

# Keeping “PACE” in Commercial Real Estate Improvements: Commercial Property Assessed Clean Energy and Resilience (C-PACER) Program in Washington

Association of Washington Cities  
September 21, 2021

Kitsap Bank kitsapbank.com

1

## Zoom webinar technical tips

- Plug your device into a power source
- Connect your device directly into your internet connection instead of using wireless to avoid audio and video quality issues and interruptions
- You can **submit questions for the speaker** via the **Q&A feature**
- Please use the **Zoom chat feature** for any **technical issues** or questions

Select **Chat**, type your question or comment into chat pane, and hit **Enter**.

Select **Q&A**, type your question in the Q&A pane and hit **Enter**

2

# Disclaimer

**Disclaimer:** The information contained in this presentation is for general educational purposes only and is not intended to be legal advice. Please consult legal counsel for advice about specific questions.



3

**Keeping “PACE”  
in Commercial Real Estate Improvements:  
Commercial Property Assessed Clean Energy and  
Resilience (C-PACER) Program in Washington**

**Association of Washington Cities  
September 21, 2021**

Kitsap Bank [kitsapbank.com](http://kitsapbank.com)

The slide features a background image of a city skyline with several tall buildings under a cloudy sky. In the foreground, there is a large array of blue solar panels mounted on a flat roof. The text is overlaid on this image in a bold, yellow, sans-serif font. At the bottom, there is a blue banner containing the Kitsap Bank logo and website address.

4

# Today's Presenters

- **Rhys W. Hefta**, Partner, K&L Gates
- **Richard Martinez**, SVP, Director Municipal & Specialty Banking, Kitsap Bank
- **Banu Erdim**, Sustainability & ESG Analyst, Kitsap Bank

# Agenda

- What is C-PACER? How does it work?
- Why is C-PACER an opportunity for local communities?
- What is the timeline of C-PACER Implementation in WA?
- How can city governments help adopt and implement in their own jurisdiction?

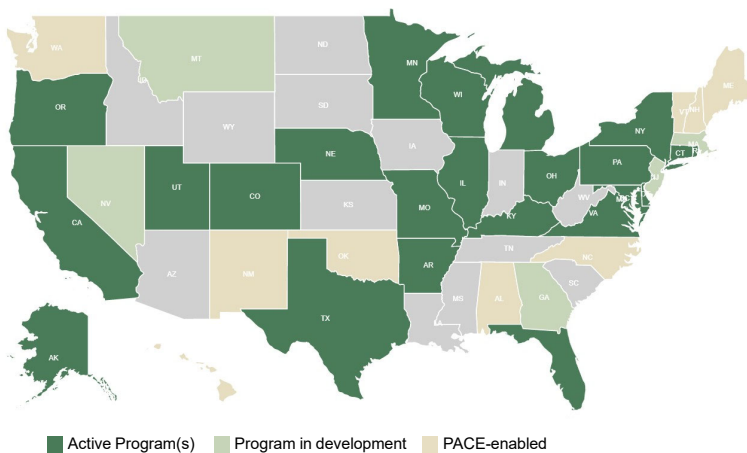
## What is C-PACE? C-PACER?



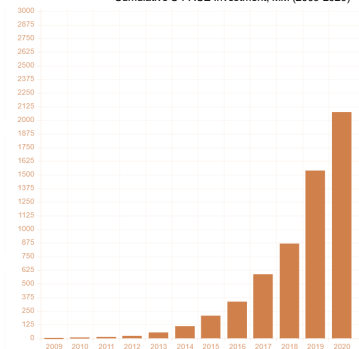
- **C**ommercial **P**roperty **A**ssessed **C**lean **E**nergy & **R**esiliency
- C-PACE is an alternative financing tool to pay energy efficiency, renewable energy, water conservation, and Resilience projects for commercial buildings (retrofits, new construction, & refinancing.)
- C-PACER can fill a gap in the project's capital stack at a lower cost. No public funds at risk.

