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PROMOTING THE GREEN WAY TO DEVELOP

# PACE – Sustainable Financing for A More Sustainable Environment:

## For Use in Capital Stacks;

## Upgrading Major Infrastructure;

## Refinancing & Renewable Energy

MBC LOANS – NOV. 19, 2024

# WHAT IS PACE ?

- Property Assessed Clean Energy (PACE)
- Public Act 270 of 2010 (Gov. Granholm)
- Expansion last month increased its use for asbestos and PFAS Cleanup, as well as relaxing SIR standard and greater use for ground-up construction.
- Real Estate Financing: Available to commercial property owners and non profits to upgrade their buildings for sustainability, resiliency
- Tool for economic development - Another tool for developers to use in building their capital stack (Brownfield, Historic Tax, New Market Tax, Tax Abatements, Opportunity Zones, Community Revitalization Program (CRP); Community Development Block Grant (CDBG), Utility Rebates, etc

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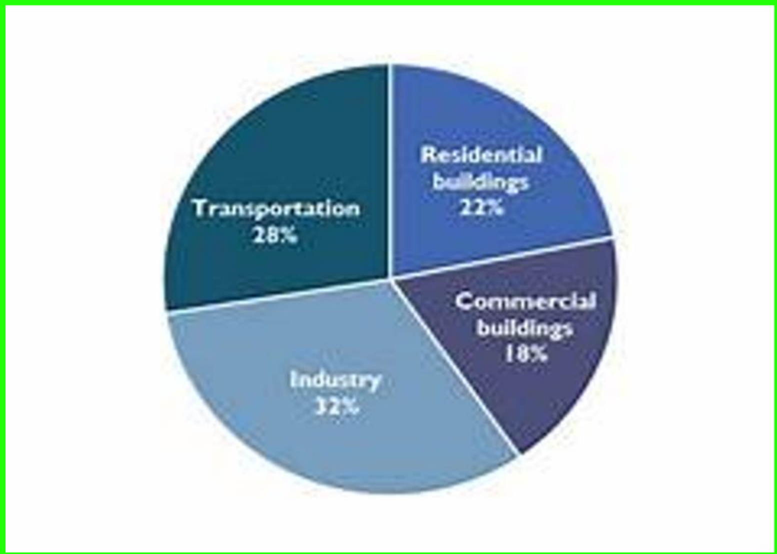
# $$ WHY PACE ? $$

- MOST BUILDINGS WASTE UP TO 40% OF THE ENERGY USED IN THEIR OPERATIONS
- IN TODAY'S ECONOMY, EVEN GREATER NEED TO SAVE ENERGY/WATER & SAVE CAPITAL !

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PROMOTING THE GREEN WAY TO DEVELOP

# Once Considered Niche Financing, C-PACE Is Being Embraced by the Mainstream


https://propmodo.com/onceconsiderednichefinancingcpaceisbeingembracedbythemainstr

eam/

The Hotel Arlo in Miami leveraged C-PACE recapitalization for sustainability upgrades. Even with continued economic disruption, the commercial real estate industry continues to innovate, adapt, and evolve. Property owners and developers are identifying innovations to get commercial real estate projects on track and over the finish line. One such innovation is C-PACE (Commercial Property Assessed Clean Energy).

C-PACE financing is emerging as a flexible debt solution for borrowers, providing one of the least expensive forms of capital available on the market to fund commercial real estate projects pre-, mid-, or post-construction. And there has been a corresponding surge in demand for what was once considered a niche financing mechanism.

**ENERGY EFFICIENT BUILDINGS PROVIDE SAVINGS, COMFORT, HEALTH & WELFARE BENEFITS TO OCCUPANTS – PACE PROVIDES FLEXIBLE FINANCING TO MAKE THIS HAPPEN ….. TODAY !**

Reduces Operating Costs - Directly Improves Building Owner's Bottom Line

Higher NOI (net operating income) Increases Property Value of Buildings

More Efficient, Comfortable & Healthier Buildings Attract and Retain Tenants

Improves Community's Building Stock, Helping Attract More Economic Development

Why Banks Would Support PACE:

1. Lower Building Costs Makes It Easier For Owner to Pay Mortgage;
2. Higher Building Value Increases Bank's Collateral Value in Owner's Building.

