Clean Energy Project Financing: Where the Rubber Meets the Road

4th Annual Green Finance event
January 18, 2018, 6:00 - 8:30 pm
WeWork Wonder Bread Factory
641 S St NW, Washington, DC 20001

More info at www.leadersinenergy.org

WELCOME

Wifi: #LECURRENENTS @LeadersinEnergy @PE_DC
Leaders in Energy Mission & Focus Areas

**Mission** -- Building a community of leaders to advance clean energy and sustainable solutions for a more sustainable energy system, economy and world.

- **Sustainable Communities** including clean energy, circular economy
- **Green Economy** including green jobs, entrepreneurship, careers, & finance
- **Multigenerational Leadership and Talent**
Building a Global Action Network

Leaders in Energy presence in Ten+ US Metro areas, 103+ countries (24 countries with 7 or more members)
Upcoming Events and Workshops

• Green Career Workshop, January 24, 2018

• Inaugural Circular Economy Working Group, Feb 1, 2018

• Energy & Sustainability Extravaganza at University of Maryland, February 2018 – Cleantech Innovation & Entrepreneurship
Thank You - Our Partner

Executive Director
Dave McCarthy
What PEDC Is:

The only DC area community dedicated to the energy and sustainability startup ecosystem – entrepreneurs, users, funders, policy people.
Upcoming Events

- Jan 11, 2018 – Waste Stream Dream Team
- March 7, 2018 – Grid Resiliency: The Policy and The Practical
- June 2018 – DC goes to NYC Pitch Night
Thank You – Host and Sponsors

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WE THE PIZZA
The Panel

Tom Deyo, CEO, Montgomery County Green Bank (MCGB)

Jon Powers, Co-Founder and President, CleanCapital

Cullen Kasunic, Distributed Generation/Cleantech Project Financing Expert and Principal, Kasunic Consulting

Abby Johnson, President, Abacus Property Solutions

Rich Dooley, Community Energy Coordinator, Arlington County
Montgomery County Green Bank

Commercial Loan for Energy Efficiency and Renewables (CLEER)

Need
- Commercial Contractors identified a gap in available and affordable financing for energy efficiency projects between $25,000 and $250,000
- Pepco had a program but it did not offer strong incentives for larger projects
- Lender products were not tailored to this scope of work or comfortable with energy savings

Role
- MCGB could help increase lender interest by reducing risk
- MCGB could help bring greater value in underwriting and price to borrowers
- MCGB could bridge the financing gap – be additive to market

Loan Product in Development
- Commercial buildings; 100% financing for retrofits; up to 12 years; lower rates; not secured to property
- Scope of work – energy efficiency, Solar PV, Energy Storage
- Customer underwritten for credit and not energy savings
- Contractors are on PEPCO list for Commercial and Industrial Program
- MCGB stands behind lender for defaults; 2 lenders in pilot
PROJECT FINANCE

Raising money against the pre-defined cashflow of an asset.

Capital goes into an asset owning entity, rather than a parent company ("non-recourse").

Contracted cashflows over time – PPA, Lease, Etc. provide returns.
PROJECT FINANCE PARTIES

INVESTOR

DEVELOPER

CLIENT
PROJECT FINANCE BENEFITS

Lower “Business Risk” for investor

Investor gets more control over projects and cash

Developer does not need to be as creditworthy

“$0 down” offerings attractive to clients
PROJECT FINANCE STRUCTURE

Developer

Project

Project Cots

Project Special Purpose Entity, LLC (SPE)

Energy (kWh)

Energy Payments

Client

Investor

Project Capital

Returns

cullen@kasunic.org
• Abacu**s arranges financing with specialty in developing and financing energy/renewable/water projects
  
  • Secure competitive PACE financing through multiple lenders, private equity and tax equity investors
  
  • Structure PACE as part of project’s capital stack – debt, equity, tax credits, utility rebates, public incentives, etc.

