

OK C-PACE FOR LOCAL GOVERNMENTS:

Benefits and Implications of Offering the Oklahoma Commercial Property Assessed Clean Energy Program

The third in a series of three webinars to develop the OK C-PACE Program

Offered by  INCOG



For more information or to register for the other webinars, please visit:
<http://www.incog.org/CPACE.html>

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INTRODUCTION TO INCOG

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INCOG is a voluntary association of local and tribal governments in the Tulsa metropolitan area in northeast Oklahoma. Established in 1967, INCOG is one of 11 Councils of Governments in the State of Oklahoma.

INCOG provides planning and coordination services to assist in creating solutions to local and regional challenges in such areas as comprehensive planning, transportation, community and economic development, environmental quality and energy programs, public safety, and services for older adults.



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INTRODUCTION TO PFS

Best in Class C-PACE Program Design, Implementation, & Administration:

PACE Financial Servicing provides unparalleled expertise and track record in C-PACE program design and administrative services that work for local governments, property owners, and capital providers

PFS worked closely with Tulsa County government to pilot the first two C-PACE projects in the state at the end of 2019/beginning of 2020

Our Mission

To support governments in the creation of open, standardized, low-cost C-PACE markets designed to drive private sector C-PACE investment and scale

Core Value

To structure each C-PACE program in a manner that scales energy efficiency and clean energy while fulfilling the unique needs of each jurisdiction

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FUNDAMENTALS OF C-PACE



C-PACE AS A PUBLIC POLICY

C-PACE is a government policy that energy efficiency, clean energy generation, water conservation, and resiliency projects on commercial buildings are a public benefit – like a sewer or road extension

How does it work?

- State passes enabling legislation
- Local government establishes C-PACE through passing enabling resolution
- Building owner selects projects
- C-PACE capital provider provides financing
- C-PACE assessment recorded in land records and secures financing

Like other public benefits, C-PACE projects are secured by the building they benefit with a special assessment

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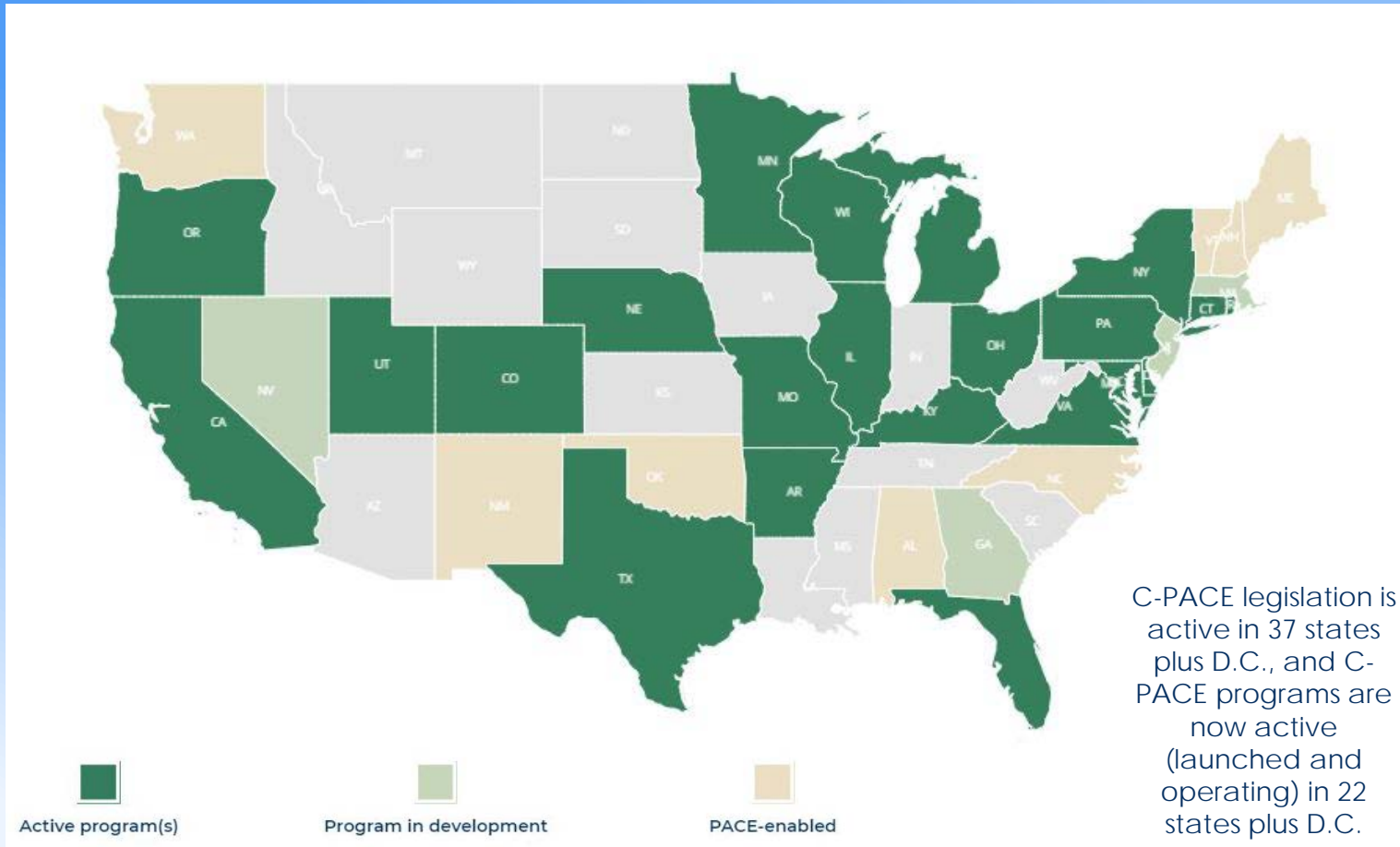
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C-PACE IN THE U.S.