7

## C-PACE: State of the Market



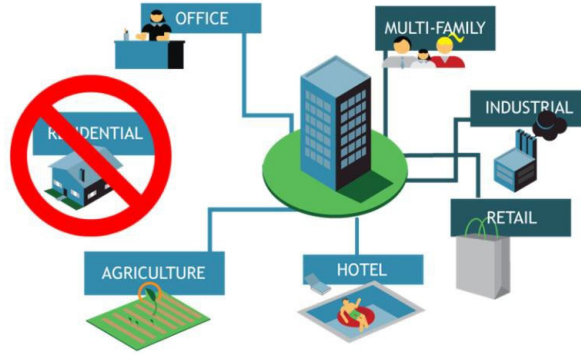
Cumulative C-PACE Investment, MM (2009-2020)



\*Resource: PACENation | Property Assessed Clean Energy Financing

8

## Who Can Use C-PACER?



Commercial properties are available, even Nonprofits!

## C-PACER 102

### Property-based financing

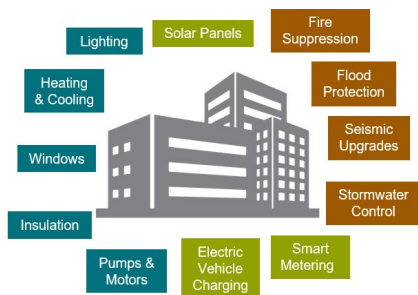
- Energy and water efficiency
- Renewable energy
- Safe drinking water
- Fire, floor, seismic hardening

**Legally, C-PACER is a voluntary property assessment to pay for a public benefit.**

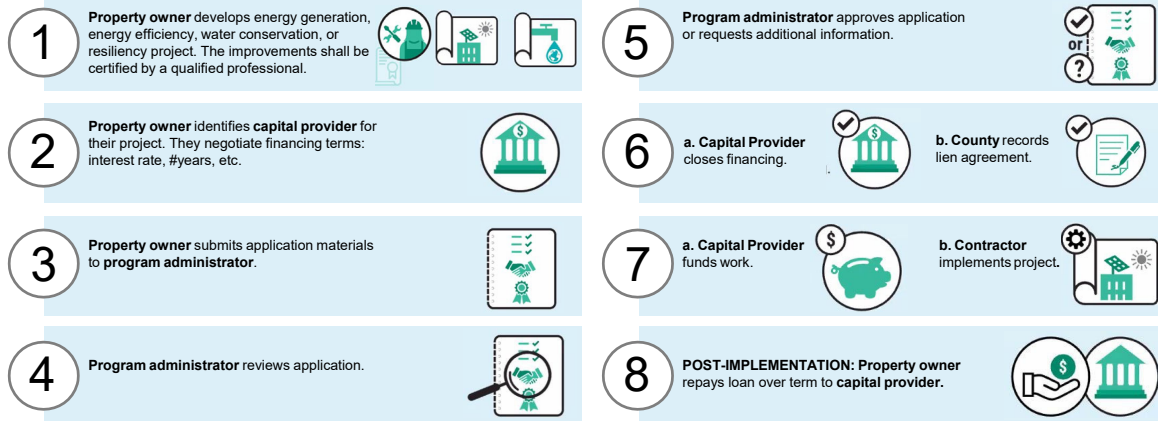
- Funding repaid over a long-time horizon (up to useful life of improvements)
- Assessment lien resides with the building, not the owner
- Non-accelerating - only delinquent amounts are due at foreclosure

**Can be cash-flow positive from Day 1.**

- Projects can be scoped so that utility savings exceed installment payments.
- Low risk to lenders = affordable interest rates!
- Very secure financing - no examples of foreclosure



## How C-PACER Works



## Benefits of C-PACER to Local Communities



- **SAVE MONEY** – It helps reduce utility bills by lowering energy costs.
- **SPUR ECONOMIC DEVELOPMENT** – Local dollars create more jobs and economic activity.
- **MEET CLIMATE GOALS** – It helps communities achieve important energy & water & carbon goals.
- **OPPORTUNITIES** – Fund Clean Buildings Act requirements & improvements exceeding code.

“ Here in Washington, we now have another tool in the toolbelt to invest in our communities, and advance toward our climate goals. C-PACER can put local dollars into local jobs for clean energy, energy efficiency, and resiliency upgrades for existing and new buildings.

**RACHEL BROMBAUGH**  
 Director, Climate and Energy Initiatives  
 Office of King County Executive Dow Constantine

## Case Study: Office Building Efficiency

### 1225 North Loop West, Houston, TX

- 200,418 sq ft, built 1984
- \$1.3 million in C-PACE financing
- Replacement of:
  - 35-year old chillers
  - Antiquated control system
  - Inefficient lighting
- 20-year term.
- 38% reduction in energy usage, \$3.66 million in savings over the term.