• Experienced national PACE consultant in designing programs and financing projects

• **ATLANTIC PACE** - VA, DC, MD focus
C-PACE GROWTH

...$521MM total

1,157 projects

...7,815 jobs created
Primary Parties:

- PACE Lender
- Property Owner
- Taxing Authority (or Program Administrator)
# PACE vs. TRADITIONAL FINANCING

## Bank Financing

- **Project:** Solar PV and Lighting
- **Project Cost:** $750,000
- **Loan:** $562,500
- **Annual Savings:** $75,000
- **Interest Rate:** 5.00%
- **Term:** 5 years, fully amortizing
- **Hold Period:** 5 years
- **Monthly Payment:** $10,615.07
- **Annual Payment:** $127,380.83
- **NPV:** $-421,927.69

## PACE Financing

- **Project:** Solar PV and Lighting
- **Project Cost:** $750,000
- **Loan:** $750,000
- **Annual Savings:** $75,000
- **Interest Rate:** 6.25%
- **Term:** 20 years, fully amortizing
- **Hold Period:** 5 years
- **Monthly Payment:** $5,622.64
- **Annual Payment:** $67,471.70
- **NPV:** $24,089.05
BENEFITS: BUILDING OWNERS

- No Money Out of Pocket: 100% financing of hard + soft costs
- Fixed rate financing
- Long Terms (20+ Yr): Lowers annual payments
- Off-balance sheet financing
- Immediate Savings: Cash-flow positive on day one
- Gap Financing, freeing up equity for other projects
- Pass-through PACE assessment to tenants
- Non recourse fixed rate: Limits personal liability
MODEL ORDINANCE

- Roles of key parties that make PACE “PACE”
  - Jurisdiction/program administrator: qualify, record, enforce lien
  - Property owner/borrower: bring qualified project
  - PACE lender: negotiate financing with borrower, potentially collect payments

- Qualifying improvements and associated costs

- PACE “loan terms”
  - Defines how PACE special assessment qualifies as lien, recordation, payment, billing/collection, enforcement

- Role of Program Administrator (P.A.)

- Cooperative Procurement Rider - Multiple P.As. interested in VA market

- Jurisdiction – limited role and liability

- Reviewing ability to incorporate some aspects of Arlington ordinance
PROGRAM GUIDELINES: OVERVIEW

• Program Administrator Offering
• Project Eligibility Standards
  • Technical
  • Financial
• Process for a Typical PACE Project
• Suite of documents in addition to ordinance
• Application requirements: underwriting guidelines, property owner requirements
• Transparency of fees – P.A., recording, jurisdiction, lender fees, origination fees, etc.
• Virginia Statutory Requirements referenced
• Compatibility with other programs in VA/DC/MD marketplace
Arlington C-PACE Milestones

- **Jul. 2015:** VA enacted C-PACE enabling legislation
- **Jan. 2017:** SRS selected via RFP as Program Administrator
  
  Process designed to enable other VA jurisdictions to create their own PACE program quickly and efficiently
- **Nov. 2017:** Arlington County Board adopted C-PACE ordinance
- **Jan. 2018:** Arlington launches VA’s 1st C-PACE program

**Website:**  [www.arlington-pace.us](http://www.arlington-pace.us)
Arlington C-PACE Structure

- 3rd party program administration (SRS) at no cost to the County

- Open market access to private capital
  - No public funds are used to finance projects
  - Property owner options:
    - Choose a preferred capital provider upfront, or
    - Program Administrator can review pre-approved projects with pre-qualified capital providers to determine funding interest
  - Repayment via a new “special assessment” billed and collected by capital provider

- Program administrator (PA) provides stakeholder tools & support services to facilitate successful transactions
  - PA fee applied to closed transactions, aligning all interests

- VA law requires owners to receive mortgage holder consent
  - C-PACE assessment is a priority lien, akin to sewer assessment
THANKS!!!

Wifi: 

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