\$1,538
investment (MM)

2,400
(commercial projects)

17,848
jobs created

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BENEFITS OF C-PACE FOR LOCAL GOVERNMENTS

The structure drives job growth, economic development, and clean, efficient energy use:

- Drive private sector investment in your community
- Serve as a tool for business owners to decrease costs and improve asset value
- Improve taxable property base
- Improve resiliency of the built environment
- Create energy efficiency and clean energy jobs
- Help meet efficiency and clean energy standards
- Little to no cost for government

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C-PACE DURING ECONOMIC DOWNTURNS

- An **important source of credit** for property owners seeking to **make needed capital improvement and implement deferred maintenance** to their properties
- Underwritten against the long term (e.g. 20 – 30 year) asset value of commercial property rather than company credit, making it **a critical source of capital** for non-investment grade buildings
- Can help **complete capital stacks** for projects that are tapped out with their existing lender and can help fill gaps that have been created by construction delays and cost overruns
- Typically paid on an annual basis commencing 12 – 24 months after financing, **allowing time to complete building construction or renovation and stabilization** before payments are due
- Energy saving and building resiliency investments that can be made through private investment are particularly **critical when public investment in these areas is redirected elsewhere**

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THE OK C-PACE PROGRAM



WHAT IS THE OK C-PACE PROGRAM?

An initiative to develop a C-PACE program administrative platform that will work statewide for any county choosing to establish a program.

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Design

- Legislative Amendment
 - Clarify role of County
 - Define collection and enforcement methodology for C-PACE assessments
- Draft statutory documents:
 - County enabling resolution
 - Assessment contract
- Draft program documents
 - Guidance Manual
 - Application Checklist
 - Lender consent form



Implementation

- Outreach and education to local governments to adopt the OK C-PACE Program
- Support to counties to pass standard resolution to establish OK C-PACE



Administration

- Application checklist review
- Assessment contract closing
- Onboard/register capital providers
- Onboard/register contractors
- Education and outreach
- Information and website
- Communication with OK PACE stakeholders
- Revision of program documents, as needed

WHAT IS THE OK C-PACE PROGRAM?

An initiative to develop a C-PACE program administrative platform that will work statewide for any county choosing to establish a program.

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WE ARE HERE!

VISION FOR THE OK C-PACE PROGRAM?

An initiative to develop a C-PACE program administrative platform that will work statewide for any county choosing to establish a program.

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Keep it Low Cost & Simple

Develop clear, concise guidelines and transparent processes without high fees



Keep it Open

Catalyze innovation and promote growth through open-market participation



Keep it Standard

Enable scale by implementing one set of documents and administrative processes

OKLAHOMA'S C-PACE STATUTE

- The Oklahoma Energy Independence Act
- Authorizes counties to establish a C-PACE program by Resolution and to retain third party administrators for the program.
- The purpose of the C-PACE program is to facilitate private financing for energy-related upgrades to commercially zoned properties.
- C-PACE financing does not use public funds; financing is offered by private capital providers and secured by a special property tax assessment on the benefitting property.
- The statute defines eligible property as including all property (such as nonprofit and religious institutions, multifamily properties, etc.) except single family residential property.

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OKLAHOMA'S C-PACE STATUTE (CON'T.)

- The statute authorizes counties to enter into assessment contracts wherein the property owner consents to the payment of annual C-PACE assessments levied by the county and wherein the private capital provider agrees to invoice, collect and enforce the C-PACE assessments.
- The amendment authorizes enforcement of delinquent assessments by the private capital providers in the same manner and with the same priority as the enforcement by the holder of any bond or coupon related to a lien for unpaid assessments.
- County Treasurers maintain the right to include a delinquent C-PACE assessment in a sale for other delinquent ad valorem property taxes or other special assessments.
- County resale property funds have been exempted from responsibility for any maintenance expenses related to a property where title has been taken by a County that is subject to a delinquent C-PACE assessment; in such a circumstance, such County will not be responsible for repaying C-PACE assessment which will continue to accrue and will not be extinguished.

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C-PACE TRANSACTION STRUCTURE IN OK

