



# PACE Financing in Practice

ULI Fall Meeting - Chicago

6 November 2013

# OUR PANEL

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Aaron Binkley – Director, Sustainability Programs  
Prologis, Inc.

George Caraghiaur – Senior Vice President, Sustainability  
Simon Property Group

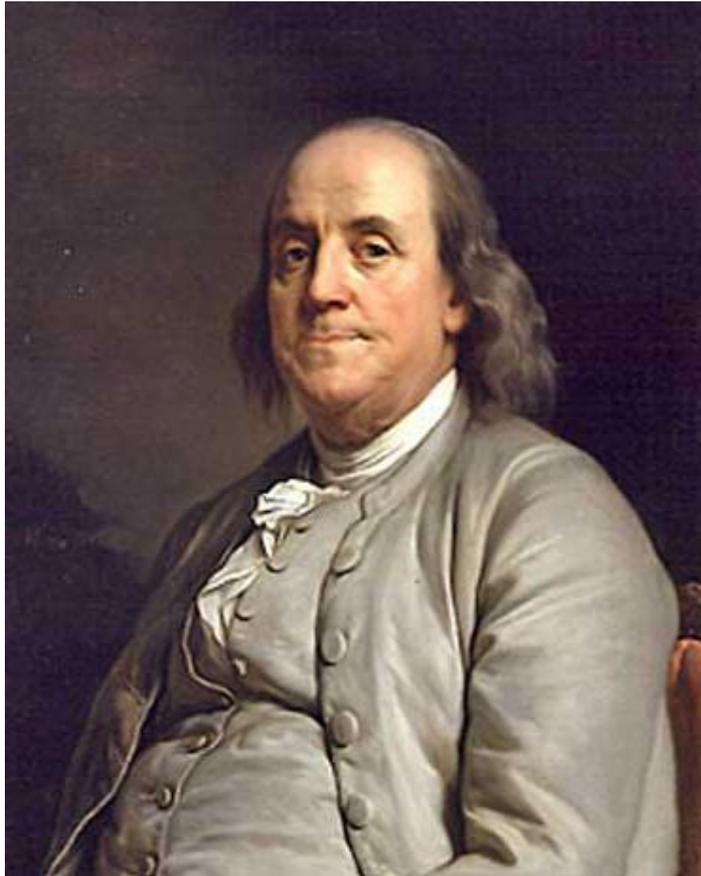
David Gabrielson, Executive Director  
*PACENow*

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# PACE PROPERTY ASSESSED CLEAN ENERGY

