

# D-PACE Delaware Energy Conference

Delaware Chapter of the Energy Services Coalition  
October 24, 2019

# 2018 D-PACE IS HERE!!!!





# 2019 ..But Now I Really Mean It!

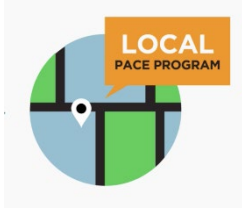




# What is PACE?

PACE is a tax-assessment based financing mechanism for energy efficiency, renewable energy, and water conservation projects.

# PACE Capital Flow and Players



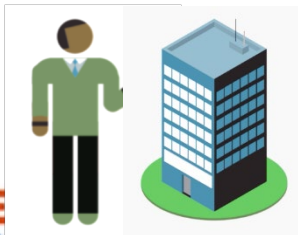
DESEU & County



Sources of Capital



Energy Service Professionals



Owners & Borrowers

- Energize Delaware approves property owner application
- **County levies assessment**
- **Financier provides project capital**
- **Financier files liens**
- **Contractor completes project**
- **Property Owner repays financing via property County assessment**
- **County remits payments DESEU who remits payment back to financier**



# Nationally C-PACE Is Growing

## Commercial PACE

**\$1,108** **2,020**  
investment (MM) commercial projects

**16,600**  
jobs created

### C-PACE INVESTMENT BY PROJECT TYPE

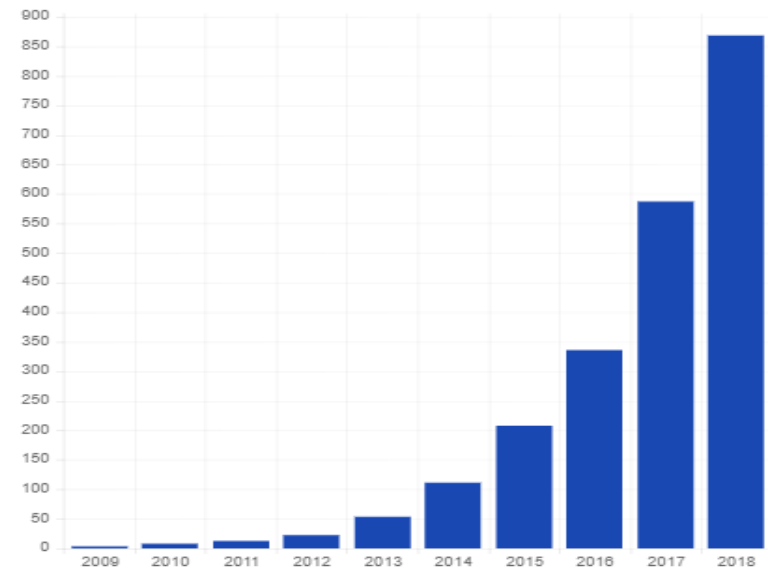
Energy efficiency (49%)

Renewable energy (23%)

Mixed (22%)

Resiliency (7%)

CUMULATIVE C-PACE INVESTMENT, MM (2009-2018)

