

An aerial photograph of a large commercial solar panel array installed on a flat roof. The panels are arranged in a grid pattern, and the roof surface is a light blue color. The sky is clear and blue. The text is overlaid in the center of the image.

Delaware Commercial Property Assessed Clean Energy (PACE) Financing

Outline

- *What is PACE?*
- *PACE Benefits*
- *Commercial PACE*
- *PACE in Delaware*

PACE Basics

Assessment Based Financing

- ✓ Statewide legislation to enable
- ✓ Financing dollars come from public or private sources
- ✓ “Assessment” collected to pay debt service in a like manner as property taxes and other assessments
- ✓ PACE assessment survives sales, including foreclosures
- ✓ PACE assessment in arrears is senior to mortgages, but only the past due assessment
- ✓ Future PACE assessments are paid in the future by whomever owns the building

What Makes a PACE Project?

A Building Owner



What Makes a PACE Deal?

A Project.... And a Contractor



What Makes a PACE Deal?

Someone to Fund the Project



Consent from the Mortgage Lender

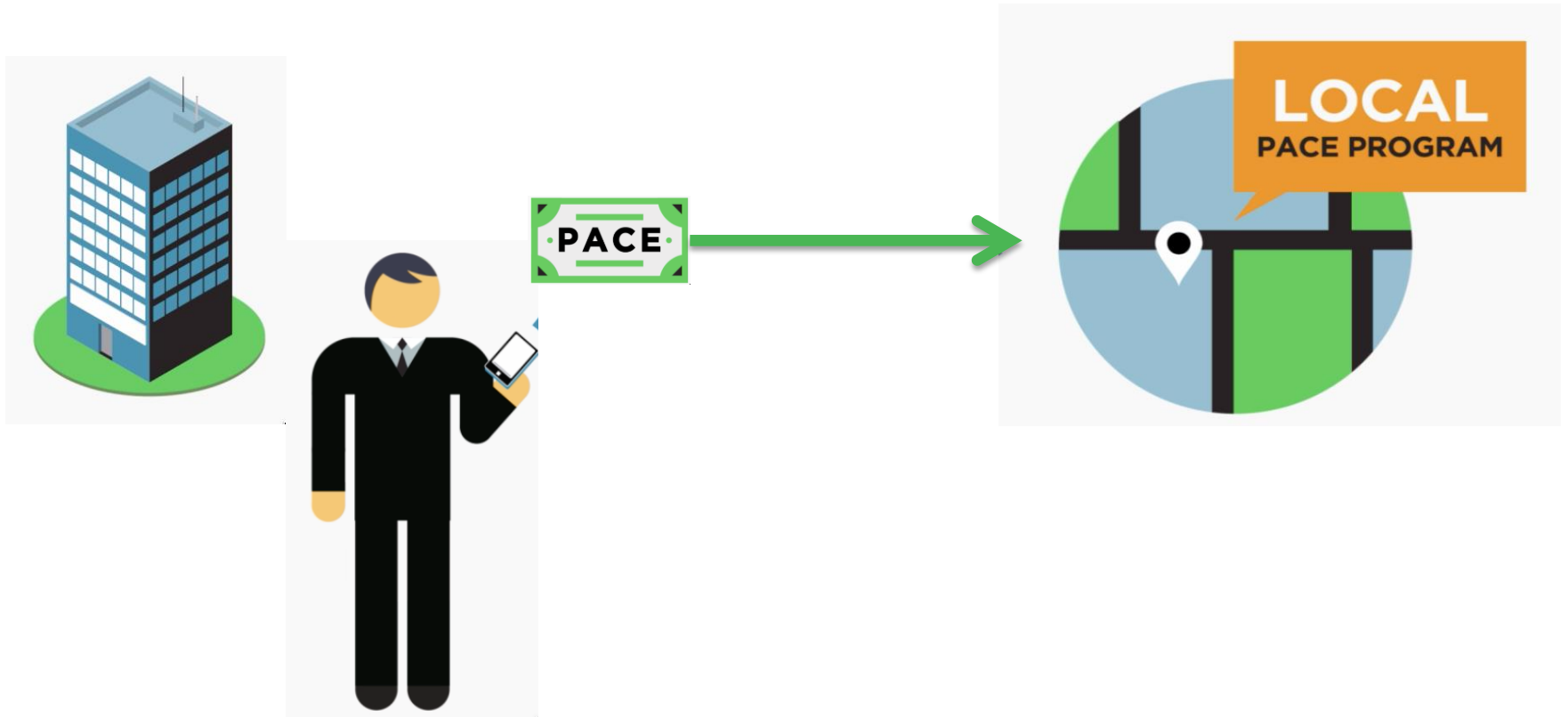
What Makes a PACE Deal?

