



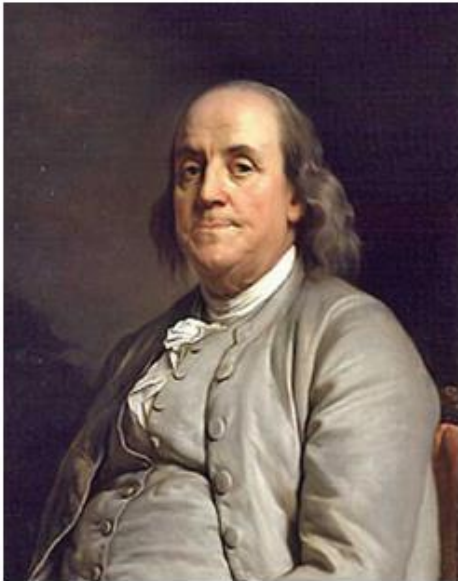
# Building a Regional PACE Market

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# PACE 101: Financing Mechanism

## Property Assessed Clean Energy



*Philadelphia Opt-in Fire  
District 1736*

- Private capital provides 100% upfront, low-cost, long-term funding
- Repayment through property taxes
- Same financing mechanism used to fund infrastructure projects (like PILOT, TIF, or “front foot benefits”)
- A senior PACE lien is put on the property and stays regardless of ownership

