



Colorado Preservation Next Academy

**Navigating Funding
Resources for
Sustainability & Climate
Resilience**

July 11, 2023

Meet Our Guest Speakers



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VICE PRESIDENT
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PARTNERS

Frank Swain

MANAGING DIRECTOR
PACE EQUITY

Christi Smith

DIRECTOR OF
PROGRAMS
ENTERPRISE
COMMUNITY
PARTNERS

Inflation Reduction Act

Equitable *implementation of aspects of the Inflation Reduction Act* that relate to climate-smart affordable housing.

Includes active engagement with agency staff and Enterprise stakeholders as programs are developed to ensure resulting programs can provide maximum benefit to residents of affordable housing, and later, that incentives are accessed by stakeholders.



Strategies:

- Federal agency and White House engagement in partnership with other affordable housing and climate advocates
- Submitting responses to agency Requests for Information
- Affordable housing stakeholder education via hosting national webinars and blogs, presenting at national conferences, and engaging with Enterprise market office advisory councils.

NAVIGATING EXISTING AND ANTICIPATED RESOURCES FOR SUSTAINABILITY & CLIMATE RESILIENCE

Inflation Reduction Act

Most relevant programs, by Agency:

HUD

- \$1B Green and Resilient Retrofit Program; NOFO released May 11, 2023 with rolling application dates through early 2024. Property specific applications; basic through comprehensive.

DOE

- \$4.3B Home Efficiency and \$4.5B Home Electrification rebate programs. States and Tribes designing their programs in response to DOE guidance. Seeking housing engagement in local program development. Rebates likely available early 2024.

Treasury

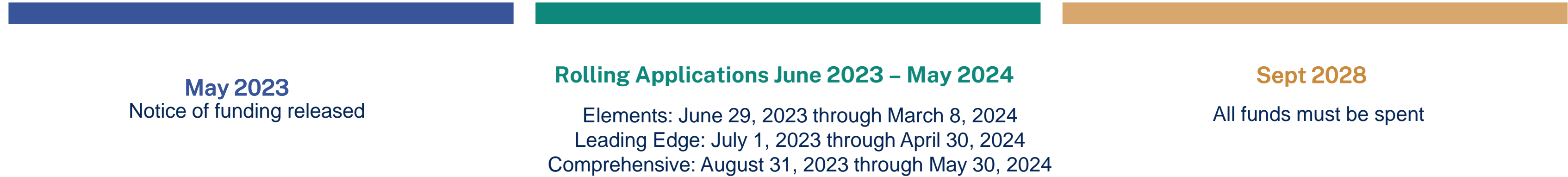
- 45L provides tax credits for dwelling units certified to ENERGY STAR and/or ZERH.
- Low-Income Communities Bonus Credit boosts ITC of solar/wind energy projects in low-income communities by 20% along with several other ITC adjustments. New transferability and direct pay provisions.

EPA

- Greenhouse Gas Reduction Fund competitions: \$14B National Clean Investment Fund, \$6B Clean Communities Investment Accelerator, \$7B Solar for All. Solar for All open now; other two likely opening this month.
- Environmental & Climate Justice Thriving Communities Block Grants (up to \$2B), Grantmaking (\$550M), and TA.

Timeline for Program Implementation

HUD's Green and Resilient Retrofit Program



DOE's Home Efficiency & Home Electrification Rebate Programs



EPA's Greenhouse Gas Reduction Fund





Overview of Colorado Energy Office Resources for Affordable Housing

Enterprise Colorado Preservation Next - July 11, 2023

Benefits of sustainable affordable housing

- **Lower energy bills** - Low-income residents often face the highest energy burden, sometimes paying upwards of 10% of their income for energy. Improving insulation, sealing air leakages, and installing high efficiency appliances can drastically reduce energy costs.
- **Lower insurance and maintenance costs** - Homes, apartments, and condos that are built or renovated to be sustainable are more resistant to increasingly severe climate impacts, and also require fewer repairs and maintenance, saving residents money on insurance and maintenance costs.
- **Improved health and safety** - Improving efficiency and ventilation and sealing air and moisture leaks will improve the health and safety of homes by limiting exposure to toxic emissions from indoor fossil fuel use and cooking, unhealthy temperature fluctuations, increased allergen exposure, and moisture penetration that can lead to mold.
- **Reduce greenhouse gas emissions** - Improved energy efficiency and electrification reduces greenhouse gas emissions from space heating and cooling, water heating, and cooking.



