

PACE for Administrators

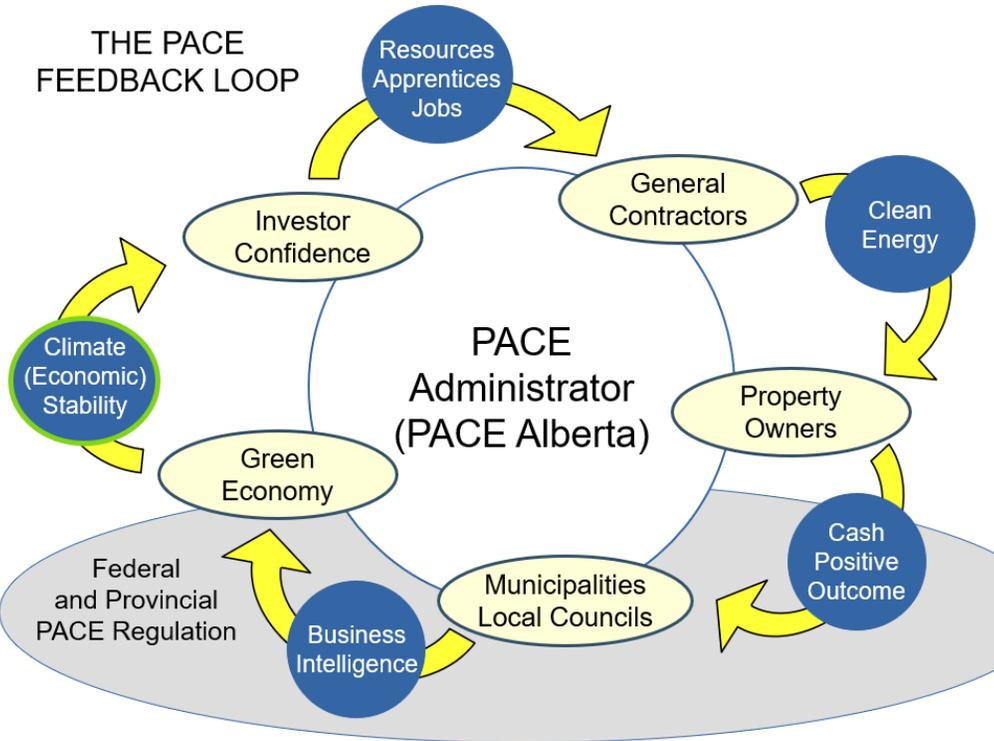
December 16, 2021

Property Assessed Clean Energy, better known as PACE, is a financing innovation that is revolutionizing the way property owners upgrade their homes and businesses in the USA, with over 5 billion dollars invested in PACE financed upgrades since 2008. (<http://pacenation.us/pace market data/>) The team behind PACE Alberta Co-op has been advocating for the creation of a made in Alberta PACE program since March 2016, and while it is not yet available in Alberta, significant progress has been made and it is expected that a PACE program will available sometime in 2018.



Until PACE program details are finalized, the following description of PACE is based on best practice characteristics which PACE Alberta is advocating be adopted.

