

# **PACE UPDATE: Where do we go from here?**

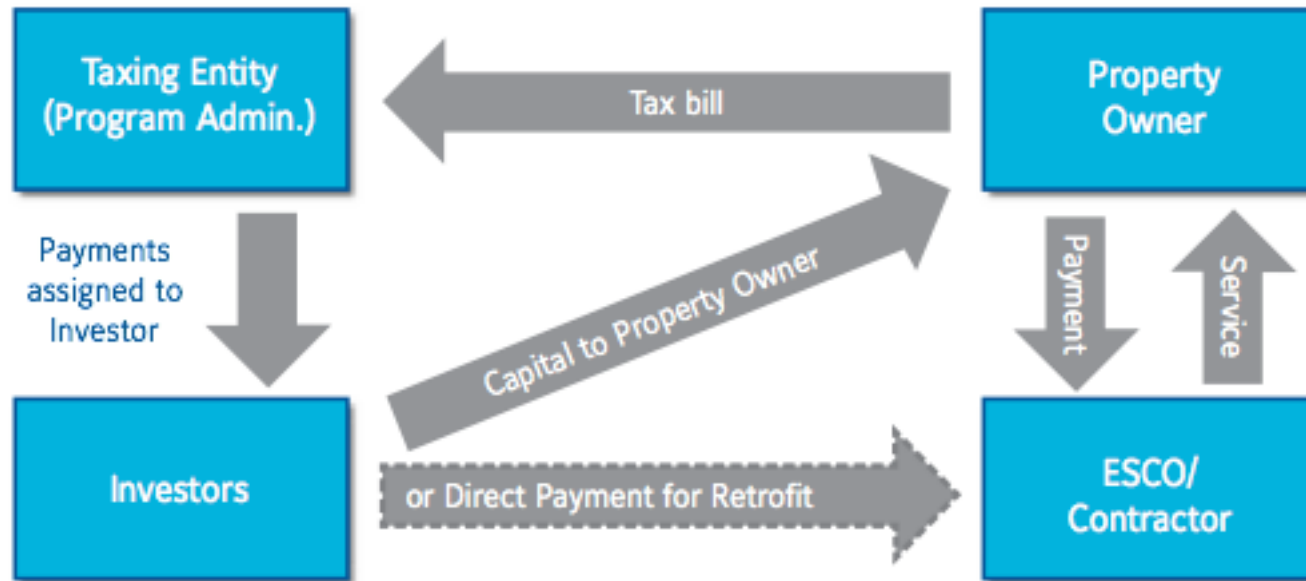
**VAEEC**

May 11, 2015

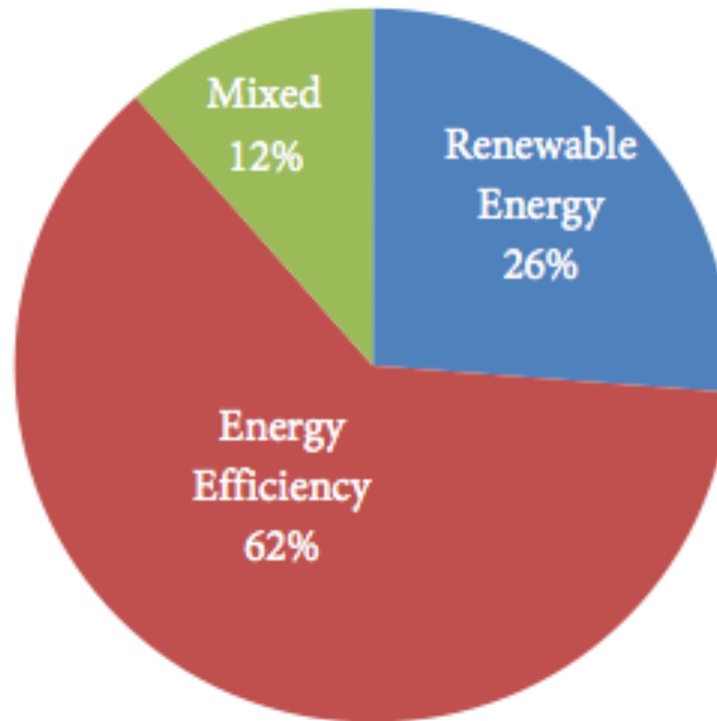