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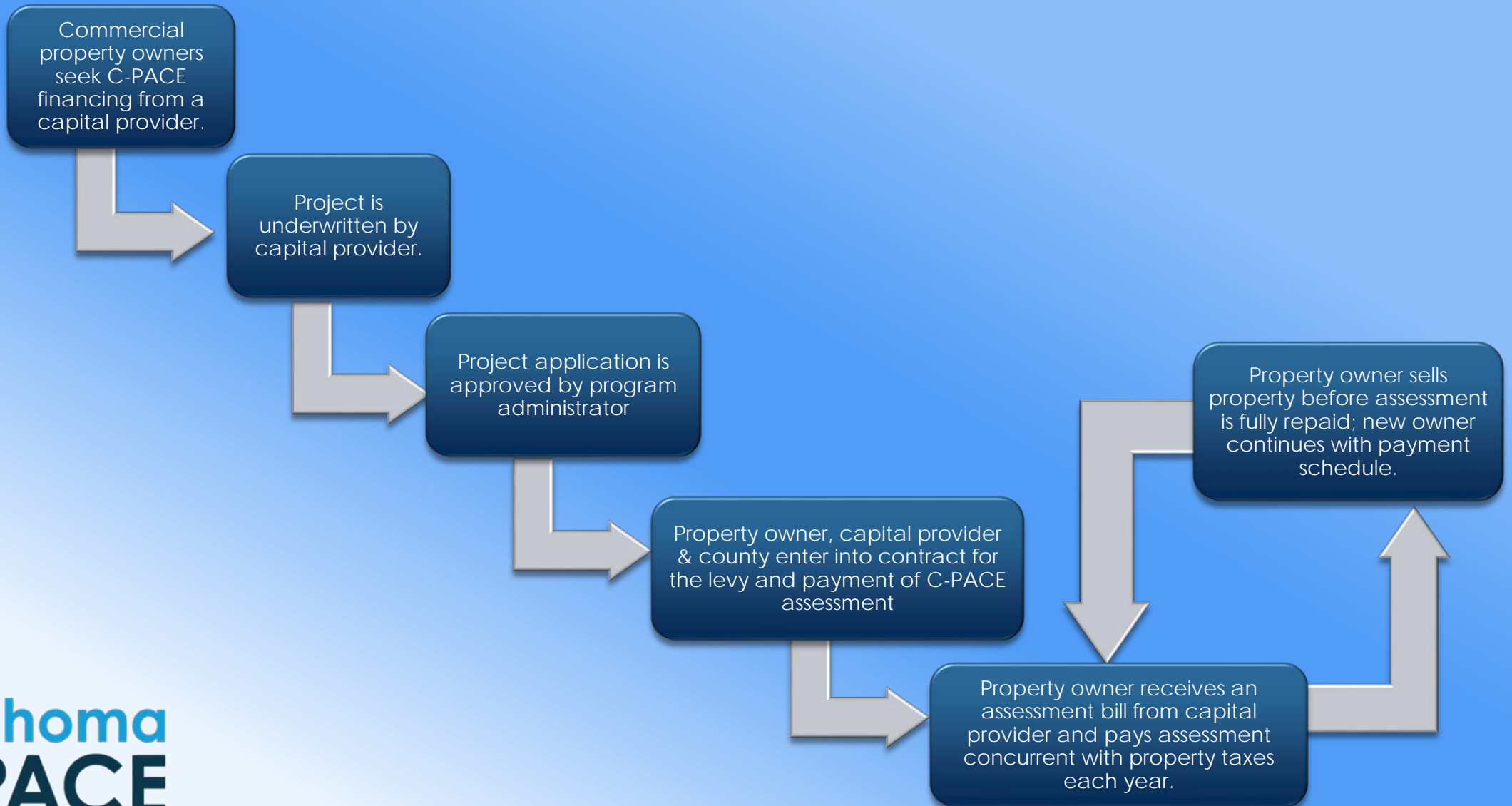
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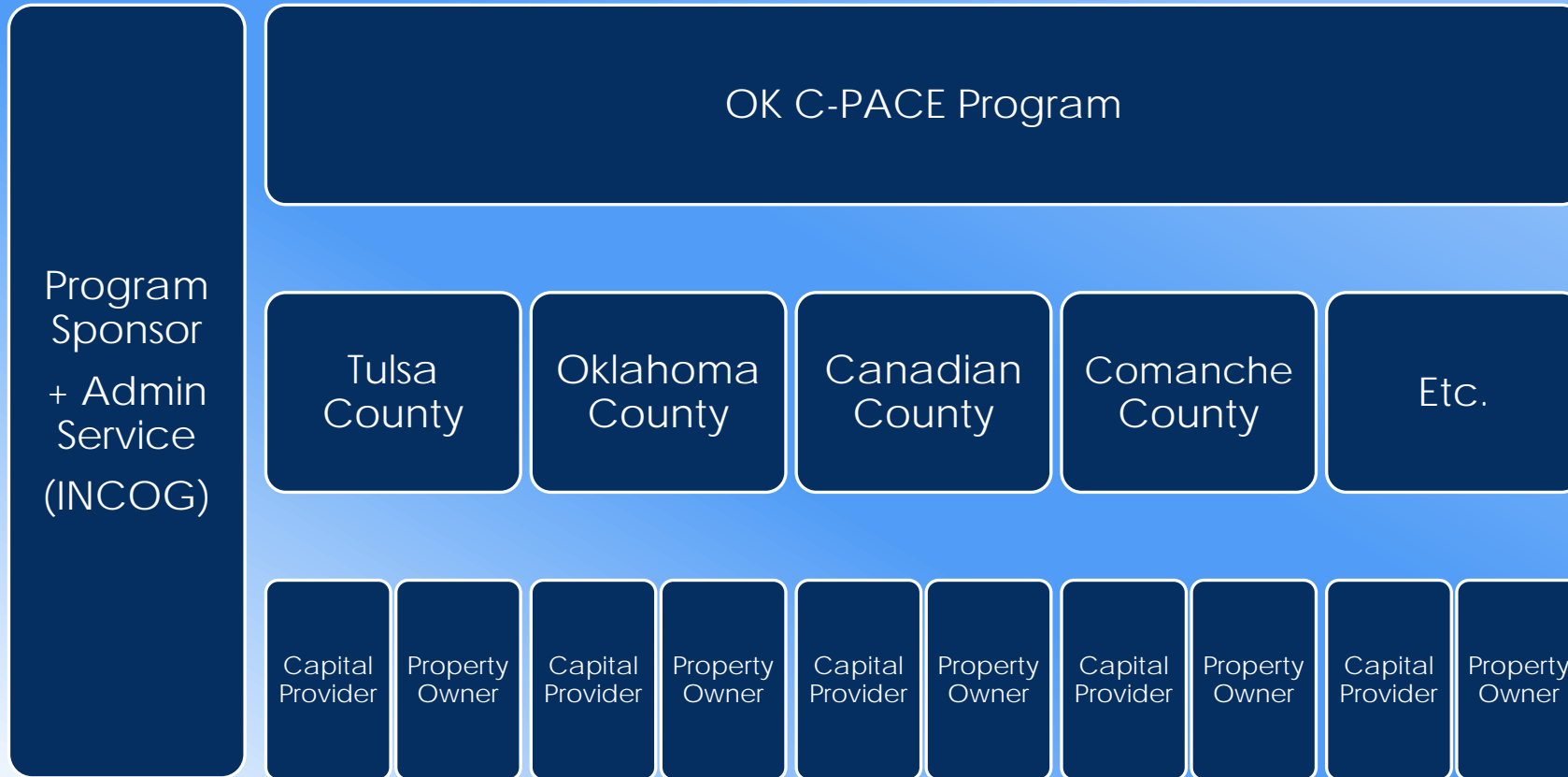
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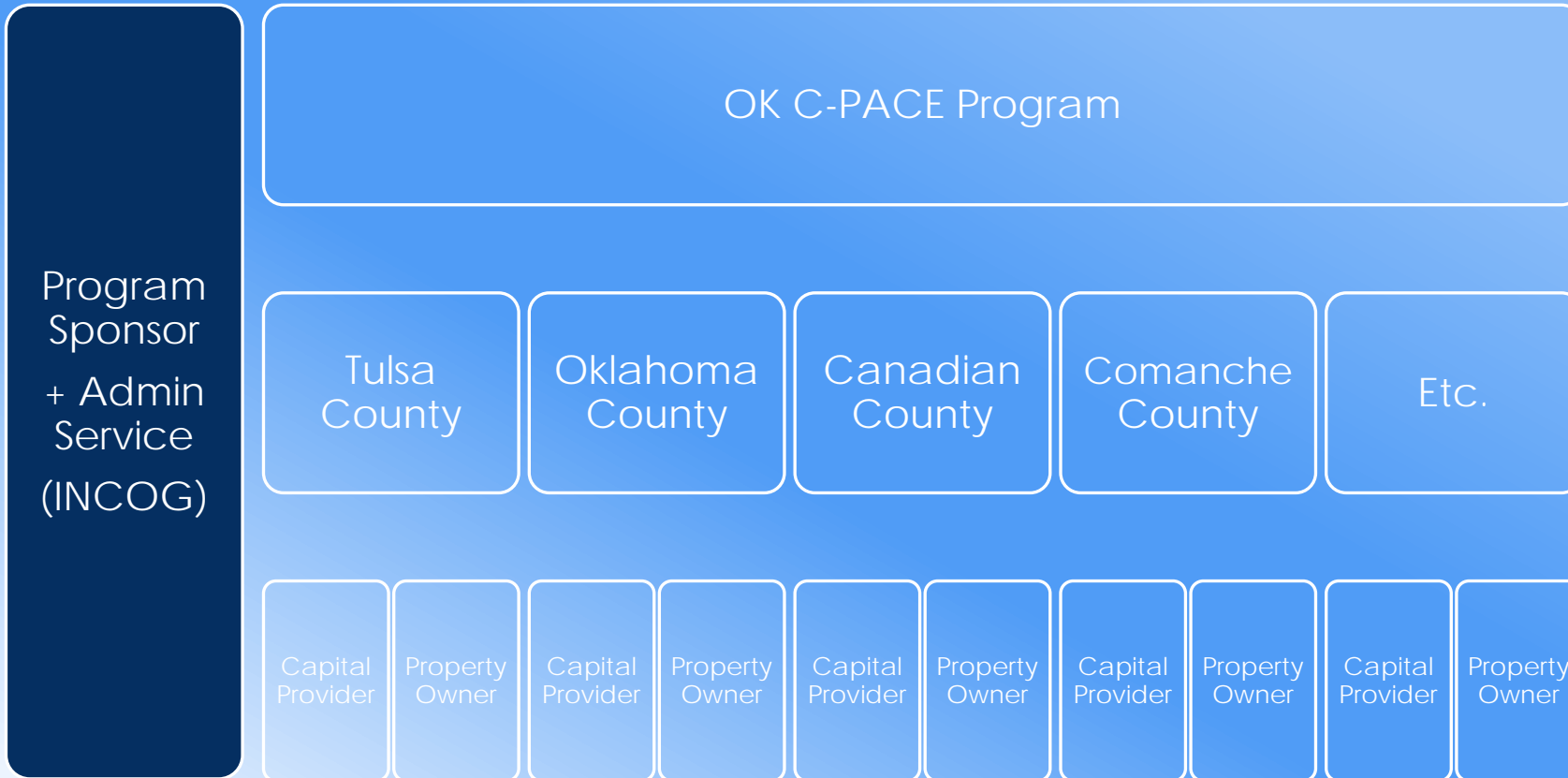
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- Convener for OK C-PACE
- Lead design of uniform C-PACE program for easy County adoption
- Establishing single point of program administration – including project compliance review and coordinating closings to reduce operating burden on Counties and lower cost for participants