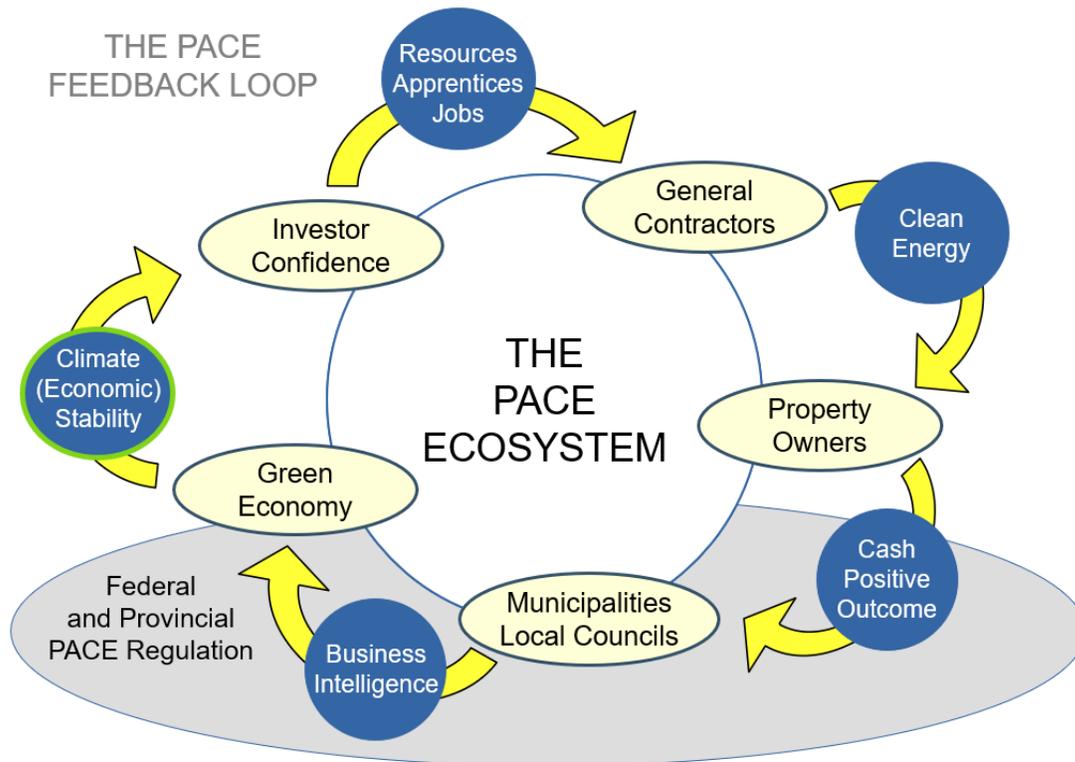
PACE Administrator Role Explained



The General Idea

- 1) The PACE Administrator works with Investors to secure funds for PACE.
- 2) Those funds are made available to a pool of General Contractors to carry out PACE projects.
- 3) Property Owners and PACE Contractors plan and execute approved clean energy upgrades, using PACE funding.
- 4) Municipalities place a long-term lien on each property in question.
- 5) Property Owners then pay off their lien through their property taxes (over 20-30 yrs at a low interest rate).
- 6) Investors become increasingly confident in this long-term market.
- 7) The PACE Administrator facilitates throughout.

PACE Ecosystem



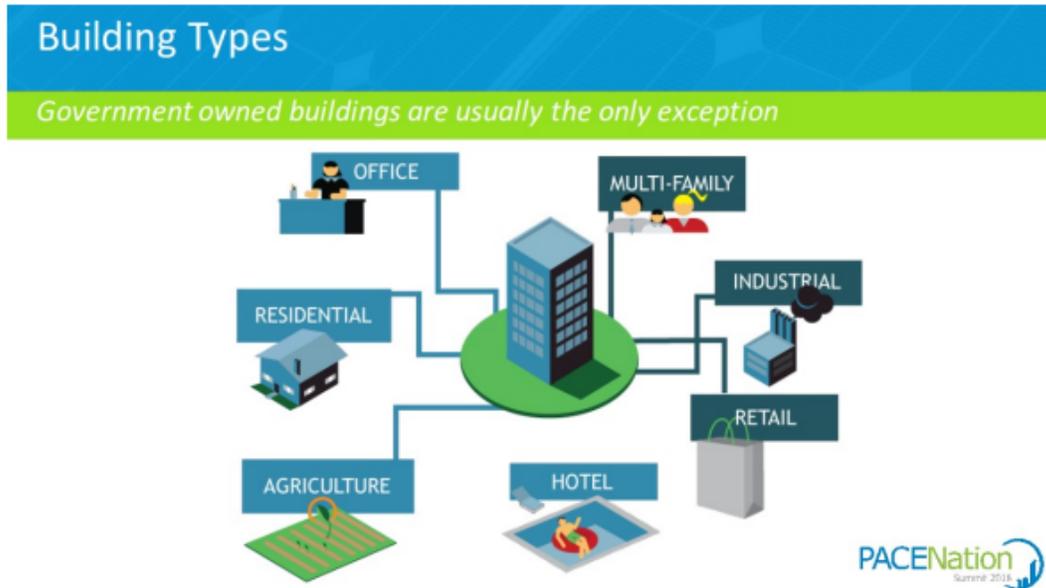
PACE Models in Practice

PACE program design and administration vary widely. All programs involve a public-private partnership. According to Robert Johnson Jr, in the write-up "PACE models in practice", the level of private-entity participation can range from being solely a source that purchases issued bonds to marketing, originating, underwriting, and issuing and purchasing loans, with the government entity solely responsible for administering the PACE property tax assessment, PACE programs are, therefore, generally hybrids of the following basic program models:

- **Public Program, Government administration:** In this model, government agencies fulfill essentially all functions including qualifying projects, underwriting, providing warehouse funds, recording assessment liens, servicing PACE bond assessment payments, verifying lender consent and program marketing.
- **Public program, Contractor administration:** This allows the government agencies to provide capabilities such as Servicing PACE bonds assessment payments and funding but retaining 3rd party firms to share other responsibilities. Scaling down the public program role is a way to drive down associated fees.
- **Private program, private administration:** The model has minimal government involvement. Private PACE program administrators manage essential all functions including enrolling municipalities, who need to "opt-in" by creating appropriate by-laws for property tax assessment, supporting and training contractors, marketing to building owners and contractors, underwriting, securing necessary mortgage lender consent, securing private warehouse capital, funding projects and securitizing pools of originated bonds.