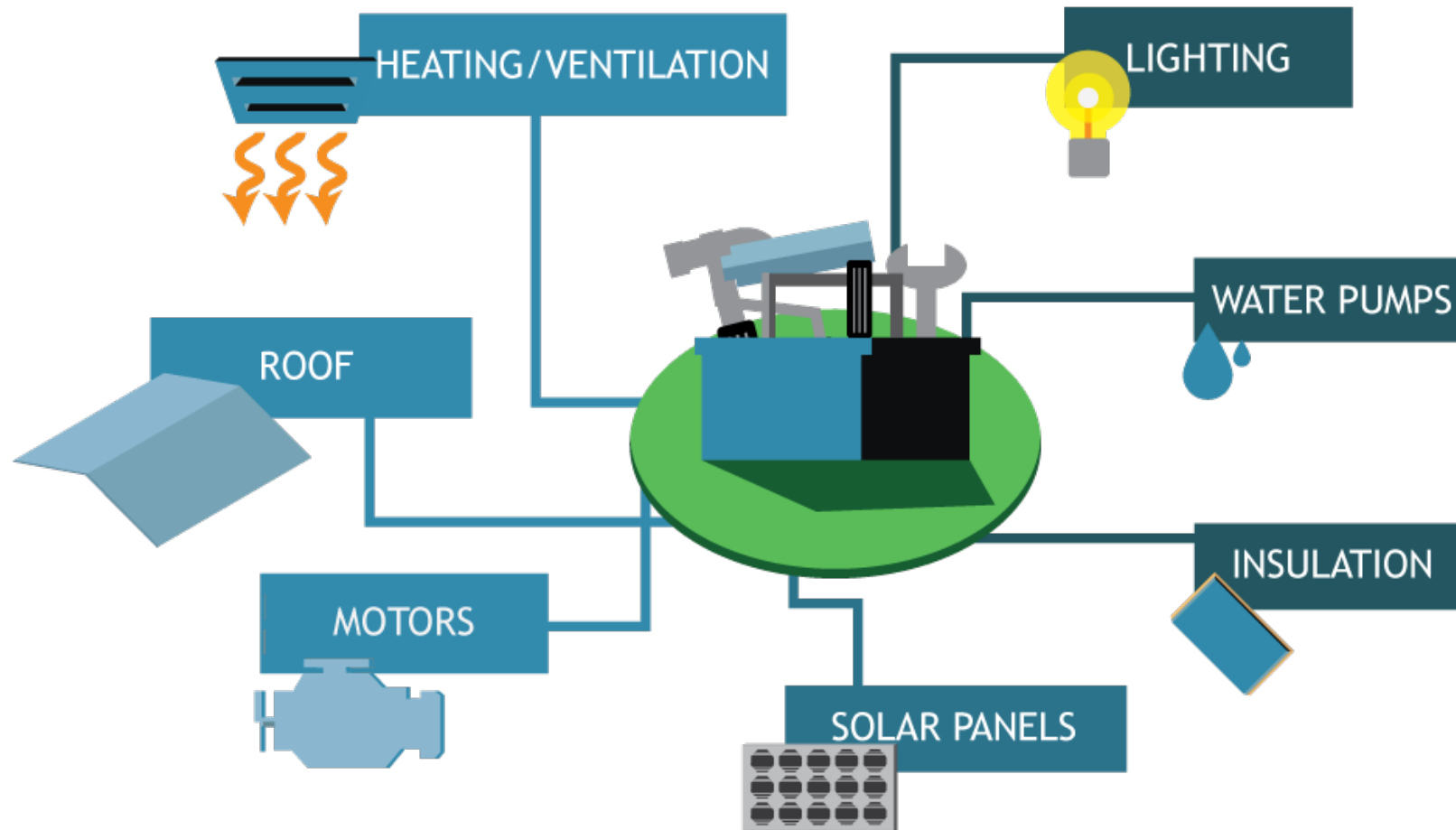


C-PACE INVESTMENT BY STATE, MM

State	Total PACE amount (\$, Millions)
CA	293
OH	241
CT	144

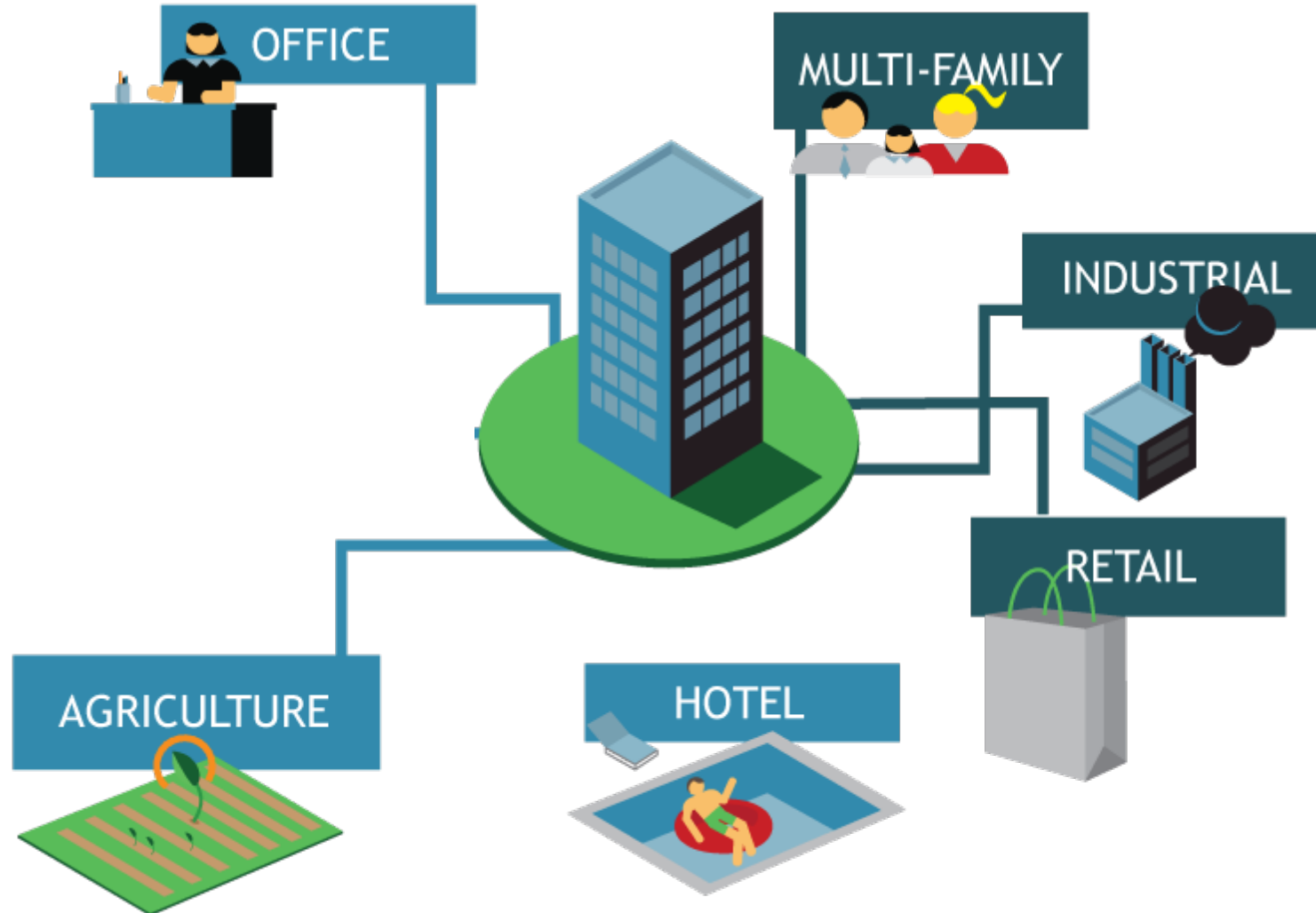
# Financeable Improvements

*Projects that reduce or generate energy*



# Building Types

*Government owned buildings are usually the only exception*



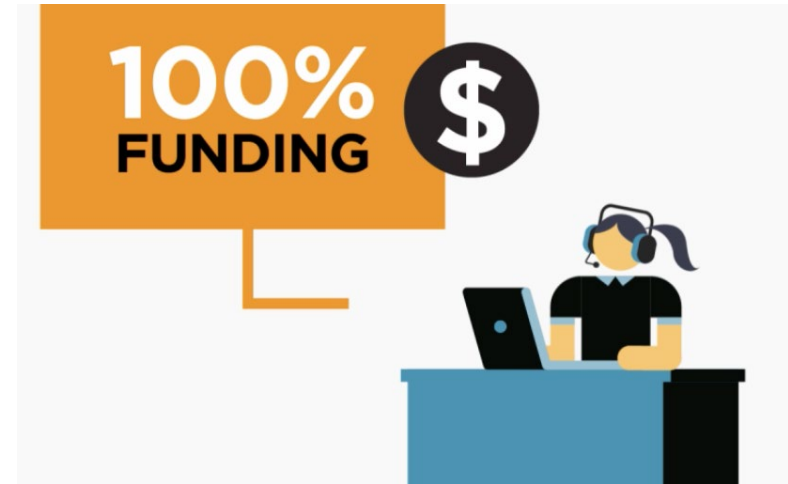


# The D-PACE Lien

- **Required mortgage holder consent**
- **PACE Lien stays with the property**
- **PACE Lien does not extinguish existing mortgages**
- **Does not extinguish local tax liens**
- **Only amount in arrears and due is collectible**
- **Financiers place the liens under county rules and forms**
- **Financiers are responsible collecting default proceeds under county rules (Land Attachment).**

