

Montana Facility Finance Authority

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 **COMMERCE**

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What is C-PACE?

Commercial Property-Assessed Capital Enhancements

A financing structure that allows building owners to borrow private sector funds to pay for:

- Energy efficiency improvements
- Water conservation improvements
- Renewable energy systems

Savings cover the cost of investment

Paid back via a special assessment on the property

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Why C-PACE?

Because wasted energy = wasted money

- Montana's average utility cost per year
 - Commercial: \$710,564,780
 - Industrial: \$467,120,200

\$1.2 billion spent per year
- 30% of the energy used in commercial and industrial buildings is wasted

\$353.3 million lost to waste annually

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Eligible Properties:

- Commercial
- Industrial
- Mixed-use
- Agricultural
- Multifamily - four or more dwelling units

Eligible Projects:

- New construction
- Retrofit
- Retroactive - up to three years



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Typical Measures Funded by C-PACE

HVAC Lighting Solar Envelope
 Elevators Irrigation
 Cogeneration Roofing/Insulation Water Fixtures Water Reuse

** Slide material provided by C-PACE Alliance**

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Local Government Authorizes C-PACE by:

- Adopting a C-PACE resolution of intent;
- Holding a public hearing, during which the public may comment on the proposed program and program plan; and
- Adopting a final resolution establishing a C-PACE program

Role of MFFA as C-PACE Administrator

- Serves as the agent of the local government with respect to C-PACE
- Works with borrowers and lenders
- Receives district assessment revenue from county and disburses to lenders

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Role of the Local Government

- Establishes the district
- Bills and receives property taxes

Local government does not:

- Serve as a collection agent for the lender
- Work on behalf of the lender

Local government can be as involved or uninvolved as they would like.

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Role of the Local Government Treasurer

- Enters C-PACE assessments like other RID/SIDs
- Processes payments like other RID/SIDs (system is already in place)
- Remits funds to MFFA, which is responsible for disbursing to appropriate lender(s)

Estimated two hours to enter first assessment into property tax software

What happens if there is a default?

- As partial tax payments are not allowed, taxpayer effectively defaults on full payment. This is then processed like any other delinquent tax payment.

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Benefits of a Local Government District

- Provides economic growth
- Saves local businesses money
- Creates / retains jobs
- Increases property values
- Increases revenues
- C-PACE participation is 100% voluntary. Neither the local government nor the citizens are on the hook for the financing.

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Local Government Tax Impact of a C-PACE Project

| Granite | | | | |
|-------------------------------|---------------|----------------|---------------|---------------|
| Class 4b - Commercial and Ind | County Mills | County Schools | Local Schools | City Mills |
| Taxable Value | 1.89% | 1.89% | 1.89% | 1.89% |
| Mills | 184.771 | 34.216 | 120.6 | 147.919 |
| 100,000.00 | \$ 296.83 | \$ 54.97 | \$ 193.74 | \$ 237.63 |
| 250,000.00 | \$ 742.09 | \$ 137.42 | \$ 484.36 | \$ 594.08 |
| 500,000.00 | \$ 1,484.17 | \$ 274.84 | \$ 968.72 | \$ 1,188.16 |
| 1,000,000.00 | \$ 2,968.35 | \$ 549.68 | \$ 1,937.44 | \$ 2,376.32 |
| 2,500,000.00 | \$ 7,420.87 | \$ 1,374.20 | \$ 4,843.60 | \$ 5,940.80 |
| 5,000,000.00 | \$ 14,841.73 | \$ 2,748.40 | \$ 9,687.20 | \$ 11,881.59 |
| 20-Year Revenue Projection | | | | |
| | County Mills | County Schools | Local Schools | City Mills |
| 100,000.00 | \$ 3,116.76 | \$ 577.16 | \$ 2,034.31 | \$ 2,495.13 |
| 250,000.00 | \$ 7,791.91 | \$ 1,442.91 | \$ 5,085.78 | \$ 6,237.84 |
| 500,000.00 | \$ 15,583.82 | \$ 2,885.82 | \$ 10,171.55 | \$ 12,475.67 |
| 1,000,000.00 | \$ 31,167.63 | \$ 5,771.64 | \$ 20,343.11 | \$ 24,951.35 |
| 2,500,000.00 | \$ 77,919.09 | \$ 14,429.10 | \$ 50,857.77 | \$ 62,378.37 |
| 5,000,000.00 | \$ 155,838.17 | \$ 28,858.20 | \$ 101,715.55 | \$ 124,756.73 |

