



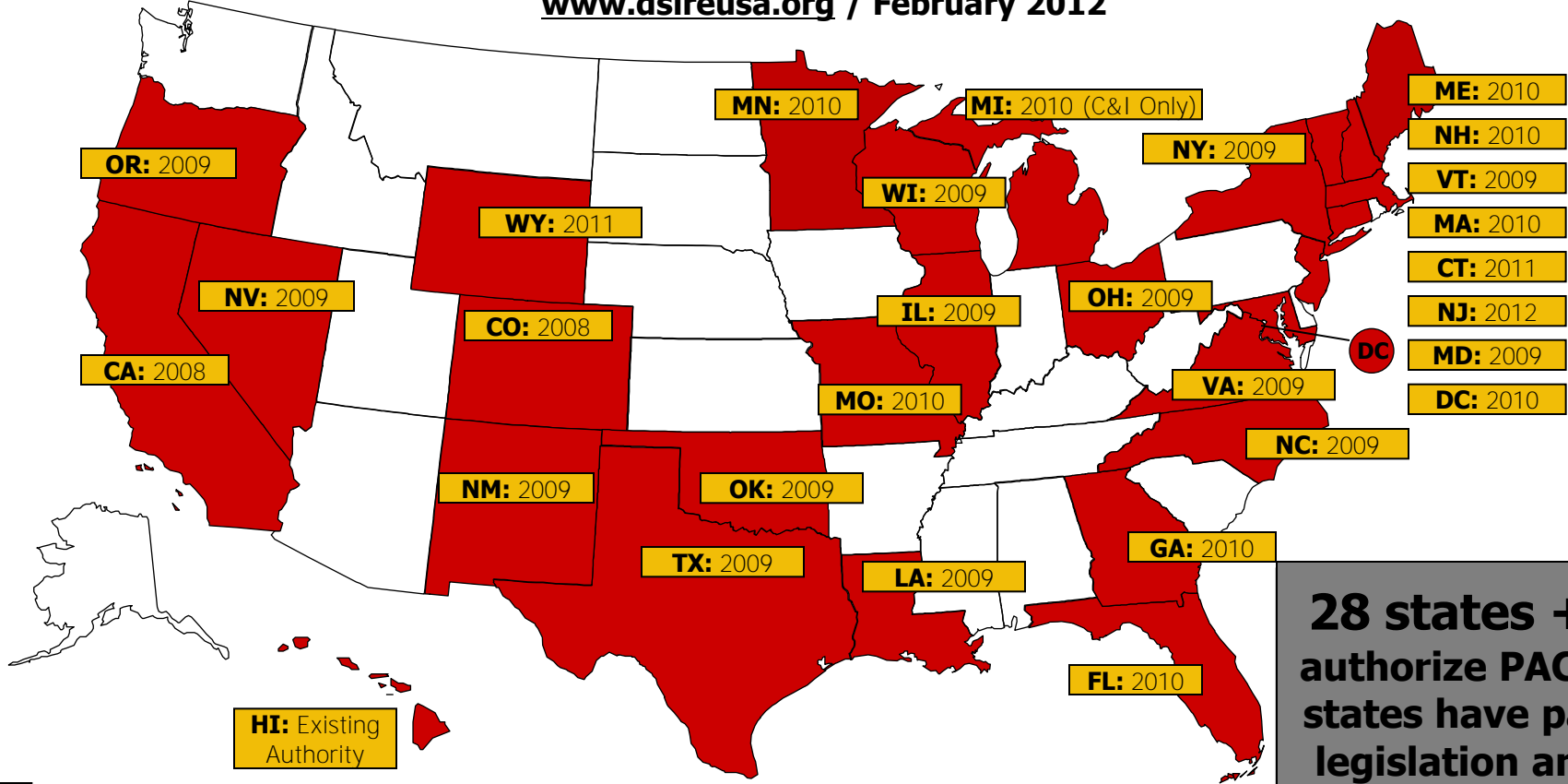
Commercial PACE Status Update

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NASEO Financing Committee Monthly Call
April 5, 2012

Property Assessed Clean Energy (PACE)

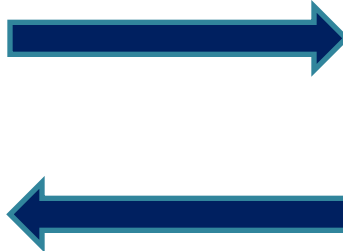
www.dsireusa.org / February 2012



28 states + DC authorize PACE (27 states have passed legislation and HI permits it based on existing law)

PACE Financing Basics

Government Sponsor



Property Owner



- **Creates financing district & approval process**
- **Attaches repayment obligation to the building via voluntary property assessment**
- **May provide upfront capital**

- **Identifies work & chooses contractor**
- **Repays financing as a line item on the property tax bill (typically over 5-20 years)**

