



Philadelphia C-PACE Program Webinar

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Philadelphia C-PACE Program Webinar

On Today's Call:

- ◆ Emily Schapira, Executive Director
- ◆ Maryrose Myrtetus, C-PACE Program Manager
- ◆ Laura Franke, PFM Financial Advisors LLC

Other Team Members

City of Philadelphia

Sustainable Energy Fund, Program Data Registry

PEA acknowledges and thanks the many stakeholders that have participated in the process of program development – you are too many to identify in this format, but your contributions have been greatly appreciated!

Agenda

- ◆ Philadelphia C-PACE Program Overview
- ◆ Program Eligibility
- ◆ Financing Origination and Servicing
- ◆ Philadelphia Market Opportunity
- ◆ Illustrative Projects
- ◆ Q&A

Philadelphia C-PACE Program Overview

About PEA

- ◆ Philadelphia Energy Authority (PEA) is an independent municipal authority established in 2010 with a focus on driving a robust, equitable clean energy market in Philadelphia
- ◆ PEA is the Program Administrator for the Philadelphia C-PACE Program, launched October 23, 2019
- ◆ As Program Administrator, PEA will:
 - Review and approve applications
 - Manage the lien and collections process
 - Promote the C-PACE program

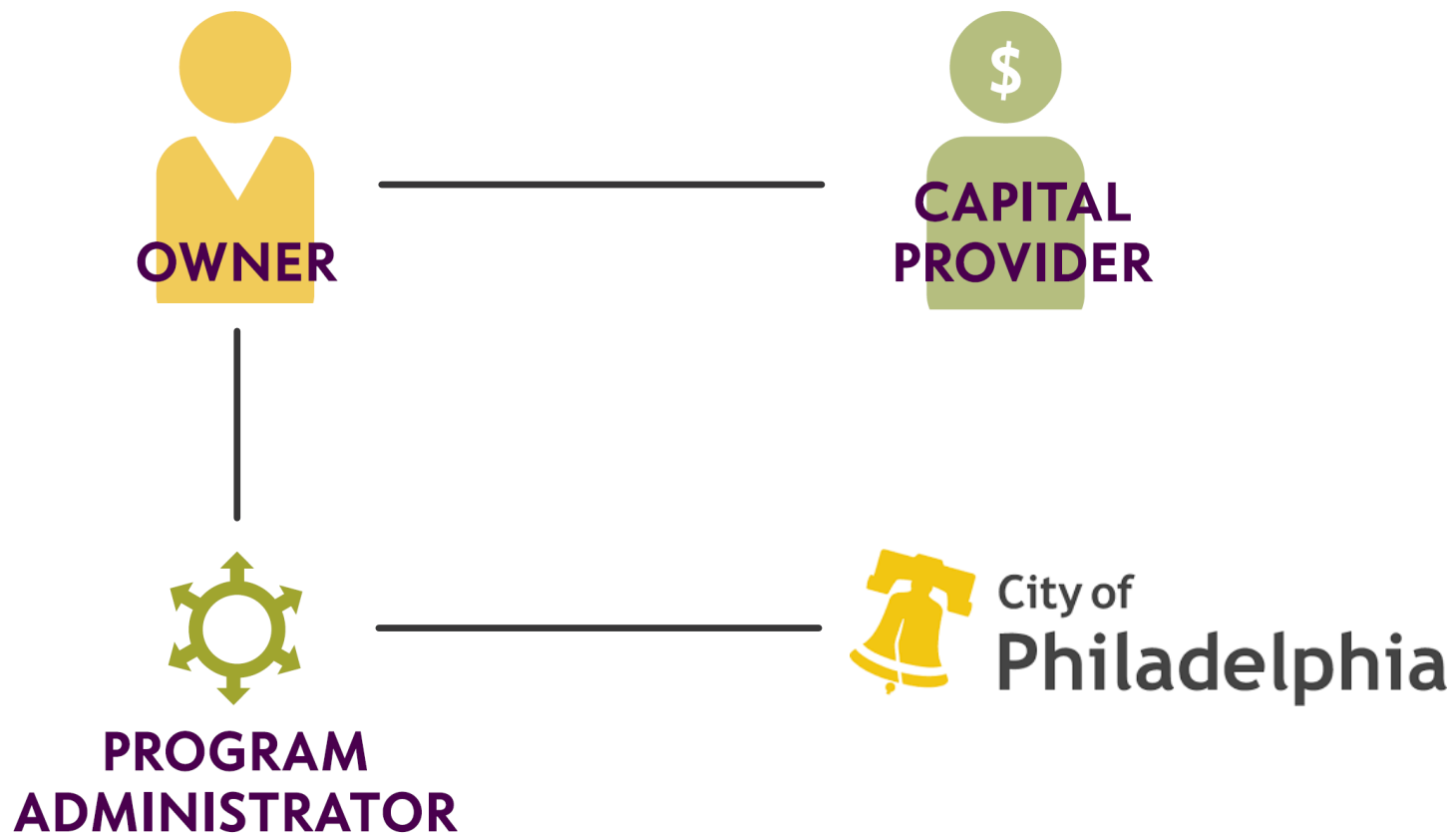
Philadelphia C-PACE Background

- ◆ Financing tool for energy efficiency, renewable energy, and water conservation projects
- ◆ Projects must generate measurable energy savings or reductions in water usage for commercial, agricultural, and industrial properties
- ◆ Financing is repaid through a special assessment similar to a property tax assessment
- ◆ Pennsylvania authorized the creation of C-PACE finance programs with the passage of Act 30 of 2018 signed by Governor Tom Wolf on June 12, 2018
