



DEVELOPMENT OF AK C-PACE:

WORKSHOP TO SOLICIT
FEEDBACK ON
COMMERCIAL PROPERTY
ASSESSED CLEAN ENERGY
FINANCING IN ALASKA

Introduction

Fundamentals of C-PACE

C-PACE in Alaska

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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

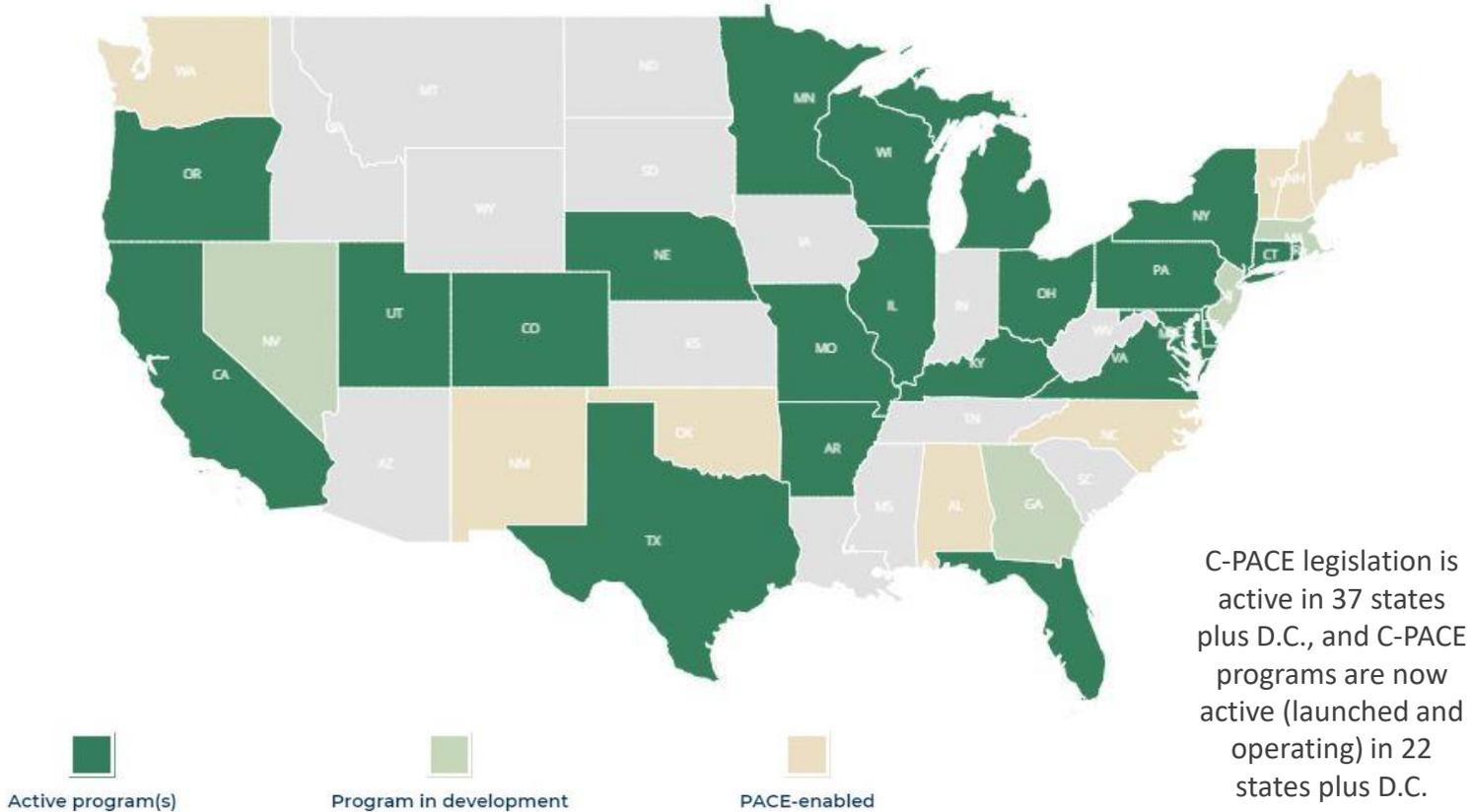


Market-based
Uses private financing



Spurs economic development
Creates local jobs

C-PACE Nationwide

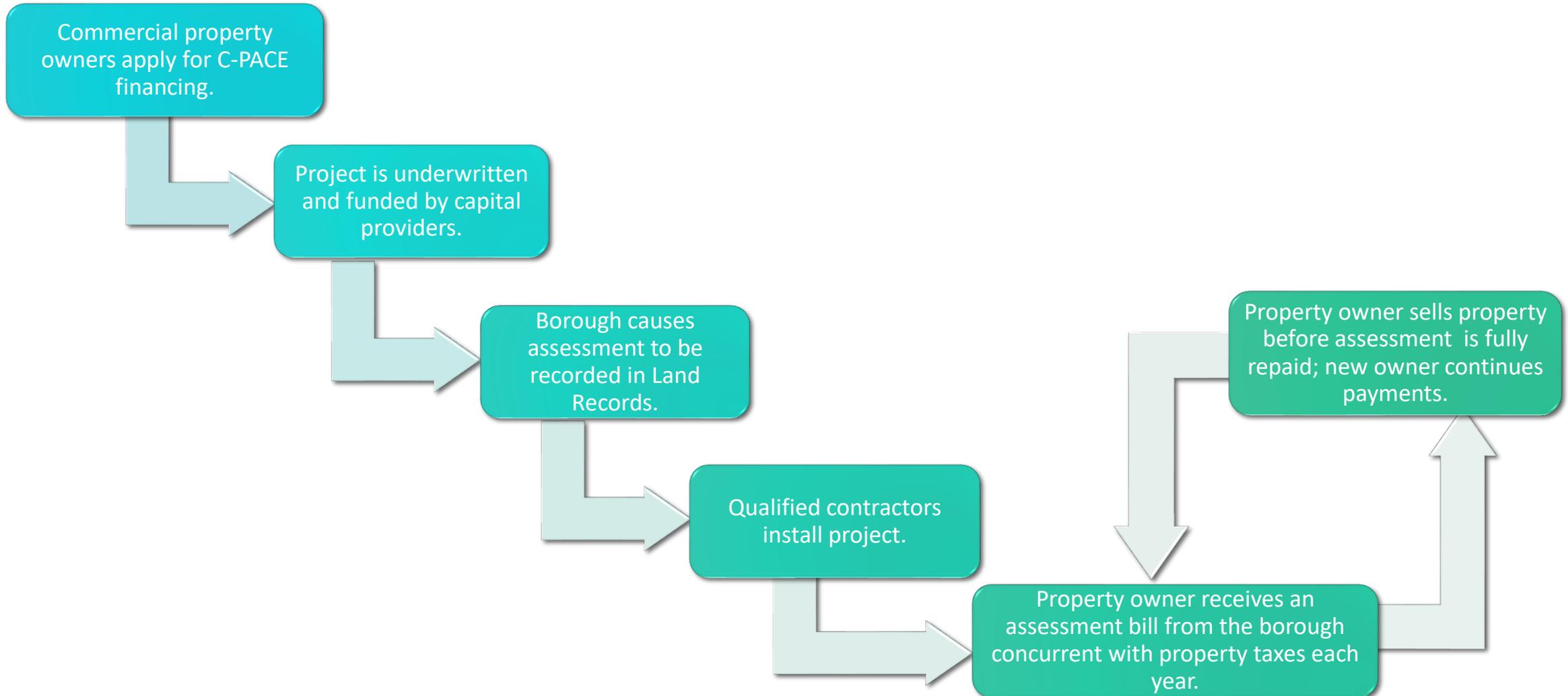


\$1,538
investment (MM)

2,400
(commercial projects)

17,848
jobs created

From Project Origination to Repayment



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

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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 an Administrative Platform



