



## C-PACE fuels commercial energy savings

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A state-of-the-art, multisport recreation center in Trumbull is saving more than \$90,000 annually while installing a solar system along with high-efficiency lights, heating and cooling. An 11-story, multitenant office building in Bridgeport is saving \$80,000 annually while implementing new energy efficiency measures. A sheet metal fabricator in Hartford is also adding solar panels, saving more than \$46,000.

This year, hundreds of commercial business owners in Connecticut are applying to take advantage of a new program created by the Clean Energy Finance and Investment Authority and the Commercial Property Assessed Clean Energy program, or C-PACE, to cover the costs of installing renewable energy systems and making energy efficiency improvements with up-front payments, repaid as a long-term benefit assessment charge on the property.

Since launching in late January 2013, C-PACE has approved more than 50 projects totaling more than \$35 million and closed 30 transactions totaling \$25 million. The C-PACE team expects these numbers to double over the next year. Clients are so delighted to be part of the program that C-PACE closed some \$20 million in deals in the first year and doubled that volume in the first half of 2014.

One of the most unique and compelling reasons building owners participate in the C-PACE program is that they are afforded the opportunity to increase their cash flow while their property is improved, using the money saved to repay the C-PACE financing through an assessment charge on the building's property tax bill, with considerable additional savings to spare.

Edward Lavernoich, Trumbull's economic and community development director, saw the early potential of the C-PACE program to improve the efficiency of many older buildings in Trumbull. "I knew the program could help reposition some dormant and underperforming properties, especially as the program matured and the rates would come down," he said.

Trumbull's first C-PACE project involved a 252-kilowatt solar installation on an existing 110,000-square-foot indoor sports complex, undertaken with \$1 million of C-PACE financing.

"The C-PACE program came along at just the right time. The overwhelming success of the Insports project was made possible by C-PACE, and without an affordable way to do the solar installation the new ownership probably could not have justified the transformational building renovation project that they undertook," Lavernoich said.

Brandon Hall, principal at Forstone Capital L.L.C. and president of the Connecticut and Suburban New York chapter of the NAIOP Commercial Real Estate Development Association, is one of the program's participants. He said that C-PACE is a win-win for all parties. "The end result is better comfort for our tenants, a significant reduction in energy costs, and a much improved physical asset." Hall said. He has utilized C-PACE capital to upgrade his properties in Stamford and Bridgeport.

According to Bob Hartt, principal of Hartt Realty Advisors L.L.C. and a former board member of the Real Estate Finance Association, "This was an ideal solution for a client that owns a large retail center in Norwalk. They were able to install LED parking lot lighting and a 100 kW solar canopy to power those lights with no out-of-pocket expense. Combined, these two projects have reduced the energy cost associated with the parking lot lights by almost 80 percent."

Connecticut's "green bank," the Clean Energy Finance and Investment Authority was established three years ago to leverage public and private funds to drive investment and scale-up clean-energy deployment in Connecticut. The authority is the first state "green bank" in the nation and has served as a model for other states to follow.

According to the investment authority's director of marketing, Craig Connolly, "The Connecticut green bank is providing an opportunity for public-private partnerships to make a game-changing move to assist the state in becoming more carbon neutral and attractive to new companies who might be considering locating here." He added, "C-PACE supports Gov. Malloy's and the Legislature's energy strategy to achieve cleaner, cheaper and more reliable sources of energy while creating jobs and facilitating local economic development."

The green bank creates jobs in Connecticut and provides clean energy while reducing the carbon footprint in the state. It does this by leveraging electric ratepayer dollars to drive private investment in clean energy. With the first commercial securitization of C-PACE loans in the country, the investment authority has secured private funding for C-PACE projects from private capital providers like Clean Fund. Clean Fund will purchase \$30 million of C-PACE-backed bonds from the energy investment authority.

C-PACE has signed on 95 Connecticut towns and is in partnership with more than 200 trained contractors ready to make the improvements. It provides 100 percent low-interest, long-term financing for property owners upfront to install qualifying energy upgrades with no money down. These upgrades can include high-efficiency lighting; HVAC upgrades; renewable energy systems; variable-speed drives on motors, fans and pumps; and high-efficiency boilers, furnaces, chillers and hot water heating systems, among other improvements.

The program eliminates the need to patch up old equipment that is too expensive to replace. The energy savings will more than offset the benefit assessment that can be spread out over 20 years. Big-ticket items like new boilers and chillers can earn owners a return on investment in the first year. C-PACE helps building owners track their project savings to be certain savings meet the projected targets.

There are no barriers to sale of these properties because the C-PACE payment obligation is attached to the property and transfers to the new owner. As a benefit assessment repaid through the property tax bill, under typical leases, C-PACE payments, along with energy savings, can be passed along to tenants who benefit at the same time that they share the cost. By repaying the C-PACE assessment through the property tax bill as an operating expense, owners can finance improvements while preserving capital and credit lines for core investments.

In just two years, Connecticut has emerged as a leader in C-PACE nationally and is demonstrating the potential for this innovative financing tool to upgrade our buildings, improve the bottom line and reduce pollution.

*Jessica Bailey is director of the Clean Energy Finance and Investment Authority C-PACE program.*