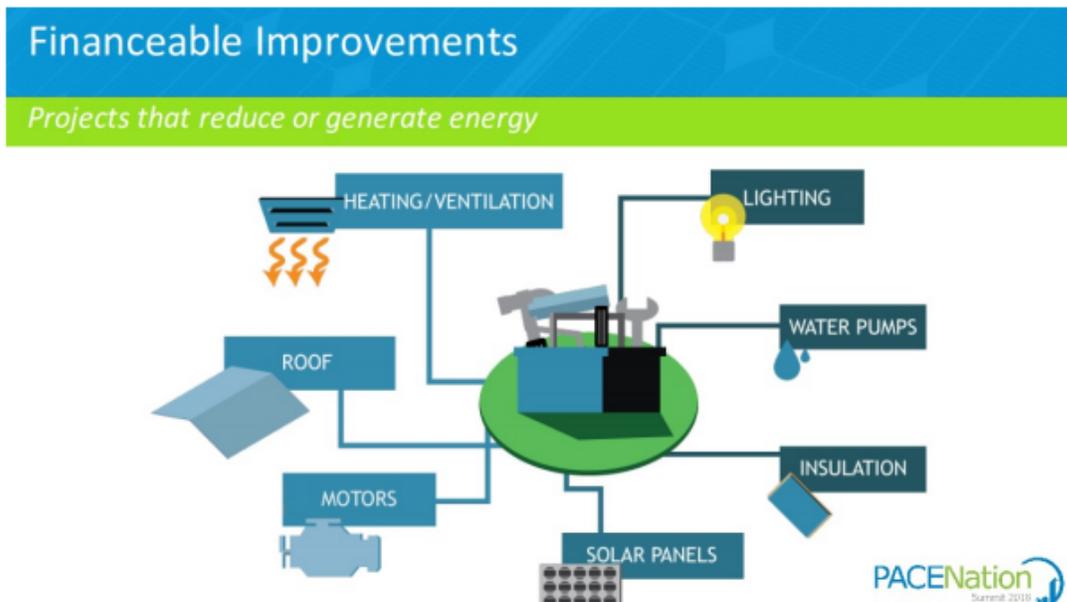
Eligibility

PACE financing is available for almost every form of business or operation; so long as the applicant owns the property and pays property taxes.



Eligible PACE Upgrades

The public facilitation of PACE financing is founded on the principle that the result will be a “public good”. As such, PACE is not only being used in the USA to upgrade the performance of buildings and operations (both existing and new) but in addition, has been used to finance safety upgrades such as earthquake performance, tornado proofing, and asbestos remediation.



Advantages of PACE Financing

Here is a summary of ways in which PACE financing should help building owners overcome financing barriers to energy efficiency, according to program administrators and market leaders.

1. **Zero up front investment:** PACE provides up to 100 percent financing for building efficiency projects, providing external capital and freeing up internal budget resources. This feature addresses the number one barrier to pursuing energy efficiency as identified in the EEI survey – lack of internal funding.
2. **Long term financing:** Funding of energy efficiency projects over their useful lives (up to 30 years*) makes many more projects cost-effective. By providing 100 percent financing with a long amortization period, PACE should help overcome the number two barrier to pursuing energy efficiency – insufficient payback/ROI. [*NOTE: PACE financing is now being often being extended up to 30 years and matched to the expected life of the upgrade, which will suite envelope and HVAC systems upgrades and solar PV and geo-exchange heat pump systems]
3. **A PACE assessment stays with the property upon sale:** PACE financing enables building/homeowners to make deep energy efficiency improvements with financing that does not need to be paid off upon sale, but instead transfers to the new owner. As such, many retrofits which would never be considered become not only feasible but also attractive.
4. **Higher rents and greater long-term property value:** Research is emerging that validates the assumption of market advocates that efficient (green) buildings, be they residential homes or commercial type developments, can command higher rents and increased property values. PACE can enable more building owners to capture these potential financial benefits. Building owners note that since PACE adds a line item to the property taxes, it can help facilitate the discussion of the value of solar and energy efficiency projects when a property is sold or rented. Also, building owners noted that being the first in their community to do a PACE-financed project can enhance the public image of and add value to the improved building.

Conclusion: PACE for Commercial is win-win

While it remains to be determined what the Province determines will qualify as PACE building upgrades, over what time frame, and how the program will be delivered, the foregoing information provides an overview of how a PACE program in Alberta will benefit commercial building owners.



It is no wonder that PACE was named “top 20 world changing ideas” in 2009 by Scientific American; **it is a win-win scenario all around: creating jobs, enhancing property values and ROI, and doing so with not one tax dollar required.**