



Commercial Property Assessed Clean Energy

CoPACE

October 22, 2015



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Agenda

- **Property Assessed Clean Energy (PACE)**
 - Background
 - Value Proposition
 - State of the Market (Commercial)

- **Colorado Commercial PACE (CoPACE)**
 - Background
 - General Mechanics
 - Information for Contractors
 - Status Update

PACE Background

Private Sector Financing - Public Sector Infrastructure (P3 Model)



1736 - First Assessment District
in Philadelphia

Today - 37,000 Assessment
Districts nationwide



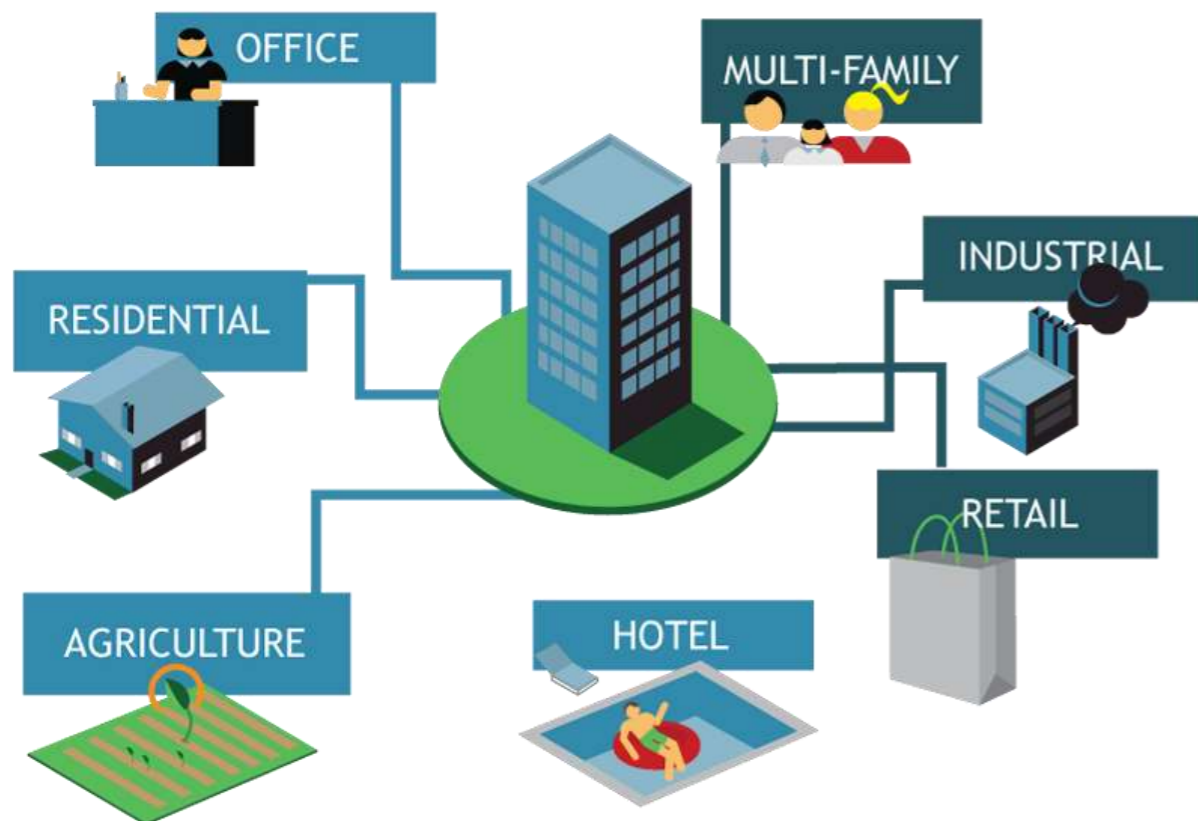
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Source: PACENow