Key PACE Benefits



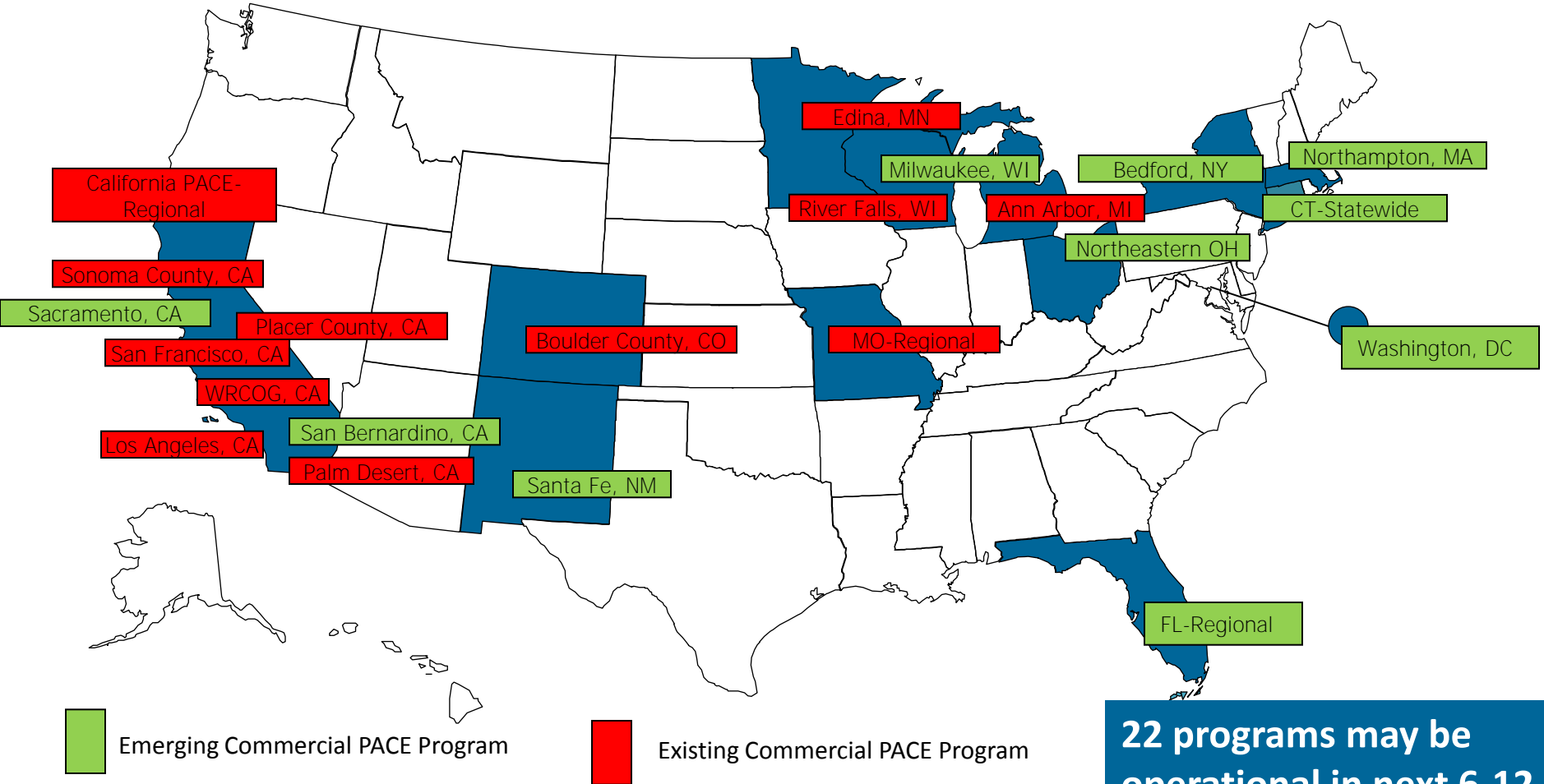
- **No or Low Upfront Costs.**
 - Removes high first cost barrier to investment.
- **Debt of property not person or corporation.**
 - Minimizes need to underwrite to personal or business credit.
- **Very Secure.**
 - Provides investors with repayment security through priority of tax lien. Security enables lower interest rates and longer terms than typical financing vehicles.
- **Minimizes holding period bias.**
 - Assessment stays with the property, not the owner.
- **Addresses split incentives.**
 - Property tax assessments may qualify as “pass-through expenses”.
- **Attractive across a wide variety of property types and sizes.**
 - Property owners have financed \$5K to \$1 million+ improvements.

PACE Financing Structures



- **Source of capital varies across programs**
 - **Warehouse model**
 - Government or third party program sponsor uses a credit line (or internal capital) to fund projects, followed – potentially - by ‘takeout financing’.
 - **Pooled Bond model**
 - Government or third party program sponsor aggregates project applications and issues a bond to fund all projects at the same time.
 - **Open Market (Owner-arranged) model**
 - Each owner negotiates financing terms directly with an investor. Government program sponsor issues bond to investor and passes through assessment payments to investor.
 - **Hybrid models**
 - A range of structures (including Ygrene)

Existing & Emerging Commercial PACE Programs



22 programs may be operational in next 6-12 months. 12 programs are currently operating.

Commercial PACE Projects Update



Govt. Sponsor	Amount Financed (\$)	# Projects	PACE model
Sonoma County, CA	\$10 M	52	Warehouse
Boulder County, CO	\$1.52 M	29	Pooled Bond
California PACE	\$725 K	7	Pooled Bond
Palm Desert, CA	\$600 K	5	Warehouse
Placer County, CA*	\$319 K*	2*	Warehouse
Edina, MN	\$40 K	1	Open Market
Ann Arbor, MI	\$0	0	Warehouse
Los Angeles, CA	\$0	0	Open Market
Missouri-Regional	\$0	0	Hybrid
River Falls, WI	Not available	Not available	Warehouse
San Francisco, CA	\$0	0	Open Market
WRCOG, CA	\$0	0	Hybrid
TOTAL	~\$13 M-\$14 M	96	

Commercial PACE Challenges



- **High Legal and Administrative Setup Costs.** Models in the works to defray these costs.
- **Need Significant Deal Flow.** May not be appropriate for small towns and cities as scale is required to reduce costs (regional/ statewide models can help). Only ~\$15 million financed to date.
- **Mortgage Holder Consent/Acknowledgement Required.**
- **Regulatory Uncertainty.** The OCC has expressed concern about commercial PACE.

Questions?



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