## Case Study: Office Building Efficiency

### PAE Living Building, Portland, OR

- 58,000 square foot mixed-use building with class A office and retail space.
- \$2.5 million in C-PACE Financing
- 25 years term
- C-PACE funded installed measures for:
  - Energy Efficiency
  - Renewable Energy
- % 80 reduction in energy usage



# Case Study: Historic Building Revitalization

## McCandless Building, Florence, CO

- 23,006 sq ft., built 1894
- \$616,844 in C-PACE Financing
  - Insulation
  - LED Lighting
  - Window glazing
  - Rooftop heating/cooling units
  - PV Solar System
- 20-year term
- 85% reduction in energy usage, \$779,814 lifetime energy savings
- Increased building's value by \$600K+



Kitsap Bank [kitsapbank.com](http://kitsapbank.com)

# Case Study: Urban Development

## Laacke & Joys Building, Milwaukee, WI

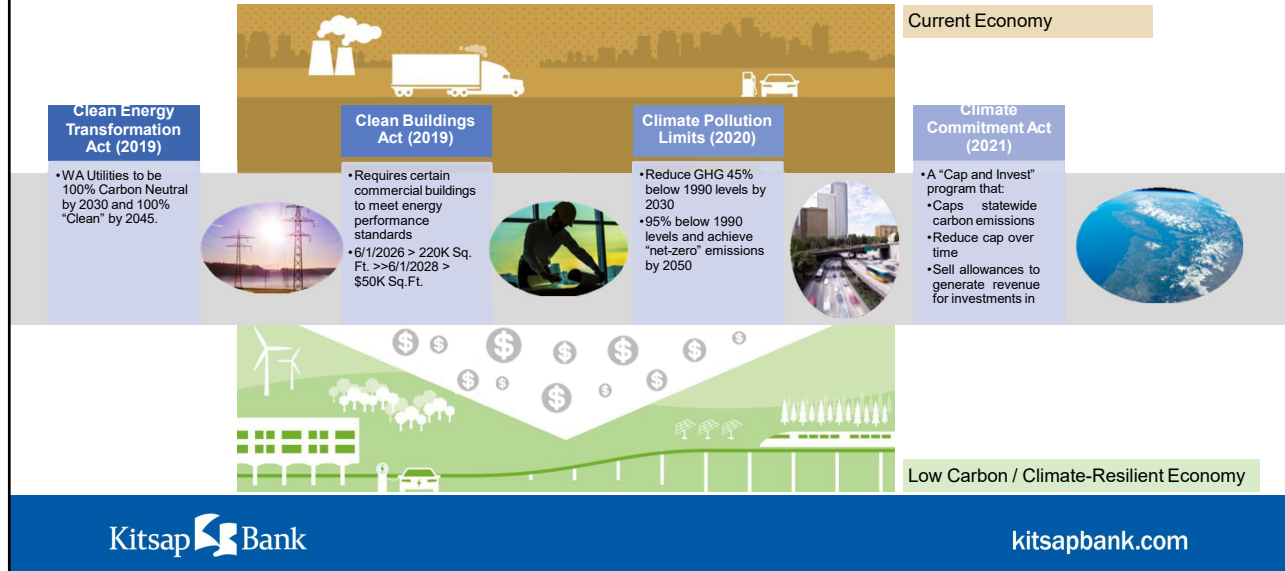
- Mfg. facility to Class A offices
- \$2.2 million in C-PACE Financing, 7% of capital stack
- C-PACE funded improvements:
  - PV Solar
  - Geothermal
  - LED Lighting
  - Windows
- Energy consumption 28% favorable to code



Kitsap Bank [kitsapbank.com](http://kitsapbank.com)



# Legislation in WA



17

# C-PACE and Resiliency-WA

## TIMELINE:



- Shift Zero Task Force formed to identify a path forward for C-PACE in WA.



- Broad and diverse support from stakeholders including environmental organizations, building owners and professionals, building officials, cities, community banks and labor organization.

