

C-PACER for NW Washington



\$1 million in
PACE
project
spending =
15 new jobs
and \$2.5
million in
economic
output.





ZERO CARBON
BUILDING ALLIANCE

C-PACER Financing in Washington

September 2020

Amy Wheelless, NW Energy Coalition and Co-Chair of Shift Zero

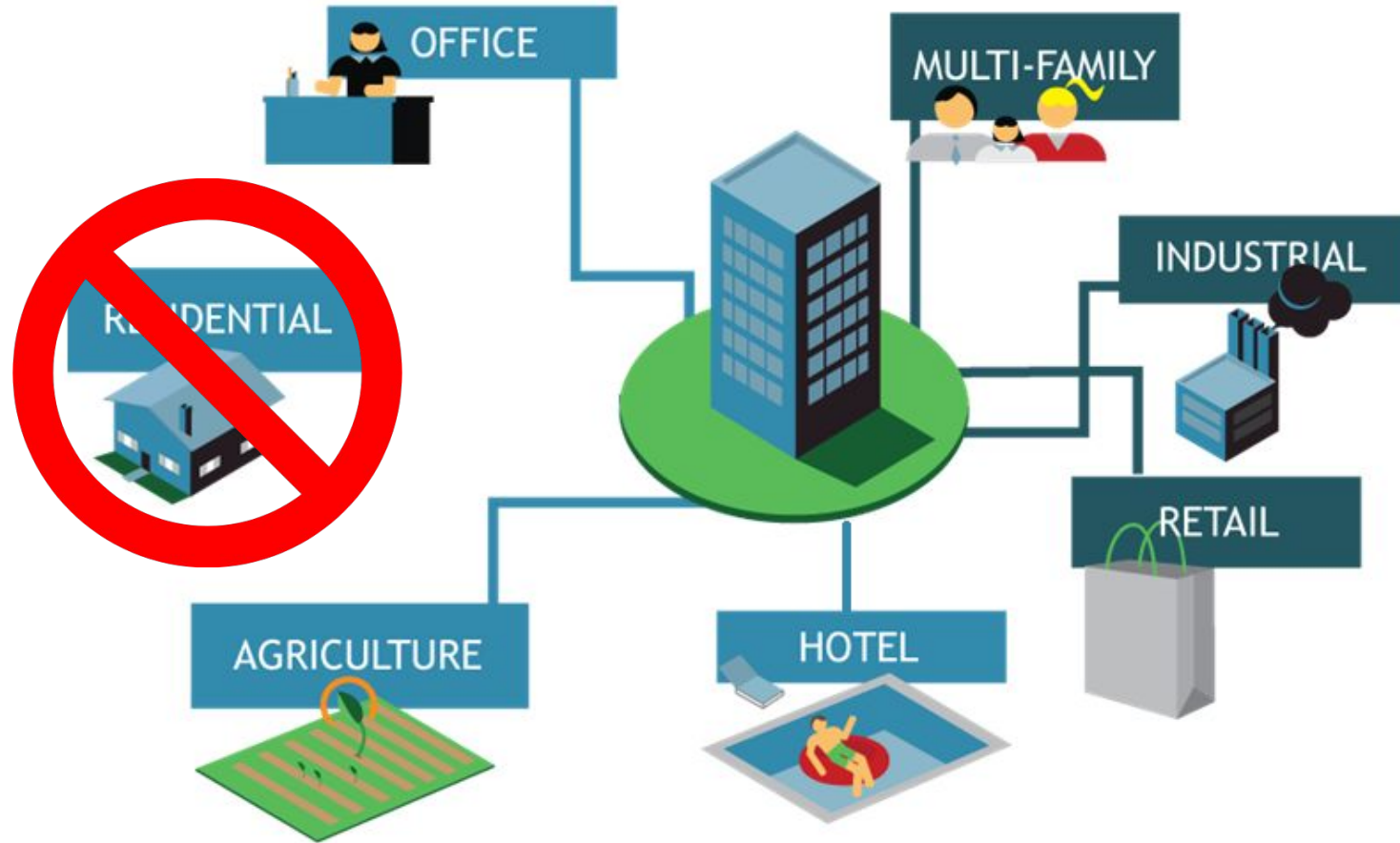
What is PACE? PACER?

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



Who Can Use C-PACER?

Most Properties, Even Non-Profits!



WA C-PACER Legislative History

- Interest since C-PACE was adopted in other states
- Shift Zero Task Force formed in 2017 to identify a path forward for C-PACE in Washington
- Success in 2020, with HB 2405!
- **Thank you to Rep. Duerr, Sen. Lovelett, Rep. Doglio, and all the bipartisan legislative supporters!**
- Broad and diverse support from stakeholders including environmental organizations, building owners and professionals, emergency managers and building officials, cities, community banks, and labor organizations



WA C-PACER - Now it's up to the counties!