- ◆ Philadelphia City Council authorized C-PACE for the City of Philadelphia on June 20, 2019 and assigned PEA as Program Administrator. Mayor Kenney signed it into law on August 14, 2019
- ◆ The Program website is <http://www.cpacephiladelphia.org>

How C-PACE Financing Benefits Property Owners

- ◆ Property owner can finance 100% of C-PACE costs without providing upfront cash or down payment
- ◆ Hard and soft costs can be financed
- ◆ Loan is secured against the property, not the business operation
- ◆ If sale of property occurs, C-PACE obligation transfers to the new property owner
- ◆ Longer term translates to longer annual payments
- ◆ Often, the energy and water savings exceed the annual C-PACE payments, allowing property owners to achieve net savings

Key Parties in a C-PACE Transaction



Program Eligibility

Program Eligibility

◆ Eligible Projects:

- Energy efficiency
- Water efficiency
- Renewable energy installations

◆ Eligible Properties:

- Must be located within the City of Philadelphia
- Commercial and Industrial properties only
- Residential and Multi-Family properties are not allowed
- New construction and gut rehabs are permitted
- Retroactive financing is also available for certain projects

Key Program Requirements

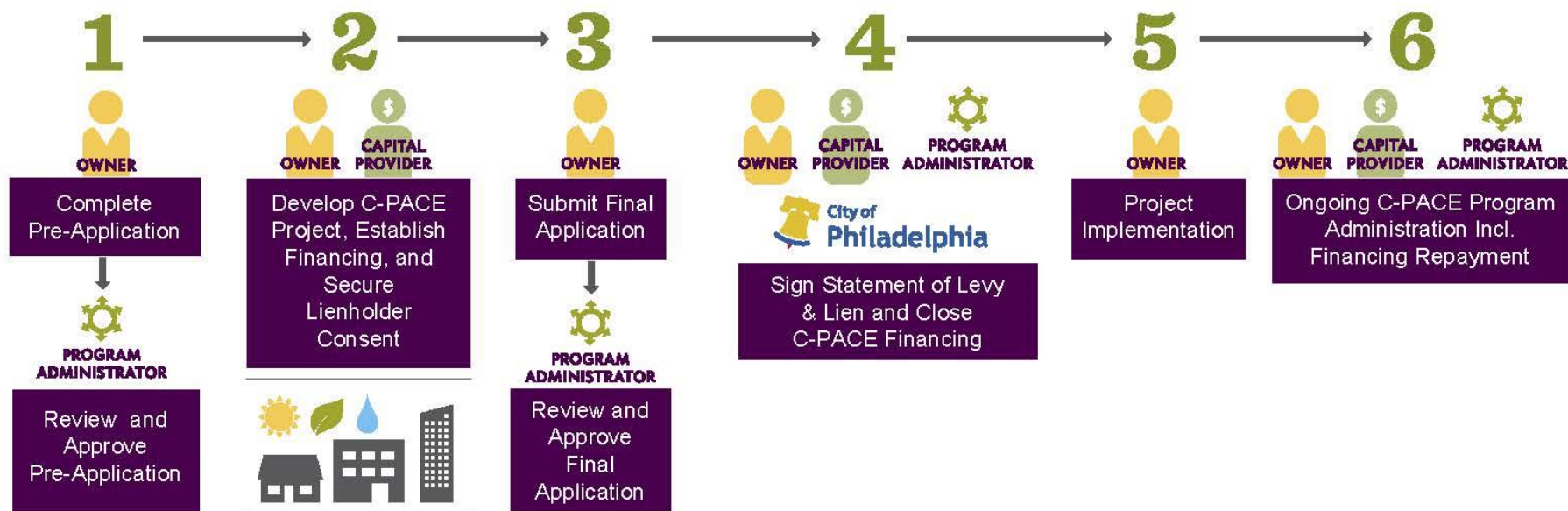
- ◆ Minimum C-PACE Financing amount: \$100,000
- ◆ Lien-to-Value limitation: 95%
- ◆ Term: Weighted-average expected useful life of equipment (up to 30 years)
- ◆ Capital Provider registration with statewide C-PACE database
- ◆ Consent from existing mortgage/lienholder(s)
- ◆ Engineering survey explaining the baseline energy and water usages and the expected savings (for conservation projects)
- ◆ Diversity & Inclusion Plan discussing commitment to local and diverse business practices
- ◆ Annual Measurement and Verification, in compliance with the City's benchmarking ordinance