- Members of the Shift Zero Task Force led extensive stakeholder engagement and advocacy to enable C-PACER financing in WA.
- They have since continued work with local and national experts and legal counsel to develop model county program documents.

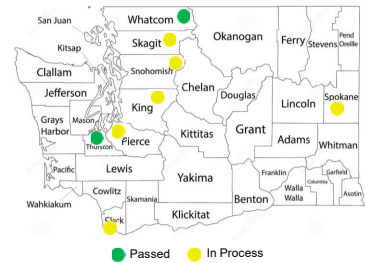


- WA enacted C-PACER with HB 2405.

- Counties must opt-in. They can administer their own C-PACER program or partner with other counties for a regional program.

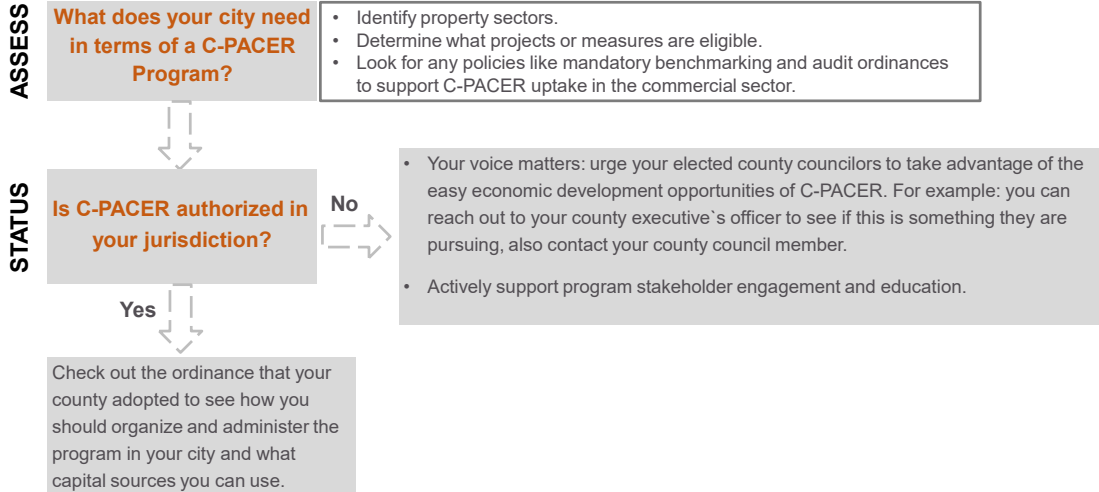


### Current Status:



18

## Recommended Practices for City Officials



## Resources

- Shift Zero website ([shiftzero.org/pace](http://shiftzero.org/pace)) includes model program documents, FAQ: General and Specific to Counties, links to national C-PACE resources
  - \*Also available for County officials: a walk-through of the model documents - contact [pacers@shiftzero.org](mailto:pacers@shiftzero.org)
- Thurston County C-PACER Ordinance
  - [thurstoncountywa.gov/tchome/SiteAssets/Pages/publicmeetings/CPACER%20Draft%20Ordinance%20\(2\).pdf](http://thurstoncountywa.gov/tchome/SiteAssets/Pages/publicmeetings/CPACER%20Draft%20Ordinance%20(2).pdf)
- Whatcom County C-PACER Program
  - [codepublishing.com/WA/WhatcomCounty/html/WhatcomCounty16/WhatcomCounty1650.html](http://codepublishing.com/WA/WhatcomCounty/html/WhatcomCounty16/WhatcomCounty1650.html)
- King County C-PACER webpage
  - [kingcounty.gov/services/environment/stewardship/sustainable-building/pace](http://kingcounty.gov/services/environment/stewardship/sustainable-building/pace)
- C-PACER newsletter (contact [berdim@kitsapbank.com](mailto:berdim@kitsapbank.com) to be included in the contact list)



## Discussion & Questions



Contact Us:

[rlys.hefta@klgates.com](mailto:rlys.hefta@klgates.com)

[RMartinez@kitsapbank.com](mailto:RMartinez@kitsapbank.com)

[berdim@kitsapbank.com](mailto:berdim@kitsapbank.com)

Kitsap  Bank

[kitsapbank.com](http://kitsapbank.com)

21

Kitsap   
Bank

800.283.5537 | [kitsapbank.com](http://kitsapbank.com)

22