Local Government to “Service” the Financing



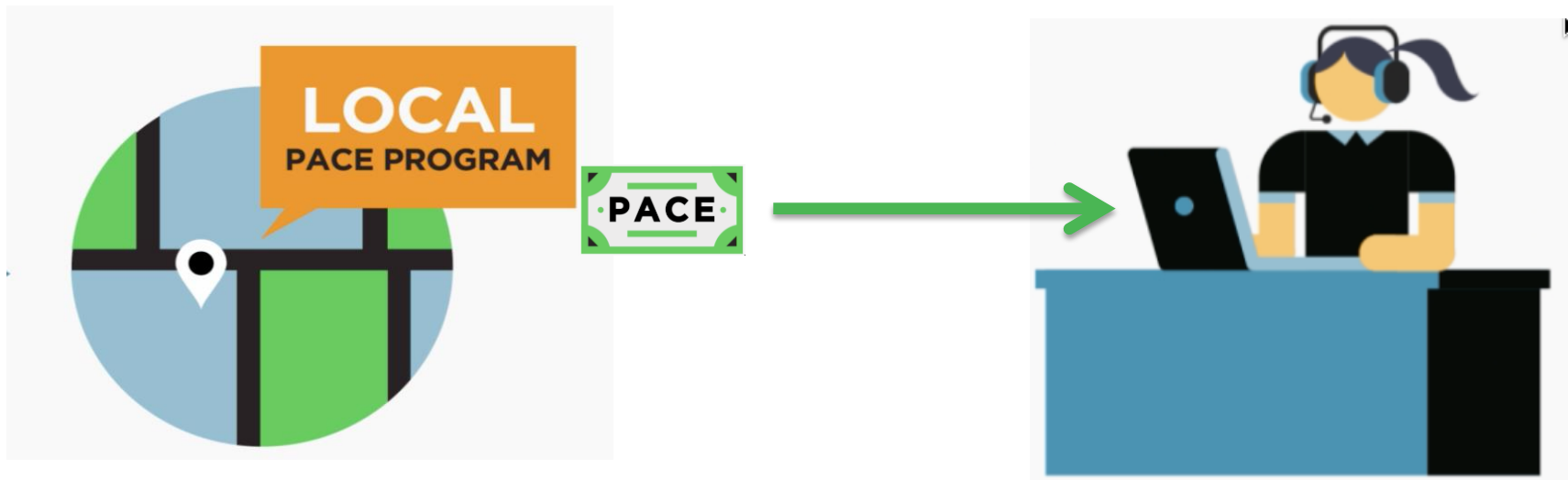
What Makes a PACE Deal?