Federal, State, & Utility Funding Opportunities

- **Green and Resilient Retrofit Program (GRRP) - Housing and Urban Development**
 - Inflation Reduction Act included \$1 billion for retrofits of existing affordable housing units for energy efficiency, water efficiency, electrification, renewable energy, energy storage, etc.
 - Only available to affordable housing projects with HUD loans/funding
 - Affordable housing projects must apply directly - CEO, OEDIT, CHFA, and DOH will be hosting a focus group in late July to hear from owners about assistance with applications
- **Energy efficiency and electrification rebates - Department of Energy**
 - Inflation Reduction Act included \$9 billion for rebates to low- and middle-income households for energy efficiency improvements and electrification of fossil fuel-powered appliances.
 - This funding will run through the state - Colorado expected to receive ~\$140 million



Federal, State, & Utility Funding Opportunities (cont.)

- **Tax credits** - Both the federal and state governments have established new and expanded tax credits in the past year that will support energy efficiency, electrification, and renewable energy upgrades in multifamily housing, some of which are direct pay.
 - **Federal investment tax credit** - Up to 50% tax credit (30% base + up to 20% in adders) for installing ground source heat pumps and solar energy systems
 - **Federal energy efficiency property tax credit** - up to \$600 for high efficiency furnace, up to \$2,000 for electric heat pump or heat pump water heater,
 - **CO heat pump tax credit** - Until January 2024, 10% of total cost. Starting January 2024, \$1,500 for an air source heat pump, \$3,000 for a ground source heat pump
- **Utility rebates** - Utilities offer rebates for installation of energy efficiency and clean energy measures.
 - Example: Xcel Energy offers thousands of dollars in rebates for heat pumps, heat pump water heaters, energy storage systems, EV chargers, EVs, and more



Preparing for IRA: Building Performance

- Many Inflation Reduction Act programs for buildings, as well as new building energy codes, are increasingly focused on overall building performance
- This is new for many housing developers - previous focus has largely been on prescriptive requirements
- Understanding building performance modeling, benchmarking, and other measurement practices is important to prepare for funding that will include such requirements
- Building performance metrics will also help building owners to understand areas for improvement - typically done through energy audits



Energy Office Work with CHFA

- CEO and CHFA partner in a number of areas:
 - Development of sustainability criteria (in consultation with other agencies) for state-funded new affordable housing
 - Development of an Electrification Hub that would serve as a resource for affordable housing developers and owners
 - Identifying case studies for affordable housing sustainability pathways
 - Development of a “decision tree” resource that would help affordable housing developers navigate the many pathways and challenges of building new affordable housing and renovating existing affordable housing to be efficient, sustainable, and healthy



Potential Future Opportunities

- **Energy efficiency as a service**
 - CEO currently operates an Energy Performance Contracting (EPC) program that helps businesses and public buildings invest in energy efficiency and clean energy with little upfront cost and payback over time through energy savings
 - Program not typically utilized by residential owners
 - Looking into options to pilot a program for on-bill financing of energy efficiency investments through utilities or third party energy service companies
- **Workforce development**
 - As demand for energy efficiency, electrification, and clean energy retrofits grows, so too will the demand for qualified contractors, electricians, energy auditors, etc.
 - CEO is considering options for training and certifying workers to expand the workforce and ensure there is sufficient capacity to keep up with growing demand



Thank You!

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COLORADO
Energy Office



Colorado Clean Energy Fund

An Introduction to Our Organization, Loan Products, and Process

Colorado Clean Energy Fund: Colorado's Green Bank

Capitalized in November 2021 with \$30 million from the state of Colorado



Colorado Clean Energy Fund (CCEF) is a **mission-first, nonprofit investment fund** that fills existing financing gaps to accelerate clean energy adoption.

CCEF is not a typical depository financial institution. Instead, CCEF is a financial institution with **energy expertise and flexible capital**.

Our vision is a just and equitable transition to a decarbonized economy, with **CCEF serving as the North Star** for clean energy projects and collaborators across Colorado.

We expand the impact of clean energy programs by complementing regulations, incentive programs, and other support programs



What Is CCEF's Purpose?



Expand Access – Enable better coverage of the market, by increasing the number of projects that can access financing and bringing in customers that may have not otherwise been able to participate



Increase Effectiveness of Public Funds – Leveraging private capital and integrating delivery with incentives to reduce direct program costs and mitigate financing (credit) risk



Support Deeper Energy & GHG Savings – Supporting larger projects with longer payback periods to maximize lifetime energy savings translates into more greenhouse gas emissions reductions



Organize & Support Markets – Engaging and coordinating stakeholders such as customers, contractors, utilities and financial institutions. Provide proof of concept technical support and demonstration projects to prove the market.