# Benefits of D-PACE – 100% Financing

Covers 100% of a project's hard and soft costs

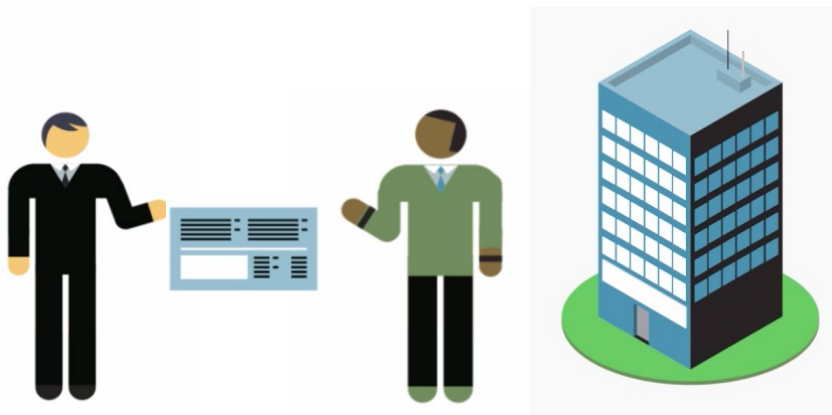
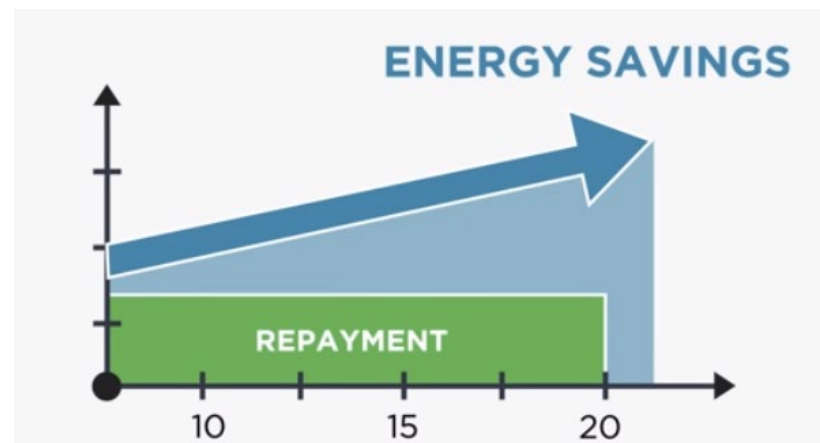


Low interest rates for terms up to 20 years



# Benefits of PACE – Long Term Amortization

Up to 25 year amortization enables positive cash flow. Annual energy savings are larger than annual repayment.



PACE assessment stays with the property and automatically transfers to a new owner

# Benefits of PACE – Opens New Markets

**New Markets:** Properties that are owned by special purpose entities with no assets beyond the property; nonprofits; affordable housing

## ✓ **Provide Credit Strength**

- PACE is strictly property-based financing
- Good real estate tax payment history, not credit strength, is key to financing.
- Reasonable loan to value requirements
- Non recourse to building owner



# Benefits of PACE – Overcomes Split Incentive Barrier

**Split Incentive:** Energy Investments have dis-incentives for landlords to invest in energy projects where tenant benefits

## ✓ Split Incentive

- Depending on the lease structure, the annual PACE tax assessment payment may be passed through to tenants with the benefits.
- Tenant property tax pass through increase is offset by the cash flow savings from reduced energy costs, resulting in a net savings for tenants.

# Benefits of PACE – Overcomes Hold Period Bias

**Holding Period Bias:** Companies are not inclined to invest in a property if they don't know how much longer they will own it

✓ **Holding Period Bias**

- Automatic transfer to new owner upon the sale of the property
- Non-accelerating payments



# Energize Delaware's Role

- **Maintain guidelines & forms**
- **Process project applications**
- **Process contractor and financier applications**
- **Maintain web directory of contractors & lenders**
- **Insure compliance with legislation & guidelines**
- **Insure compliance with technical standards**
- **Received payments from county, disburse to lender**

# D-PACE Standards

- **Program Participation Fees – 2.5%**
- **County Servicing Fee – One time fee: 700 to \$1,500 based on term**
- **Saving to Investment Ratio– Greater than 1 is encouraged**
- **Audit requirements:**
  - **Renewable Feasibility Study**
  - **Single Measure ECM: ASHRAE Level I Audit**
  - **Multiple Measures: Maybe ASHRAE Level II Audit**
  - **New Construction: Modeled Savings Exceeds Code**
- **Post construction commission report required**



# Working Website



Delaware C-PACE Opportunity



PROPERTY OWNERS

Increase cash flow



DEVELOPERS

Build more projects



MORTGAGE HOLDERS

Reduce default risk



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<https://www.delawarecpaace.org/>

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# QUESTIONS