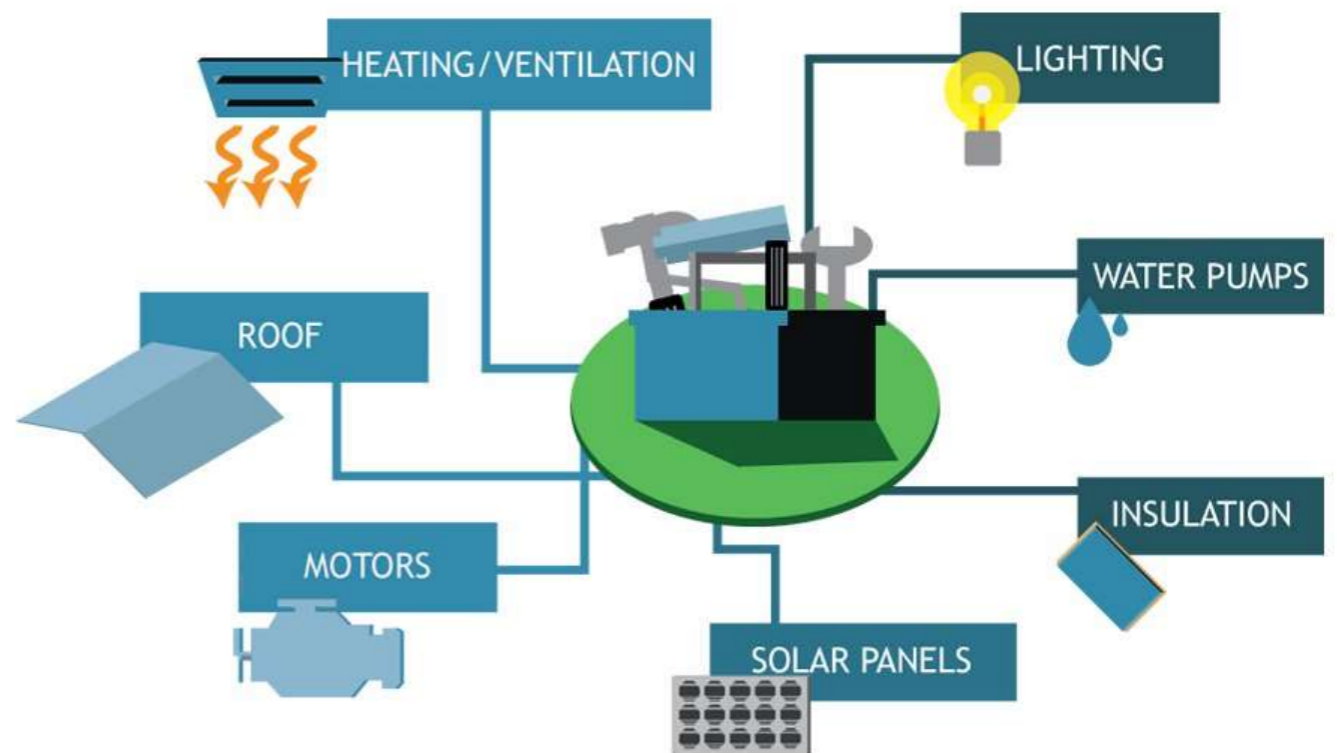
PACE Background (continued)

A wide variety of properties have used PACE to finance a wide variety of improvements

Properties



Improvements



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Source: PACENow

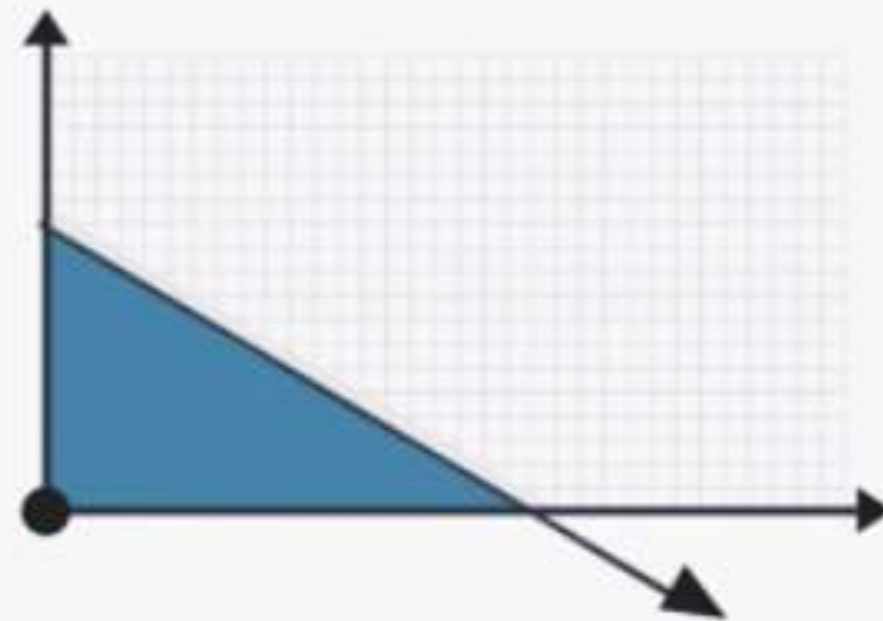
PACE Value Proposition

The Bottom Line: Increased Building Value

INCREASE
BOTTOM LINE



LOWER
ENERGY COSTS



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Source: PACENow

PACE Value Proposition (*continued*)