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# How PACE works



# Project Mix



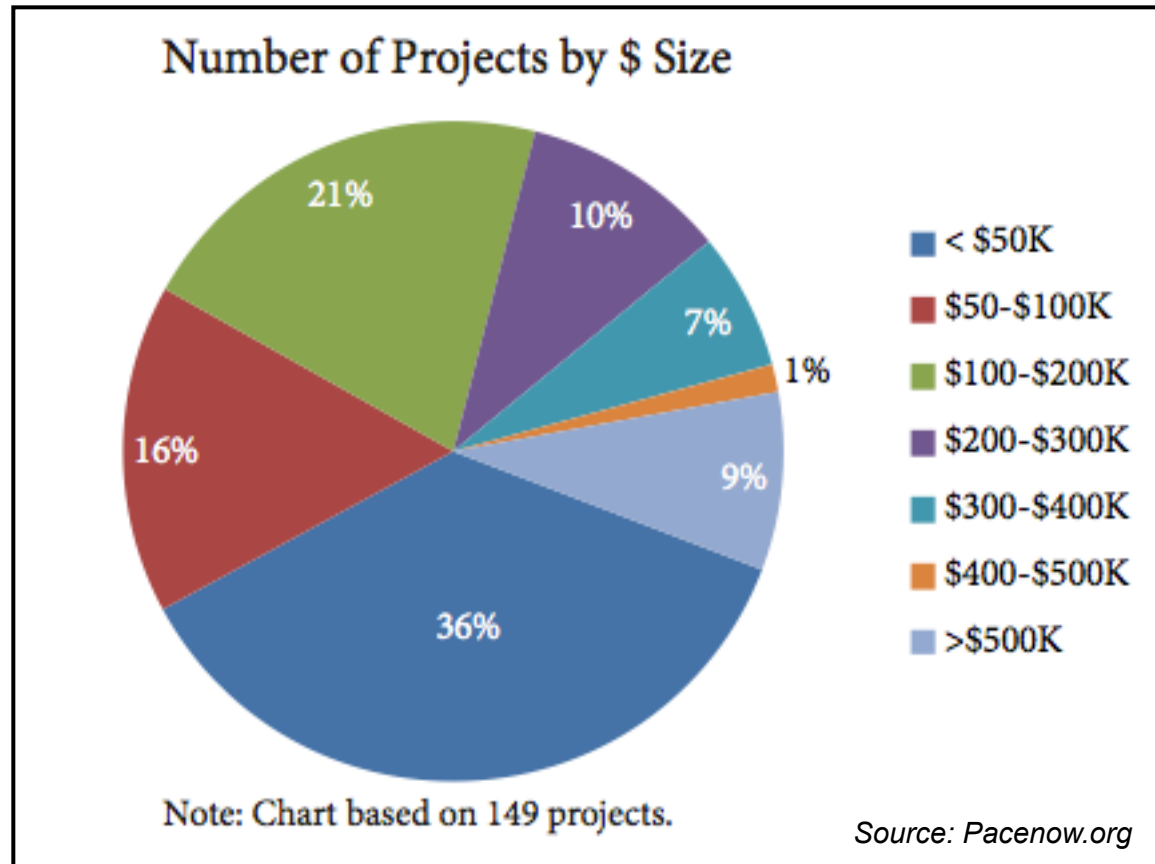
Source: Pacenow.org

based on 191 projects.