# MORE PACE BENEFITS

- 100% FINANCING (Both hard & soft costs)

- LONG TERM LOANS (Up to 25 years)

- NON-RECOURSE LOAN. *No Owner Guarantee Required*

- MOST MAJOR INFRASTRUCTURE SYSTEMS – PACE addresses 3 main systems buckets:  Energy Systems; Water Conservation Infrastructure; and Renewable Energy Projects

# MOST ASSET CLASSES BENEFIT USING PACE

- HOSPITALITY (Cambria Hotel, Detroit)
- MULTI-FAMILY HOUSING (NoCa Lofts, New Armadore)
- OFFICE, INDUSTRIAL (501 S. Capitol Lansing)
- HOSPITALS, MEDICAL BUILDINGS, LABS (Garfield Metro Bldg)
- DATA CENTERS (Liquid Web, Ingham County)
- NON-PROFITS (Detroit Unity Temple Detroit)
- AGRICULTURAL (Need a candidate)
- RETAIL (513 – 515 W. Ionia St. Lansing)
- SENIOR CENTERS (Hanna Sr. Ctr. Detroit)

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PROMOTING THE GREEN WAY TO DEVELOP

# PACE QUALIFIED PROJECTS

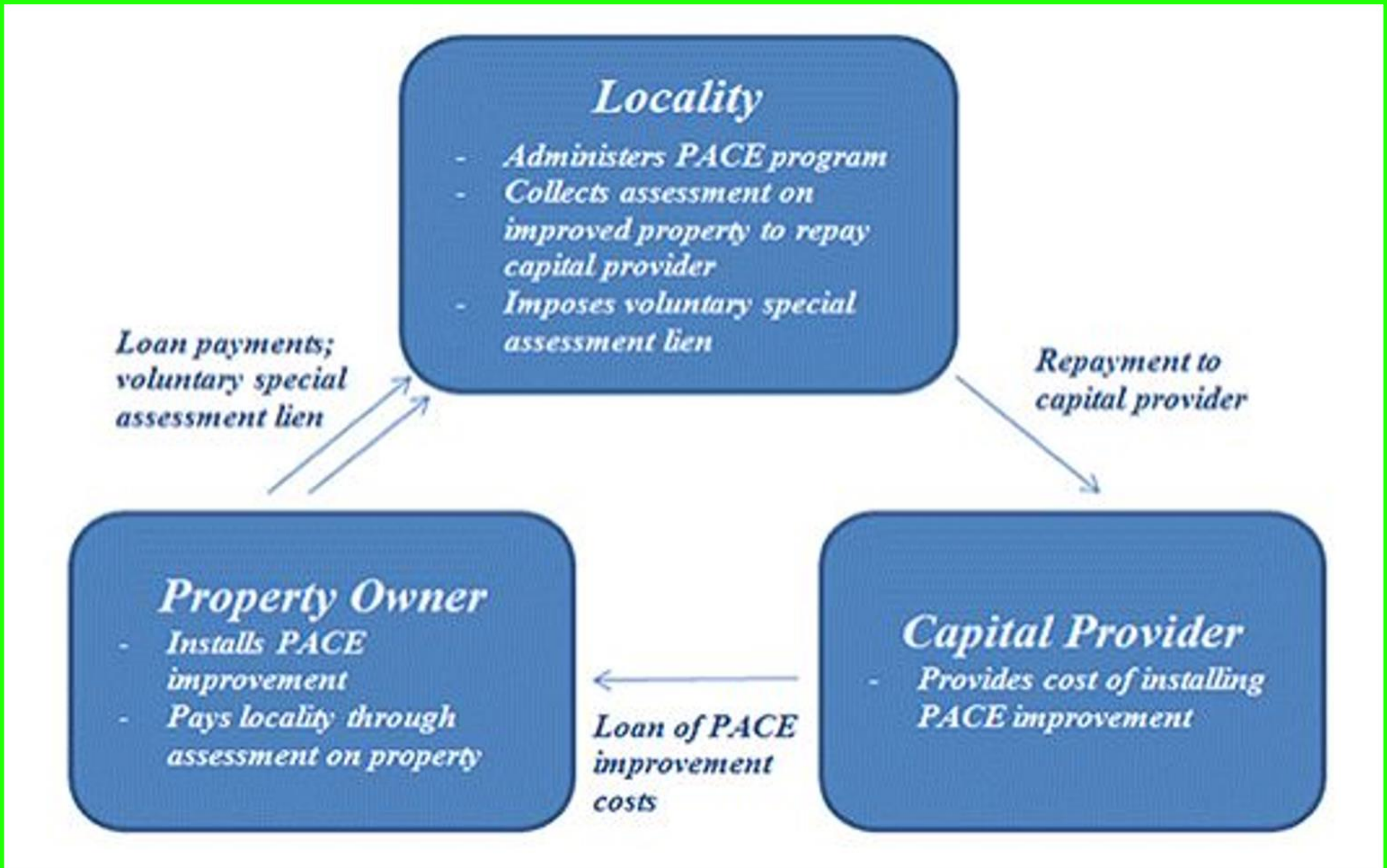
- Replacing old infrastructure (Samaritan Ctr.)
- New Development(830 Henry Ann Case Study)
- Energy Refinancing - Projects finished within 3 years per Michigan PACE Statute (The Strand Theater)

# PACE QUALIFIED INFRASTRUCTURE

- ENERGY EFFICIENCY: Lighting, HVAC, Windows, Roofs, Elevators, Bldg Controls, Insulation, MF Appliances, Caulking, etc.
- WATER EFFICIENCY: Stormwater recapture, Low Flow Water Fixtures (toilets, sinks, showers) greywater systems, green roofs, irrigation.
- RENEWABLES: PV Solar, Wind Turbines, EV Charging Stations, Biomass, Geothermal, etc.