Building Owner Repays with an Assessment



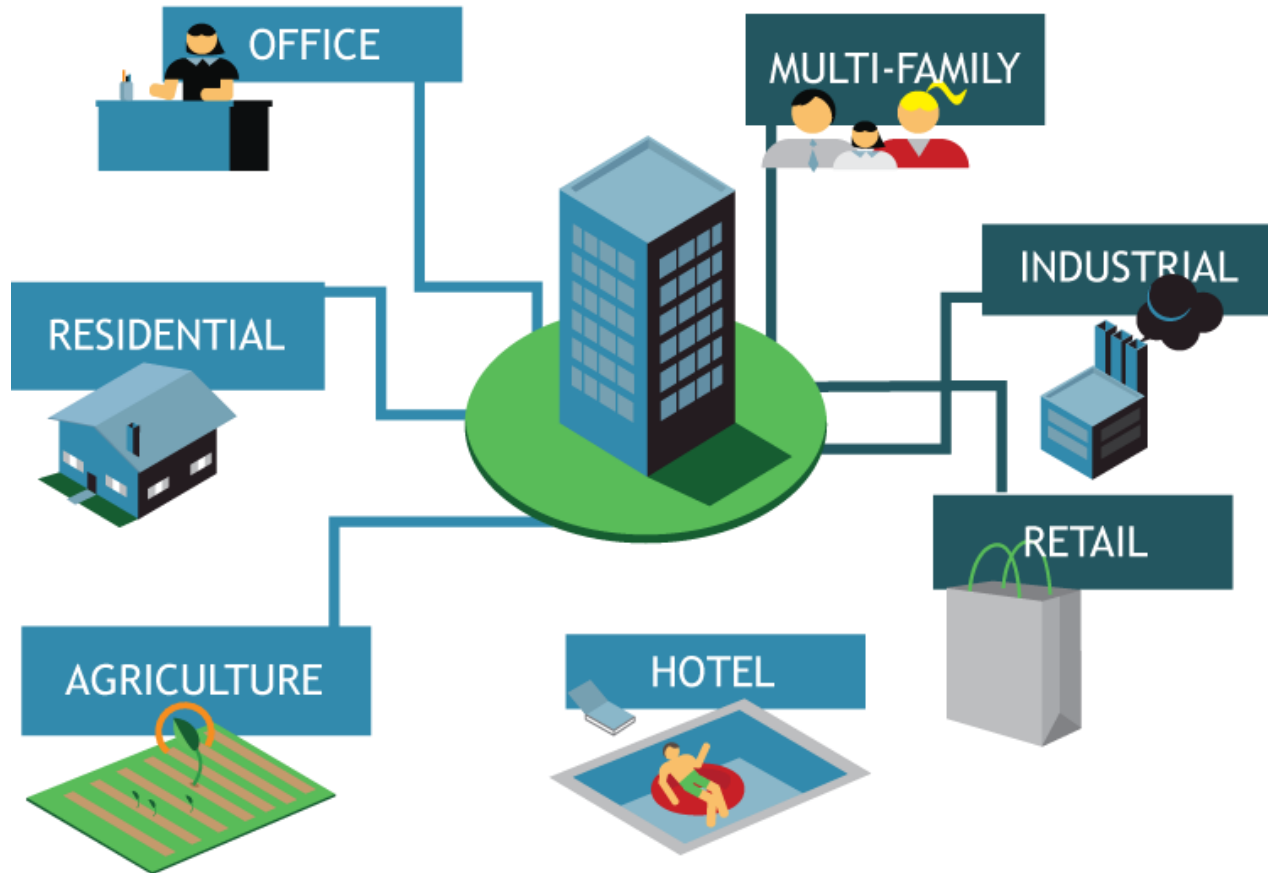
What Makes a PACE Deal?

