ALASKA COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY (C-PACE)

HB227 expanding economic development opportunities (2017, AS 29.55.100 -.165)

Photo: Jeanette Lee

OVERVIEW:

C-PACE is an innovative financing solution that enables owners of commercial and industrial properties to obtain fixed rate, long-term financing through private lenders for energy efficiency and renewable energy projects and then pay the costs back over time through a voluntary assessment on the property tax. C-PACE attaches the loan to the property, rather than the borrower. If the property is sold, the loan transfers to the new owner. Program administration is offset by administrative fees.

Passed in 2017, the statute allows local governments to create and manage C-PACE programs. The Alaska Energy Authority leads an Advisory Committee to help implement C-PACE in Alaska. The Municipality of Anchorage launched the state's first program in April 2021.

Several statutory clean-ups will ensure efficient statewide promulgation and will greatly facilitate investment in our building stock, especially at a time when economic development is needed most.

C-PACE financing is one of the fastest-growing financing structures in the country. Authorizing new construction, resilience projects and retroactively financed projects serves the common goal of creating a large, thriving and active C-PACE market. Based on the growing success of C-PACE, lawmakers around the country are adding new eligible uses of C-PACE. With lower energy costs, building owners unlock positive cash flow for their businesses and increase their buildings' value.

HB 227 is based on best practices & lessons learned in the Lower 48.

1. Include New Construction
2. Allow Resiliency Projects
3. Allow C-PACE Refinancing
4. Consider Market Values
5. Eliminate the Savings-to-Investment Ratio (SIR)

HB 227 At-A-Glance

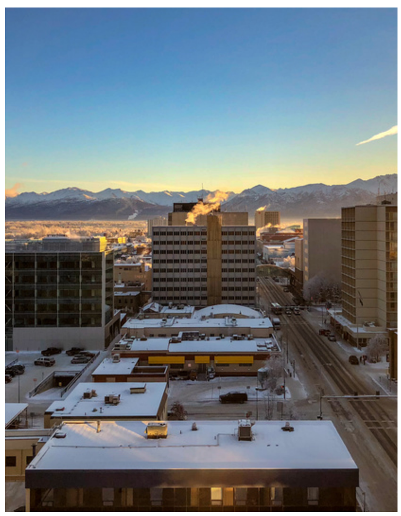
Allow new construction:

- Creates more jobs
- Adds new housing
- Generates new revenue

New construction is allowed in 25 state C-PACE programs and comprised about half of C-PACE transactions in the last two years, driving economic development locally.

Allow resiliency projects: Impacts by weather, fire, earthquakes, and other disasters can often be mitigated by improving building resiliency such as retrofits that improve the envelope, structure, or systems of a building or reduce emissions such as EV charging and microgrids. Current market trends point toward growing use of C-PACE financing for resiliency projects. Resilient buildings result in resilient communities that can bounce back quicker from natural disasters to pre-disaster levels of economic strength.

Allow C-PACE refinancing: Allows property owners with otherwise-eligible property improvements to refinance, within two years, the cost of those improvements even though they have already been begun or are already completed the project. This language supports the intent of the original legislation that financing energy improvement projects through assessments serves a valid public purpose. Most C-PACE programs that allow for retroactive C-PACE financing define the "lookback" period of time for the retroactive C-PACE.



Refer to 25% of market value: Broadens eligibility requirements to better consider improvements that are being made through the PACE project and follows industry standard. Loans still must be underwritten by private lender and approved by mortgage holder. Most states refer to appraisal/market values, allowing for a % of values. This is particularly important if new construction is allowed.

Eliminate the Savings-to-Investment Ratio (SIR), or more flexible alternatives: In general, an SIR test does not capture all of the benefits from C-PACE financing to property owners, such as a lower cost of capital and increased tenant retention. Instead, financial underwriting metrics that capital providers employ consistently, such as debt service coverage ratio, are more appropriate to assess credit-worthiness. SIR requirements are not appropriate if new construction or resiliency projects are allowed.

U.S. Market Data

2,560 commercial projects

>$2B in investment generated

24,000 jobs created

0 commercial foreclosures due to C-PACE

37 states and Washington D.C. have passed PACE-enabling legislation

22 states and Washington D.C. have active commercial programs (C-PACE)

2009-2020 https://www.pacenation.org/pace-market-data/