



Decarbonizing Value Chains: The Built Environment

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Overview

Converging market forces are driving demand for innovative CRE financing

Regulatory Shifts & ESG

- Policy trend toward mandates and full electrification
- Finding the “S” in ESG

Cost to upgrade buildings at scale is enormous

- Example: Capital required to achieve Biden goal
- City of Berkeley estimates building decarbonization in Berkeley alone will cost \$5B

C-PACE has emerged as a favored solution for policymakers, investors and property owners

- Facilitates policy objectives without public subsidy
- Not just the “E” in ESG
- Advantageous for property owners

Regulatory Snapshot: Local, State & Federal

Trend toward mandates and full electrification

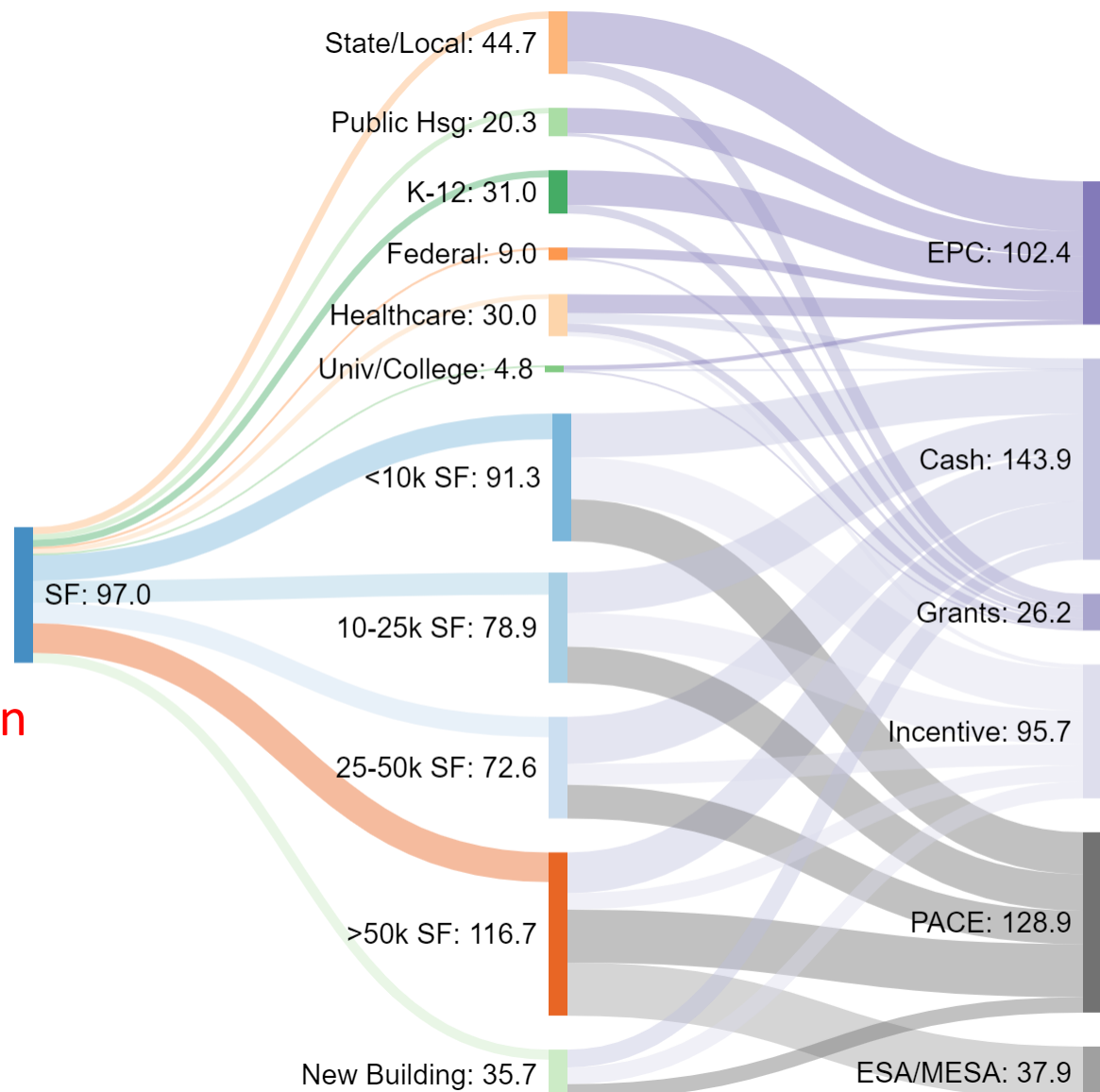
- **2019: New York City** adopts Local Law 97 (LL97), which requires commercial buildings of more than 25,000sqft to meet aggressive emissions standards by 2024 with stricter limits going into effect in 2030. LL97 includes financial penalties for non-compliance.
- **2019: Washington State** adopts Clean Buildings Standard (HB1257), which mandates reduced emissions for non-residential buildings larger than 50,000sqft.
- **2020: White House:** Pres. Biden establishes goal to retrofit 4 million buildings.
- **2021: SEC issues an RFI** seeking input on questions related to climate change disclosures. New rules likely to require auditability and transparency in order for businesses to claim they are positively affecting the climate. Issuers of securities (corporate debt, equity, structured transactions) could have significant business liabilities to contend with.
- **2021: California Energy Commission** updates building codes to incentivize all-electric building construction.
- **Ongoing: 50+ municipalities** have now adopted mandates for *full electrification* of new buildings.