Multifamily Affordable Housing

Type	Term	Rates	Repayment	Security	Timing to Access
Affordable Pre-Development Loan	Up to 24 months	3-5%	Monthly interest-only payments	Varies by project type, can be unsecured	Within 60 days of application submission
Affordable Construction Loan	Up to 36 months	5-7%	Monthly interest-only payments	Deed of Trust, senior or subordinate, up to 90% total loans-to-value	Within 60 days of application submission
Affordable Permanent Loan	Up to 20 years	5-7%	Monthly principal + interest payments based on amortization up to 30 years	Deed of Trust, senior or subordinate, up to 90% total loans-to-value	Within 60 days of application submission



Crossroads Project

- **Developer:** Loveland Housing Authority
- **City:** Loveland, CO
- **Affordability:** 319 unit development
 - 144 units at 60% AMI
 - 21 units at 60-80% AMI
 - 44 units at 80-120% AMI
 - 109 units at 120%



Crossroads Project

- **Product:** Pre-development (Bridge) Loan
- **Amount:** \$3.7 million
- **Purpose of Funds:** Assist in funding the property acquisition, to be repaid upon receipt of grant proceeds awarded from the Colorado Department of Local Affairs, Division of Housing (DOH)



Crossroads Project

Clean Energy Aspects

Designed in accordance with the Enterprise Green Communities (EGC) program and will be 100% electric. In addition, a minimum of 10% of parking spaces will be provided for electric vehicle charging stations. All three single family home partners have committed to an all-electric design in their respective products, including providing for electric vehicle charging in garages.

Globeville Redevelopment Project

- **Developer:** Globeville Redevelopment Partners, LLC
- **City:** Denver, CO
- **Affordability:** 219 affordable units will serve families at three income tiers:
 - 30% AMI and less (*36% of the units*)
 - 31% to 60% AMI (*36% of the units*)
 - families at 61% to 80% AMI (*28% of the units*)

Globeville Redevelopment Project

- **Product:** Pre-development Loan (Participation Agreement with Impact Development Fund and Mercy Housing)
- **Amount:** \$1 million
- **Purpose of Funds:** Enable the developer to continue advancing the design, engineering, and permitting of the project while CHFA evaluates the 4% tax credit application
- **Clean Energy Aspects:** The build will be a near net-zero, all-electric system which will be achieved with the use of roof mounted solar panels



Carbonate Street Project

- **Developer:** Fading West Development
- **City:** Buena Vista, CO
- **Affordability:** Modular development of a 60-unit, deed restricted, apartment project. The project will consist of 30 studio units with income restrictions no greater than 80% of AMI. Additionally, there will be 24 one-bedroom units and 6 two-bedroom units that will be no greater than 120% of AMI



Carbonate Street Project

- **Product:** Pre-development (Bridge) Loan
- **Amount:** \$3.3 million
- **Purpose of Funds:** Bridge innovative housing incentive grants for predevelopment
- **Clean Energy Aspects:** The project will be all electric and will be EV Charging Station ready as part of the development. Fading West is working through planning to utilize a mini-split, heat pump system in lieu of radiant heat which will reduce operating costs long term. The buildings can be made solar ready as part of factory construction

The Process

SUBMIT YOUR PROJECT



Visit the CCEF website to submit your project online

COMPLETE PROJECT INTAKE FORM



Learn about the different financing options and complete intake form

CCEF WILL CONTACT YOU



We'll set up time to learn more about you and your financing needs



Intro Meeting

Reviewing Finance Options

Colorado Clean Energy Fund will...

1. Respond to your project intake form within 24 hours
2. Convene a quick call to discuss loan options
3. Move quickly towards the loan application process
4. Underwrite the loan
5. Get your project funded!

We Want to Hear From You!



We're looking for feedback on our loan products:

- What do you see as market opportunities and needs?
- Where are the market gaps?
- What product terms are needed to fill those gaps?

CONTACT US



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Company Overview

Frank Swain

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equity.com



PACE Equity Advantages

Leading funder of C-PACE development projects

Pioneering PACE Funding since 2010



We fund projects in never-before-seen ways. Our principals have spent their careers driving sustainable building practices.

We developed a practical & financially beneficial way to develop low carbon buildings.



Our Founder & President is on the C-PACE Alliance Executive Committee. Our Chief Investment Officer started PACE in Ohio.

We Control our Capital

We have our own fund and make our own investment decisions.

We give **binding commitments** rather than term sheets.

We have a **100% delivery record** on our commitments and have **reduced carbon emissions by 2.5 million metric tons.**]

300+ projects

\$400+ million funded

\$1.5+ billion development enabled

Fast Track™ Funding

Surety of Close: Our unique funding process provides a seamless experience for you.

Our energy engineering expertise and local experience means you get the funding you need for your capital stack.