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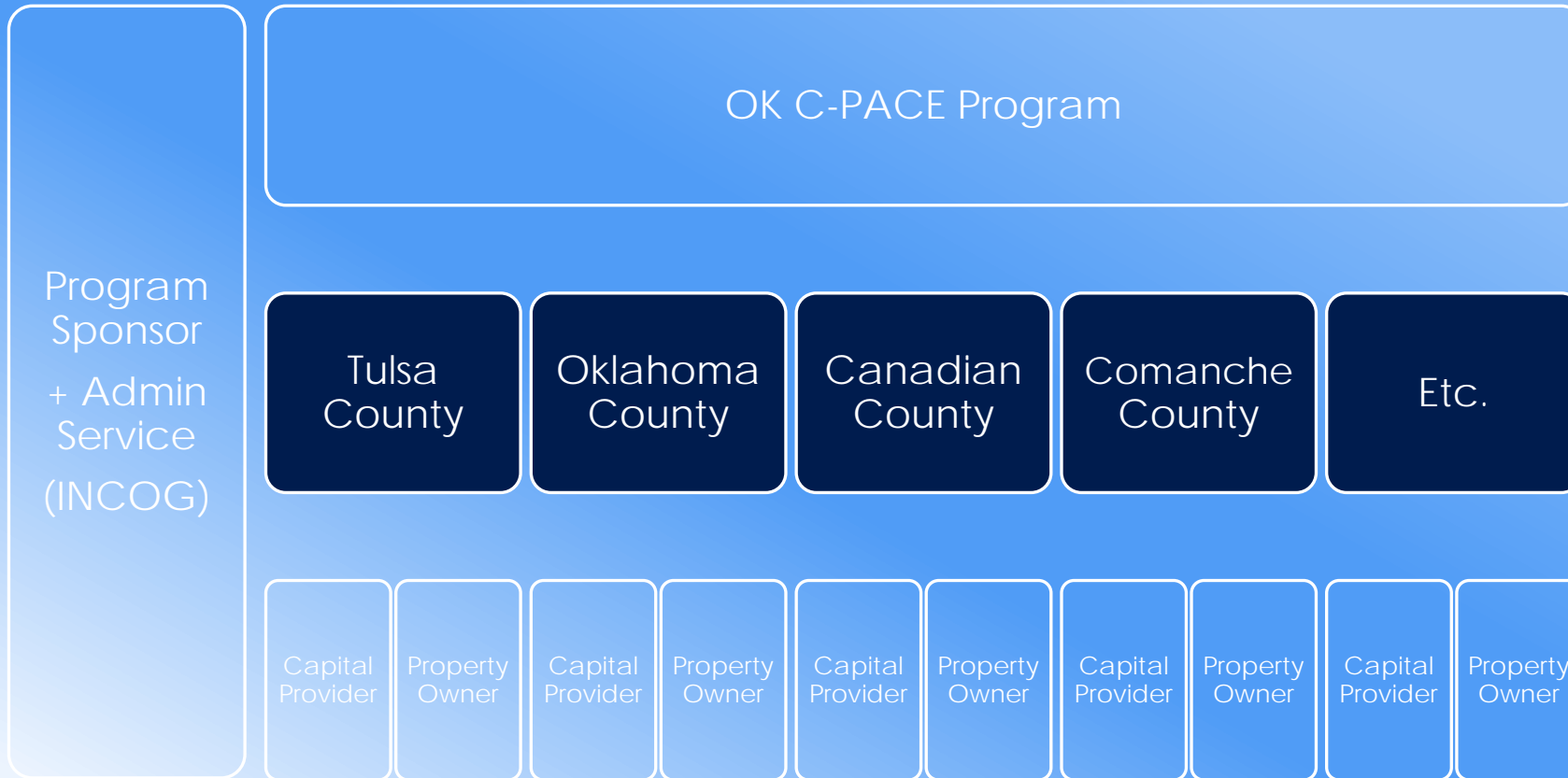
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- Suite of standard documents required to establish a C-PACE program and close transactions
- Guidance manual for eligibility standards
- Application checklist
- Other standard forms (i.e. mortgage lender consent)

