PACE Market Overview

New Jersey PACE Summit

June 12, 2015
PACENow

Representing PACENation

✓ 501(c)3 Not-for-Profit

✓ Foundation Funded
  • Rockefeller Brothers Fund
  • Kresge Foundation
  • Tilia Fund
  • Energy Foundation

✓ Information, Resources, Advice, Networking, Problem Solving
  • www.PACENow.org
PACE IN 90 SECONDS

VIDEO
WHAT MAKES A PACE DEAL?

A Building Owner
WHAT MAKES A PACE DEAL?

A Project.... And a Contractor
What Makes a PACE Deal?

Someone to Fund the Project
WHAT MAKES A PACE DEAL?

Local Government to “Service” the Financing
What Makes a PACE Deal?

Building Owner Repays with an Assessment
WHAT MAKES A PACE DEAL?

Assessment Repays Project Funder
OLD CONCEPT – NEW APPLICATION

Local Government Financing – Public Purpose Goal

1736 – First Assessment District in Philadelphia

Today – 37,000 Assessment Districts nationwide

✓ Water & Sewer Service
✓ Parks
✓ Sidewalks
✓ Lighting
✓ Downtown renewal
✓ Energy Efficiency (PACE)
WHO CAN USE PACE?

Almost Any Building
WHAT FOR?

Projects that Save or Generate Energy

- Heating/Ventilation
- Lighting
- Water Pumps
- Insulation
- Solar Panels
- Motors
- Roof
WHY PACE?

Long-Term Payback
Why PACE?

**makes Long Payback Projects Work**

The secure nature of PACE enables up to 20-yr funding: projects with simple paybacks as long as 12 years can be implemented on a positive cash flow basis

- Increases NOI
- Increases Property Value
**WHY PACE?**

**PACE Transfers on Sale**

No payoff on sale – PACE automatically transfers to the new owner, like any other real estate tax

✔ No residual encumbrance and easy exit.
✔ Takes the risk away from investing in needed CAPEX.
**WHY PACE?**

**Share Benefits and Costs with Tenants**

The real estate tax assessment can be passed on to tenants under most lease forms:

- Eliminates the landlord/tenant split incentive for triple net, modified gross leases, and industrial modified gross leases.
“We hope to serve as pioneers in this arena, encouraging others to explore the many ways to reduce energy use now, rather than delaying sound financial and environmental decisions.”

George Caraghiaur, former SVP for Sustainability at Simon Property Group
“Prologis is participating in the PACE program in order to promote new, innovative solutions for financing sustainable building improvements. It provides the flexibility to drive more energy improvement programs and that’s something everyone should embrace.”

Jack Rizzo, Managing Director, Global Construction and Renewable Energy, Prologis
Solar & EE Upgrade in Middletown, CT

$2.5 mil Energy & Solar Upgrade – Multi Project

Project

- the installation of air units, variable frequency drives, high efficiency lights, occupancy sensors, air leakage improvements, an upgraded energy management system,
- and a 260 kW ground-mounted solar photovoltaic system.

Financial Impact

- Energy savings of $224k annually

Impact

- 51M kBTUs saved
- 8.5M kWh clean energy produced
PACE IN 2007
PACE TAKES OFF

29 states and DC - 80% of US population

HI Existing Authority
PACE enabled
PACE amendment
2015 / 2016 legislative initiatives
RESIDENTIAL
RESIDENTIAL PACE TODAY

40,000+ Homes - $750+ million – 10,000+ Jobs

PACE enabled
Early stage PACE program development
PACE programs with funded projects
RESURGENCE IN RESIDENTIAL

California Leads Residential Renaissance

✓ SCEIP, HERO, CaliforniaFIRST, Ygrene, Alliance NRG
  • San Francisco, San Diego, Los Angeles, Sacramento, Placer

✓ Strong Political Leadership

✓ California (CAEATFA) reserve
  • Municipal opt-in insures mortgage lenders

✓ HERO Program securitizes $470+ million
  • Deutsche Bank underwrites 3 deals, AA rating, - 4.00%

✓ FHFA continues to voice disapproval
COMMERCIAL
27 Projects completed - $5 mil
PACE Programs Today

330+ Projects - $112+ mil - Pipeline $300+ mil - 1,620 Jobs

![Map of PACE programs enabled across the United States]

- PACE enabled
- Early stage PACE program development
- Launched PACE programs
- PACE programs with funded projects
PACE COMMERCIAL MARKET STATS

Cumulative Financing

Cumulative Financing graph showing the increase in financing from Dec'09 to Apr'15.
PACE COMMERCIAL MARKET STATS

Broad Applicability

NUMBER OF PROJECTS, BY BUILDING TYPE
- Office: 24.2%
- Multifamily: 17.9%
- Retail: 9%
- Services: 7.2%
- Agriculture: 4.9%
- Hospitality: 13.9%
- Industrial: 11.7%
- Other: 10.2%
- Government: 20.4%
- Mixed Use: 14.3%

$ AMOUNT OF PROJECTS, BY BUILDING TYPE
- Office: 28.7%
- Multifamily: 10.4%
- Retail: 10.2%
- Services: 14.3%
- Agriculture: 20.4%
- Hospitality: 11.7%
- Industrial: 7.2%
- Other: 4.9%
- Government: 9%
- Mixed Use: 24.2%
PACE COMMERCIAL MARKET STATS

Broad Applicability

**NUMBER OF PROJECTS, BY SIZE**

- < $50K
- $50-$100K
- $100-$200K
- $200-$300K
- $300-$400K
- $400-$500K
- >$500K

- **NUMBER OF PROJECTS, BY SIZE**

  - <$250: 74.6%
  - $250-$500K: 11.6%
  - $500-$1M: 9.2%
  - >$1M: 5.6%
PACE COMMERCIAL MARKET STATS

Broad Applicability

**NUMBER OF PROJECTS, BY TYPE OF UPGRADE**
- EE: 60.4%
- RE: 28.8%
- Mixed: 10.8%

**$ AMOUNT OF PROJECTS, BY TYPE OF UPGRADE**
- EE: 61.5%
- RE: 26%
- Mixed: 12.5%
PROGRAM ADMINISTRATION

Decentralized Market – Mix of Models & Providers

- PACE Platform – Municipality as “Loan Servicer”

- Sole municipality
  - Edina (MN), San Francisco (CA), Ann Arbor (MI), Sacramento (CA)

- Multiple municipalities – Consortiums
  - California (California First, FigTree, LA County)
  - Florida (Florida Green Energy Works, Ygrene)
  - Michigan (MI Lean & Green)
  - New York (Energize New York)

- Statewide – Uniformity and Scale
  - Connecticut
Volume is the answer to all of our problems

- Complexity – Keep it Simple
- Get down that learning curve
- Track and share data
- Cooperate whenever possible
- Get to YES faster
PACENow

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PACE is a highly effective financing option that every building owner considers when implementing energy efficiency, renewable energy, and water management upgrades to their properties.

To be the leader of and advocate for the growing universe of PACE stakeholders; and the provider of information, resources, consensus-based advice and guidance, market network building and solutions to PACE market problems.