Private capital provides 100% upfront, low-cost, long-term funding

Repayment through property taxes

A senior PACE lien is put on the property and stays regardless of ownership

Value Proposition

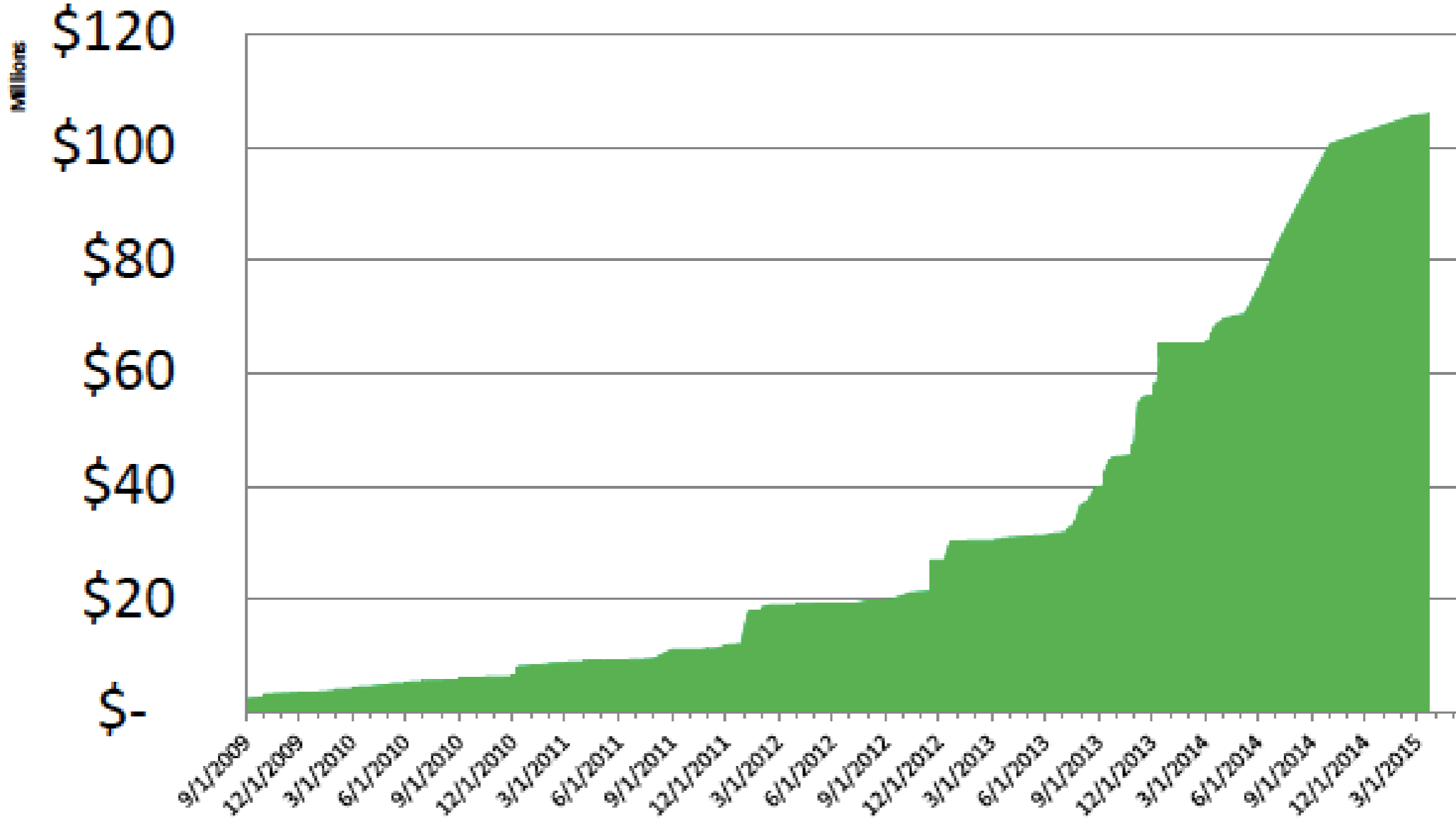
- Finance 100% of project costs
- Longer duration financing equates to more attractive cash flows
- Assessment/lien transfers with the property
- Addresses “split incentive” under certain scenarios



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State of the Commercial PACE Market