- Counties may create their own programs or may partner with other counties to create a regional program
- Shift Zero has been working with local counsel and national experts to create model documents that can be easily adopted, including a model county ordinance, program guidebook, and template forms
- Having the same framework in every county that creates a C-PACER program will make it easier for building owners, building professionals, and lending institutions to work across the state



How C-PACER Financing Works for Building Owners & Capital Providers

September 9 & 10, 2020

*Presentation for Joint Whatcom, Skagit, Island & San Juan
Counties C-PACER Information Meetings*

Energy Efficiency Finance Corp.

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C-PACER Main Financing Features & Advantages

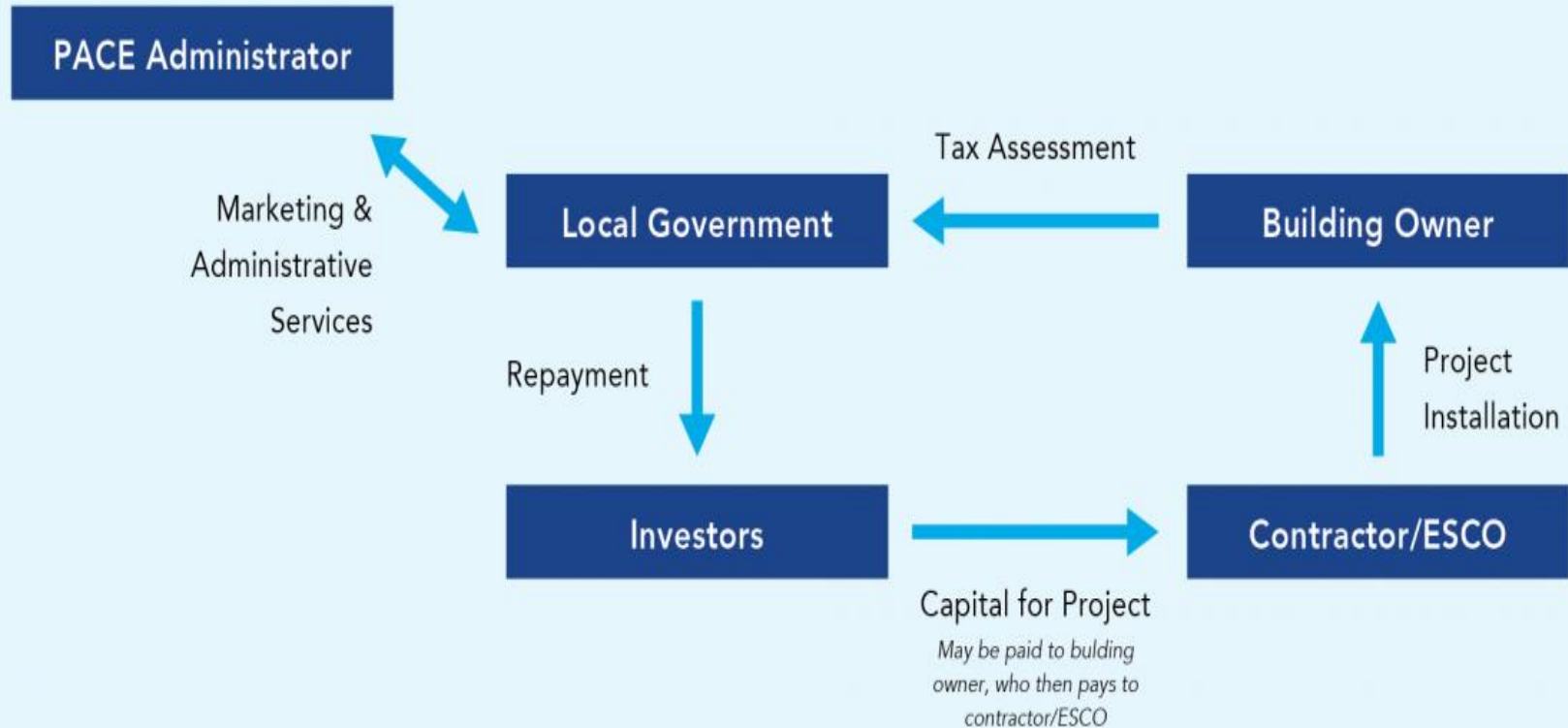
- Financing is structured as a property tax assessment with a County lien. Assessment runs with building, survives building sale.
- This structure provides an important credit enhancement and additional security for capital providers & enables longer term financing, 10-20+ yrs, w/lower rates and and hence, deeper, longer payback energy efficiency and renewable energy (EE/RE) measures.
- Obligor is building owner. Assessment is voluntarily undertaken and works similar to a local improvement district (LID) of one building.
- All financing is provided and credit underwriting done by a private sector “Capital Provider”. No County financing is involved. EEFC works with building owners, contractors & investors to structure & arrange financing.

