USING THE PACE PROGRAM AS AN ECONOMIC DEVELOPMENT FINANCING TOOL
What is PACE?

PACE = Property Assessed Clean Energy

PACE is an innovative way for property owners to pay for energy projects without using taxpayer funds.

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www.ShowMePACE.org
With Property Assessed Clean Energy, funds for energy projects are borrowed from private capital providers with an assessment placed on the property. The property owner pays the assessment annually until it is paid off.
PACE was named one of the top 20 “world-changing” ideas by Scientific American magazine
PACE is authorized by state legislation
Types of Projects

- Roofs
- Lighting
- Windows
- HVAC
- Solar

Energy-efficient & renewable energy

www.ShowMePACE.org
TYPES OF PROPERTIES

Commercial     Industrial
Agricultural     Nonprofit
Public             Residential

www.ShowMePACE.org
• Up to 100% of a project’s costs
• Fixed interest rate
• 20-year term
• Repaid with annual assessment
PACE PROJECT QUALIFICATIONS

• Must be permanently affixed to the property
• Must reduce energy or create renewable energy on the property
• Must save more money than the cost of the project
• Must be located in a participating municipality

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Useful life – from USDOE *List of Eligible Measures*

- Escalator for utility rates
- Maintenance & operational savings
- Utility incentives
Projected energy savings MUST BE GREATER than the cost of the project
Project application requires report of energy savings/generation signed by
– a professional engineer OR
– a certified energy management professional

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HOW THE SHOW ME PACE PROCESS WORKS

Parties involved in PACE process

- Property owner
- Energy expert
- Show Me PACE Clean Energy District
- PACE lender
- Collector
BENEFITS TO PROPERTY OWNERS

Can make projects financially viable with PACE completing the necessary capital stack

Saves property owners money on their energy bills

Can stay with building upon sale

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Capital investment through PACE has a profound impacts on local economies

- increases jobs for local contractors and solar installers
- brings up property values through efficient redevelopment projects
- makes building stock more valuable
- can be a tool to attract developers

www.ShowMePACE.org
Economic development offices can
- List PACE on their websites
- Inform developers who approach the city about PACE
- Host an event for developers touting PACE & other economic development tools
<table>
<thead>
<tr>
<th>Participating Municipalities</th>
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<td>Bel Nor</td>
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<td>Brentwood</td>
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<td>Cape Girardeau</td>
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<td>Lee’s Summit</td>
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<td>Park Hills</td>
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<td>Pleasant Hope</td>
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<td>Richmond Heights</td>
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<td>Shrewsbury</td>
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<tr>
<td>St. Charles (city)</td>
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<td>St. James</td>
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<td>University City</td>
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<td>Wentzville</td>
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www.ShowMePACE.org
Show Me PACE lending partners

PACE funding comes from private capital sources

www.ShowMePACE.org
• Lenders able to fund projects from $50,000 - $50,000,000
• SMP lenders cover all sectors.
• Show Me PACE has on-demand funding with a fast approval process
• Funds are available for both new construction and improvements/renovations
Since Show Me PACE was established in Summer, 2015

8* Commercial Show Me PACE projects funded

$11 MILLION in commercial PACE financing

* more than all PACE Districts in MO combined
Brookfield Building, Kansas City

86-year-old blighted 12-story building in downtown KC vacant for years
Being transformed into boutique hotel & luxury apartments
$2.4 million in PACE funds filled the gap in financing needed to make
this a $36 million project viable.

Improvements: Lighting retrofit, HVAC system retrofit, temperature
controls, water heater improvements

Project Highlights:
Total PACE financing: $2,395,088
Interest rate: 7%
Term: 20 years
Energy Savings: 38%
Annual PACE Assessment: $235,603
Lender: Clean Fund Commercial PACE Capital
**CASE STUDY 2**

**Cambridge Engineering, Chesterfield**

### Project Highlights
- **Total PACE Financing:** $610,500
- **Term:** 10 Years
- **Interest Rate:** 5.57%
- **Energy Savings:** 30%
- **Annual PACE Assessment:** $93,600
- **Lender:** PACE Equity

### Improvements
- Engineering analysis, design & drawings
- Lighting
- 25-Ton AC
- VAV Distribution System
- EMS for Office
- Roof replacement

### Building Details
- **Type:** Industrial Manufacturing
- **Square Feet:** 116,239
- **Stories:** one story, single-user masonry building
- **Year Built:** 1979, owned by Kramer Assets Group, LLC

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[www.ShowMePACE.org](http://www.ShowMePACE.org)
WHAT MAKES SHOW ME PACE UNIQUE

- Open market program
- Third-party collector
- Low-cost administrative structure
- Economic development in rural and urban areas
- Mortgage lender consent
The Missouri Energy Initiative is a nonprofit working to increase energy economic development, innovation, and education throughout Missouri.

