



AK C-PACE 101:

INTRODUCTION TO
COMMERCIAL PROPERTY
ASSESSED CLEAN ENERGY
FINANCING IN ALASKA

Introduction

Fundamentals of C-PACE

C-PACE Transaction Structure

Benefits of C-PACE

C-PACE in Alaska

Upcoming Webinars

Q&A

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

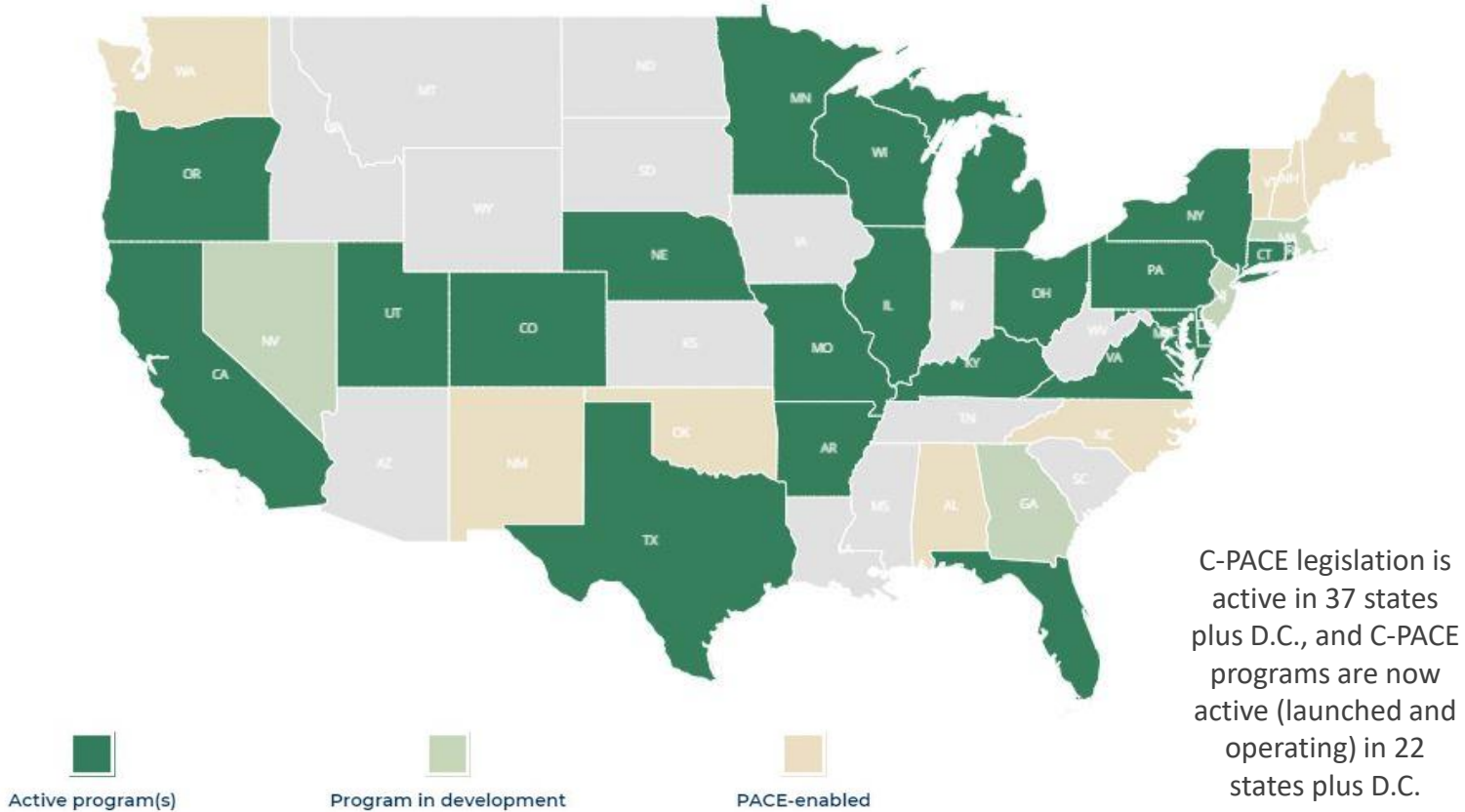


Market-based
Uses private financing



Spurs economic development
Creates local jobs

C-PACE Nationwide



\$1,538
investment (MM)

