

Pennsylvania Commercial Property Assessed Clean Energy (C-PACE)

Stakeholder Meeting Notes 10.04.18

PA C-PACE Background (Julian Boggs @ KEEA)

- Legislation passed June 2018
- Establishing a consistent program across the state considered of great importance
- Best practice is having a third-party non-profit as the Program Administrator
- PEA and SEF stepped forward to offer to do program administrator roles for PA
- Initial stakeholder meeting held in July to start the program development process

Overview of Legislation

- Permits establishment of C-PACE district by a county or a municipality with a community or economic development department
 - Creates framework for making C-PACE assessments on commercial properties
 - Sets limits on the program
 - Does not establish requirements for projects, lenders, properties, or contractors; define M&V process; provide a model ordinance

Formation of a C-PACE District

- Recommendation for PA is to do county-level districts
- Recommend uniformity in ordinances in PA
- At county level, better to do a resolution than a model ordinance
- Program administrator responsible for collecting assessments from each county and conveying the payments to the lenders

C-PACE Players and Roles

(Jason Stringer @ C-PACE Wisconsin & Abby @ ABACUS)

- Program administrator
 - Advises local government on guidelines and processes
 - Set-up, maintain, and implement guidelines
 - Review financings to ensure compliance with ordinance and guidelines
 - Recruit local governments to participate in program
 - Recruit lenders
- C-PACE Lender
 - Recommend to include local and regional banks – local econ growth
 - Lender consent strategy - project increases property value and improves cash flow
 - Expose lenders to C-PACE early in the process

Distinctions between new construction/substantial rehab vs. upgrade.

- Most projects are CapEX (upgrade) so that owner can pass through costs to tenants

- C-PACE Nation – Wants to get more owners to use C-PACE for significant energy savings
- Most projects are adaptive reuse or new construction and major redevelopment, with C-PACE being inserted as part of recap process.
- Long terms and transferability enable deeper savings with longer paybacks

C-PACE compared to off-balance sheet financing

- C-PACE often treated as off-balance sheet, but subject to decision by accounting firm

Program Design

- C-PACE eligibility requirements - project, owner
 - SEF is waiting on an opinion from legal counsel regarding whether new construction can be included - want to include new construction, if possible
 - No minimum loan amount in the legislation - Most C-PACE lenders have difficulty with financings <\$100K
 - Most projects that are <\$100K are with local bank - Possible opportunity to establish warehouse for smaller projects until large enough to sell to a C-PACE lender- NY model

Project Eligibility

- Measures need to be affixed to the land vs affixed to the building
- Project types listed in "Alternative Energy Systems" definition need to be allowed
- Definition of high performance – need for national standard for ‘high performance’
 - Meeting code should not be considered high performance
 - High performance should be applied to installed equipment, rather than facility
 - IMPV is useful but too complex for more straightforward projects
 - Recommendation to use what PUC is using for Act 129

Different Standard for Large Projects

- Permitting processes are not consistent in PA
- Michigan model with different programs for small vs. large projects
- Risk for bad projects is with smaller projects and smaller owners
- Maryland model - owner and contractor sign-off on compliance
- Concern that setting bonding requirements would screen out almost all small projects.

Standardizing Measurement of Savings – if no SIR requirement

- Section 4305 - scope of work - project must have baseline and projection of savings. Also, verification of completion, but not M&V of project
- Use C-PACE to encourage inclusion of EE/RE in regular CapEX, vs. look for deeper savings in pursuit of local climate goals
 - One purpose of verification/validation may be to protect tenant.
 - Adequate protections in place prevent bad/fraudulent projects which would create problems for the program statewide

Discussion Notes

- Treatment and process for C-PACE consent may not be consistent within large institutions.
- C-PACE can be used in PA tax-exempt zones because properties still have tax parcel IDs and could therefore still use C-PACE – research to confirm
- C-PACE levels the playing field between for-profit and non-profit properties by enabling non-profits who would not be able to access tax benefits of the project. (some non-profits do pay taxes)
- Assisted living and hospice, commercial or multi-family? Further research required
- Regarding gas stations or other sites with potential/likely environmental issues potentially being ineligible:
 - Lenders are lending against the value of the property and will therefore screen appropriately for this risk.
 - Policy consideration that would not want to exclude brownfields from a tool that could be helpful in resolving the brownfield issue.
 - Most ordinances do not exclude environmental risk
- Consideration of PPAs - Owner of system would get C-PACE financing and it would still be repaid by the property owner – assuming they are a part of the process outlined in the multi-entity contract.
- Credit eligibility – exclude for delinquent taxes (other properties owned by same owner?), lenders provide feedback on bankruptcy

Next Steps

- 2 more stakeholder meetings
- Want to have ordinance to Philadelphia city council in November
- Projects starting by next summer
- C-PACE-in-a-box, Start bringing to counties in January.
- County Commissioners office - recommend separate working group for county tax assessors to look at logistics of assessment process. Also default process. (November)
- Clarification regarding county approval process. When county adopts ordinance, all municipalities automatically included, unless they opt to specifically exclude a municipality.
- Goal of creating sufficient consistency across SEF and PEA, as well as all counties within SEF region, to enable consistent business practices by lenders.
- Website is pennsylvaniacpace.org. Not up yet.