



Commercial Property Assessed Clean Energy (C-PACE)

Ordinance Amendments

Presentation to City Council
October 11, 2022

What is C-PACE?

Program offering innovative, alternative financing for energy efficiency, water efficiency, renewable energy, stormwater management, and resiliency systems in existing commercial, industrial, multi-family, and non-profit properties and new construction of same property types

- Voluntary, special-assessment tax lien
- Long term (up to 20+ years)
- Lowers energy and water costs
- Competitively sourced Third-party financing
- No personal guarantees
- Non-accelerating
- Combine with utility, tax, and economic development incentives
- Transferable payment obligation (akin to sewer assessment)
- Funds hard and soft costs

Why is C-PACE Important?

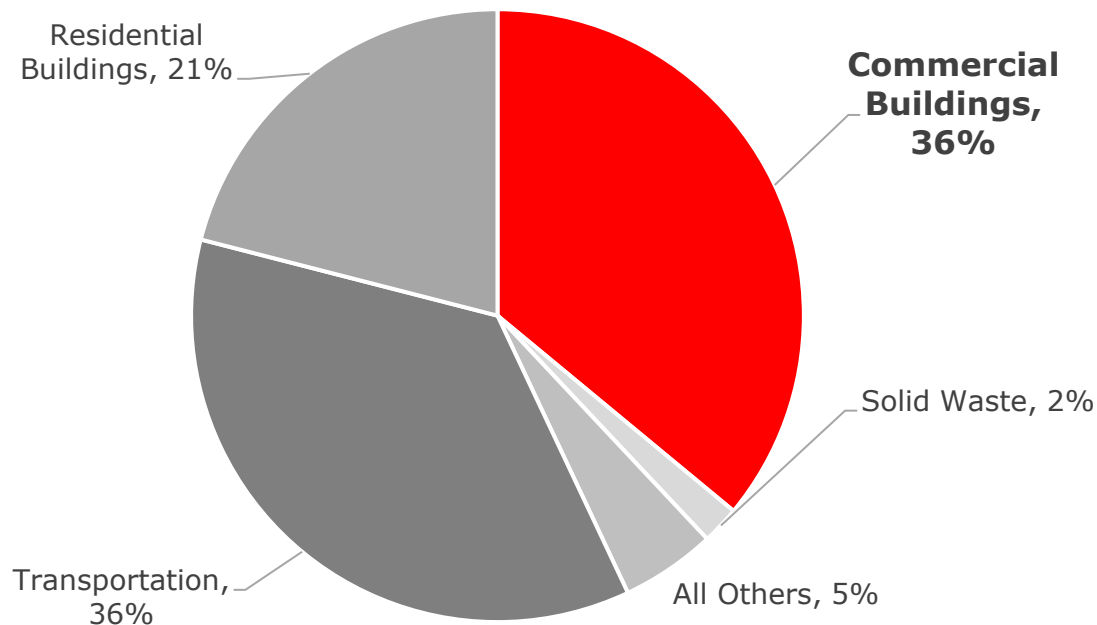
- Supports commercial, industrial, multi-family, and non-profit properties' investment in energy efficiency, water efficiency, renewable energy, stormwater management, and resiliency

Existing Buildings	New Construction
<ul style="list-style-type: none">✓ Upgrade existing energy and water systems✓ No Money Out of Pocket (up to 100% financing)✓ Immediate savings (may be cash-flow positive day 1)✓ C-PACE commonly used on class B & C properties	<ul style="list-style-type: none">✓ Construct high performance buildings✓ Finance a portion of project costs (e.g., up to 20%)✓ Lower WACC, increase ROE, fill gap✓ Avoid value engineering

Why is C-PACE Important?

- Environmental Action Plan 2040 Community Energy Action Item
- Support's Alexandria's greenhouse gas emission reductions
- Supports 2019 Green Building Policy goals

Carbon dioxide equivalent Emissions from the City's
2015 GHG Inventory





C-PACE Progress

- Fall 2020 – Ordinance adopted
- Spring 2021 – VA PACE Authority (VPA) hired as 3rd-party Program Administrator
- Summer 2021 – Fall 2021 – Program development
- Fall 2021 – Alexandria C-PACE Program Launched

C-PACE Progress

- Various projects have been proposed to leverage the C-PACE program, but none of the projects have been executed thus far.
 - Primary impediment appears to be the enforcement method adopted in the original ordinance in cases of loan default.
 - Under the current ordinance:
 - Capital Providers can only use private mortgage foreclosure process on defaulted loans
 - City has no role in delinquent collections (although permissible under State law)
 - Capital Providers view this unfavorably in the current program
 - Capital Providers want the ability to foreclose through the locality to lower the risk to their capital
 - Counter to enforcement, generally, by C-PACE programs around the US.
- Various technical amendments have been introduced into Virginia code by the General Assembly.



Proposed Amendments

- Enforcement Amendment
 - Department of Finance will assume the responsibility for collecting C-PACE loan delinquencies same as delinquent Real Estate tax collections using 3rd-party collection agent.
 - All fees, charges, costs, will be paid by C-PACE loan borrower through collections.
 - Finance estimates negligible workload impact
- Technical Amendments
 - Clarify and update definitions.
 - Clarify and update eligible improvements.
 - Remove maximum loan amount.
 - Allow retroactive C-PACE loan for improvements up to two years prior.
 - Clarify C-PACE loan may include all fees and costs.
 - Provide future flexibility to use a 3rd-party Program Administrator hired through the Virginia Department of Energy.