2,400
(commercial projects)

17,848
jobs created

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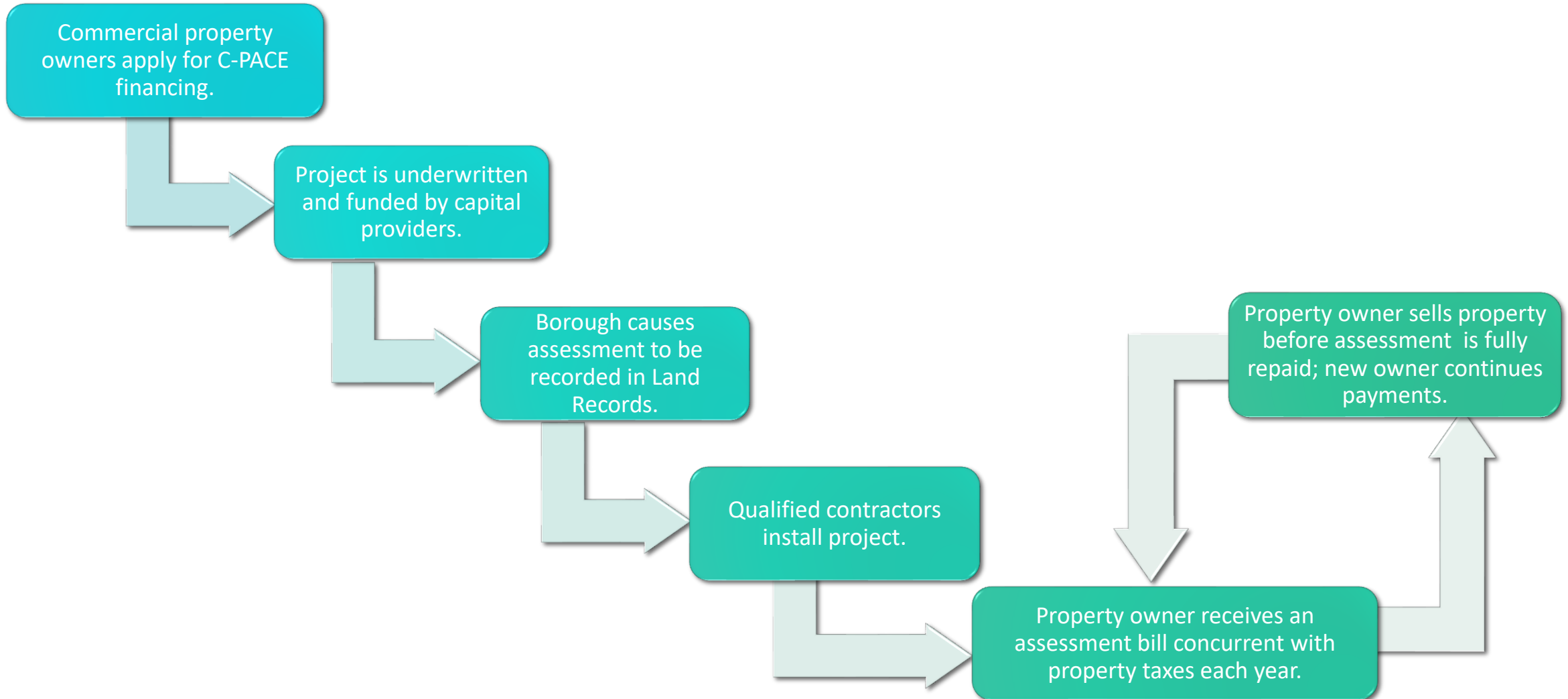
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C-PACE TRANSACTION STRUCTURE