# STAKEHOLDERS IN PACE LOAN*

## *(GC/ Contractors also involved)



# GEOGRAPHIC REACH OF MI PACE

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SEARCH

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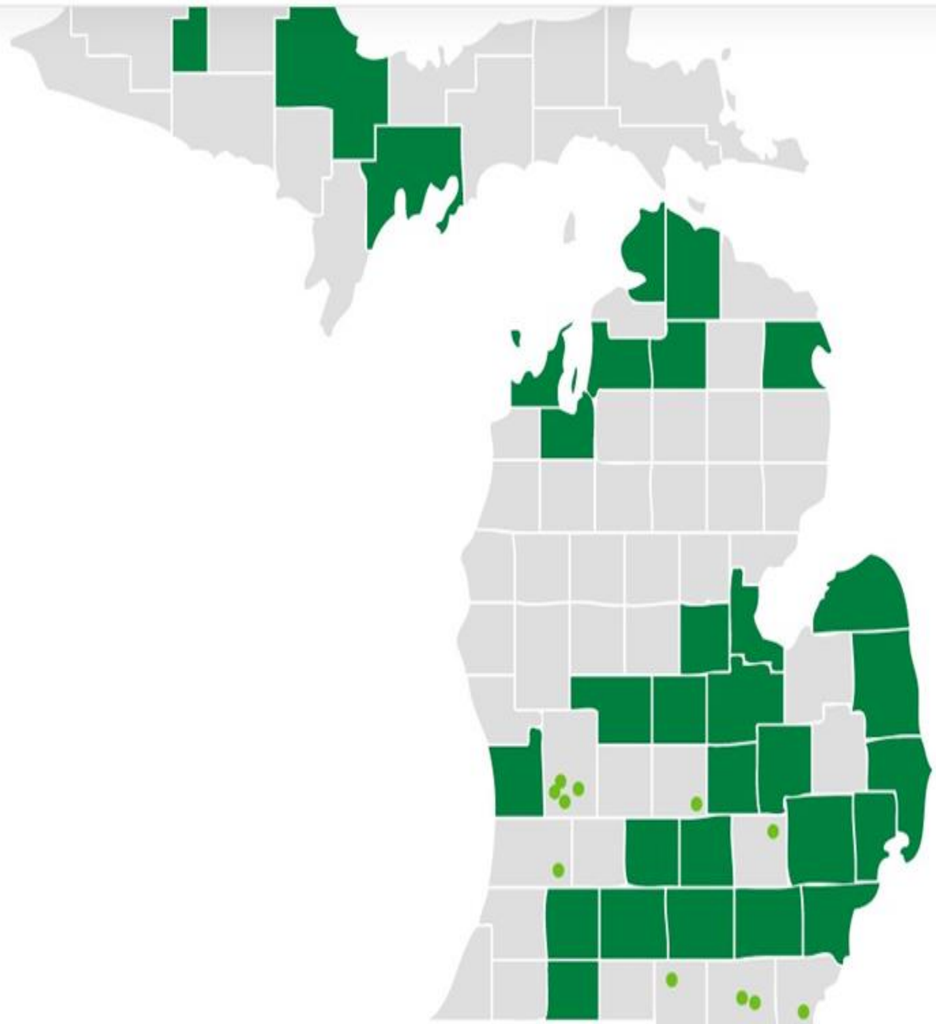
## Counties

Alpena
Antrim
Bay
Calhoun
Cheboygan
Delta
Eaton
Emmet
Genesee
Grand Traverse
Gratiot
Houghton
Huron
Ingham
Jackson
Kalamazoo
Leelanau
Macomb
Marquette
Midland
Montcalm
Oakland
Otsego
Ottawa
Saginaw
Sanilac
Shiawassee
St. Clair
St. Joseph
Washtenaw
Wayne

## Cities and Townships

Adrian
Bath Twp.
Bedford Twp.
Bloomfield Twp.
Cascade Twp.
Clearwater Twp.
Ferndale
Grand Rapids
Gun Plain Twp.
Hartland Twp.
Hillsdale
Jackson
Kentwood
Orion Twp.
Pleasant Ridge
Pontiac
Rochester Hills
Royal Oak
South Haven Twp.
Southfield
Troy
Wyoming