Committed to Local

We take our relationships seriously. We have nationwide coverage with **Managing Directors on the ground** in 20 states.

Our goal is to **improve your Return on Equity.**

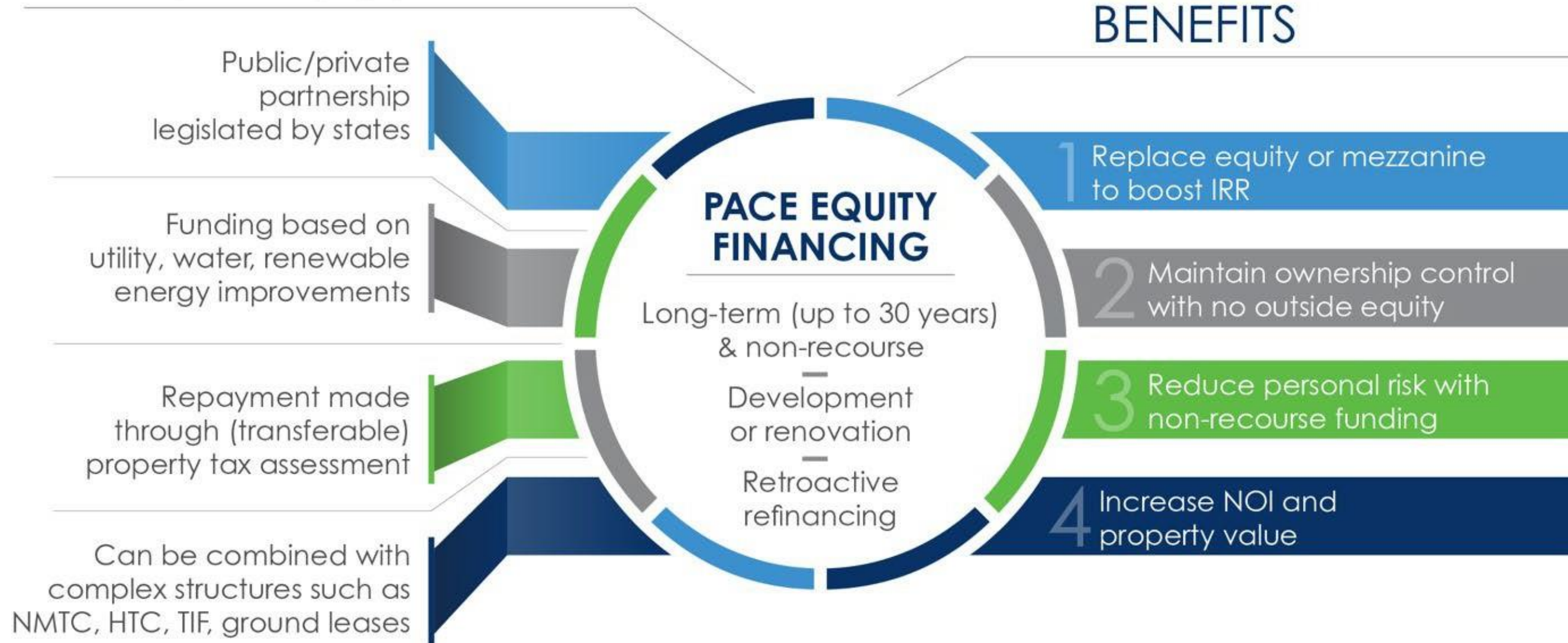




What is PACE financing?

PROPERTY ASSESSED CLEAN ENERGY (PACE)

PACE BASICS



Funding for new construction and renovation projects



Optimize your capital stack



PACE EQUITY IS LOW-COST, LONG-TERM, NON-RECOURSE, MORTGAGE-FREE FINANCING

- BOOST RETURNS
- LOWER WACC
- REDUCE YOUR EQUITY INVESTMENT
- MAINTAIN LARGER OWNERSHIP PERCENTAGE
- REPLACE EXPENSIVE MEZZANINE EQUITY OR DEBT FUNDS