From Project Origination to Repayment



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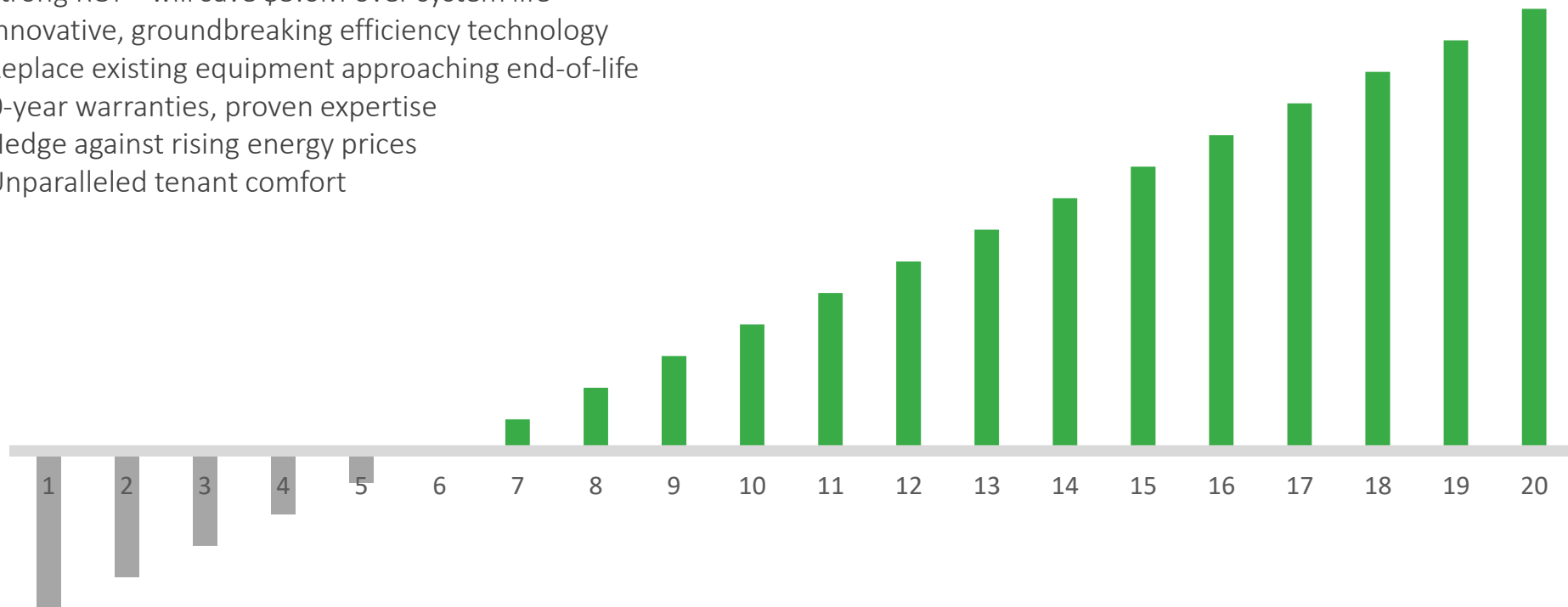
Q&A