Diversity and Inclusion Plan

- ◆ Equity and inclusion are a core principle of PEA and are of paramount importance to the City of Philadelphia
- ◆ Diversity and Inclusion Plan must be submitted with the Final Application
- ◆ Submissions should demonstrate a thoughtful approach to diversity and inclusion for subcontractors and workforce, and include an explanation of how the project provides value and promotes equity locally
- ◆ Plans must be specific to the proposed project; generic plans will not be accepted
- ◆ Please see Appendix L of the Program Guidelines for details

Financing Origination & Servicing

Application Process Overview



Important Dates

- ◆ **December 1:** PEA sends C-PACE Special Assessment invoices to Property Owners
- ◆ **March 31:** C-PACE Special Assessment payments due to Paying Agent
- ◆ **April 1:** Unpaid invoices are considered delinquent and subject to 1.5% penalty per month
- ◆ **January 1:** PEA places lien on property for any prior year delinquent C-PACE obligations

November 1 is the deadline to execute C-PACE Statement of Levy and Lien Agreement for new C-PACE project to be included in December invoicing cycle

Delinquencies and Liens

- Unpaid C-PACE Special Assessment payments are considered delinquent on April 1
- A lien is recorded on property the following January 1 if C-PACE Assessment payment is still outstanding
- C-PACE liens shall not be subject to the City's tax lien sale process, but can be subject to a Sheriff's sale
- Per the Philadelphia C-PACE Statute, in the event of a proceeding to force payment on a lien on the property, the C-PACE lienholder shall be required to make the City whole for any shortfall on payment on any City liens based on any type of City claim, up to the full amount of repayment of the lien

Comparison to Statewide Program Guidelines

Key Categories	Philadelphia C-PACE	Statewide Guidelines
<i>Program Administrator</i>	Philadelphia Energy Authority	Sustainable Energy Fund
<i>Minimum Project Size</i>	\$100,000	\$10,000
<i>Lien-to-Value Ratio</i>	95% maximum	N/A
<i>Diversity and Inclusion plan</i>	Required with Final Application	N/A
<i>Measurement and Verification</i>	Annual data submission per the City's benchmarking law	2-3 years of data submission required depending on reporting mechanism
<i>New Construction</i>	2018 IECC Code applies in Philadelphia; new construction must surpass code	Must meet certain standards listed in SEF Program Guidelines
<i>Program Fees</i>	Hybrid percentage/flat fee structure for origination; \$750 annual fee per project	Percentage fee for origination; max. \$250 annual fee per project
<i>Statement of Levy and Lien</i>	Four-party agreement signed by Property Owner, Capital Provider, PEA and City	Three-party agreement signed by Property Owner, Capital Provider and relevant county
<i>Obligation to repay municipal liens</i>	In event payment is forced for the lien, Capital Provider must make City whole for any payment shortfall for any City lien	N/A

Philadelphia Market Opportunity

Philadelphia's Growing Economy

- ◆ Philadelphia is the 6th largest city in the nation and the 8th largest metro area in the U.S.
- ◆ In 2018, Philadelphia's population increased for the 12th consecutive year, for a total of 6.4% growth since 2006
- ◆ From 2008 to 2019, the City gained 83,700 private sector jobs
 - Jobs in Philadelphia rose by more than 15,000 from 2017 to 2018
 - Noteworthy job growth in the leisure/hospitality and professional services sectors