Main Financing Features & Advantages (2)

- First mortgage and other lien holder consents must be obtained in the finance origination process.
- No acceleration in default events, only past due assessments must be paid.
- A key benefit for building owners: in most commercial triple-net leases, property taxes can be passed through to tenants, addressing split incentive issue. Tenants enjoy some energy costs savings so their share can be geared to match.
- Clean energy & resilience projects generate public goods, e.g., & benefits: reduce pollution, meet climate goals, economic development & jobs, reduced emergency response risks, etc.

How it Works

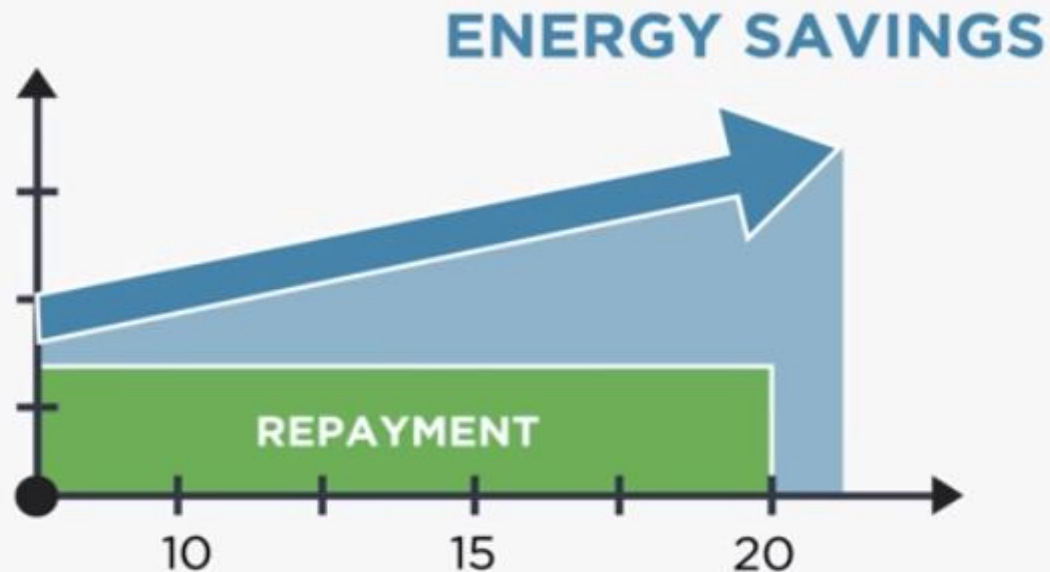
Typical CPACE Financing Structure



- Form documents & agreements will be developed and used.

EE/RE PROJECT BENEFITS

- Projects begin with energy audits providing information on a building's potential EE/RE project measures & economics. Goal is a project that can be paid all or in large part from energy cost savings.
- Projects may also meet energy system upgrade needs, improves building value & comfort, improves tenant appeal.
- Many contractors provide turnkey engineering & construction with savings verification & guarantees.



County Adoption Steps

- Adopt Ordinance enacting C-PACER Program, incl.
 - “Financing qualified projects through assessments is in the public interest for safety, health, and other common good reasons”
 - Tax assessments will repay C-PACER financing
 - Description/map of region
 - Designate Admin Office

County Adoption Steps – cont.

- Approve “Program Guidebook” and related docs, or establish process to create Guidebook
- Clarify how county/capital provider will bill, collect, and remit payments currently due
- Hold hearing for public comments

Program Guidebook

- Approved Project Forms
 - Application Form & Checklist
 - Assessment Agreement Form
 - Notice of Assessment Interest & C-PACER Lien
- Financing period = useful life of Project
- Describe Application & Review Process
- Describe Lender consent requirement
- Qualifications for “Capital Provider”
- County has no liability under Assessment Agreement
- Marketing/educational services

Project Application Process

- Property Owner & Capital Provider prepare Project Application:
 - Checklist and all supporting documents
- County has 10 business days to review the Project Application:
 - Only confirms that Project Application is complete, & all attachments conform to guidelines
- Upon approval, counsel for Capital Provider drafts “Closing Documents”

Closing

- “Closing Documents”:
 - Assessment Agreement
 - Notice of Assessment Interest and C-PACER Lien
 - Assignment of the Notice of Assessment and Assessment Agreement
- At Closing, County will record Assessment Agreement & other Closing Documents
- Upon confirmation of recordation, Capital Provider will disburse funds in accordance with Financing Agreement