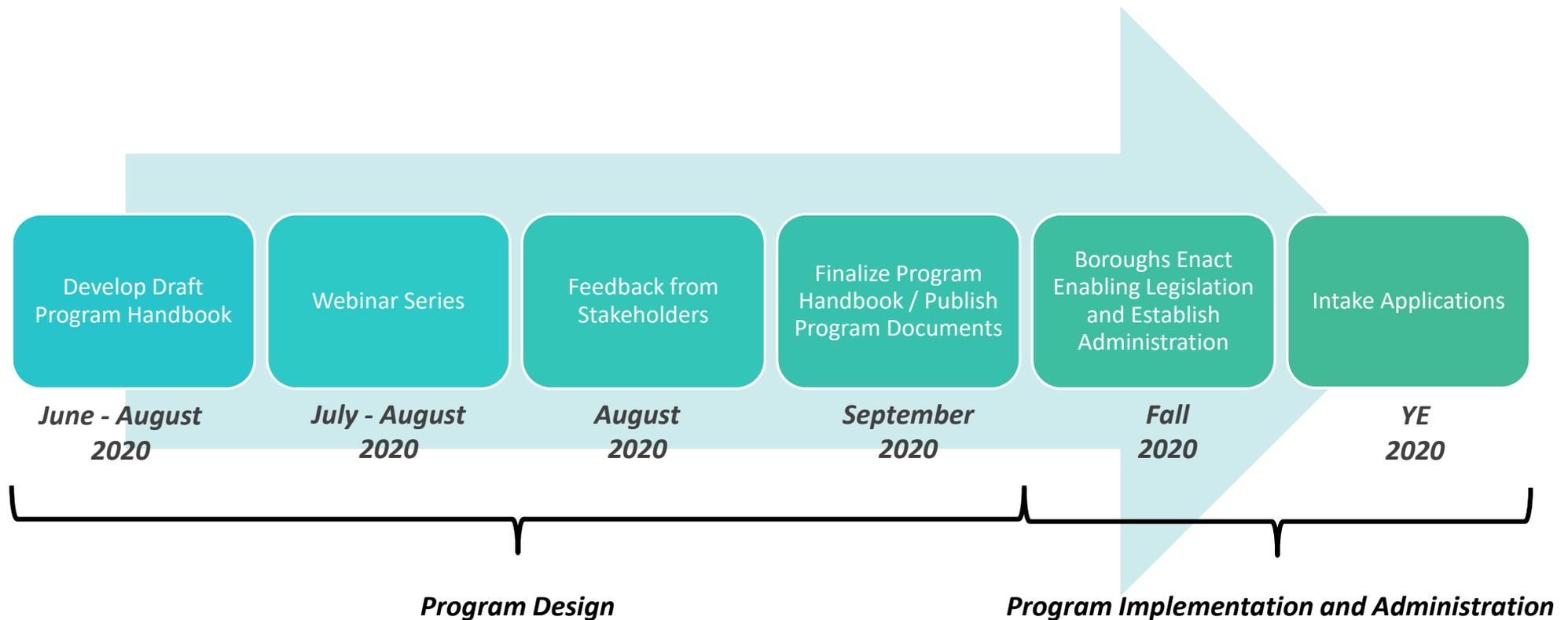
Design	Implementation	Administration
<ul style="list-style-type: none">• What does the law say about how a C-PACE program is established?• What is the role of the municipality under the law?• Which roles of the municipality can be outsourced?• How does the flow of funds for C-PACE work according to the 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

Developing C-PACE in Alaska



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)

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

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

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UPCOMING WEBINAR

Upcoming Webinars

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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