Policy    Economic Development    Education
PACE Assessment
Protocols/Procedures
PACE ASSESSMENT TRANSACTION PARTIES

- City/County (government sponsor)
- PACE District (MEDC, Show Me Pace, Set the Pace)
- Property Owner
- Property owner legal counsel
- County Assessor/County Collector/County Registrar
- PACE District legal counsel
- Funding underwriter/entity/bank
- Bond counsel
- PACE District administrator
- PACE billing agent (back office)
- Trustee
Sample Transaction Structure
Typical Assessment Procedure

- Property owner and PACE District provide project agreements/assessment contracts executed, documents recorded via County registrar
- September 30 (of each year)
  - Special assessment roll provided to county collector for inclusion on tax bill
- County collector includes PACE special assessment on tax bill
- December 31
  - Tax amounts and special assessments paid by property owner
- Payments remitted to PACE District for application towards PACE debt obligation
Hybrid Assessment Procedure

- Billing agent notified of PACE project financing.
- Billing agent sends County Assessor and County Collector assessment contract for informational purposes (includes assessment contract, notice of intent to separately collect, debt service schedule)
- Prior to September 30 (of each year)
  - Billing agent sends notice of intent to collect to County Collector
  - Billing agent notifies District Administrator and lender that property owner has been billed
- Prior to December 10
  - Billing agent sends 2nd reminder, unless lender has received payment
- Prior to December 31
  - Lender confirms special assessment payment status with District Administrator
Questions/Comments?

Pat Nasi, Principal
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The Business Case for C-PACE

Anne Murphy Hill

President

RAHILL Capital, LLC
RAHILL’s Track Record

- Closed 9 transactions - $25M worth of C-PACE financing
- Engaged on over $150M of C-PACE transactions
- Offices in Missouri, Texas, and California
- Work with C-PACE administrators in Missouri, Texas, California, Ohio, Kentucky, Colorado, Michigan, Wisconsin, Florida, and Minnesota
RAHILL services:

- Consultants to property owners or developers looking for a cost-effective, streamlined process of securing C-PACE funding
- Work through each step of the process to successfully close deals
Why do property owners use C-PACE?

- They’ve maxed out the funding they can get from their bank
- C-PACE is non-recourse
- C-PACE is cheaper than mezz debt or equity
- C-PACE is long-term (up to 20 years)
- They want to “pass through” the cost of the financing to tenants
What projects are a good fit for C-PACE?

- New construction – looking for additional funding
- Major retrofit – C-PACE works well with HTC, NMTC, TIF, and other incentives
- Pure play energy retrofit – IF there is a reason not to go to the bank for funding
- Over $500K of C-PACE needed
Multi Family Redevelopment

Lafayette Lofts

Owner’s Goal: Improve IRR on Investment

Why C-PACE?
- Cheaper than equity or mezzanine debt
- No personal guarantees
- Maximized LTV with the bank
- Capitalized interest

Historic Tax Credits, Tax Abatement

<table>
<thead>
<tr>
<th>Project Basics</th>
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<tbody>
<tr>
<td>PACE Financing</td>
<td>$600,000</td>
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<tr>
<td>Total Savings</td>
<td>$54,000/yr</td>
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<td>Term</td>
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<td>PACE District</td>
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<td>Scope of Work</td>
<td>Lighting HVAC Roof Solar Windows</td>
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</table>
Agricultural Redevelopment
Moon Ridge Foods

Owner’s Goal: to be the most energy efficient, eco-friendly food production system in the US

Why C-PACE?
- Maximized bank financing
- Committed to energy efficiency
- 10 year term with five year balloon

Project Basics

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
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<tbody>
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<td>C-PACE Financing</td>
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<td>Total Savings</td>
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<td>Refrigeration</td>
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<td>Solar</td>
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Manufacturing Retrofit

Cambridge Engineering

**Owner’s Goal:** address deferred maintenance & energy efficient upgrades

**Why C-PACE?**

- Ability to pass assessment through to tenant
- Longer term (10 year) financing than traditional bank financing
- No personal guarantees
- Preserve capital for business operations

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<td>C-PACE Financing</td>
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<td>Scope of Work</td>
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</table>
Contact:

Anne Murphy Hill
President
RAHILL Capital
Developers and Funders of C-PACE Deals
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