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- Adopts resolution to establish C-PACE program and determine eligibility standards (e.g. OK C-PACE uniform resolution)
- For qualifying projects, executes assessment contracts/ levies assessments (e.g. OK C-PACE template assessment contract)
- Enter into operating agreement with program sponsor for program admin service

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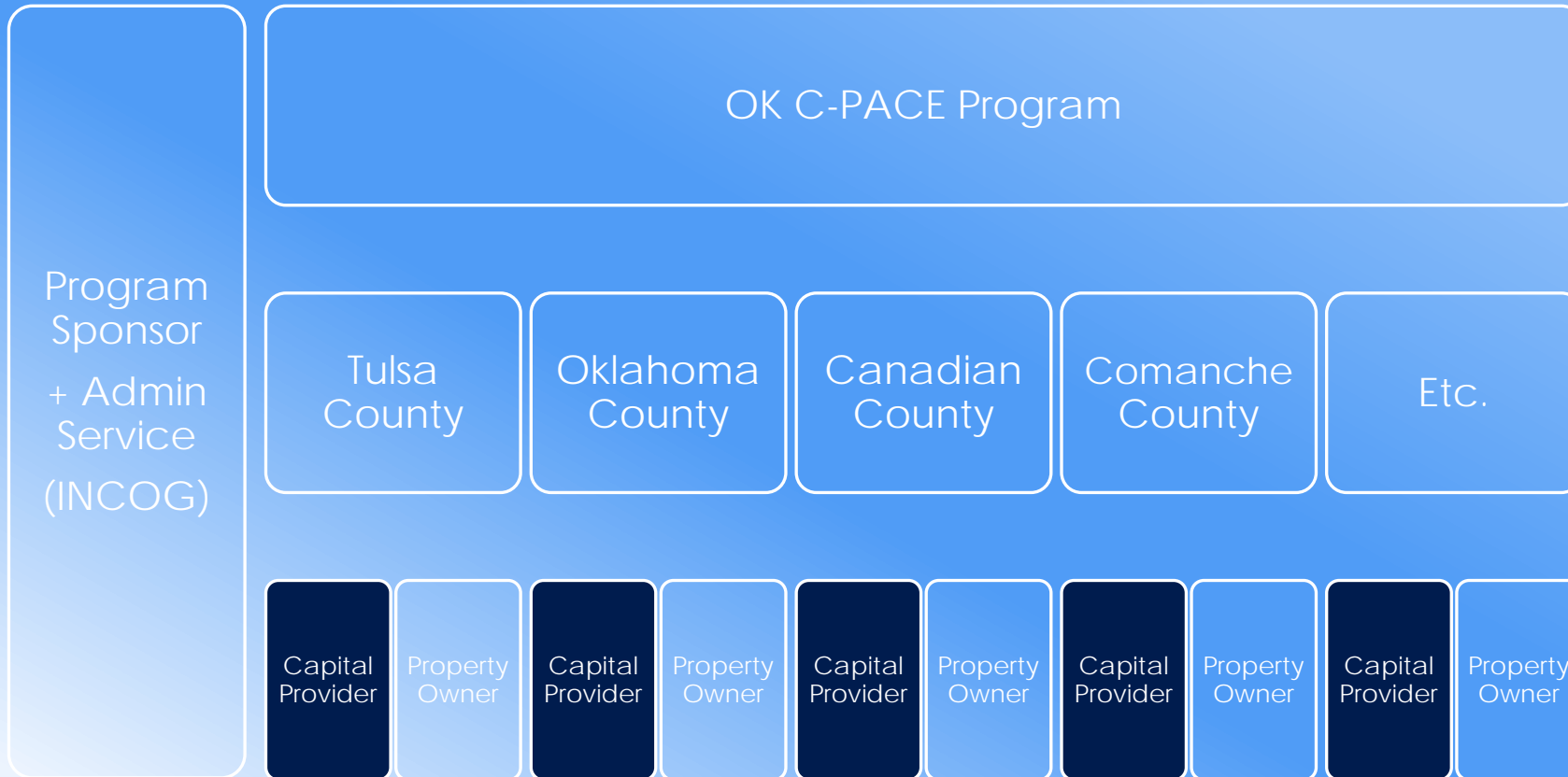
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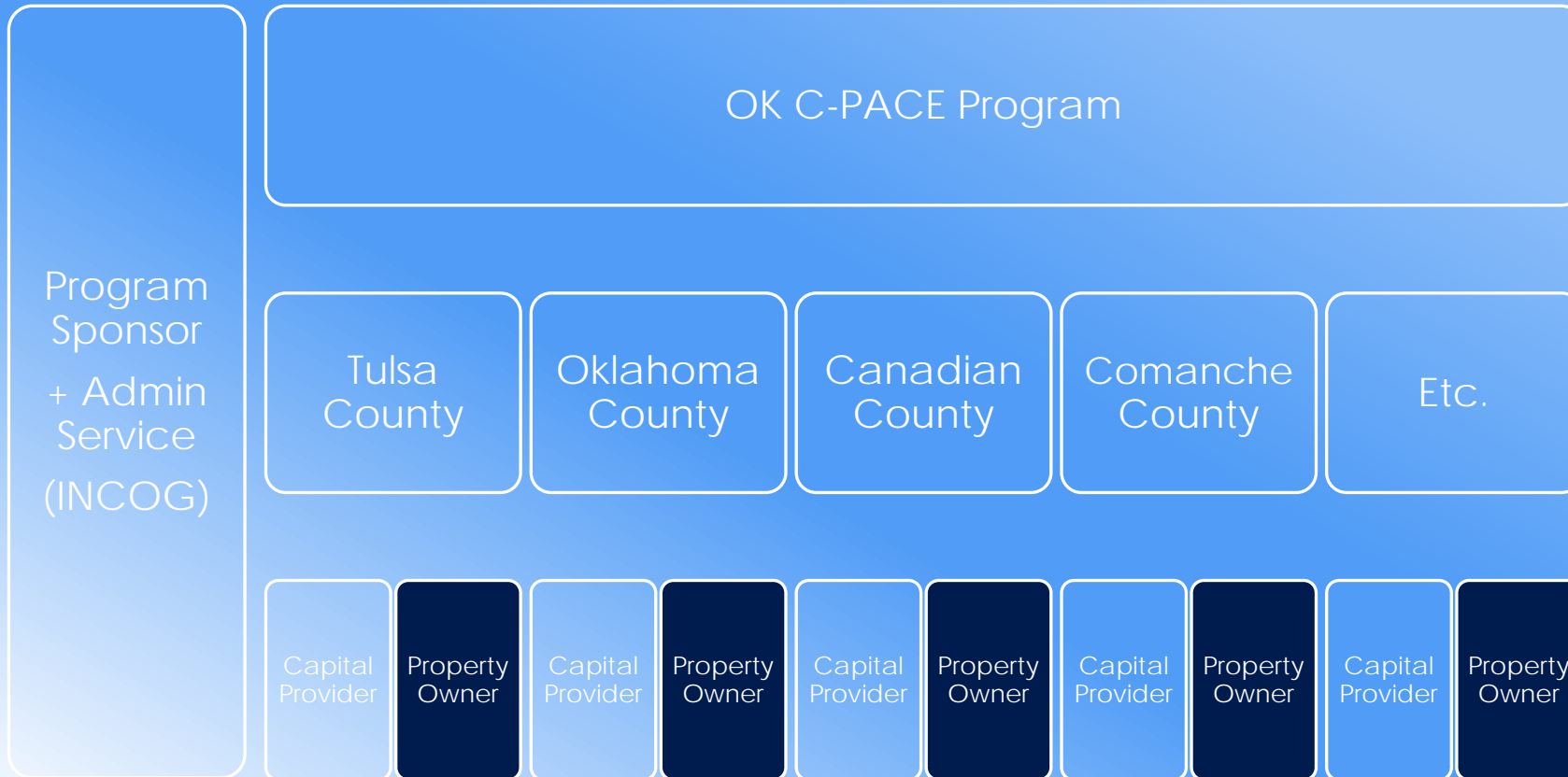
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- Provides financing for eligible C-PACE projects
- Underwrites properties
- Bills and collects assessment payments
- Enforces assessments in case of delinquency