Sources: U.S. Census Bureau, Philadelphia Inquirer, The Federal Reserve, Pew Philadelphia 2019 Report

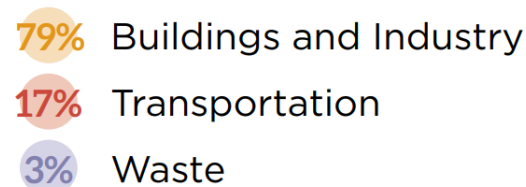
Government Support for the Green Economy

- ◆ PEA's Energy Campaign, launched in 2016 with the leadership of City Council President Darrell Clarke, will invest \$1 billion over 10 years in clean energy projects, with the goal of creating 10,000 jobs
 - In the Campaign's first two years, PEA helped launch over \$100 million in projects and created nearly 1,000 jobs
 - Supported projects at the Philadelphia Museum of Art, School District of Philadelphia, and PA's largest solar array (70 MW)
- ◆ Philadelphia has made major climate commitments, including 80% carbon reduction by 2050 and 100% renewable electricity for government by 2030
- ◆ Recently adopted a City Solar Rebate of \$0.10/watt for commercial projects
- ◆ Bill to reduce commercial rooftop solar building permit fees being considered

New and Existing Building Stock

- ◆ Current surge of construction with over 43 major projects under construction
- ◆ Over \$7.4BN in real estate investments have been made since 2017
- ◆ Existing buildings and industry make up nearly 80% of the City's carbon footprint
- ◆ All buildings that are 50,000 square feet or larger must submit energy and water data annually to the Philadelphia Office of Sustainability
 - City Council is considering a bill that will require some underperforming commercial buildings to make improvements to save money and cut carbon pollution

Contribution to Philadelphia's Carbon Footprint:



Source: Philadelphia Office of Sustainability

Sources: City of Philadelphia, Philadelphia Greenworks 2018 Report

Illustrative Projects

Sample Project Economics

	Before Project Cost	After Project Cost	Savings
kWh Consumption	10,000,000 kWh	7,342,690 kWh	2,657,310 kWh
Consumption Costs	\$1,612,222	\$1,183,805	\$428,417
Ops & Maint. Costs	\$20,000	\$8,960	\$11,040
C-PACE Special Assessment Payments	\$0	\$353,830	(\$353,830)
Total Annual Cost	\$1,632,222	\$1,546,595	\$85,627

Economic Benefits Include:

- NOI improvement due to lower operating cost
- Long-term fixed rates available
- Often lower rates than equity or mezzanine debt
- C-PACE financing is non-recourse and non-accelerating

Assumptions: Project 20 year averages, assumes: \$0.12/kWh utility cost at start, 3% annual utility escalation, 0.50% annual output degradation and O&M reduction of 55%

Sample Project: Direct Purchase of Solar

Situation:

Commercial property owner wishes to install solar on existing self-occupied office building with no out-of-pocket expense

Assumptions:

- ◆ Existing Mortgage: 65% loan-to-current-value
- ◆ Solar Cost: \$900,000

C-PACE Solution:

- ◆ C-PACE offers a 100% financing solution, including qualifying expenses
- ◆ 25-year, fully-amortizing financing to match the useful life of the asset

Results:

- ◆ Property Owner benefits from tax incentives, solar rebates and reduced utility bills due to on-site generation
- ◆ C-PACE Assessment payment obligations stay with the property in the event of a sale



Sample Project: New Construction

Situation:

Commercial property owner wishes to improve the expected energy efficiency of a to-be-built industrial facility and minimize equity investment

Assumptions:

- ◆ Expected construction costs: \$20,000,000
- ◆ Expected mortgage (75%LTV): \$15,000,000
- ◆ Expected equity contribution: \$5,000,000
- ◆ Qualifying C-PACE eligible assets: \$2,000,000

C-PACE Solution:

- ◆ C-PACE provides a 100% financing solution, including fees, on qualifying assets
- ◆ Long-term financing to match the useful life of the asset

Results:

- ◆ A \$2M C-PACE loan results reduces equity contribution from \$5M to \$3M
- ◆ Qualified energy assets will result in greater energy savings over the life of the assets





Questions?