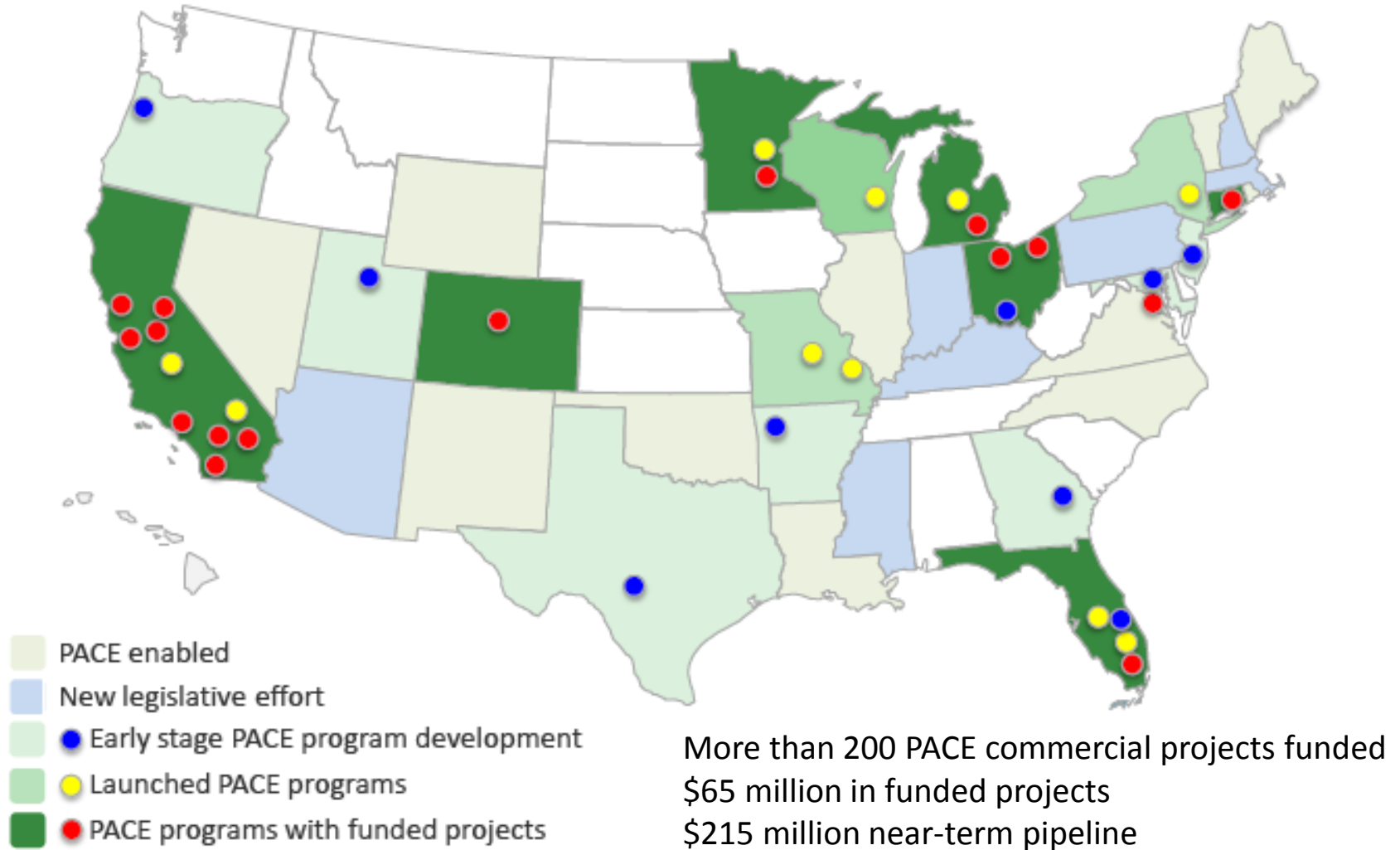


# PACE 101: Market in 2010



Source: PACENow

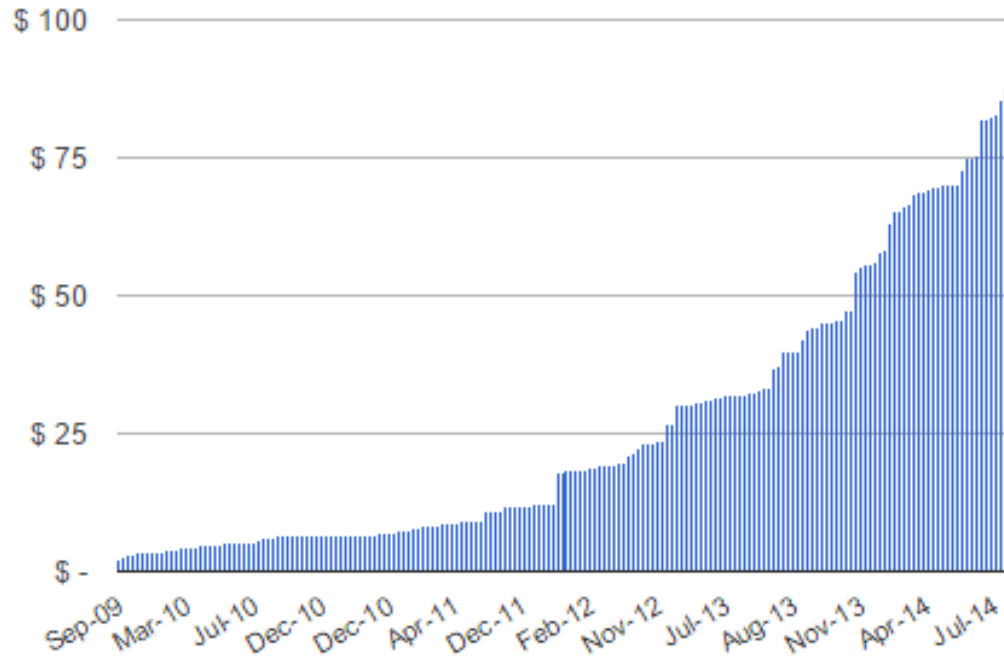
# PACE 101: Market in 2015



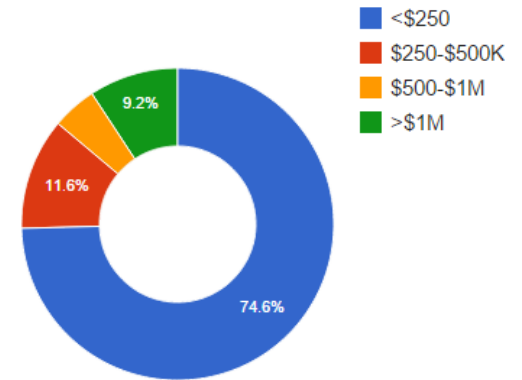
Source: PACENow

# PACE 101: Commercial Market

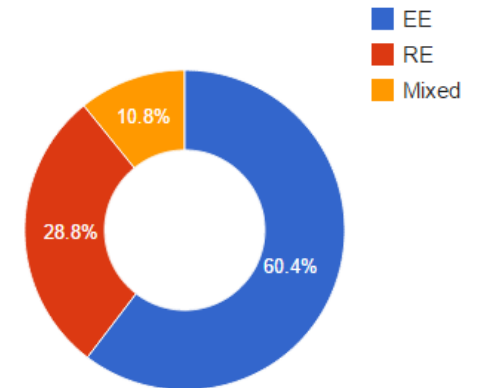
**As of end of the 2014, \$105 million has been invested in PACE projects**



NUMBER OF PROJECTS, BY SIZE



NUMBER OF PROJECTS, BY TYPE OF UPGRADE



Source: PACENow

# DC PACE: Program History

**Statutory Authority:** Established by the DC Council as part of the Energy Efficiency Financing Act of 2010, and Sustainable DC Act of 2012. DC PACE is backed by \$250 million in bonding authority, available to all commercial, institutional and multi-family real estate within the District of Columbia.



## Program Design

- Market-based, privately administered
- Can accommodate multiple building type
- for-profit & properties that don't pay real estate tax

## Sustainability Goals

- Increase energy reliability
- Drive economic development and job creation
- Reduce GHG emission and environmental damage



# DC PACE: Program Administration



- Oversees DC PACE program
- Approves final underwriting
- Initiates PACE note
- Responsible for bill collection and disbursement of proceeds

- Private sector program administrator, on behalf of DC Government
- Responsible for marketing and outreach
- Provides technical & financial underwriting, arranges capital, and confirms M&V



# The DC PACE Experience

## Lessons Learned:

- There is strong (and growing) **evidence of market demand** for PACE
- Understanding customer needs and **building awareness takes time**
- Recognize the **key roll of contractors** in scaling demand for PACE
- **Open market design** allows rate competition, efficiency, and choice
- But, owners also **need a PACE product** when they walk in the door
- **Capital providers are gaining comfort**, including Federally backed
- Policy should **allow the product to adapt** to new market insights
- Building a strong **“DMV” regional market** will accelerate all programs



# Toward a Regional PACE Market

## Promoting Common Program Features:

- Plan for **local resource commitments**: Core staff, audits, enhancements
- Think carefully about **program administration** functions (what to do in house, what to outsource, and what to leave to the market...)
- Focus on **financial efficiency**, price does drive customer decisions
- Pay attention to the **special assessment structure** (Assignability, Levy)
- Harmonizing security structures and rules **enables securitization**
- Be careful about **not legislating program guidelines** (SIR, LTV tests, etc.)
- Consider **regional collaboration** & efficiency of opt-in program structure



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