Assessment Repays Project Funder



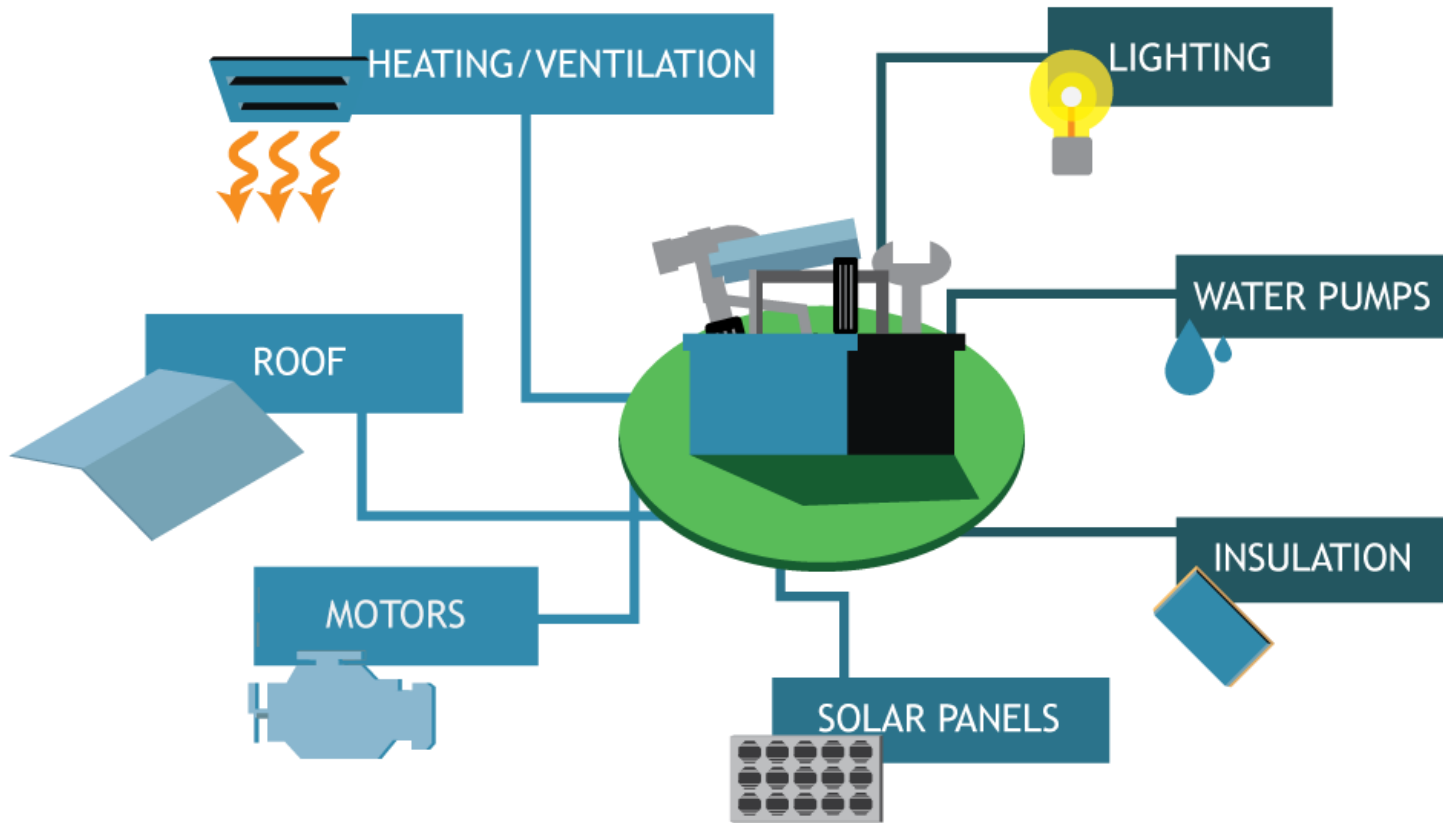
Who can use PACE?

Almost Any Building – Including Non-Profits



What For?