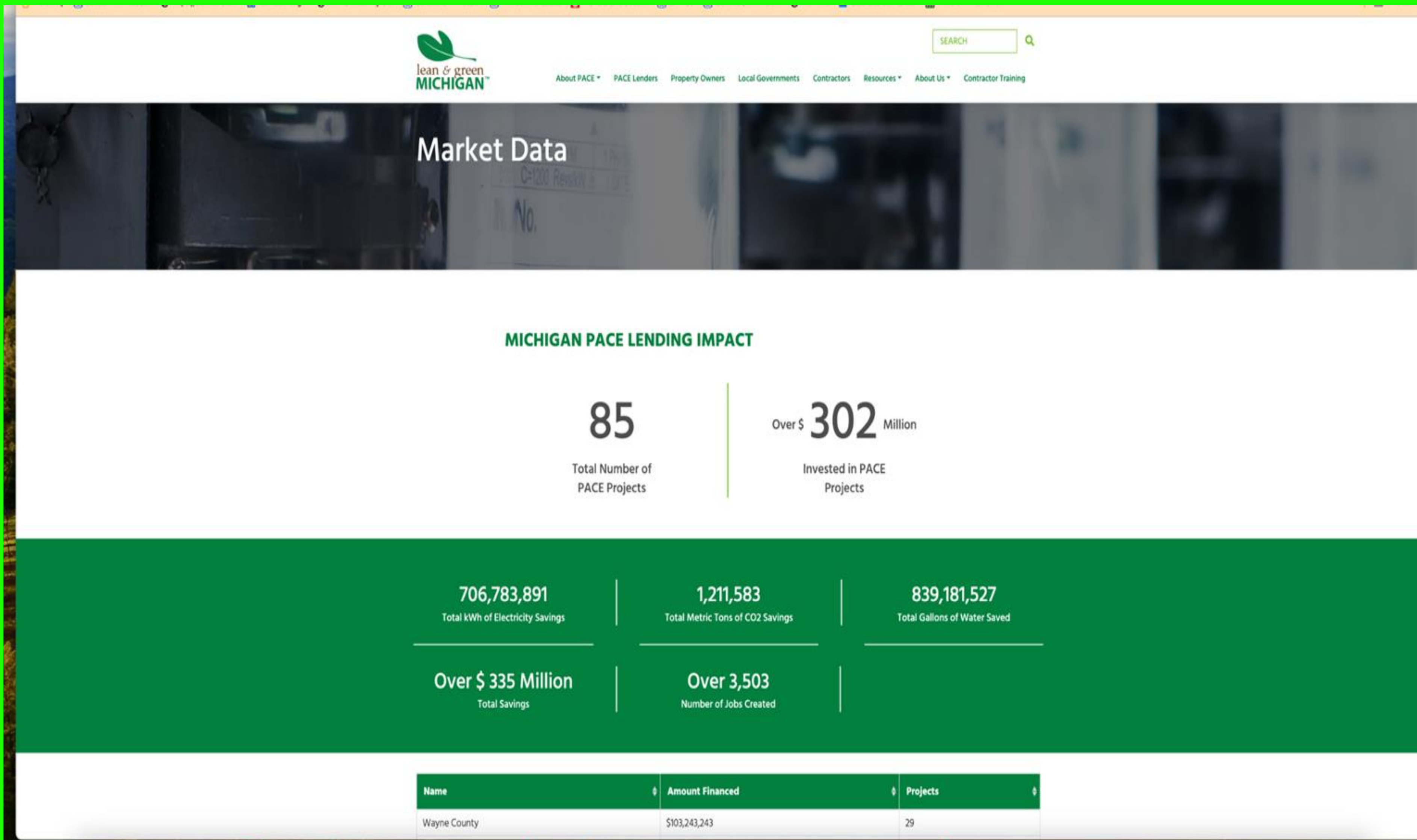
# OUR MICHIGAN PACE ADMINISTRATOR

LEAN & GREEN MICHIGAN – PACE ADMINISTRATOR

https://leanandgreenmi.com/

- Coordinating the Michigan Pace Market;
- Helping projects ensure compliance with law;
- Engaged with local governments;
- Performing due diligence on all PACE projects;
- Conduct contractor trainings - surveys lenders;
- “Go to resource” for all things MI PACE related.

# RECENT STATS ON MI C-PACE MARKET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## Market Data

### MICHIGAN PACE LENDING IMPACT

**85**
Total Number of PACE Projects

Over $ **302** Million
Invested in PACE Projects

**706,783,891**
Total kWh of Electricity Savings

**1,211,583**
Total Metric Tons of CO2 Savings

**839,181,527**
Total Gallons of Water Saved

**Over $ 335 Million**
Total Savings

**Over 3,503**
Number of Jobs Created

| Name | Amount Financed | Projects |
|---|---|---|
| Wayne County | $103,243,243 | 29 |

FACT SHEET

# C-PACE for Consenting Mortgage Lenders

PACENation
Building the clean energy economy

## What is C-PACE?

C-PACE (Commercial Property Assessed Clean Energy) is a financing tool that funds energy efficiency, renewable energy, water efficiency, resilience, and public health improvements to new and existing buildings.