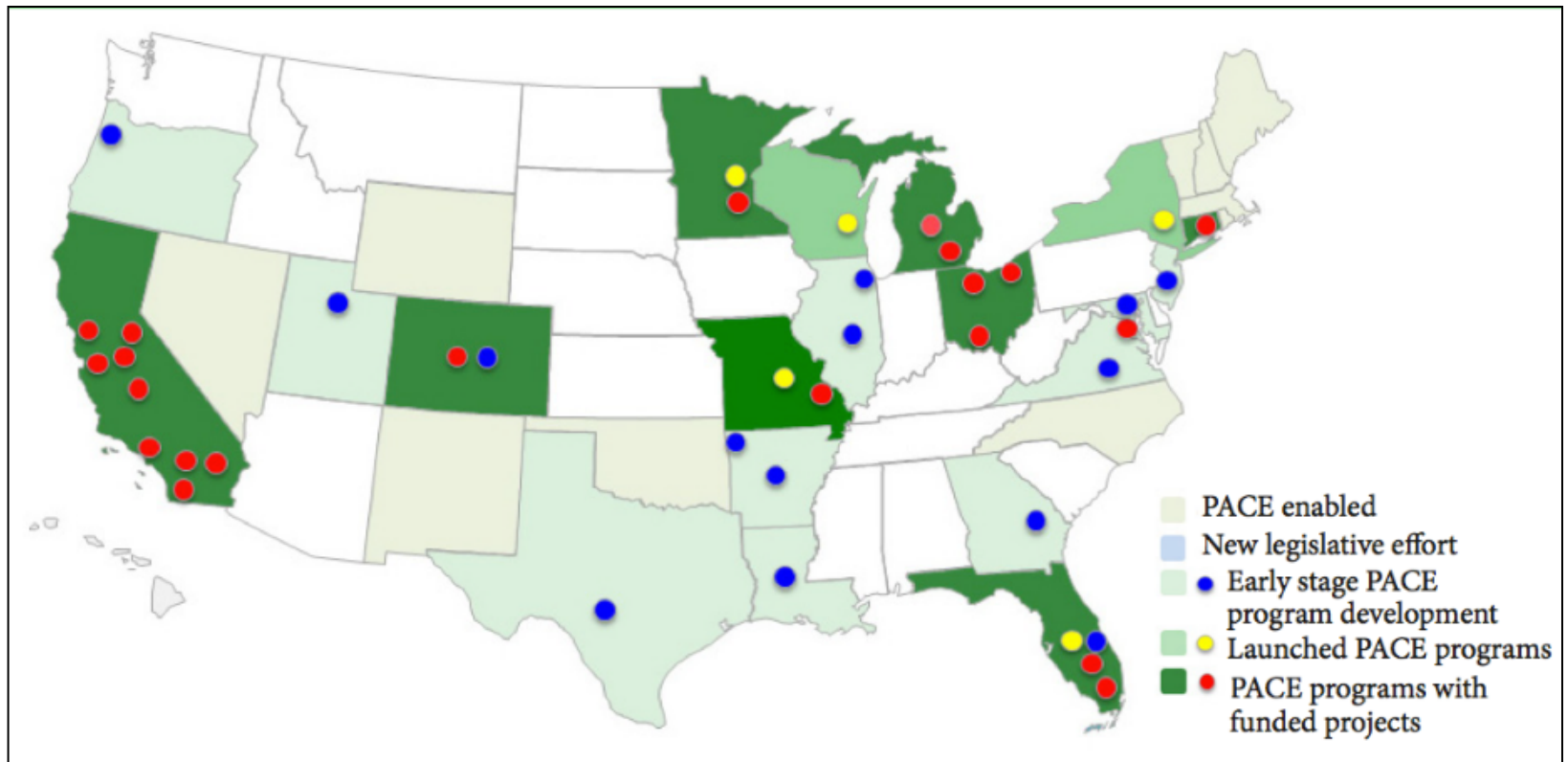


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# Project Size

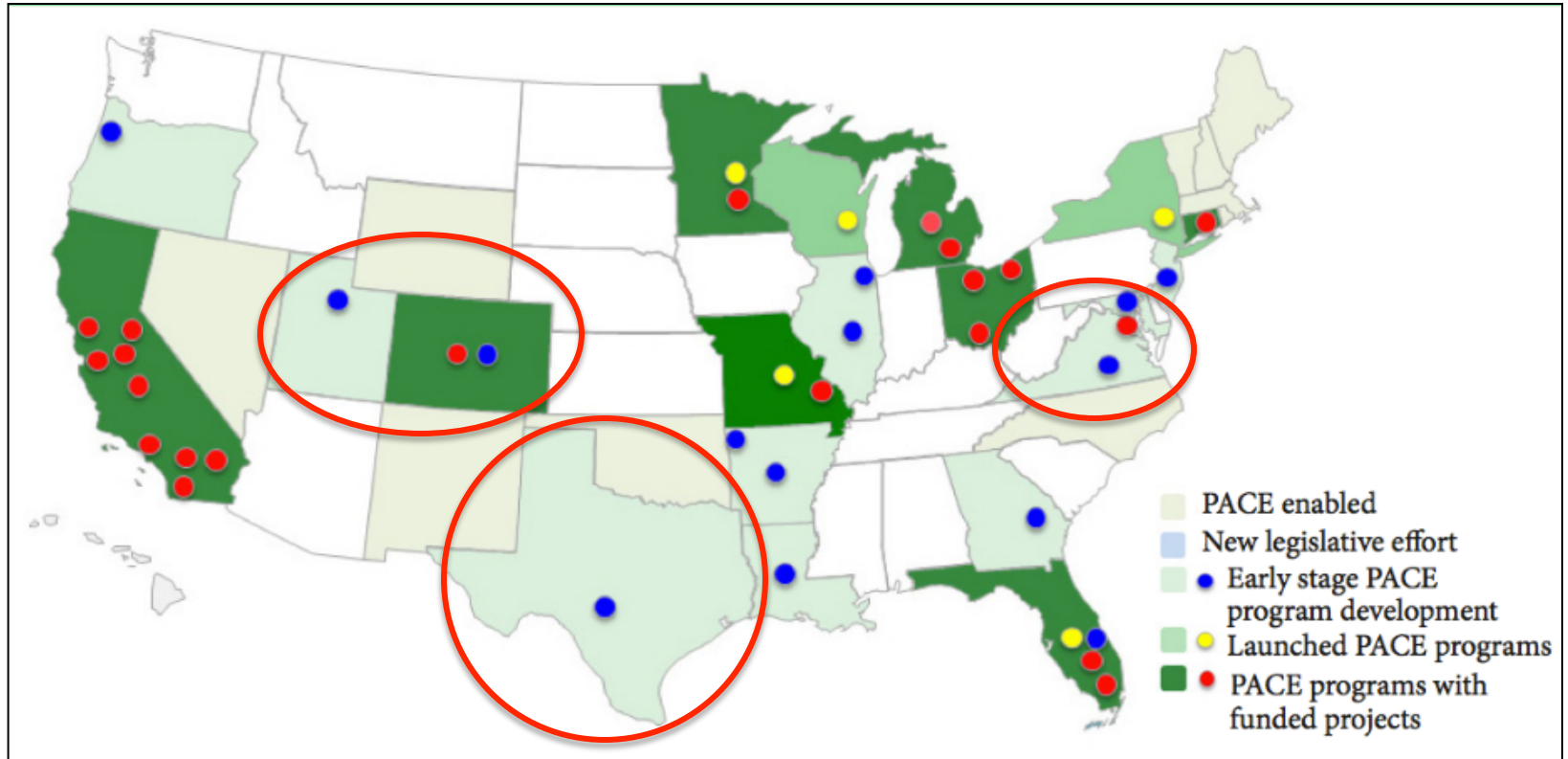


# Where is PACE?





# New Kids on the block



# PACE variation

## Current state of affairs. .

- **Government funded - Connecticut**
  - Significant origination due to dedicated financing source (Green Bank) and significant infrastructure to train, originate, underwrite, obtain lender consent, measure and verify project
- **Opt-in/open market model with program admin function**
  - EcoCity Partners (Florida), Renewable Funding (California), Lean in Green Michigan
- **Exclusive** - Ygrene (few cities), Renovate America (residential-CA)
- **Hybrid** – Funding exclusive (SELF/Inland and Counterpointe/Leidos), originator/funder in multiple jurisdictions (Figtree)

**Trend** ➡ Multiple full-service PACE providers working within a jurisdiction without government funding

# Growing Marketplace





# Case Study: Medical Office

- < 50,000 SF low rise medical office
- Los Angeles County
- Built early 1980s
- Needed upgrades to HVAC & controllers
- \$270,000 budget
- Rate under 7%, 20 year term, full amortizing, non recourse
- PACE LTV: <5% of assessed value
- Total Debt: <75% of assessed value