Projects that Save or Generate Clean Energy



Why Building Owners Like PACE

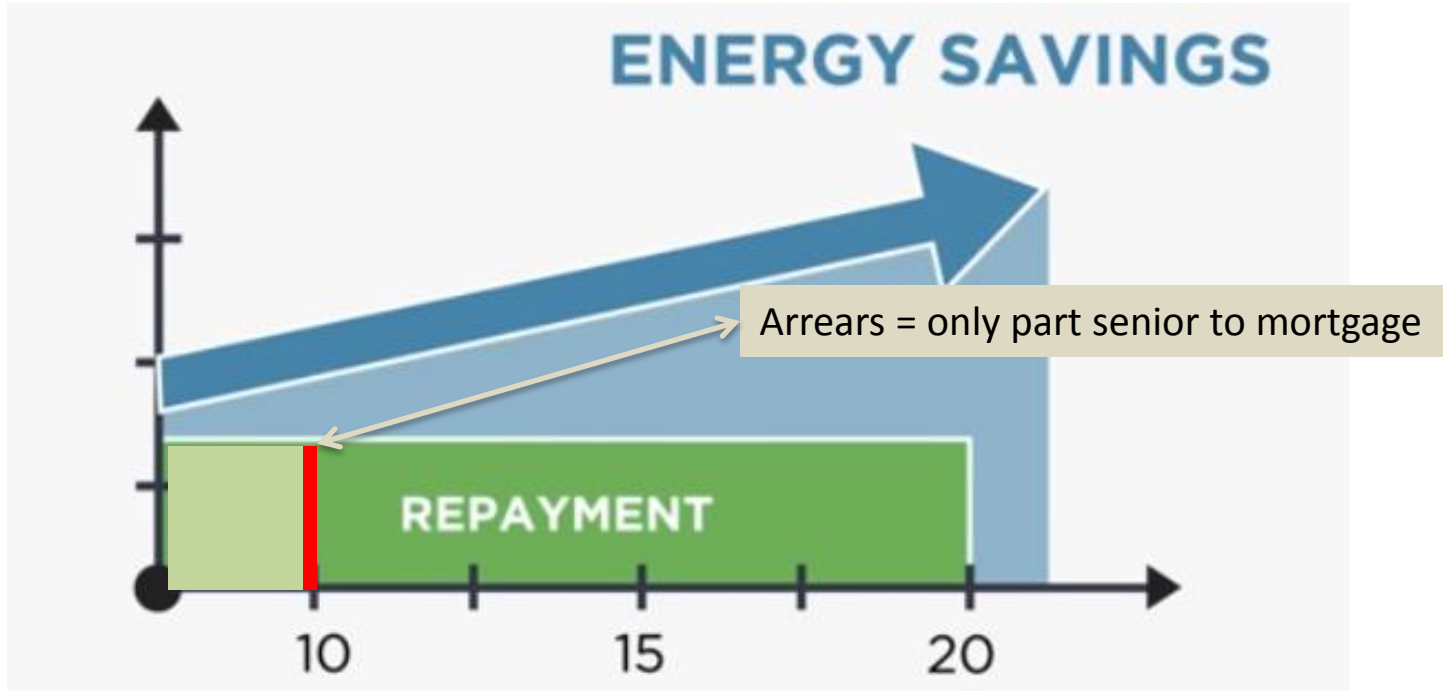
- *Long-term payback*
- *No money out of pocket – 100% funding*
- *Makes long payback projects work*
 - ✓ The secure nature of PACE enables up to 20-yr funding
 - ✓ Projects with simple paybacks as long as 12 years can be implemented on a positive cash flow basis
 - Increases NOI
 - Increases property value

Why Building Owners Like PACE

- *PACE transfers on sale – automatically transfers to the new owner, like any other real estate tax*
 - ✓ No residual encumbrance and easy exit
 - ✓ Takes the risk away from investing in needed CAPEX
- *Share benefits and costs with tenants – can be passed on to tenants under most lease formats*
 - ✓ Eliminates the landlord/tenant split incentive

Why are Mortgage Lenders Giving Consent?

Over 100 Different Lenders to Date, Nationwide



1. PACE project makes the building – the lender's collateral – more valuable
2. Only PACE assessment in arrears is senior – future assessments do not accelerate
3. Underwriting standards make sure projects are appropriate
4. Lender can always say NO...