C-PACE lenders finance 100% of the hard and soft costs of eligible projects through fixed rate, fully amortizing financing for up to 30 years. C-PACE assessments are secured by a voluntary assessment on the property, which automatically transfers upon sale or foreclosure. Property owners may also elect to prepay a C-PACE assessment.

Most types of commercial properties are eligible for C-PACE, including office, hospitality, retail, mixed use, healthcare, industrial, and multifamily buildings with more than four units, depending on the state and C-PACE program. Many programs have enabled C-PACE for new construction projects and to refinance installed improvements within a 1-3 year lookback period.

Typically, C-PACE is enabled first by state legislation and then at the local level by cities and counties. To date, 38 states and Washington, D.C. have adopted C-PACE enabling legislation, and 30+ states have active programs. Over 2,900 building owners have chosen to use C-PACE to invest $4+ billion in improvements to their properties.

↳ PACENation.org/what-is-pace/

## Why consent to C-PACE financing?

C-PACE is a voluntary assessment that is typically collected in the same manner as other municipal taxes and assessments. Because of C-PACE's unique status as a property tax assessment, in the event of a delinquency, only the unpaid portion of a C-PACE assessment (i.e., not the entire financed amount) takes a senior position to existing mortgages.

Most C-PACE enabling statutes, and most C-PACE programs, require the consent of the senior lender to close a C-PACE transaction. As senior lenders have become more familiar with C-PACE's benefits and unique features, they have increasingly granted consent to C-PACE projects. To date, over 300 senior lenders—including national, regional, and local banks, credit unions, and public agencies—have offered consent, and over 80 lenders have consented to multiple C-PACE deals.

**The unique features of C-PACE explain why senior lenders consent to C-PACE financing:**

- C-PACE assessments are non-accelerating: In the event of default, only the outstanding payment is in front of the senior position, minimizing the amount ahead of senior debt. The total outstanding amount of the C-PACE financing cannot be accelerated. After a sale or foreclosure, future payments are the responsibility of the next owner. Amounts in arrears are typically only 1-3 percent of the building's value.
- **Senior lenders maintain foreclosure rights:** C-PACE does not require an intercreditor agreement and senior mortgage lenders retain the right to foreclose as if it were the sole financing on the property.
- **Senior lenders can mitigate perceived risks:** C-PACE assessments have a low risk of default and delinquency. To further mitigate risks, some senior lenders have elected to escrow C-PACE payments monthly, voluntarily entered into intercreditor agreements to define contingency scenarios, and required protective advances where C-PACE payments are escrowed and added to the C-PACE loan balance.

FACT SHEET

# C-PACE for Consenting Mortgage Lenders

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Building the clean energy economy

## Why consent to C-PACE financing? (cont.)

- **C-PACE may increase collateral value:** The annual savings from C-PACE improvements can result in reduced utility expenses and maintenance costs that exceed the annual cost of a C-PACE loan. These savings can free up operating cash flows to cover other business expenses.

  Lower operating costs result in higher NOI, which increases value. C-PACE funds higher-performing buildings, mitigating risk to the senior lender.

- **C-PACE can improve debt service coverage:** The cost savings from C-PACE may also result from lower interest costs compared to alternative financing options. C-PACE interest rates are typically lower than mezzanine debt and preferred equity, and enables longer repayment terms. In these cases, C-PACE increases the property's debt service coverage ratio.

- **C-PACE is non-recourse:** The assessment is underwritten to a property's appraised or assessed value, and not to the building owner's credit. No guarantees are typically required from the property owner (a completion guaranty may be required in the case of new construction).

- **Capitalized interest period**: Interest can be capitalized for up to 2-5 years, depending on the project and C-PACE program, to push the first payment beyond project completion or stabilization.

For more information and data on C-PACE for consenting mortgage lenders, please contact PACENation's Director of Market Research, Mike Centore (mike@pacenation.org).

## The C-PACE opportunity for lenders

Property owners use C-PACE to make their buildings more efficient, more cost effective, and more comfortable for tenants—modernizing and increasing the value of their asset. Senior lenders consent to C-PACE for the same reasons, and to improve their long-term relationship with customers that seek C-PACE financing.

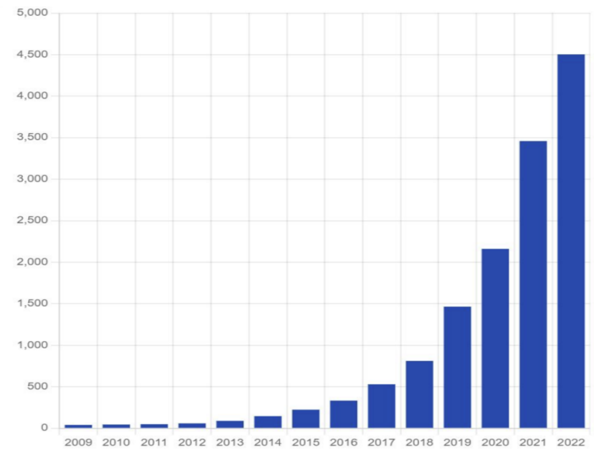
Today, senior lenders that understand the opportunity of C-PACE financing have begun to offer C-PACE as an additional option to new and existing customers. With C-PACE, lenders can offer a new financing product that's non-recourse, requires no money down, and can be combined with senior debt or offered as a standalone product.

