



Energy Improvement Corporation

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The Energize NY Benefit Financing Program also known as PACE (Property Assessed Clean Energy) has the potential to transform the commercial and not-for-profit buildings of a neighborhood with simple and affordable access to long-term capital used to install energy efficiency and renewable energy improvements. PACE is a public benefit that helps to lower energy costs, improve the building stock of the community and lower pollution for the region and allows building owners to repurpose money currently being spent on utilities into needed capital improvements. These improvements result in more efficient, comfortable, and environmentally friendly buildings.

PACE leverages the capital markets' familiarity with tax-based finance to scale clean energy improvements. New York's enabling statute, Article 5-L, allows participating counties and cities to collect any PACE financing costs on the property tax bill of the improved building.

The Energy Improvement Corporation (EIC), a not-for-profit, Local Development Corporation is a municipality-controlled, constituted authority created to facilitate the raising of capital and implementation of PACE in its member municipalities using a shared service model. EIC has two PACE products: Energize NY PACE and Pay When Received PACE.

- 1) *Energize NY PACE* leverages the tradition of municipalities backing tax payments from real property to support community-wide public benefits and services which, in the case of PACE, provides capital to lower energy costs, rehabilitate buildings and lower pollution. As a result, Energize NY PACE is widely available to eligible commercial and not-for-profit property. EIC utilizes a range of robust underwriting standards that qualify the property by assessing if the property is able to pay the extra charge on the property tax bill as well as requiring existing mortgage lender consent. EIC has developed reserves described below to provide protections to EIC's members and advises that including member-specific restrictions may provide additional assurance.
- 2) *Pay When Received PACE* has been launched to attract capital from national developers that is typically targeted at larger redevelopment and rehabilitation projects. As with Energize NY PACE, projects must adhere to EIC standards and NYSERDA's PACE Guidelines, however financing availability and criteria are determined by independent capital providers. Pay When Received PACE projects do not require the EIC Member Municipality to back payments in the case of tax delinquency.

Enabling both Energize NY PACE and Pay When Received PACE is consistent with providing the broadest suite of services to address the wide variety and needs of local communities and the buildings within them. To assure EIC's municipal members, EIC has suggested approaches to limit the amount of capital available and built reserves into Energize NY PACE to assist the EIC member in its payment obligations. The reserves are described below:

The Municipal Reimbursement Funds (MRF) are offered to EIC’s Municipal members to reimburse the member for a permanent loss on a benefitted property using Energize NY PACE. If a property owner’s non-payment of taxes results in a foreclosure that does not yield sufficient funds to satisfy the amounts owed to the municipality, the municipality may declare a permanent loss. If the municipality can demonstrate that it suffered a permanent loss and was not able to collect the amounts due through foreclosure or other means, then the municipality may collect the amount of the loss that was attributable to the Energy Improvement Charge from EIC’s MRF. The MRF is described more fully in Article 6 of the Municipal Agreement and is categorized by the rating of the participating Member (“Below A” and “A and Above”) using grant-based funds and using \$500,000 NYS Green Bank Line Of Credit #1. In addition, fee-based revenue sources from new PACE projects will be used as supplements, based on the recommendations of PFM, EIC’s financial advisor that estimate protection up to a 4% loss rate. All previous financings are included in the two new MRFs. See detail below.

a. **MRF for EIC Members with credit ratings of “A” or Above A:**

\$250k of NYGB LOC#1

\$350k EIC sourced federal funds (from NYSERDA)

Revenue includes closing fees of 20 basis points and Interest Rate Surcharge of 20 basis points.

b. **MRF for EIC Members with credit ratings Below “A”:**

\$250k of NYGB LOC #1

Revenue includes closing fees of 20 basis points and Interest Rate Surcharge of 20 basis points.

The Municipal Tax Delinquency Fund (MTDF): The purpose of the MTDF is to provide EIC member municipalities with a ready source of funds during the pendency of a delinquent tax charge payment associated with an EIC Energize NY financing of a property (a “Benefited Property”). Because a municipality offering Energize NY PACE is required under its municipal agreement with EIC to pay all tax charges associated with EIC financings regardless of whether or not it collects the charge from the Benefited Property, a municipality will need to source missing tax revenues from other sources if a property owner does not pay the tax charge when due. Participation in the MTDF is optional at the election of the municipal member and requires the municipality to sign and accept the templated MTDF Agreement and pay an Annual Fee. The MTDF is funded by a .25% fee charged on Energize NY Finance borrowers and backed by a \$5MM line of credit from the NYS Green Bank.