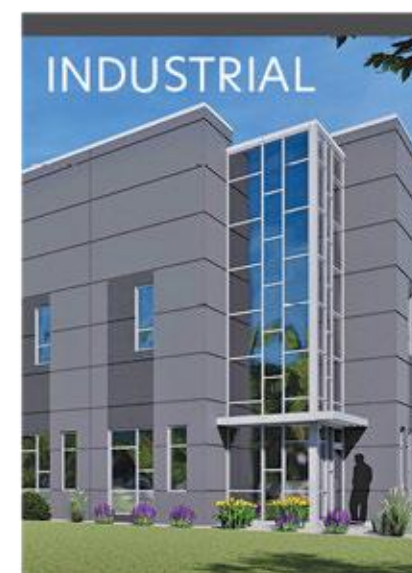
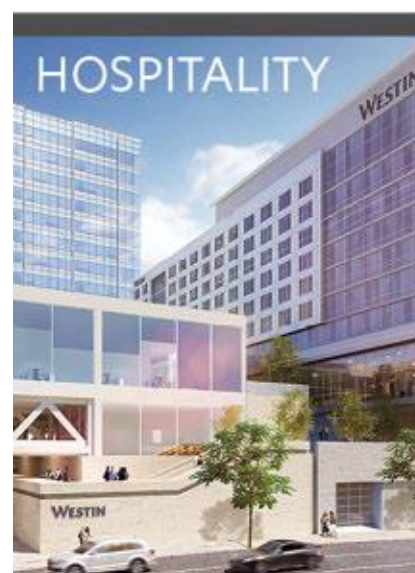
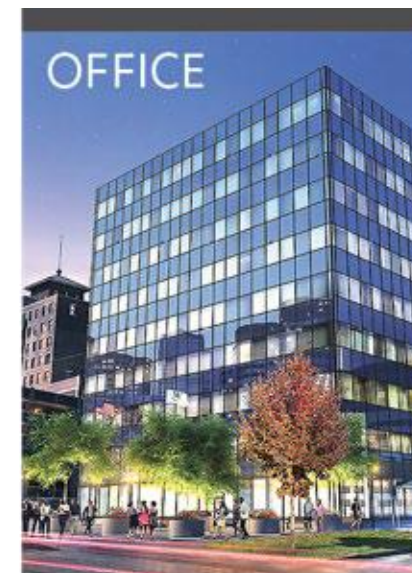
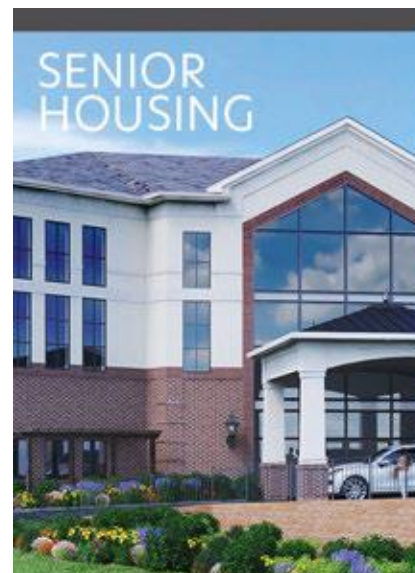


Funding for your asset class

PACE EQUITY CAN BE USED FOR DIFFERENT SCENARIOS ACROSS A VARIETY OF CLASSES

COMMON SCENARIOS FOR FINANCING

- Renovation
- Redevelopment
- New Construction
- Capital Expenditures
- Tenant Improvements
- Seismic or Resiliency
- Renewable Energy
- Retroactive/Refinancing



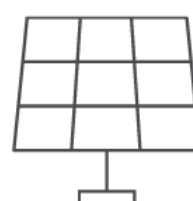


Eligible Improvements*

OUR ENGINEERS CAN OPTIMIZE YOUR FUNDING POTENTIAL



HVAC
EQUIPMENT
& CONTROLS



SOLAR
PV



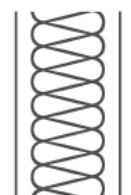
INDOOR
AIR QUALITY



WINDOWS



SEISMIC & RESILIENCY



INSULATION & ENVELOPE



INDOOR
& **OUTDOOR**
LIGHTING



PLUMBING



**ELEVATOR/
ESCALATOR**



ROOFING

MAXIMIZE FUNDING

- Improvement measures with a quantifiable utility, water or renewable impact are eligible for funding.
- Indoor Air Quality improvements can be funded when they are bundled with a qualified component.
- Note: Seismic and wind mitigation only available in certain states.

Let us analyze your budget and do a **Preliminary Funding Analysis** for your next project

*This is not an exhaustive list; every state has unique options for eligibility.

Key factors to size your next project



OUR UPFRONT ANALYSIS PROVIDES MAXIMUM FUNDING ELIGIBILITY

Getting the Funding Right

- We've got the process to get funding commitment right, *every time*.
- When you *only get a term sheet*, you may face changes and surprises in the funding amounts.
- At PACE Equity, your funding is sized correctly **right from the start**.
- Why does this matter? **100% funding delivery** so you know the capital will be there so no surprises with funding shortfall from engineering missteps
- Every state has unique requirements so work with a company who knows how to do this!