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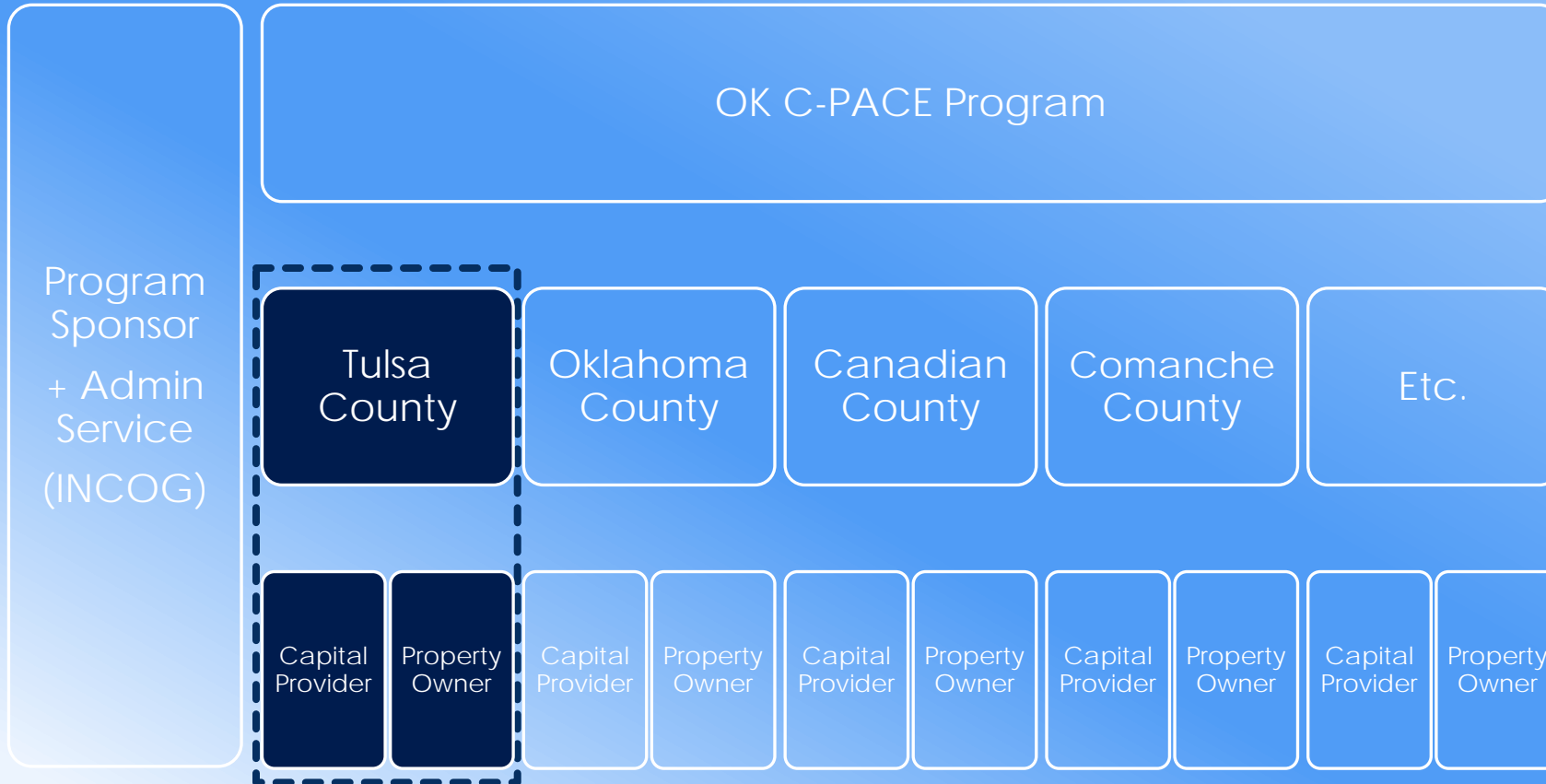
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- Develops project with project team (capital provider, contractor, etc.)
- Submits application for C-PACE financing
- Makes annual payments to capital provider