# OLD CONCEPT

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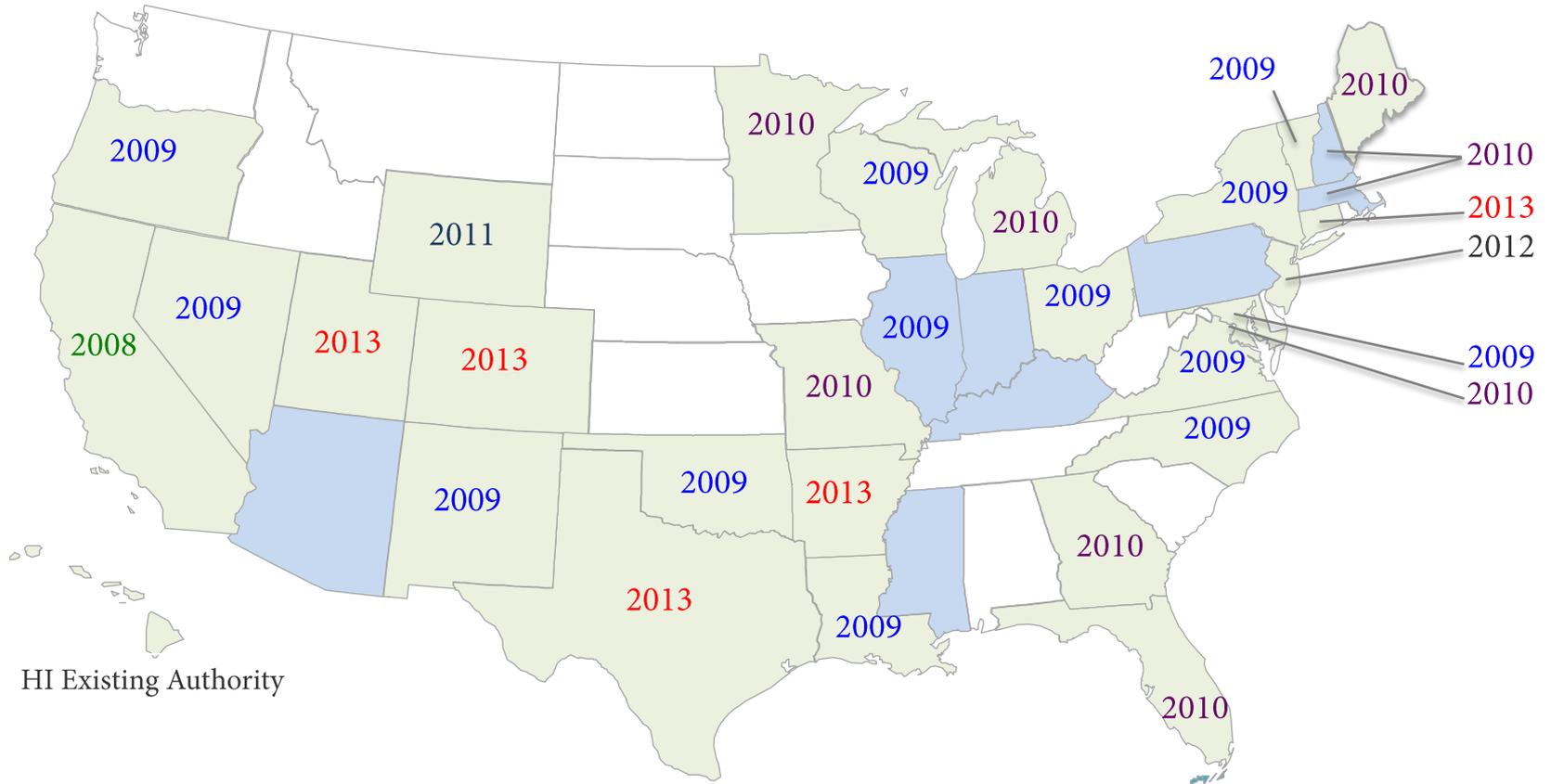


**1736** – First Assessment District for fire prevention in Philadelphia

**Today** – 37,000 Assessment Districts nationwide

# NEW APPLICATION – STATE LEGISLATION

31 states and DC account for nearly 80% of US population



HI Existing Authority

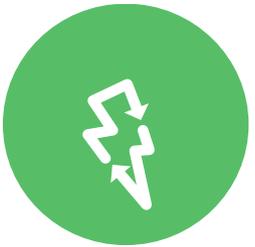
- PACE enabled
- 2013 legislative initiatives or planning to establish PACE legislation

# How PACE WORKS

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Local government creates PACE benefit district



