program	<ul style="list-style-type: none">• Prepare proposed program report and hold public hearing on the contents of the report
Codified Ordinance to Establish C-PACE Program	<ul style="list-style-type: none">• Establishes the program and terms of program:<ul style="list-style-type: none">• Authorizes the county to hire a third-party administrator to service the program• Defines the status of C-PACE as an assessment• Defines the role of the county in the operations of the program• Defines eligible improvements
Capital Provider Contract	<ul style="list-style-type: none">• Capital provider enters in agreement with municipality regarding servicing of assessment financing offered to property owner
Owner Contract	<ul style="list-style-type: none">• Property owner requests municipality to levy a C-PACE assessment pursuant to terms of financing executed between property owner and capital provider• Property owner voluntarily agrees to the levy of the assessment by the County
Notice of Contractual Assessment Lien	<ul style="list-style-type: none">• Is recorded in the land records to evidence the assessment on the property
Program Handbook	<ul style="list-style-type: none">• Further defines eligibility of properties and improvements• Provides application checklist and procedures• Includes other template forms (e.g. mortgage lender consent)

Sample Application Requirements

PROPERTY DETAILS

Property Address

Property Parcel #

Legal Property Owner

Property Zoning

Property Description

ELIGIBILITY

Outstanding Mortgage(s)

Mortgage Lender Consent

Tax Payments Current

PROJECT SCOPE

Summary of Improvements Financed

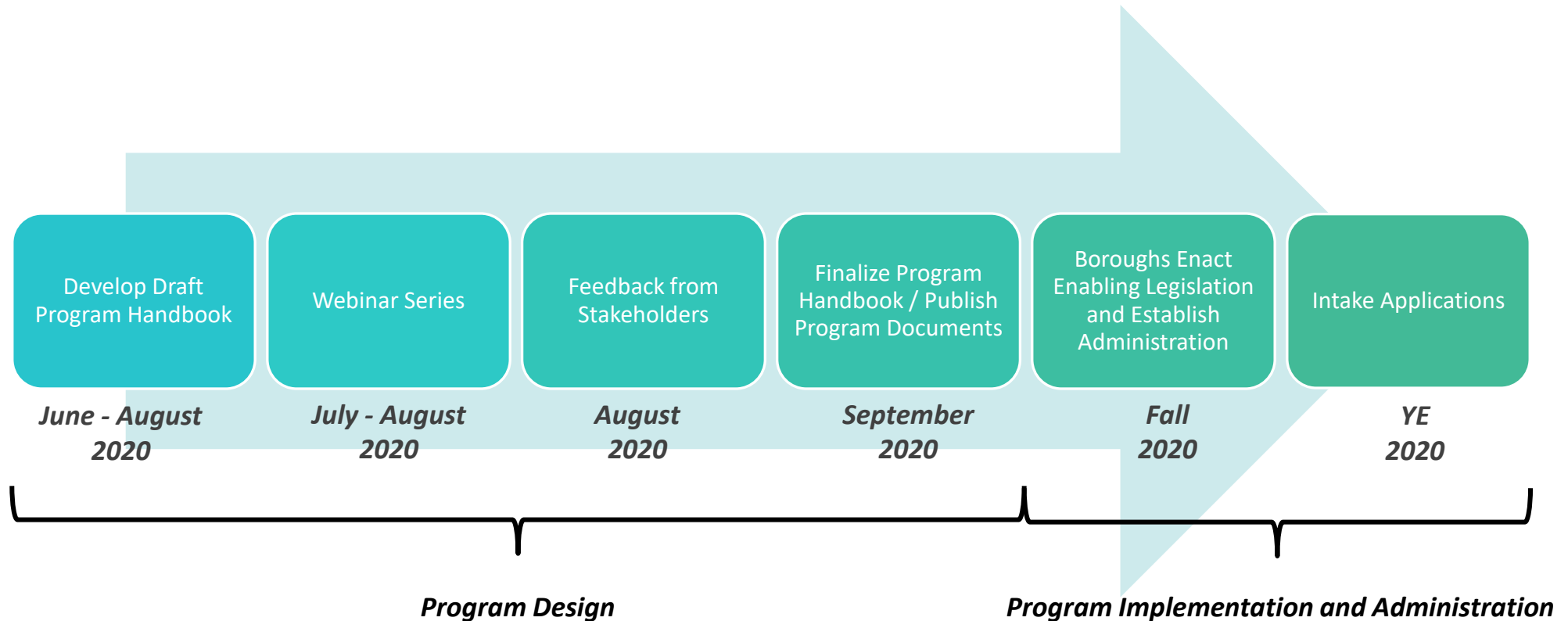
Engineer Confirmation of Eligibility

FINANCING

C-PACE Assessment Amount
(Project Cost, Closing Fees, Other Fees)

C-PACE Assessment Term

Developing C-PACE in Alaska



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