**C-PACE market facts:**

- **$4.5** billion funded on **2,900+** properties
- Annual market growth rate of **67%+**
- Over **90** lenders are currently active in **30+** states
- **$2+ trillion** market opportunity for deep building retrofits and electrification of U.S. commercial buildings

↳ https://pacenation.org/market-data

**CUMULATIVE C-PACE FINANCING VOLUME, 2009-2022 ($, BILLIONS)**



# Indicative List of Consenting Financial Institutions

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Building the clean energy economy

## 300+ consenting lenders to date

This indicative list shows the top 100 financial institutions that have granted consent to one or more C-PACE projects as reported to PACENation by C-PACE program administrators, organized by the number of consents granted. This list should not be considered comprehensive and may vary by banking division or region, or other factors. Please check with your lender to determine whether they are able to consent to a potential C-PACE project.

Wells Fargo
J.P. Morgan Chase
First Bank
US Small Business Administration (SBA)
US Bank
Exchange Bank
Independent Bank
WestAmerica Bank
Alpine Bank
Bank of America
BankRI
Bellco Credit Union
Enterprise Bank & Trust
Huntington National Bank
Fulton Bank
John Marshall Bank
MidFirst Bank
Protective Life Insurance
Redwood Credit Union
United Bank
American Agricultural Credit
ANB Bank
Citywide Banks
Commerce Bank
First Bank of Boulder
First Citizens Bank
First Interstate Bank
First National Bank
First Republic Bank
Folsom Lake Bank
Frontier State Bank
Happy State Bank
Mutual of Omaha
New Resource Bank

Northwestern Mutual
People's National Bank
PIDC
Romspen / Const. Loan Svcs II
Stearns Bank
Sterling Savings Bank
The First National Bank of McGregor
100 Mile REIT
Academy Bank
Access Point Financial
Adams Bank & Trust
AltCapital
Bank of CO
Bank of the West
BB&T
Berkley Bank
Berkshire Bank
Centennial Bank
City of Kansas City
CO Structures
Collins Community Credit Union
Collins Loan Services
Commerce National Bank
DC Housing Authority
Eagle Bank
Equity Bank
Fifth Third Bank
First Bank and Trust of IL
Great Western Bank
Guaranty Bank
Hanmi Bank
ILS Lending
Independence Bank
MainStreet Bank

Metlife
MT Funding
Pacific Premier Bank
Pender WEST Credit One REIT
Plumas Bank
PNC Bank
Priority Investor Loans
Private Bank & Trust
Prosperity Bank
Reverse Bank
StanCorp Mortgage Investors
UMB Bank
Umpqua Bank
Vectra Bank
Washington Trust
Waypoint Bank
1st Trust Bank
A2B2 LLC
ACH Child and Family Services
Actos Group
Amalgamated Bank
American Nation Bank
American River Bank
American West Bank
Andrews Federal Credit Union
Associated Bank
BancorpSouth Bank
Bank of Ann Arbor
Bank of Commerce
Bank of Sullivan
Bank of the Ozarks
Basin Street Capital

**Join PACENation to view full lists of consenting lenders, plus more statistics and case studies of C-PACE projects that have obtained consent.**

# SWAPPING OUT OLD INFRASTRUCTURE FOR NEW

leanandgreenmi.com/casestudy/samaritan-center-inc/

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*June 2024*

## Samaritan Center

### Revitalizing Detroit's East Side with the Help of PACE!

The Samaritan Center, located in Wayne County, is a 444,475 sq. ft., three-building business complex re-developed from a medical facility. The center is now managed by a Detroit-based, women-owned property management firm, BeanStalk Real Estate Solutions. The Samaritan Center was founded to stimulate urban growth and revitalization in Detroit's east side and is home to various non-profit organizations that aim to foster education, mental and physical health, as well as workforce development.

The development team of the Samaritan Center, with the help of G-Energy, and financing from PACE Loan Group, will utilize over $3.26 million in C-PACE financing to install energy-efficiency improvements in the main building, including LED lighting, HVAC, water systems, and new elevators. These energy-efficiency improvements are expected to save $328,370 annually in energy costs and reduce annual maintenance costs by $250,000.

The Samaritan Center serves as a shining example of how C-PACE can reinvigorate older buildings in a cost- and energy-efficient manner.