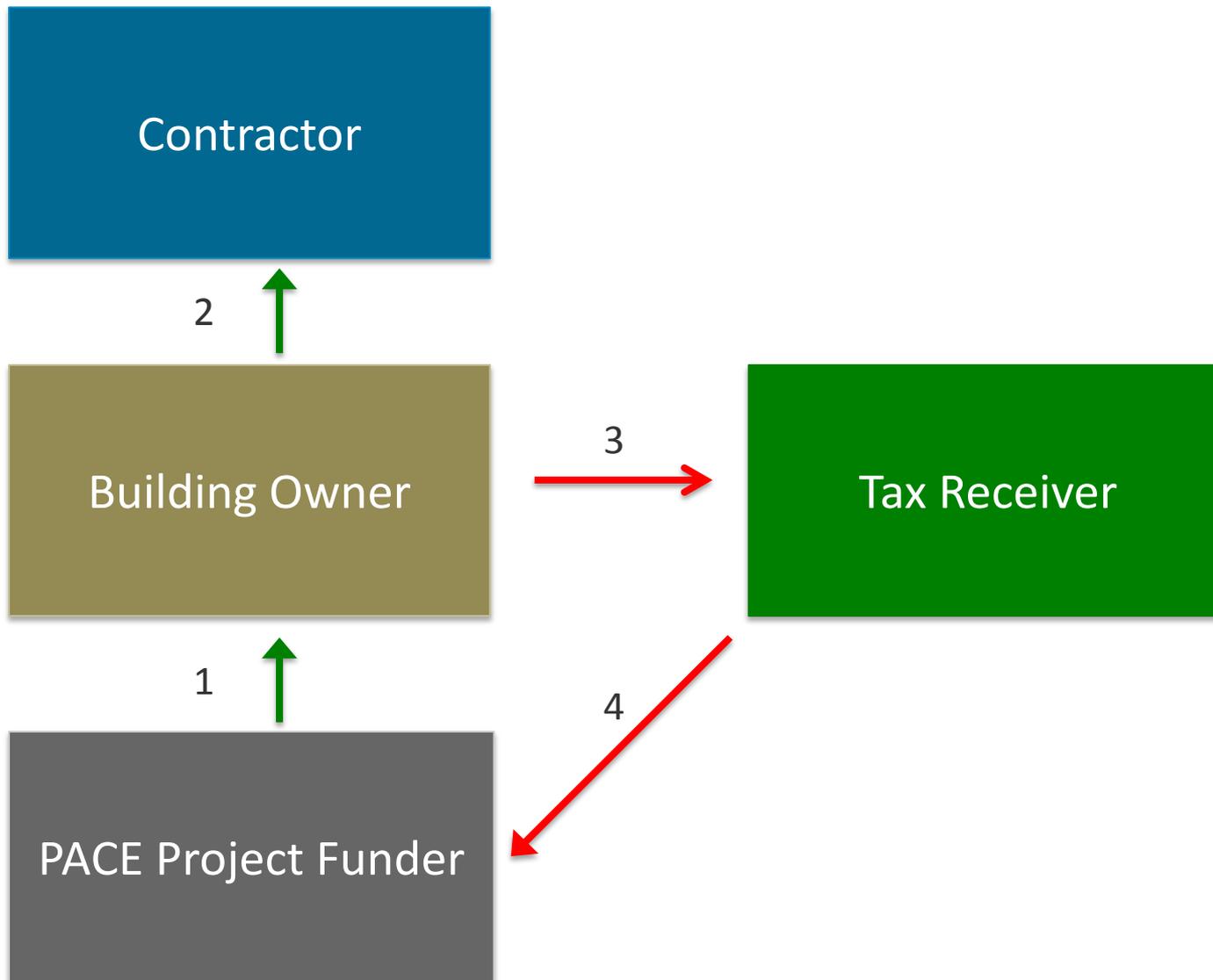
Building owner selects projects  
Get consent from mortgage lender



PACE program arranges or provides financing  
Assessment added to tax roll

# PACE – SIMPLE CASH FLOWS

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# COMMERCIAL PACE

# WHO & WHAT?

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## *Who*

Large or small commercial

Industrial

Multi-family housing (5+)

Agricultural

Not-for-profits

## *What*

Save Energy

Permanently affixed

- CHP Installation
- Lighting fixtures & controls
- HVAC upgrades
- Roofing
- Envelope upgrades
- Elevator modernization
- Solar PV or fuel cells
  - i. PACE PPA