Local Requirements for Energy Savings



Ratio of PACE Equity LTV to Building Valuation



Cash Equity Minimums



Debt Service Coverage Ratio

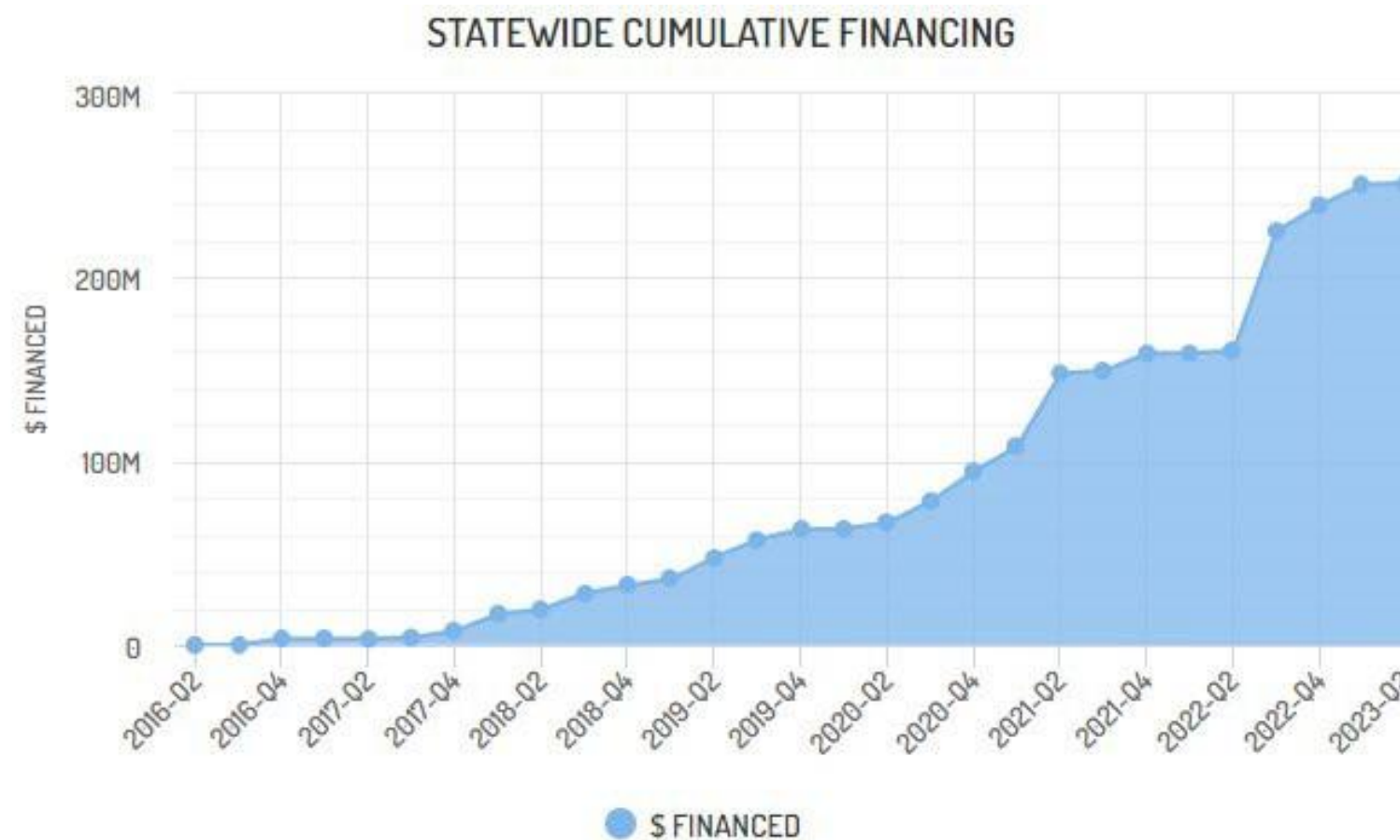
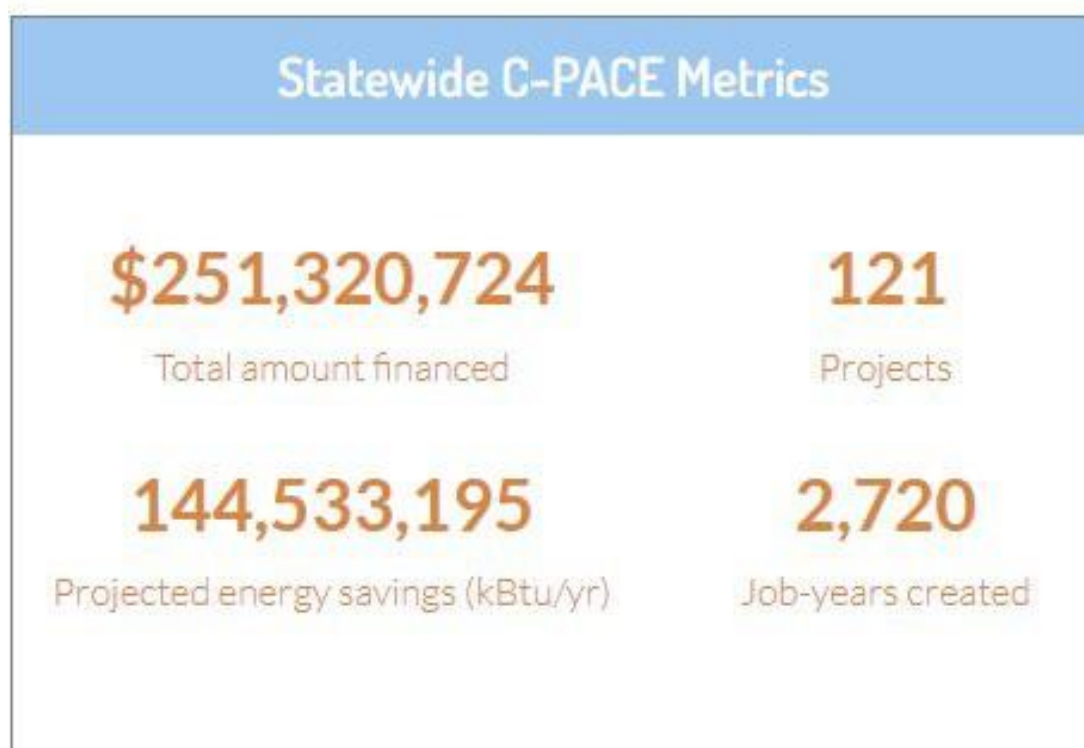