BENEFITS OF C-PACE

Benefits of C-PACE

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

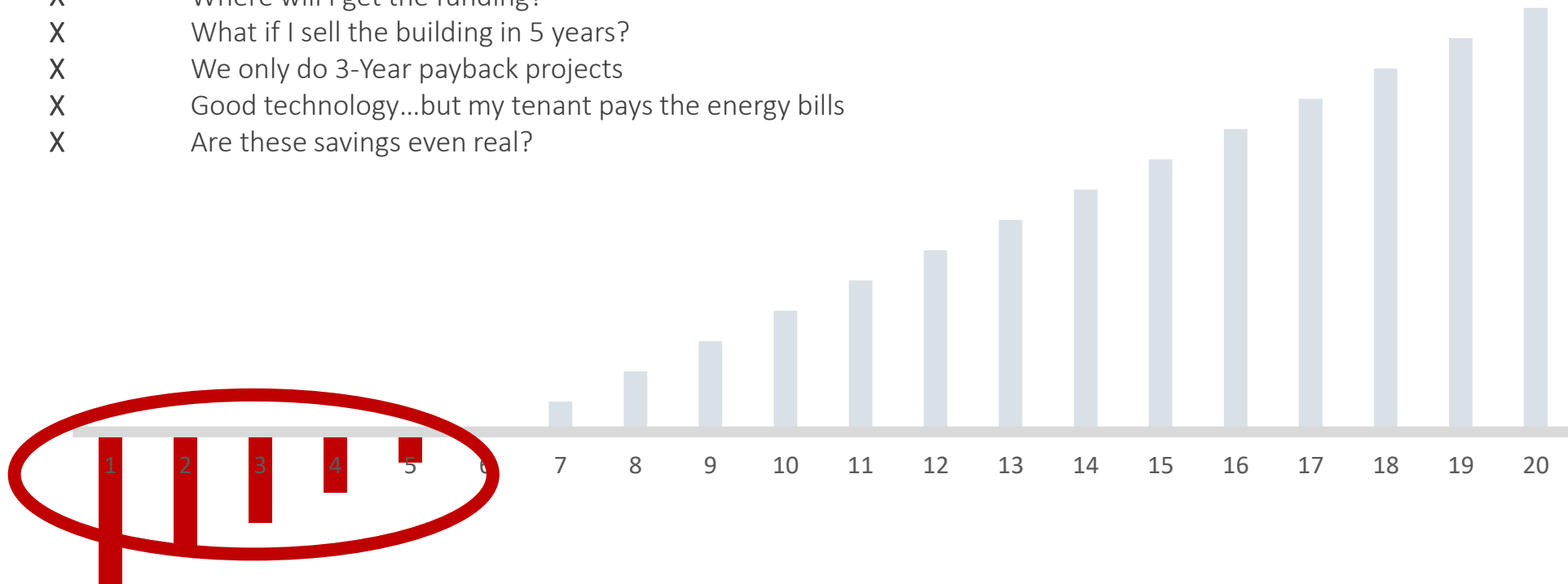


Sample \$2M Project with \$320,000 in Annual Savings (~6.25 Year Simple Payback)

Benefits of C-PACE

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?



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

Benefits of C-PACE

C-PACE provides 100% upfront funding and amortizes these costs over the full equipment lifetime

	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

Benefits of C-PACE for Property Owners

C-PACE solves the economics of energy efficiency projects 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 30 years)
- Low, fixed-rate interest
- Projects are cash flow positive from day 1
- Secured by property – not by owner guarantee, bond rating, or credit score
- Obligation transfers with building
- Assessments may pass through to tenants

Benefits of C-PACE for Local Governments

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

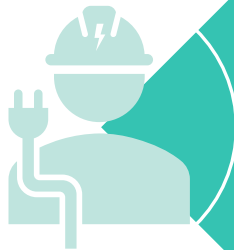
- Drive **private sector investment in your community**
- Serve as a tool for business owners to **decrease costs** and **improve asset value**
- **Improve taxable property base**
- Create **energy efficiency and clean energy jobs**
- Help meet efficiency and clean energy standards
- Carry **little/no cost for government**

Other Beneficiaries of C-PACE



Mortgage Holders

- Improves the senior lender's collateral value
- Increases cash flow
- C-PACE assessments are not accelerating



Contractors

- Immediate, secure project financing for services
- Avoid using own credit line to fund projects
- Unlock projects that were previously “locked”



Communities

- Commercial buildings are energy and water intensive structures; even modest proportional improvements can result in large decreases in carbon footprint
- Increase economic development by attracting external investment in local businesses