### Project Quick Stats

**PACE District:** Wayne County

**Property Owner:** Samaritan Center Inc.

**PACE Contractor:** G-Energy

**PACE lender:** PACE Loan Group

**Amount Financed:** $3,268,000

**Total Savings:** $8,209,250

**Energy Conservation Measures:**

- HVAC
- LED Lighting
- Water Systems
- Chillers and Boilers
- Elevators

**Project Term:** 25 years

**Impact:** The PACE project at the Samaritan Center is expected to save 43,165,375 kWh of electricity and 5,058 metric tons of $CO_2$ which is equivalent to eliminating greenhouse gas emissions from 1,204 passenger vehicles for one year

# Ground-up Multi-family Construction

CASE STUDY: MULTI-FAMILY

## 830 Henry Ann Arbor

THE HENRY, ANN ARBOR, MICHIGAN

LUXURY TOWNHOUSES WITH MODERN, ENERGY SAVING TECHNOLOGY

"C-PACE financing was a perfect fit into our capital stack, which allowed us to pay for all of our high efficiency infrastructure."

– *Heidi Poscher, Prentice Partners, LLC*

"C-PACE is the most equitable, flexible economic development financing tool available for most asset classes. It works for $100,000 infrastructure replacement projects as well as helping plug gaps in developers' capital stacks up to $100 Million."

– *Robert Mattler, Green Portfolio Solutions, LLC*

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# REFINANCING PAST UPGRADES

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*December 2020*

## Strand Theatre

### PACE used to meet operating expenses during COVID-19 pandemic

Before the COVID-19 pandemic, the owners of the Strand Theatre installed a series of building improvements to their community theatre. Since the pandemic, the Strand Theatre has struggled to stay open. It has also been difficult to meet their obligations to existing lenders.

Through PACE, the owners have refinanced their energy efficiency improvements, receive immediate financial relief, and collect further financial assistance over the long term from the benefits associated with owning an energy efficient building.

"Due to the PACE refinance we are able to defer payments until July of 2023. By doing this we are able to meet all of our operating expenses during this COVID-19 pandemic," said Kyle Westberg, owner of the Strand Theater and West Construction Services. "Therefore, the theatre will stay in business and be able to build out our calendar with community events, children's programming and tickets shows. Without the finance, we would have been forced to close the theatre and potential for good."

### Project Quick Stats

**Pace District:** Oakland County

**Property Owner:** The Strand Theatre Owner, LLC

**PACE Contractor:** West Investment Group

**PACE lender:** PACE Loan Group

**Amount Financed:** $1,810,000

**Net Savings:** $4,775,266

**Total Savings:** $8,236,171

**Energy Conservation Measures:**

- High efficiency HVAC
- LED lighting
- Building insulation and infiltration

**Project Term:** 25 years

**Impact:** Refinancing through PACE helped the Strand Theatre continue to meet its operating expenses during the economic downturn associated with the COVID-19 pandemic and remain in business as a historic centerpiece within the community.

# THE INFLATION REDUCTION ACT WORKS WELL WITH PACE

AMERESCO

## Leveraging the Inflation Reduction Act (IRA)

*Ameresco can help identify and develop opportunities that leverage available incentives in support of your organization's clean energy goals*

**The Inflation Reduction Act (IRA)** provides unprecedented amounts of funding – nearly $369 billion in direct investment to ensure energy security, reduce carbon emissions, increase energy innovation, and support environmental justice objectives with direct support for underserved communities. The bill includes a wide range of clean energy provisions that support energy efficiency, solar, storage, microgrids, electric vehicles, and more, with the goal of reducing carbon emissions by approximately 40 percent by 2030.

With customized solutions ranging from solar, microgrids and battery energy storage, to renewable natural gas, EV infrastructure and innovative financing structures, Ameresco is your long-term partner for the clean energy transition.

### Climate and Energy Tax Incentives Included in the IRA

#### PTC Production Tax Credits

- **Clean Electricity:** Up to 2.5 cents per kWh of renewable or zero-carbon electricity, including solar
- **Clean Hydrogen:** Up to $3 per kilogram of clean hydrogen produced

#### ITC Investment Tax Credits

- **Clean Electricity and Energy Projects:** Up to 30% for renewable or low carbon energy projects
- **Expanded Eligibility:** Standalone energy storage, biogas, microgrid controllers now eligible for ITC
- **Geothermal Heating:** Up to 30% of investment in geothermal heating and cooling
- **Interconnection Costs:** Interconnection costs now eligible for ITC for projects under 5 MW

#### Production, Investment Tax Credit Bonuses

- **American-Made:** Up to 10% bonus for meeting certain domestic content requirements
- **Energy Communities:** Up to 10% bonus for projects located in brownfields or communities connected to fossil fuel development
- **Low Income Communities:** Up to 10% bonus for ITC projects located in low-income communities or on tribal lands; up to 20% for projects in low-income residential communities through competitive allocation process

#### Direct Pay Option

- A mechanism that allows an entity to claim a tax credit as a rebate, the Direct Pay Option is a part of the IRA for **tax-exempt entities** such as nonprofits, state and local governments, public schools and universities, and rural cooperatives, providing them a new tool to fund clean energy projects.