Some characteristics of PACE that are important to note:

- Because PACE financing is a public benefit, the repayment obligation is made as a charge on the property tax bill and remains with the property if it is sold;
- PACE often allows projects to be cash-flow positive from the outset because the financing offered is relatively-low cost and payable over an extended period of time (up to 20 years). Thus, the energy savings can more than offset the property tax increase.
- Because Energize NY PACE is widely available throughout the community, all types of projects including not-for-profits, affordable housing, retail, mixed-use and commercial buildings are able to be considered for financing.

**EIC PRODUCT
DESCRIPTIONS**

	ENERGIZE NY PACE 2.0 PRODUCT DESCRIPTION	ENERGIZE NY "PAY WHEN RECEIVED" PRODUCT DESCRIPTION
TYPICAL FINANCING SIZE/PROPERTY/ PROJECTS SERVED	\$25,000 to \$1,000,000 sized projects. Generally commercial, retail, multi-family and affordable residential, hospitality, hospital, not-for-profit, healthcare, assisted living and agriculture projects.	\$250,000 to \$20,000,000 sized projects. Generally large redevelopment projects and gut renovations, change of use; Hotels, Warehouse; Office conversions.
MAXIMUM AMOUNT OF FINANCING AVAILABLE	35% of the property's appraised value	Determined by Capital Provider
MINIMUM FINANCE AMOUNT	\$25,000	Determined by Capital Provider
LENGTH OF FINANCING TERM	Minimum term of 5 years and Maximum term of 20 Years. The term is not to exceed the weighted average of the useful life of the improvements to be installed on the property including other approved costs.	Determined by Capital Provider but the term is not to exceed the weighted average of the useful life of the improvements and other approved costs to be installed on the property.
ELIGIBLE MUNICIPALITIES	All EIC Member Municipalities	EIC Member Municipalities that have enabled Pay When Received PACE through an addendum to the Municipal Agreement and that have been accepted by a Capital Provider

ELIGIBLE PROJECTS	Energy efficiency and renewable energy projects that comply with NYSERDA programs, investor owned utility programs or otherwise meet NYSERDA's C-PACE Guidance Document; New construction projects are eligible in the case of renewable energy improvements.	Energy efficiency and renewable energy projects that comply with NYSERDA programs, and investor owned utility programs or otherwise meet NYSERDA's C-PACE Guidance Document; New construction projects are eligible in the case of renewable energy improvements.
ELIGIBLE PROPERTIES	Existing buildings owned by an entity, other than an individual,	Existing buildings owned by an entity, other than an individual.
ELIGIBLE PROPERTY OWNERS	Not in bankruptcy; current on mortgage and property taxes for the past three years	Not in bankruptcy; current on mortgage and property taxes for the past three years
LOAN TO VALUE (LTV) LIMITATION	PACE Financing capped at 35% of value. Property's total amount of land secured loans is less than or equal to 90%, including the requested PACE financing	Determined by Capital Provider
ANNUAL CASH FLOW REQUIREMENT	No	Determined by Capital Provider
COST EFFECTIVENESS/SIR TEST	Must satisfy NYSERDA's Cost Benefit Ratio or use measures qualified to be Cost Effective by NYSERDA	Must satisfy NYSERDA's Cost Benefit Ratio or use measures qualified to be Cost Effective by NYSERDA
EIC MEMBER OBLIGATED TO PAY DURING DELINQUENCY	Yes	No

ABILITY TO ADD PACE TAX CHARGE TO BILL DURING CONSTRUCTION	Yes	Yes
EXISTING LENDER CONSENT	Required	Determined by Capital Provider
NOTICE OF PACE FINANCING ON LAND RECORDS	Required	Determined by Capital Provider
MUNICIPAL RESERVE FUNDS	Yes	No
Link to NYSERDA C-PACE Guidelines	https://www.nyserda.ny.gov/cpace-guidelines	https://www.nyserda.ny.gov/cpace-guidelines
Link to Energize NY Underwriting Standards	http://energizeny.org/images/uploads/ENY_PACE_2dot0_Standards.pdf	NA