

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 nonprofit 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 nonprofit properties' investment in energy efficiency, water efficiency, renewable energy, stormwater management, and resiliency

Existing Buildings	New Construction
 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 	 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 foreclose 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.