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C-PACE IN ALASKA

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*

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

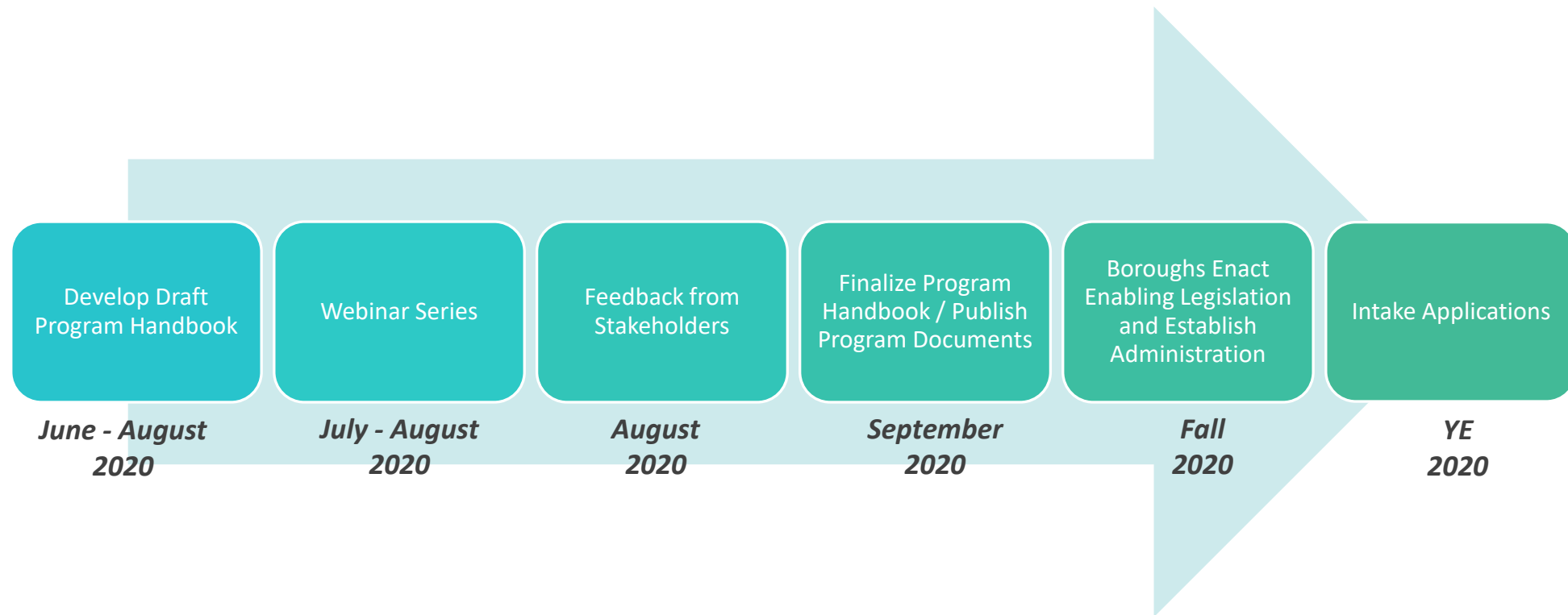
Catalyze innovation and promote growth through open-market administration



Keep it Standard

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

Developing C-PACE in Alaska



Program Documents and Applications

PROGRAM DOCUMENTS

Template Resolution and Two Ordinances for Municipalities to Establish C-PACE program

Assessment Contract(s)

Program Handbook

Application Materials

Etc.

SAMPLE APPLICATION REQUIREMENTS

Property Details

Eligibility

Project Scope

Financing Terms

Etc.

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UPCOMING WEBINARS

Upcoming Webinars

Webinar #2:

Workshop to Develop C-PACE in Alaska

Wednesday, July 29, 2020 at 12:00 pm AKST

This workshop-style web event builds on the previous introductory webinar to C-PACE in Alaska and will include opportunities to contribute to the program handbook.

- Introduction to C-PACE financing
- Legislative history of C-PACE in Alaska
- How to create a local C-PACE program
- Drafting the Alaska C-PACE Program Handbook and transaction documents
- Opportunities to contribute to the Program Handbook

Who should attend? Members of the real estate industry, engineering and contracting industry, financial industry, and economic development officials.

Webinar #3:

Alaska C-PACE: Benefits and Implications For Local Government

Thursday, July 30, 2020 at 12:00 pm AKST

C-PACE can be a new tool in economic development portfolios, but each county needs to first “opt in” to this new program. This web event will explore how C-PACE financing can benefit municipalities and communities, detailing the role of local governments in establishing and administering a C-PACE program.

- Fundamentals of C-PACE Financing
- Legal Background on Alaska C-PACE
- C-PACE program roles
- C-PACE transaction structure
- The municipality’s role in establishing a C-PACE program
- Program Documents

Who should attend? Municipal tax and economic development officials and staff.

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