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# SOLAR INVESTMENT TAX CREDITS

## Solar Investment Tax Credits

*sans LIHTC Basis Reduction*

**Sect. 48 - Renewable Energy Investment Tax Credit (ITC),**
**+ Bonus Credits**
**. . . no basis reduction for:**
*"purposes of determining eligible basis under section 42"*

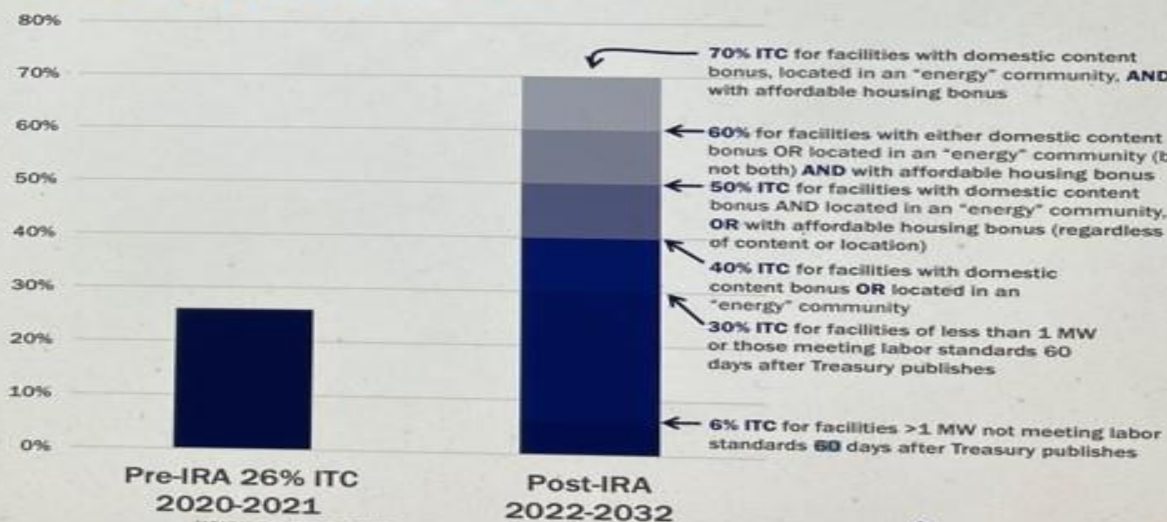
| | |
|---|---|
| Solar Tax Credits | 30% |
| Qualifying Low-Income Residential Building or Benefit Project | 20% |
| Domestic Content | 10% |
| Energy Community | 10% |
| **Total** | **70%** |



## Solar Investment Tax Credits

*sans LIHTC Basis Reduction*

**Sect. 48 - Renewable Energy Investment Tax Credit (ITC),**
**+ Bonus Credits**
**. . . no basis reduction for:**
*"purposes of determining eligible basis under section 42"*



AMERESCO

Solution Sheet

# 2022 Solar+Roof Program

## The Solar+Roof Program makes now the perfect time to make your roof-mount solar plans a reality.

**Program Benefits:**

- Claim a Federal Tax Credit of up to 50% of Applicable Costs.
- Typically reduces solar payback length by 5-10 years.
- Claim an additional Bonus Depreciation of 87%.
- Ongoing financial benefit through on-site utility generation for 30-year expected system life.
- Compatible with the PACE Financing & other programs.

**Program Requirements:**

- New roof area must be flat and greater than 25,000 ft².
- Building must be owned by a For-Profit Entity.
- Owners must maintain ownership of property for more than 5 years.
- New roof must be white membrane (TPO, PVC, etc).

**Ideal Candidate:**

- Owners in need of a new roof and have a desire to pursue green solar energy.
- Office Building, Industrial, Manufacturing, and Retail Building Owners.

## Program Highlights

### For-Profit Entities

The 2022 Solar Investment Tax Credit Program is offered to For-Profit building owners who will be replacing their current roofing system and adding new roof-mount solar panels.

Building owners adding solar panels to their new roof are typically able to capture a tax credit between 30%-50% of applicable costs in 2022 and claim a Bonus Depreciation up to 87%.


These combined incentives make a roof-mount solar array a tremendous value and revolutionizes the financial impact that a building owner can realize by going green.

Ameresco will work with roofing manufacturer and installer to ensure solar array is compliant with roofing warranty and develop, engineer, and implement the Solar+Roof compliant system.

As of 2022, Tax Credits are now transferable for cash payment, opening this solution to organizations lacking the tax burden required for the typical tax avoidance strategy.

Call to schedule a brainstorming session to see if your building is a good fit.

AMERESCO

Ameresco's team of energy experts can assist you in identifying the solution that fits your needs. Learn more at **ameresco.com**

# Green Portfolio Solutions, LLC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