



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 4, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /S/

DOCKET TITLE:

Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance to enact Chapter 7 (COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY (C-PACE)) of Title 7 (PLANNING AND DEVELOPMENT) of the Code of the City of Alexandria, Virginia, 1981, as amended.

ISSUE: Consideration of an ordinance to establish a Commercial Property Assessed Clean Energy (C-PACE) Financing Program in accordance with the Commonwealth of Virginia's Clean Energy Financing Law, §15.2-958.3 of the Code of Virginia of 1950, as amended.

RECOMMENDATION: That City Council: adopt the C-PACE ordinance on first reading and schedule a second reading and public hearing on the ordinance on November 14, 2020, and after public hearing, adopt the ordinance.

DISCUSSION: The City's Environmental Action Plan 2040 (EAP2040) Action 2.3.2 identifies establishing a C-PACE program to reduce greenhouse gas emissions associated with community energy consumption in support of the City's global GHG emissions reductions goals. City Council approved funding for a C-PACE program as part of the FY 2020 Approved Budget.

A C-PACE program allows the City to support third party capital providers who finance energy efficiency, water efficiency, clean energy, stormwater improvements, and resiliency systems improvements in existing and new commercial, non-profit, industrial properties, and multifamily properties excluding condos and properties with less than 5 dwellings. A C-PACE program facilitates loans made by the capital third party providers to commercial property owner borrowers. The goal for the program is to make energy, stormwater, and resiliency upgrades more accessible and affordable for commercial properties. A property owner borrower uses a C-PACE loan to invest in capital-intensive energy efficiency, water conservation, and resiliency projects to reduce energy and water costs, increase cash flow, and modernize and improve the overall condition of their property

with no up-front costs.

The C-PACE loans are secured by a property tax lien and designed to be long-term (in some cases up to 20+ years) and non-accelerating. The C-PACE loan finances evaluation, engineering and design, and installation costs and includes all principal, interest, finance fees, and associated costs of the C-PACE program's administration of the loan. A C-PACE loan is designed to be cash-flow positive over its term and the C-PACE loan's repayment is designed to be less than the overall energy efficiency or water conservation cost savings.

The C-PACE program is administered by a third-party C-PACE Program Administrator. The City's role is to enable the C-PACE loan to be secured by a tax lien through the passage of the C-PACE ordinance, selection of a C-PACE Program Administrator, guidance of program design, assistance with outreach and marketing efforts, and providing guidance to the C-PACE Program Administrator on C-PACE program performance over time.

C-PACE program costs, including costs of designing and administering the C-PACE program by the C-PACE Program Administrator, are paid by the borrower through upfront program fees or through the C-PACE loan's repayment. Program fees are configured during program design and generally include a C-PACE administration fee, an application deposit applied against the C-PACE loan closing fee. A C-PACE loan origination fee and servicing fee may also be applied by the Capital Provider and C-PACE Program Administrator, respectively, for loan origination and for processing annual repayment. The aforementioned fees are set with minimum and capped maximum values as determined during program design. For example, using average fee values from other Virginia C-PACE programs, a hypothetical C-PACE project with a \$1,000,000 in direct project costs may result in approximately \$22,000 in total upfront program fees paid by the borrower; similarly, a hypothetical C-PACE project with \$100,000 in direct project costs may result in approximately \$3700 in upfront program fees paid by the borrower. In both circumstances, the C-PACE program fees are paid to the C-PACE Program Administrator. If a borrower's selected Capital Provider does not process annual repayments, the C-PACE Program Administrator may do so and charge a service fee. Typical service fees from other Virginia C-PACE programs range between \$330 and \$1350 depending project value and annual repayments. Even with the aforementioned program fees applied, a C-PACE loan is designed to be cash-flow positive over its term and the C-PACE loan's repayment are designed to be less than the overall energy efficiency or water conservation cost savings.

C-PACE is available to Virginia local governments in accordance with the Commonwealth of Virginia's Clean Energy Financing Law, §15.2-958.3 of the Code of Virginia of 1950, as amended. In addition to Virginia, twenty-one other states, including the District of Columbia and Maryland in the Metropolitan Washington region, have enabled C-PACE financing and have active C-PACE programs operating by local and state governments. In Virginia, Arlington County, Loudoun County, Fairfax County, Fredericksburg, Petersburg, and the Town of Dumfries have active C-PACE programs. Moreover, the cities of Lynchburg, Norfolk, and Richmond have passed enabling C-PACE ordinances and are actively working to implement programs.

FISCAL IMPACT: There is no direct cost to the City. The C-PACE program is administered by a third-party program administrator and costs to are paid by the borrower through the C-PACE loan's repayment. While as part of the FY 2020 budget there was \$75,000 provided in contingent funding to support the effort, based on the current plan, existing City staff resources will be used to support selection of the contracted third-party C-PACE Program Administrator, program design, assistance with outreach and marketing efforts, and providing guidance to the C-PACE Program Administrator on C-PACE program performance over time.

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