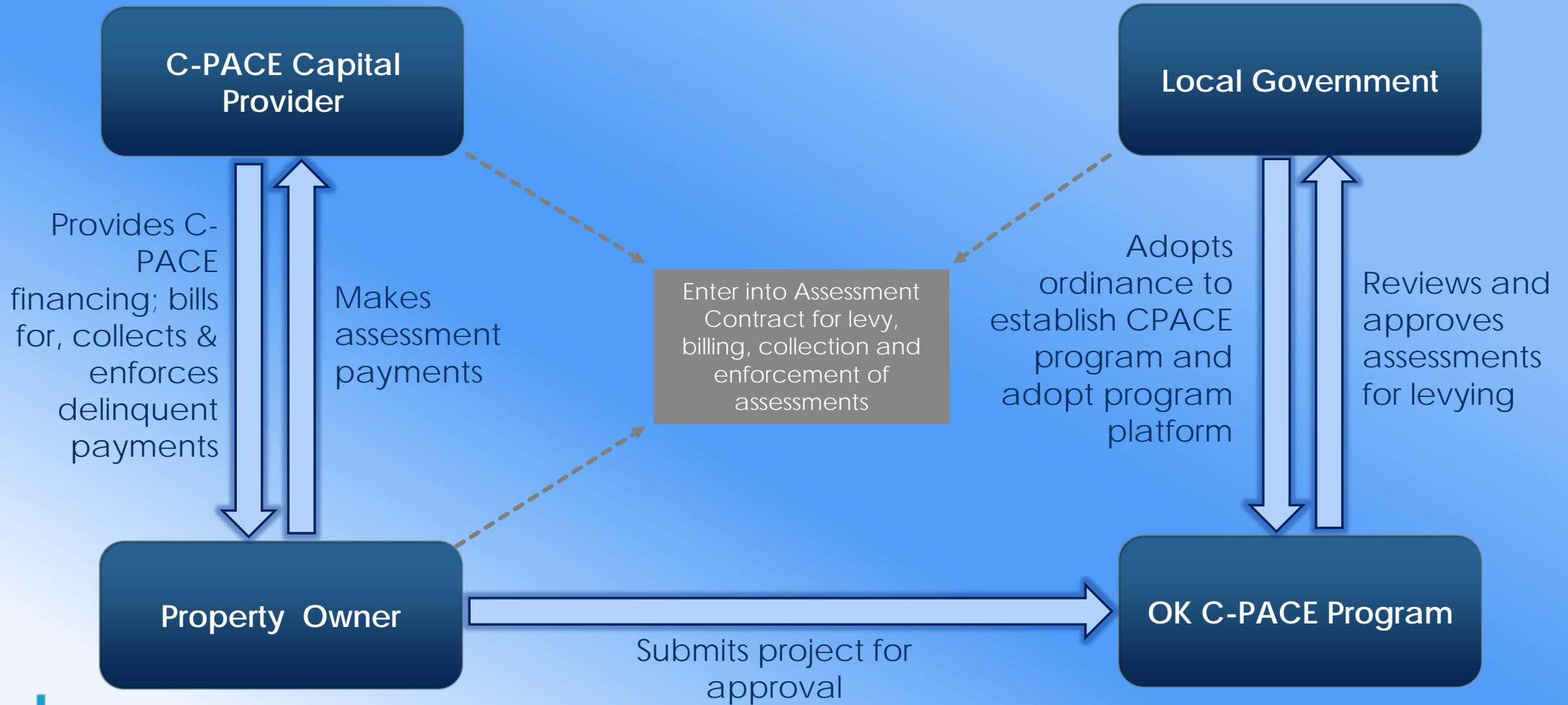
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Enter into assessment contract for levy, billing, collection and enforcement of assessments

OK C-PACE PROGRAM STRUCTURE - SUMMARY



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SUMMARY OF COUNTY ROLE

Activity	County Involvement?	If Not the County, Who?
Pass a Resolution	✓	N/A
Adopt OK C-PACE Program	✓	N/A
Execute assessment contract and record in land records	✓	N/A
Program marketing and education	X	OK C-PACE Program
Application review	X	OK C-PACE Program
Billing and collection	X	Capital providers
Underwriting and enforcement	X	Capital providers

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KEY DOCUMENTS: RESOLUTION

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- Enables C-PACE within that county's jurisdiction
- Defines the status of C-PACE as an assessment
- Defines the role of the county in the operations of the program
- Defines eligible improvements
- Authorizes the county to hire a third-party administrator

KEY DOCUMENTS: ASSESSMENT CONTRACT

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- Tri-party agreement between the County, property owner, and capital provider
- Property owner voluntarily agrees to the levy of the assessment by the County
- Property owner agrees to pay assessment payments to capital provider
- Includes the C-PACE assessment payment schedule
- Describes the repayment and enforcement mechanisms of the C-PACE assessment
- Is recorded in the land records to evidence the assessment on the property

KEY DOCUMENTS: GUIDANCE MANUAL

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- Clarifies eligibility of properties and improvements
- Provides application checklist and procedures
- Includes other template forms (e.g. mortgage lender consent)

IS THERE A COST TO THE COUNTY?

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- There is no cost to the County to establish a resolution or to adopt OK-PACE!
- The OK C-PACE Program will directly cover its costs through a fee on each C-PACE application received to cover program administration, thereby generating revenue directly from program participants
- Counties may charge fees to cover the costs of collecting delinquent assessments only if they choose to do so as permitted under law; such fees must be set by the BOCC.