Source: MT Dept of Revenue Biennial Property Tax Report 2021-22

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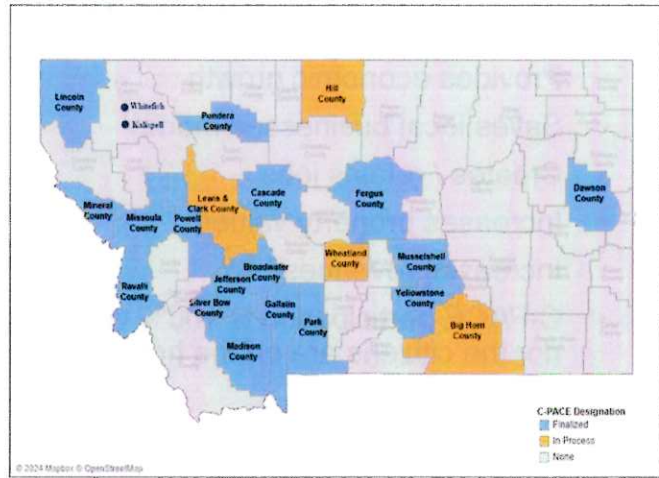
Where Are We Now?

Montana Commercial Property Assessed
Capital Enhancements (C-PACE) Designation
Supported by the Montana Facility Finance Authority (MFFA)



Seventeen counties and two cities have approved C-PACE districts:

- Broadwater, Butte-Silver Bow, Cascade, Dawson, Fergus, Gallatin, Jefferson, Lincoln, Madison, Mineral, Missoula, Musselshell, Park, Pondera, Powell, Ravalli and Yellowstone Counties
- Cities of Kalispell and Whitefish
- 65% of commercial buildings covered



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Where Are We Now? (continued)

Program launched January 1, 2022

Five projects:

- \$5.5 million new construction
- \$1.6 million retrofit
- \$247K renewable energy
- \$231K renewable energy
- \$235K renewable energy

Outreach to ten other local governments

- Once established, over 80% of commercial buildings will be covered

Current discussions with 20+ potential C-PACE projects in 10 counties and ready to assist with additional C-PACE projects

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Old Soldier - Hedden Empire Building: Billings

- Project type: Retrofit
- Property type: Commercial
- Industry: Office/retail
- Amount financed: \$1.6 million
- Total savings/revenue: \$13.5 million
- Total improvements: \$1.39 million
 - Heat pumps
 - Lighting upgrades
 - Windows
 - Plumbing fixtures
- Adjustable-rate financing with rate reset every five years



Project partners:

FASTPACE™ by Allectrify, PBC
 C-PACE lender: Three Rivers Bank of Montana
 Energy assessment: Asset Environments
 Third-party reviewer: Cushing Terrell
 Senior lender: Mountain America Credit Union
 Legal counsel: Jackson Murdo & Grant, PC

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Xerxes Investments - Super 8 by Wyndham: Butte

- Project type: Renewable energy
- Property type: Commercial
- Industry: Hospitality
- Percent financed: 100%
- Amount financed: \$247,488
- Total savings/revenue: \$373,153
- Improvements:
 - 82.21 kW solar project
- Other project incentives:
 - USDA-RD REAP
 - IRA tax credits



Project partners:

C-PACE lender: Clearwater Federal Credit Union
 Solar contractor: OnSite Energy, Inc.
 Third-party reviewer: The National Center for Appropriate Technology (NCAT)
 Senior lender: Stockman Bank of Montana
 Legal counsel: Jackson Murdo & Grant, PC

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For More Information: www.LastBestPACE.com

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Last Best PACE

MONTANA C-PACE PROGRAM

Commercial Property-Assessed Capital Enhancements “C-PACE” is a financing tool that provides building owners with a low-cost, long-term financing option to pay for **permanent cost-effective energy or water efficient improvements and renewable energy systems**. The purpose is for commercial property owners to save money on their utility costs while investing in their buildings. The C-PACE program works to qualify financings between private sector lenders and commercial building owners looking to improve their bottom line. Lenders rely on standard credit practices when approving C-PACE financings.

C-PACE financing can account for up to 25% of the capital stack on new construction projects or up to 100% for retrofit projects. Project improvements are identified in an Energy Assessment. The Energy Assessment must provide the C-PACE program with the realizable dollar value of energy / water / renewable systems costs savings over the expected useful life of the improvements, compared to the costs of the purchase/installation of the improvements. To be eligible for C-PACE, the calculations must result in the savings over the life of the improvements being equal to or greater than the costs.