Commercial PACE Today



Image Source:

<http://pacenation.us/commercialpace/>

Commercial PACE Market Today

522

Number of Commercial Buildings

\$211

million

Energy efficiency



Renewable Energy



Mixed



2,532

Jobs Created

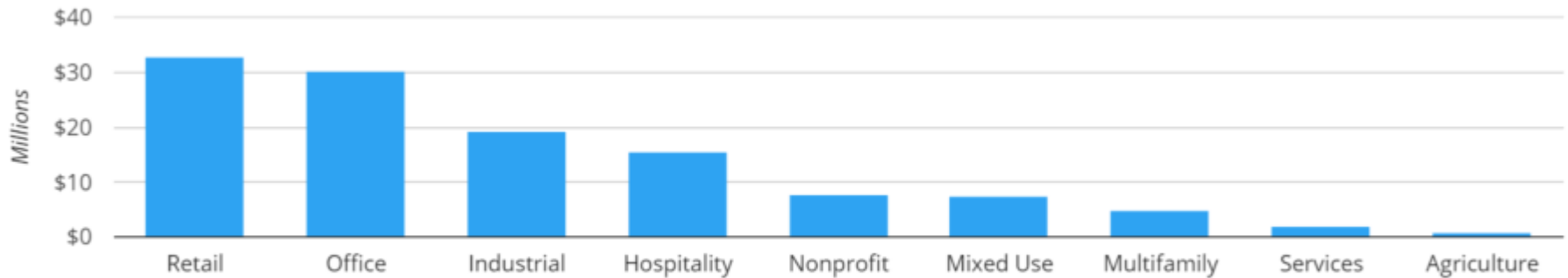
Image Source:

<http://pacenation.us/commercialpace>

PACE COMMERCIAL MARKET STATS

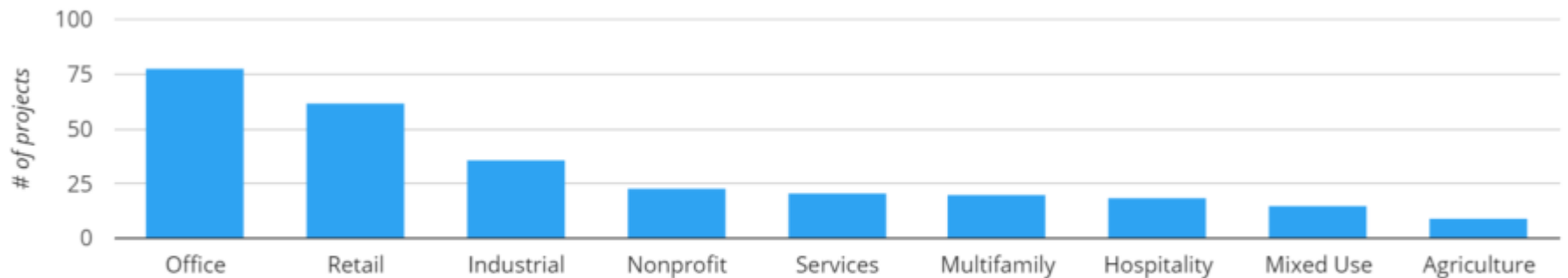
Broad Applicability

Funding by Property Type (2009-present)



(Based on data available from 80% of commercial projects)

Number of Projects by Property Type (2009-present)