# **Thank You!**

## **Abacus Property Solutions**

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# Case Study: Opportunity



- Hilton hotel in Universal City, CA
- Built 1983
- ~500,000 SF, 500 rooms, 32,000 SF meeting space on 23 floors
- 10 years of deferred maintenance
- Needed upgrades—HVAC, lights, water pumps, VFDs, elevators, etc.
- \$12MM total scope desired





# Case Study: Pace Solution

- Availability of PACE to pay for energy/water related upgrades (\$7MM) allowed owners to use remaining Cap Ex for other renovation projects
- Long term, full-amortizing loan – 20 years @ 7% fixed rate
- Results:
  - 50% reduction energy usage
  - Est. energy & water savings - \$800,000/year
  - Est. O&M savings: \$200,000/year
  - Est. NOI increase in Year 1 - \$335,000
  - ROI – 78%



# PACE solution

## Barriers to EE Upgrades

- Small lender pool
- Need for upfront capital
- Transfer issue
- Split incentive
- Performance Skepticism
- ROI can be too low
- Limited long term financing
- Cost of capital/capital constraints



## PACE solution

- No upfront capital
- Transfers with property sale
- Long term financing (20 years)
- Non recourse financing
- Off-balance sheet
- Potential tenant pass-thrus
- Solves potential contract transfer issues
- Total savings > total payments



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