The Community Energy Challenge

- Whatcom, Skagit, San Juan, and Island Counties have access to a long-standing program that addresses many of the needs outlined in the C-PACER guidebook.
 - Founded in 2010 - a decade of experience working with the commercial, institutional, nonprofit, and multifamily sectors to identify and implement smart energy efficiency improvements.
- A One Stop Shop for Energy Efficiency
 - Providing a neutral 3rd party and energy management services
 - Energy audits – expert advice
 - Energy auditors with CEM certification
 - Energy efficiency retrofits in existing buildings
 - Incentives for quick fix and capital projects



Opportunities for Implementation

- 1,500 buildings over 10,000 sq ft in City of Bellingham alone
- 6% are larger than 10,000 sq ft but responsible for 48% of commercial sector energy use and 51% of GHG emissions



NW Medical Center (37,000 sq ft)

- Upgrade rooftop HVAC unit
- Install tankless water heaters
- Utilize low-flow water fixtures

Saving \$9,471.61 per year



HKP Architects (9,000 sq ft)

- Install solar PV on the roof
- Change all lighting to LED
- Utilize low-flow water fixtures

Saving \$1,934.70 per year



Financing Equals Increased Implementation

- Ideal client is interested and engaged but needs \$\$ and/or information to move forward
- On-bill financing in San Juan County through OPALCO
 - On-bill financing program provides similar benefits to C-PACER and has been wildly successful (95% satisfaction rate)
- Outlook Inn installed 17 DHPs with financing and then completed additional heat pump project with CEC and utility rebates



C-PACER + MULTIFAMILY ENERGY EFFICIENCY

Tremendous opportunity for energy efficiency upgrades in multifamily housing

Overcoming challenges/barriers:

- **High cost for larger projects** – CEC incentives and utility rebates help, but these may be limited
- **Lack of energy efficiency knowledge** – promotion of C-PACER may expand awareness of energy and non-energy benefits



SUCCESSFUL MULTIFAMILY PROJECTS



Anacortes (17 units)

Measures included:

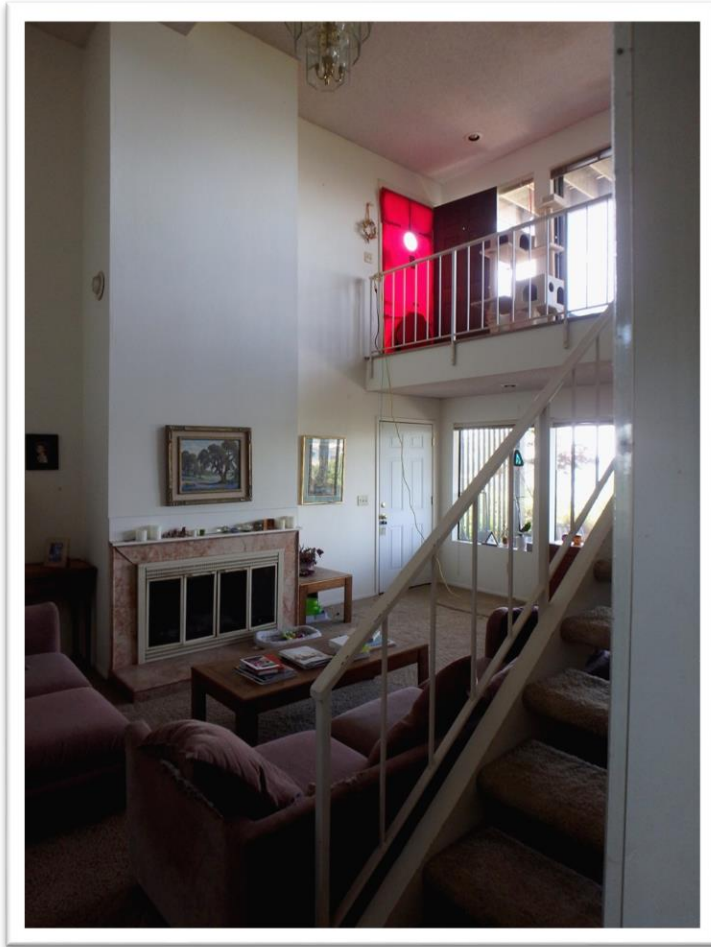
- Air sealing
- R-60 attic insulation
- R-30 floor insulation
- Dense pack cellulose insulation in walls

Annual savings:

38,490 kWh → \$3187



SUCCESSFUL MULTIFAMILY PROJECTS



Bellingham (5 units)

Measures included:

- Air sealing
- R-60 attic insulation
- R-38 floor insulation
- Dense pack cellulose insulation in walls

Annual savings:

48,408 kWh → \$1489

(therm equivalent)



NON-ENERGY AND COMMUNITY BENEFITS

- **Occupant health, safety and comfort**
- **Building durability**
- **Reduced energy burden**
- **Job creation for local contractors**



Questions?

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Thanks for your time!