Example: Biden's Goal to Upgrade 4M Buildings


Where will the money come from to upgrade buildings at scale?

Sources of Capital

- EPC/UESC – Public Buildings - \$103 billion
- Cash or Bank Loans -- \$144 billion
- Grants (federal) -- \$26 billion
- Utility Incentives -- \$96 billion
- **Commercial PACE – \$129 billion**
- ESA/MESA -- \$38 billion
- **Total: \$536 billion**



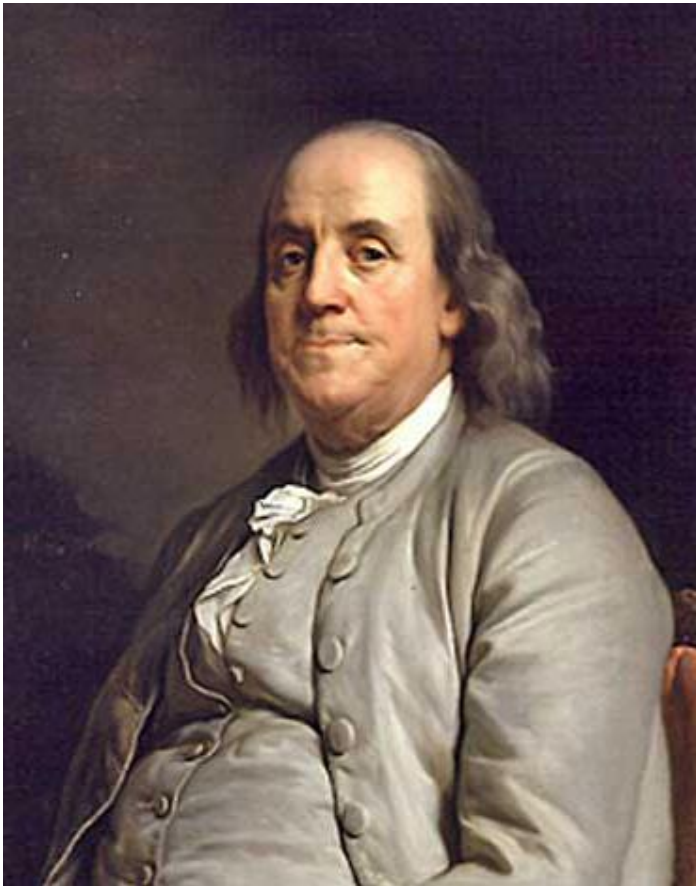
What is PACE?

An aerial photograph of a dense urban neighborhood, likely San Francisco, showing a variety of colorful multi-story buildings. The buildings are packed closely together, with different colors like blue, yellow, and white. Some buildings have flat roofs with rooftop decks or solar panels. The lighting suggests it might be late afternoon or early morning, with some windows illuminated from within.

PACE is an assessment-based financing mechanism for energy efficiency, renewable energy, water conservation, public health, and resilience projects.

Not a New Idea

Financing a Public Purpose



1736 – First Assessment District in Philadelphia

Today – 37,000 Assessment Districts nationwide

- ✓ Water & Sewer Service
- ✓ Parks
- ✓ Sidewalks
- ✓ Lighting
- ✓ Downtown Renewal
- ✓ Energy & Resilience (PACE)

Why Building Owners Choose PACE

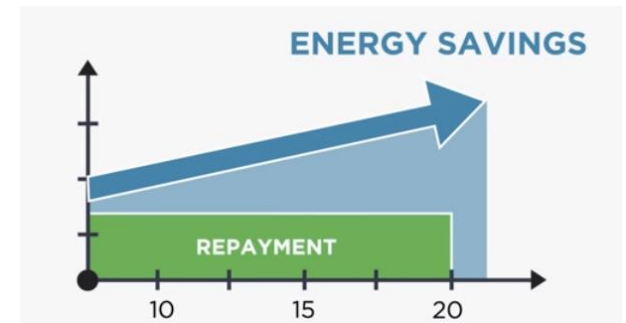
No \$ out of pocket - Hard and Soft Costs



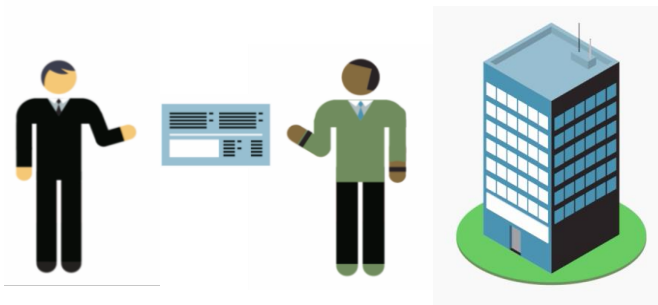
1. No \$ out of pocket



2. Long-term payback reduces amount that must be paid on a monthly/annual basis



3. Long-term payback makes many projects cash flow positive



4. As a property based lien, the assessment runs with the land



5. For C-PACE, costs can be shared with tenants

Benefits to Local Community

Numerous Economic, Environmental and Social Benefits

Jobs/Economic development - Creates inclusive financing/capital options for developers of projects and can facilitate smaller projects that may additional options. Job creator.

Environmental benefits - Helps local governments achieve sustainability and resilience goals, including significant emissions reductions.

Insurance benefits - Structural hardening of properties to protect against natural disasters.

Building benefits - Improves efficiency and value of building stock.

Government benefits - No cost or liability to the government and no public funds are used.

Thank you!

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