Eligible Improvements Spend

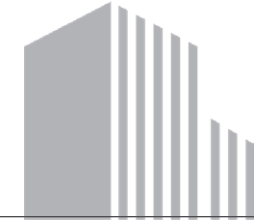


Colorado Market Data

CHANGE YOUR FUNDING SOURCE



Don't change your building design



CHANGE YOUR FUNDING SOURCE

- Compliance and savings requirements can arise with any project... and they can throw a wrench in your plans.
- When you use PACE Equity, you get our engineering team too. We know the design criteria so you can keep the design you want.
- Even better? Since we do the required energy study, you don't have to hire a third-party engineer.

Other funders may not know these details. We have the process that factors in every *detail*.

Work with the company that does it for you.

PACE EQUITY FINANCING

WHY IT'S A GOOD FIT FOR YOUR PROJECT

1 | Increases internal rate of return (IRR)

2 | Reduces high-cost debt funds to lower your WACC

3 | Allows for equity to be 100% internal (or with few partners)

4 | Displaces higher cost mezzanine and equity capital

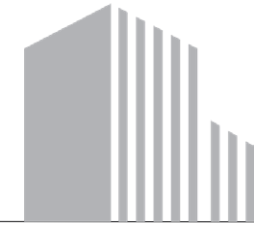
5 | Reduces personal risk since it is non-recourse

6 | Increases net operating income and property value

7 | Fixed-rate financing with up to 30-year terms

8 | Ability to recover as an operating expense



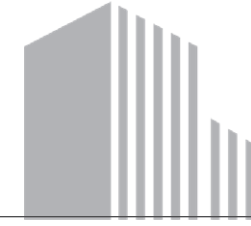


Groundbreaking new approach:

CIRRUS™ Low Carbon, Low Rate

Charting a practical course to carbon reduction





What is it?



Design Specification for Energy Efficiency



Lower Rates



Green Building Marketing Package incl Building Plaque

CIRRUS Low Carbon for **more impact**



We **partnered** with the New Buildings Institute to create a new, straightforward specification to develop a lower carbon building



We **reduced** our rate, we **added** a Low Carbon Support Team, & we figured out how to make it **financially beneficial**.

Then we gave you the **tools** to brag about it.

Why CIRRUS Low Carbon?

SMART. PRACTICAL. PROFITABLE.