Appendix

Capital Provider Qualification Process

- ◆ Philadelphia C-PACE operates an “open market” program
- ◆ Capital Providers must register with the statewide C-PACE Capital Provider Database managed by the Sustainable Energy Fund
- ◆ Registration form is available on the [Pennsylvania C-PACE website](#)
- ◆ Upon approval of registration, the Capital Provider will be added to public database on the [Pennsylvania C-PACE website](#)
- ◆ All Pennsylvania Financial Institutions are automatically C-PACE Capital Providers per the Pennsylvania C-PACE Statute
 - Pennsylvania Financial Institutions are still encouraged to register so they appear on the list of C-PACE Capital Providers

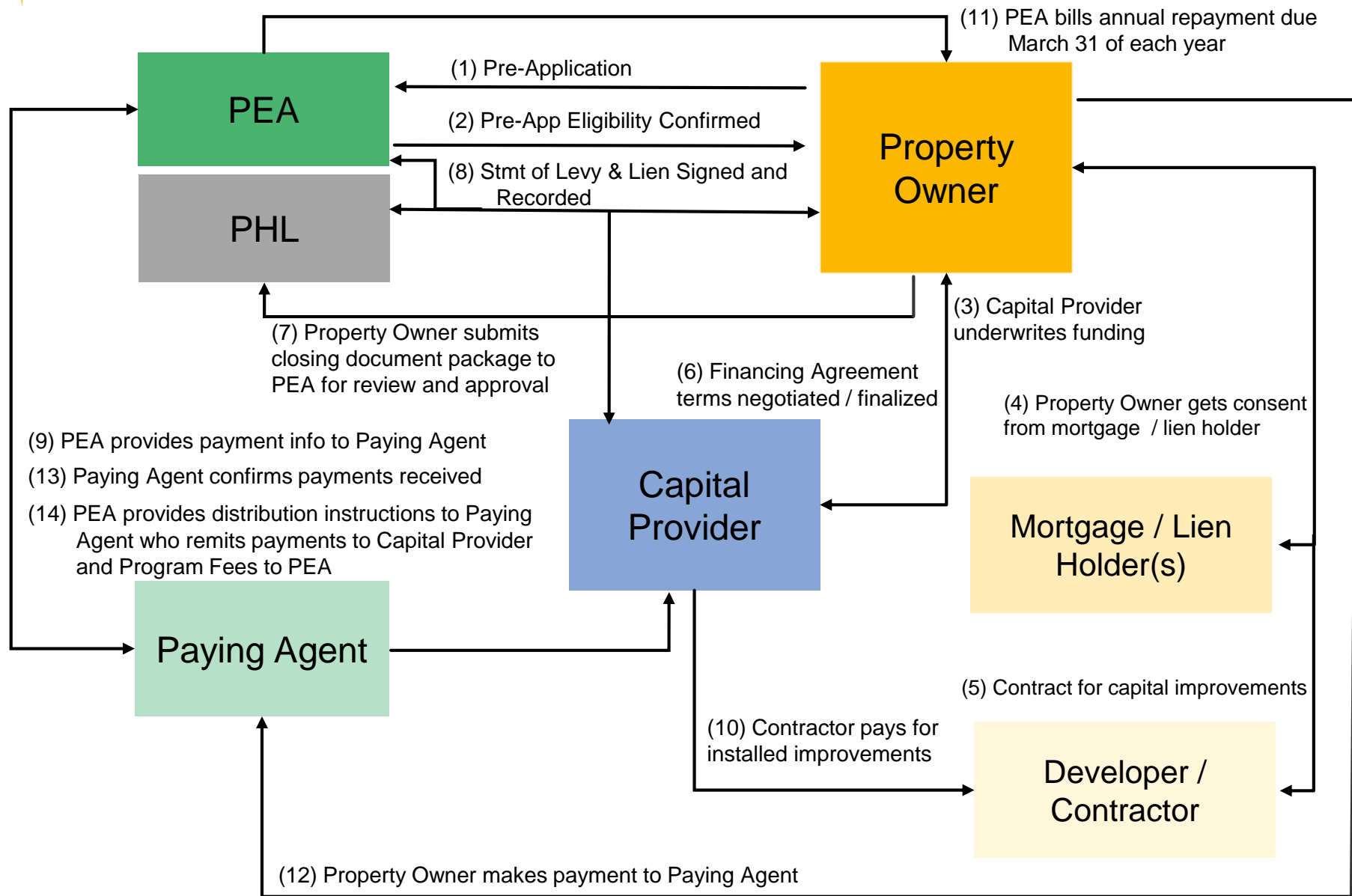
RFI: Qualified Professional Engineers

- ◆ Property Owners must obtain surveys performed by Qualified Engineering Professionals stating the energy and water usage baseline and projected savings from C-PACE Project
- ◆ A Qualified Engineering Professional is someone who holds one of the following certifications:
 - *Certified Building Energy Assessment Professional (BEAP) (offered by ASHRAE)*
 - *Certified Energy Auditor (CEA) (offered by Association of Energy Engineers [AEE])*
 - *Certified Energy Manager (CEM) (offered by AEE)*
 - *Certified High-Performance Building Design Professional (HBDP) (offered by ASHRAE)*
 - *Certified Measurement and Verification Professional (CMVP) (offered by AEE and Efficiency Valuation Organization)*
 - *Licensed Professional Engineer (P.E.)*
 - *Investor Confidence Project (ICP) Quality Assurance Assessor*
 - *Investor Confidence Project (ICP) Project Developer*
- ◆ Qualified Engineering Professionals are invited to fill out a self-certification form on the Philadelphia C-PACE website to make their contact information available to Property Owners interested in C-PACE projects
- ◆ **PEA does not verify, vet, endorse, or rank Qualified Engineering Professionals**

Process Details: Step-by-Step List

1. **Property Owner** submits pre-application to **PEA**
2. **PEA** confirms eligibility to **Property Owner**
3. **Capital Provider** underwrites funding
4. **Property Owner** gets consent from **Mortgage/Lien Holder**
5. **Property Owner** contracts with **Developer/Contractor** for capital improvements
6. **Capital Provider** finalizes Financing Agreement (including CPACE required language) with **Property Owner**
7. **Property Owner** submits closing document package to **PEA** for review and approval
8. **PEA, City, Property Owner and Capital Provider** sign C-PACE Statement of Levy & Lien Agreement; PEA submits signed document to Department of Records for recordation