Cumulative Financing



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Source: PACENow

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CoPACE Background

- **Enabling legislation was passed in 2008 (HB08-1350), expanded in 2010 (HB10-1328), and amended in 2013 (SB13-212) and 2014 (SB14-171).**
 - HB08-1350 authorized local governments to establish PACE programs
 - HB10-1328 created an improvement district encompassing the entire state
 - SB13-212 expanded the program to the Commercial sector, allowed for the use of private funds, required lien-holder consent, and changed the composition of the Board
 - SB14-171 allowed for the financing of water conservation measures
- **Board of Directors (the “Board”) was appointed in September 2013**
 - Comprised of 7 members representing the real estate industry, banking, the energy efficiency and renewable energy industries, and public utilities
 - Responsibilities include:
 - Establishing program rules
 - Drafting program paperwork
 - Implementing program framework
 - Overseeing and managing the District/CoPACE on an ongoing basis



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CoPACE Critical Components / Value Proposition

Private capital provides 100% upfront, low-cost, long-term funding

Repayment through property taxes

A senior PACE lien is put on the property and stays regardless of ownership

Critical Components of CoPACE

- Statewide District
- Voluntary “opt-in” structure (counties)
- Mortgage-holder consent required
- Financing provided by the private sector
- New Construction projects are eligible

Value Proposition

- Finance 100% of project costs
- Longer duration financing = attractive cash flows
- Assessment/lien transfers with the property
- Addresses “split incentive” under certain scenarios



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CoPACE General Mechanics

1. County Government “opts-in” to the District (New Energy Improvement District – NEID) by resolution of the Board of County Commissioners
2. Commercial property owner identifies an improvement project and applies to the NEID for financing (mortgage-holder consent must be obtained and included in final application)
3. Upon approval, assessment is recorded in County Land Records
4. Contractor initiates and completes construction
5. Lending partner disburses project funds
6. Commercial property owner begins making regular payments on property tax bill
7. County Government begins regular assessment collection from the property owner and remittance to the NEID
8. NEID receives regular payments from the County Government and remits those payments to the lending partner/s that provided the capital for the associated project/s



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CoPACE Details: Eligible Projects

- **Eligible Projects**

- Located on eligible real property
- Owned by an eligible property owner
- Be an “Energy Efficiency Improvement” (defined to include water saving measures) and/or a “Renewable Energy Improvement”
- Special consideration for new construction (pilot projects)

- **Applicable Project Requirements**

- **Energy savings:** project must generate “utility cost savings”
 - savings-to-investment ratio (SIR) > 1 is encouraged, but not mandated
- **Energy/Water Audits:** ASHRAE Level 1 required / Feasibility Study for renewable energy
- **Inspection/Commissioning:** Post-completion verification is required, as is post-construction commissioning report
- **Data Sharing:** project required to provide ongoing access to utility usage (anonymized and aggregated, but there is an opt-out provision for compelling circumstances)



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CoPACE Eligible Projects – Energy Efficiency

- 1. Insulation**
- 2. Windows and doors**
- 3. Automatic energy control systems**
- 4. HVAC**
- 5. Caulking and weather-stripping**
- 6. Lighting fixtures**
- 7. Energy recover systems**
- 8. Daylighting systems**
- 9. CHP and waste-to-power**
- 10. EV charging equipment**
- 11. Any other modification, installation, or remodeling approved as a utility cost-savings measure by the District**



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CoPACE Eligible Projects – Renewable Energy

- 1. Photovoltaic**
- 2. Solar thermal**
- 3. Small wind**
- 4. Low-impact hydroelectric**
- 5. Biomass**
- 6. Fuel cell**
- 7. Geothermal systems (including geothermal heat pumps)**



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CoPACE Details: Eligible Contractors

- NEID maintains list of eligible contractors (rolling basis)
- Contractors must meet eligibility criteria outlined
- Contractors remain on list for 3 years (barring violations)
- Additional documentation required with project application (highlighted in green)



Submit 3 project references



Read and sign Program Code of Ethics and Standards



Submit a valid W9 for main contractor (and subcontractors)?



Attend program orientation/seminar



Provide documentation providing proof company is bonded and provides worker's compensation



Provide proof of general liability insurance of at least \$1,000,000



Provide proof of all applicable Colorado state professional licensing



Obtain and be able to provide proof of applicable local licensing



Obtain and be able to provide proof of all applicable state and local project permitting



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CoPACE Status Update

- **Complete the Program Guide, including all Program Agreements**
 - CoPACE Program Guide – **Completed**
 - NEID-County Participation Agreement – **Completed**
 - CoPACE Assessment-Financing Agreement – **Completed**
- **Procure Program Administrator/s (October '15)**
 - Program Manager – **Selected** (executing contract)
 - Fiduciary Manager – **Pinpointed** (negotiating terms)
 - Marketing Manager – **Selected** (executing contract)
- **Work with local governments, contractors, and capital providers to secure eligibility in time for CoPACE launch (Ongoing)**
- **Launch CoPACE (October/November 2015)**



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