FINANCIAL BENEFITS

- **Meaningful** rate reduction
- Increased property value
- Energy savings

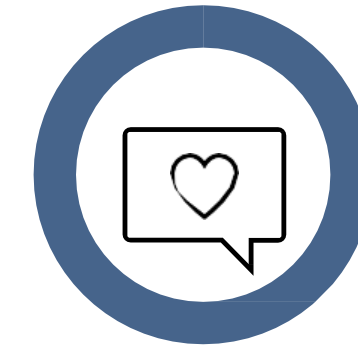
Plus:

- Increased occupancy & rental rates
- Utility rebates & tax incentives



COST IMPACT

- **Low Carbon Team**
 - Compares current design to specification
 - Identifies costs to meet specification
 - Develops business case for you to make decision



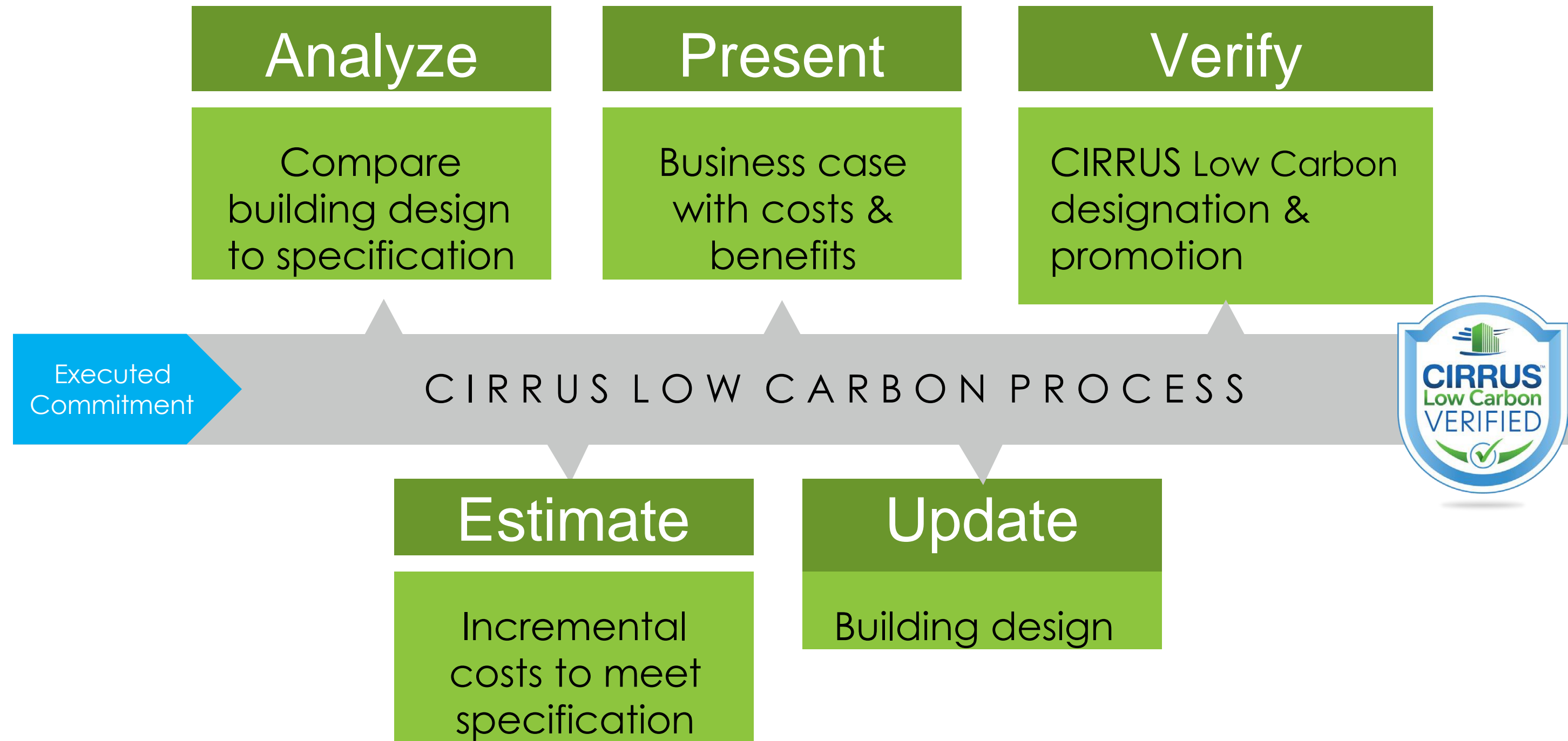
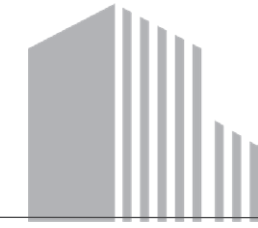
BRAND ADVANTAGES

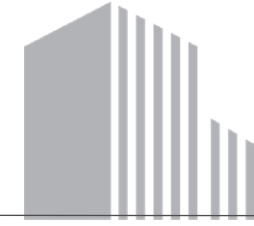
- Robust marketing kit with plaque, press release, case study and more to promote achievement

CIRRUS Low Carbon building designation



PACE Equity does engineering & estimating so you make an informed decision





THANK YOU

Questions? Reach Out

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