9. **PEA** provides amortization schedule and payee info to **Paying Agent** at close of each financing
10. **Capital Provider** pays **Developer/Contractor** for installed improvements
11. **PEA** bills **Property Owner** annual repayment due on schedule with property taxes
12. **Property Owner** makes payment to **Paying Agent**
13. **Paying Agent** confirms payments received to **PEA**
14. **PEA** provides **Paying Agent** instructions for distribution of assessment payment to **Capital Provider** and administrative payment to **PEA**

Process Details: Flow Chart



Final Application Checklist

◆ The Property Owner or its designated representative must attach a number of items to the Final Application:

- Energy and Water Engineering Survey
- Signed Mortgage/Lienholder Consent Form
- Title Report
- Capital Provider Statement regarding Qualified Contractor
- Qualified Contractor Certification to Capital Provider, if applicable
- Execution-Ready Statement of Levy and Lien (with complete set of exhibits and attachments)
- Plan for Payment of Program Expenses
- Diversity and Inclusion Plan
- Signed Program Administrator Disclosure and Release Form
- Property Owner Information Disclosure Confirmation
- Qualified Contractor Terms and Conditions Self-Certification
- Property Owner Certification of Eligibility
- Other documents:
 - Property Description
 - Detailed Project Budget
 - Tax Clearance Certificate
 - Verification of Property Enrollment in EPA Portfolio Manager
 - Philadelphia License & Inspection Department Records (if applicable)
 - Zoning/ Planning Approvals (if applicable)

Applications are available at cpacephiladelphia.org

Program Fees

Application Fee: Currently Waived

Origination / Closing Fee: Percentage or flat fee per project based on the schedule to the right

Annual Admin Fee: Annual fee of \$750

Other Fees: Fees related to recordation, lien placement and PEA's collection costs in event of delinquency will also apply

Origination / Closing Fee Schedule			
For C-PACE Financing Amounts		Fee Structure Applied:	Percentage / Flat Fee
from	to		
\$100,000	\$2,000,000	Percentage	1.250%
\$2,000,001	\$2,222,222	Flat Fee	\$25,000
\$2,222,223	\$4,000,000	Percentage	1.125%
\$4,000,001	\$4,500,000	Flat Fee	\$45,000
\$4,500,001	\$6,000,000	Percentage	1.000%
\$6,000,001	\$8,000,000	Flat Fee	\$60,000
\$8,000,001	\$10,000,000	Percentage	0.750%
\$10,000,001	\$15,000,000	Flat Fee	\$75,000
\$15,000,001	\$20,000,000	Percentage	0.500%
\$20,000,001	and greater	Flat Fee	\$100,000



Contact Information

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