# WHY PACE?

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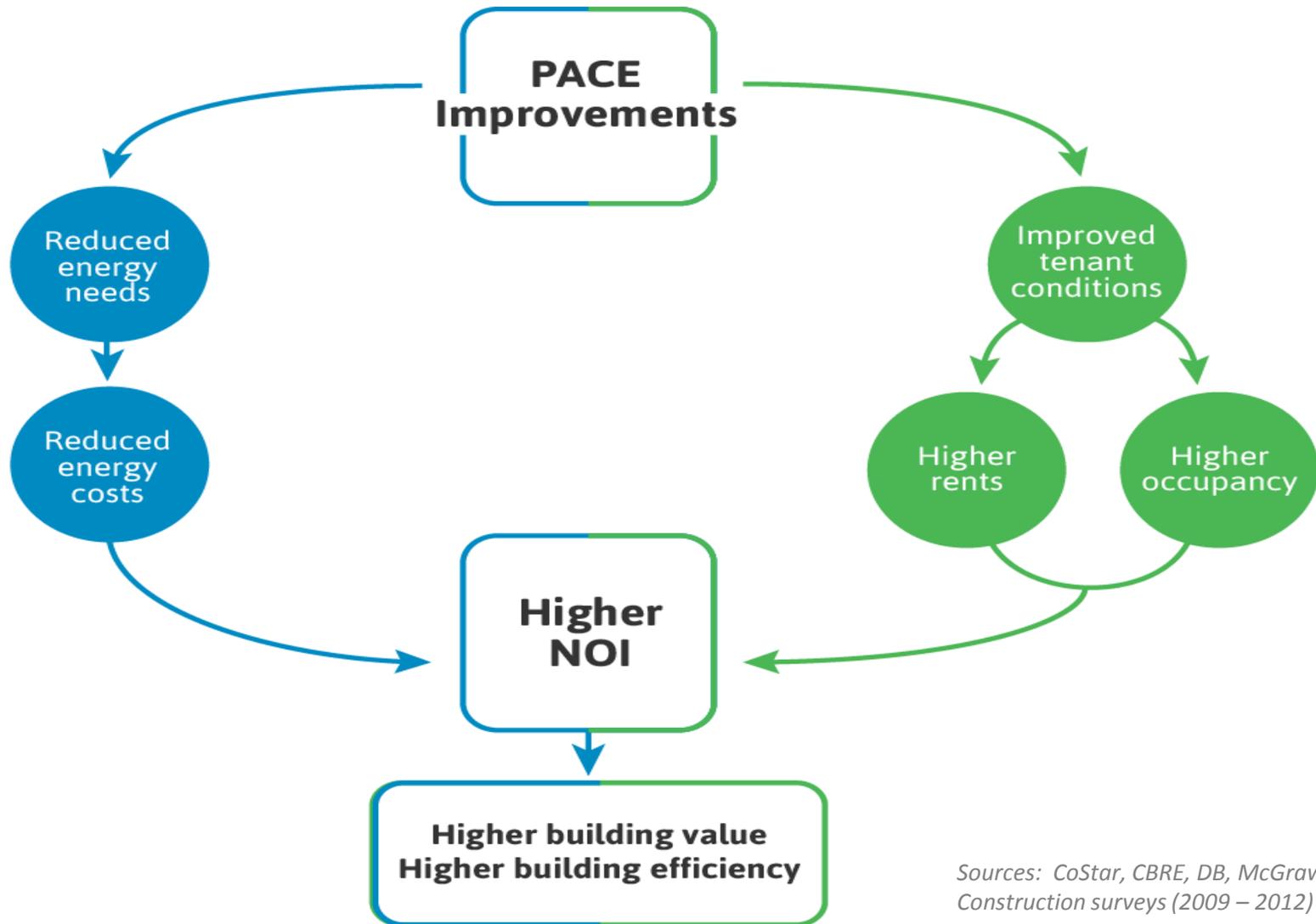
## ***Barriers***

1. Lack of funds
2. No lenders
3. Poor ROI – Short term funding
4. Might sell property
5. Split incentives
6. Information gaps

## ***Solutions***

1. 100% external source
2. Unlimited private capital
3. Positive cash flow – Long term funding
4. Transfers to new owner
5. Tenants share cost & savings
6. Local awareness

# ENERGY EFFICIENCY MAKES SENSE



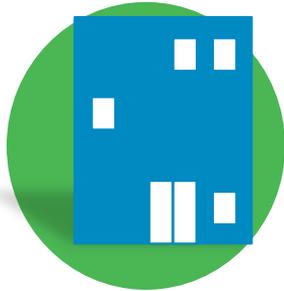
Sources: CoStar, CBRE, DB, McGraw Hill Construction surveys (2009 – 2012)

# PACE PROJECT EXAMPLE

***\$1,500,000 add to Building Value (8.9%)***

*Estimated Project cost \$550,000*

30 Year Old,  
200,000 ft<sup>2</sup>  
office  
building in  
Washington,  
D.C



2000 Main Street Property	Before PACE	After PACE
<b>Revenue</b>		
Rental Income	2,735,000	2,735,000
PACE pass through		50,000
Total Revenue	2,735,000	2,785,000
<b>Expenses</b>		
Property Taxes & Assessments	515,000	515,000
PACE Assessment		50,000
Energy Costs	330,000	225,000
Other Expenses	705,000	705,000
Total Expenses	1,550,000	1,495,000
<b>Net Operating Income (NOI)</b>	1,185,000	1,290,000
Building Value at 7% CAP Rate	16,930,000	18,430,000





# SIMON PROPERTY GROUP – SANTA ROSA, CA

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Simon used PACE to finance a \$463 thousand cool roof project at its Santa Rosa Plaza Mall in Sonoma County, CA

“It is our hope that we will serve as pioneers in this arena, encouraging others to explore the many ways to reduce energy use now, rather than delaying sound financial and environmental decisions.”

*George Caraghiaur, SVP , Sustainability Programs at Simon Property Group*

# PROLOGIS, INC. – SAN FRANCISCO, CA

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Prologis used PACE to finance a \$1.4 million energy efficiency and solar energy project at its San Francisco headquarters

“Prologis is optimistic about the future of PACE,. There are a number of opportunities over a long term in other property sectors too.”

*Aaron Binkley, Director of Sustainability Programs*