DEVELOPING THE OK C-PACE PROGRAM

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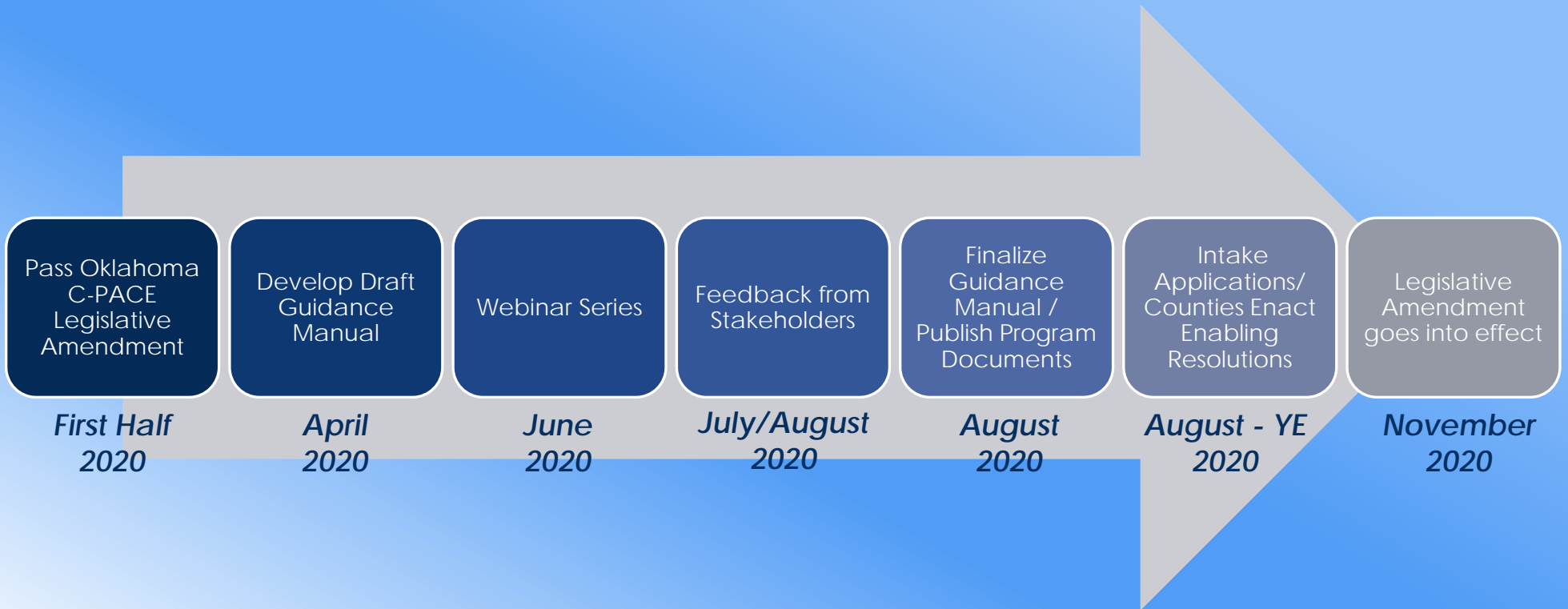
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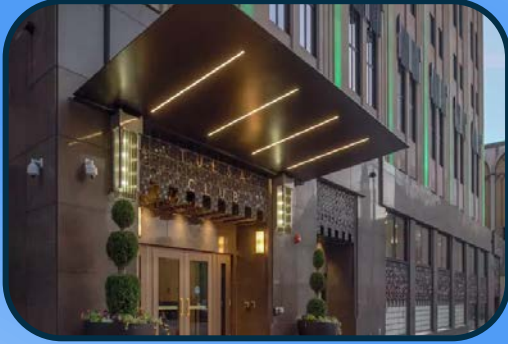
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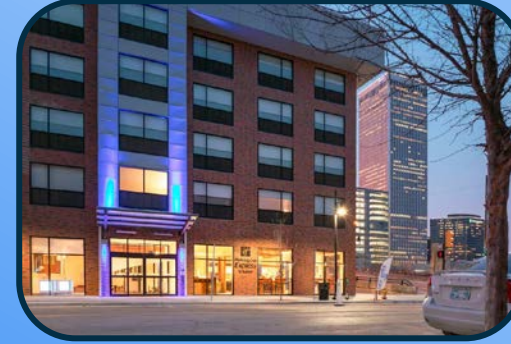
CASE STUDIES

TULSA PILOT PROJECTS



Tulsa Club

- ▶ C-PACE Financing: \$3.2 million
- ▶ Renovation and conversion of the historic Tulsa Club building into a 90-room Hilton Curio hotel
- ▶ 1920s-era building was home to a prominent social club in the city but sat vacant for years before its recent conversion into a hotel



Holiday Inn Express & Suites – Downtown Tulsa

- ▶ C-PACE Financing: \$1.7 million
- ▶ Renovation of 116 room hotel
- ▶ Site was previously occupied by two older commercial buildings

Both hotels were developed by the Ross Group, which used C-PACE to fund sustainable design elements such as efficient heating, cooling, plumbing and lighting systems, and building envelope improvements.

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*Counties are invited to schedule individual meetings
with PFS to discuss this process in further detail*

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GUIDANCE MANUAL: ELIGIBLE PROPERTIES

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Eligible Property Owners

- Applicant is legal owner of property
- Property owner is solvent
- There are no pending bankruptcy proceedings against property owner
- Property owner is not a party to any pending litigation

Eligible Properties

- Must be placed on tax roll
- Must be current on taxes
- No involuntary liens

Offices & Multifamily



Manufacturing



Hospitality



Institutions/NPOs



Agriculture



GUIDANCE MANUAL: ELIGIBLE IMPROVEMENTS

- Retrofit, gut rehab, new construction
- Refinancing available
- Improvements must be permanently affixed to property
- Financing terms shall not exceed the expected life of the proposed improvements

Examples of Eligible Improvements

Building Resiliency	Water Conservation	Energy Sources	Energy Efficiency
<ul style="list-style-type: none">• Storm/wind hardening measures such as roof and siding upgrades• Energy storage• Flood resistance• Stormwater management• Tornado• Other?	<ul style="list-style-type: none">• Cooling towers, condensers, and steam boilers• Technology that reduces/recycles industrial water consumption• Stormwater retention ponds• Rain gardens• Permeable pavement• Green roofs• Pumping equipment• Other?	<ul style="list-style-type: none">• Solar photovoltaic power• Solar thermal• Wind Power• Geothermal energy• Fuel Cell• Low emission advanced renewable energy conversion• Projects that seek to deploy electric, electric hybrid, natural gas or alternative fuel vehicles and associated infrastructure and any related storage, distribution, manufacturing technologies or facilities• Sustainable Biomass Facility• Other?	<ul style="list-style-type: none">• High efficiency lighting• Efficient HVAC• New automated building controls• Variable speed drives (VSDs) on motors, fans and pumps• High efficiency chillers, boilers and furnaces• High efficiency water heating systems• Combustion and burner upgrades• Heat recovery and steam traps• Building enclosure/envelope improvements• Building automation (energy management) systems• Other?

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SAMPLE APPLICATION REQUIREMENTS

PROPERTY DETAILS

- Property Address
- Property Parcel #
- Legal Property Owner
- Property Zoning
- Property Description

ELIGIBILITY

- Outstanding Mortgage(s)
- Mortgage Lender Consent
- Tax Payments Current

PROJECT SCOPE

- Summary of Improvements Financed
- Engineer Confirmation of Eligibility

FINANCING

- C-PACE Assessment Amount
 - Project Cost
 - Closing Fees
 - Other Fees
- C-PACE Assessment Term

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