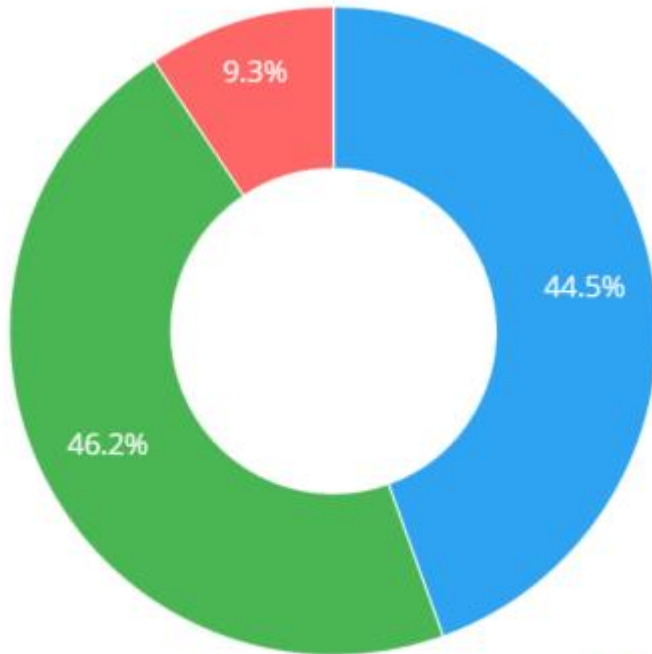


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PACE COMMERCIAL MARKET STATS

Broad Applicability

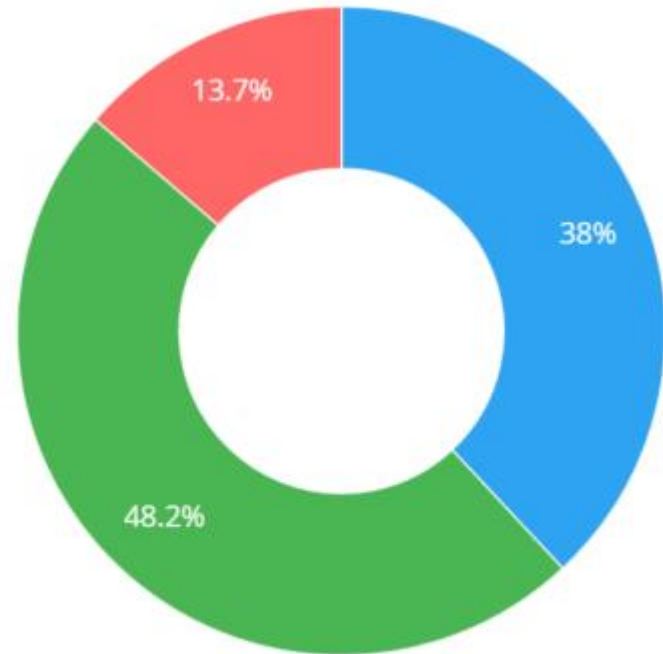
Type of improvement by
number of projects



● Renewable energy ● Energy efficiency ● Mixed

(Based on data available from 76% of commercial projects)

Type of improvement by
project dollar amount



● Renewable energy ● Energy efficiency ● Mixed

(Based on data available from 76% of commercial projects)

Commercial PACE in Delaware

- D-PACE benefit assessment may cover up to 100% of project costs
- The benefit assessment is levied and collected in the same manner as the property
- The benefit assessment shall constitute a lien
 - ✓ This lien is superior to any other liens and;
 - ✓ Shall remain with the real property upon sale, including foreclosure

PACE in Delaware

- The SEU can provide and service loans to D-PACE participants
 - ✓ But allows third parties to provide loans directly to participants in lieu of or in addition to the SEU providing such loans
- The SEU plans to partner with county tax offices to coordinate loan servicing
 - ✓ D-PACE will not be operational until the SEU publishes guidelines shaped by a public hearing and collaboration

Role of the SEU

- Ensures the project is consistent with the purpose of the D-Pace program
- Requires an SEU approved energy audit or feasibility analysis
 - ✓ Also requires an evaluation of the property owner's credit, history, and other financial obligations
- If financing is approved, requires the participating local government to levy a benefit assessment

Role of the SEU

- Imposes requirements and conditions on the financing to ensure timely repayment – for example, placing a lien on the property
 - ✓ Requires that written consent for a superior lien be obtained before any improvements are financed or made

Role of the SEU

- Allows the property owner to rescind a D-PACE financing agreement within three business days after such an agreement
- SEU collects fees to offset costs associated with executing the program
- In collaboration with DNREC and others the SEU will develop program guidelines governing the terms and