CivicPACE: Financing for New Markets in Solar

WELCOME
20 Gigawatts
Potential capacity of US nonprofits that could go solar

Based on 800,000 nonprofit property owners and assumes 25% can support 100 kW PV system

Source: Estimate of nonprofit property from The Nonprofit Almanac, 2012
Nonprofit Challenges & Opportunities

- Poor Credit/Access to capital
- No/low tax appetite
- Difficult decision-making process
- Project size disincentive
- But...
- Deferred maintenance
- Mission driven
Special Assessment Finance – A Long History

- PACE uses a financing mechanism that has long funded infrastructure projects like water, sewer, gas, and curb improvements.
A special assessment is placed on the title of the property (like PILOT, TIF, & “front foot benefits”)

The owner repays the cost of the energy retrofit financing on their semi-annual real estate tax bill

The repayment obligation transfers with the title (along with the savings) to any new ownership

PACE is available as a voluntary assessment, even to non-profits that don’t pay any property taxes
More than 350 PACE commercial projects funded
$130 million in funded projects – $1 Billion pipeline
30 States, 80% of Population

Source: PACENow
PACE Benefits for Nonprofits

- **100% financing**: Can cover hard and soft costs, including engineering, legal, and design, with no out of pocket payment.
- **Cash-flow Positive**: Underwritten so project energy savings exceed debt service, improving operating income on day one
- **Long Term Financing**: Amortization can be up to 20 years or longer, greatly improving cash flows
- **Stable Fixed Rate Terms**: Assessment is tied to the building, not traditional debt, and transfers with ownership.
- **Confidence in Savings**: M&V helps insure that savings are realized over time
**PACE + PPA Case Study**

**Customer:** Non-profit affordable housing  
**Challenge:** Monetizing tax benefits  
**Project:** 230 kW total capacity across several buildings  
**Structure:** PACE-secured PPA

<table>
<thead>
<tr>
<th>System Size (kW)</th>
<th>230</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year One Production (kWh)</td>
<td>285,000</td>
</tr>
<tr>
<td>PACE Financing Rate</td>
<td>5.5%</td>
</tr>
<tr>
<td>PACE Term</td>
<td>15</td>
</tr>
<tr>
<td>System Install Cost</td>
<td>$750,000</td>
</tr>
<tr>
<td>Tax equity</td>
<td>$500,000</td>
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</tbody>
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**Property Owner Benefits**

<table>
<thead>
<tr>
<th></th>
<th>Annual Avg.</th>
<th>PACE Term</th>
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<tbody>
<tr>
<td>Electricity savings</td>
<td>$40,000</td>
<td>$600,000</td>
</tr>
<tr>
<td>PACE Payments</td>
<td>-$25,000</td>
<td>-$375,000</td>
</tr>
<tr>
<td><strong>Net Cash Flow</strong></td>
<td><strong>$15,000</strong></td>
<td><strong>$225,000</strong></td>
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<tr>
<td>Effective 20-Year PPA Rate</td>
<td>$0.08 / kWh</td>
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**Tax Investor Benefits**

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<tbody>
<tr>
<td>SREC Revenue</td>
<td>$525,000</td>
</tr>
<tr>
<td>Taxes &amp; Expenses</td>
<td>-$200,000</td>
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<tr>
<td>ITC Value</td>
<td>$225,000</td>
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<tr>
<td>Depreciation (After Tax)</td>
<td>$80,000</td>
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<tr>
<td>Equity contribution</td>
<td>-$500,000</td>
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<tr>
<td><strong>Net Benefit</strong></td>
<td><strong>$130,000</strong></td>
</tr>
<tr>
<td>10-Year IRR</td>
<td>~12%</td>
</tr>
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*Note: Project financials have been simplified for illustrative purposes.*
The Structure

**PACE Capital Provider**
- Up-front capital
- PACE Note
- Pass through payments

**Property Owner**
- PACE $ for Kwh prepayment
- Energy savings

**Special Purpose Entity** (Owns Equipment)

**PACE Admin**

**Tax Equity Investor**
- Tax benefits
- Equity
The CivicPACE Team is a U.S. Department of Energy (DOE) effort under the Solar Market Pathways program designed to make commercial Property Assessed Clean Energy (PACE) financing a reality for tax-exempt organizations and non-profits.
About the CivicPACE Team

• Increase **installed capacity of solar** electricity in among non-profits and tax-exempt entities

• Target and engage active, developing, and emerging PACE markets to **promote the value** of CivicPACE

• Help local jurisdictions and relevant agencies (HUD) work through **legal and financial concerns** of pursuing CivicPACE

• Create a **replicable model** for future CivicPACE markets
Tomorrow

- CivicPACE Roundtable
- **8:30 AM in Room 204A**
- PACE + Nonprofits & Affordable Housing
- Speakers from:
  - US Dept of HUD
  - Lean & Green Michigan
  - Structured Finance
  - Ygrene
  - Petros Partners
Thank You

For more information about CivicPACE, contact:

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