The C-PACE financing is repaid annually through a special payment that is collected by the county as part of the real estate tax bill for that property. The collateral is the special property tax assessment included on your annual property tax bill. Repayment is made annually through each county’s standard property tax collection process. C-PACE financings are non-accelerated and non-recourse. C-PACE financings can allow for variable rates with a rate reset limited to every five years. Projects with improvement costs of more than \$100,000 can be eligible for the C-PACE program.

Eligible Properties

- Commercial
- Industrial
- Agricultural
- Multifamily (4+ units)
- Mixed-Use

Project Types

- New Construction
- Retrofit
- Retroactive (placed in service within last 3 years)

Program Fees

- Origination
 - 1.25% of Project Cost
- Annual Administrative
 - 1.0% of annual payment, not to exceed \$3,000/year

Montana Facility Finance Authority (MFFA) is the Statewide C-PACE Administrator

Program Contacts

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C-PACE Program Checklist – Property Owners

❖ Project Discussions

Discuss your project with the C-PACE program.

❖ Application Submission

Application can be found at www.LastBestPACE.com.

❖ Senior Lender Consent

Borrower obtains written consent from any senior lender(s), ensuring the senior lender(s) understand and agree with a tax assessment lien being placed on the property.

❖ Energy Assessment / Solar Quote

Conducted by an appropriate certified professional to establish the project's Cost Effectiveness (savings generated by the project are greater than the costs of the project). Costs can include Energy Assessment/Solar Quote fees and financing costs – principal, interest, and fees.

❖ Independent Third Party (ITPR)

Borrower selects a licensed engineer with the relevant professional certifications and no financial interest in the project, to review the Energy Assessment/Solar Quote to ensure the project's Cost Effectiveness requirements are met.

❖ Secure Financing

Work with a lender to secure the financing for the project. Borrower selects the lender (must meet program's Eligible Lender requirements) and negotiates loan terms.

❖ C-PACE Program Project Approval

Program reviews documents and process to ensure statutory program requirements are met.

❖ Loan Closing

Work with lender and C-PACE program to get proper documentation in place then proceed to loan closing.

❖ Complete Project

Ensure project is completed properly. Contractor who completed project must submit written verification that the project was properly installed and is operating as intended.

❖ Loan Repayment

Pay assessment as billed on Property Tax Statement. Local Government provides loan payment funds to C-PACE program, which then submits the required payment to the lender.

Eligible Improvements

- High efficiency heating, ventilating and air conditioning ("HVAC") systems
- Solar energy systems
- High efficiency chillers, boilers, and furnaces
- High efficiency water heating systems
- Energy management systems and controls
- Distributed generation systems
- High efficiency lighting system upgrades
- Building enclosure and envelope improvements
- Water conservation and wastewater recovery and reuse systems
- Combustion and burner upgrades
- Heat recovery and steam traps
- Water management systems and controls ("indoor and outdoor")
- High efficiency irrigation equipment

Ineligible Properties

- Residential single family (1-3 units)
- Residential condos
- Local, state, or federal government owned
- Homeowner's or Condominium association owned

COMMERCIAL PACE | CASE STUDY

FIRST TIME C-PACE LENDER



Project Type: Office/Retail Renovation
C-PACE Amount: \$1.6MM
Loan Term: 25 Years
Location: Billings, MT
Improvements: Heat pumps, energy-efficient windows, solar panels, low-flow plumbing fixtures, and lighting upgrades
Lender: Three Rivers Bank of Montana
Program: Last Best PACE Program of Montana

HIGHLIGHTS

Three Rivers Bank of Montana funded its first C-PACE transaction, an adjustable rate financing, using Allectrify's FASTPACE platform.

- This is the first adjustable-rate C-PACE financing closed under the Last Best PACE program.
- Three Rivers Bank of Montana was able to complete this financing with their one-person energy efficiency lending team with the support of Allectrify's FASTPACE platform.
- The financing closed less than six months from the borrower's initial indication of interest in C-PACE.



THE PROJECT

The **Hedden Empire** Building is a 95-year-old office/retail building located in downtown Billings, Montana. The C-PACE financing will support a range of measures which will improve building performance and lower energy costs.



The financed improvements have expected savings that are nearly 4X the project cost.

C-PACE MADE SIMPLE

Allectrify enables every lender in the country to be a C-PACE lender, quickly and easily, at no cost to the lender and with reduced transaction costs for borrowers. Allectrify's FASTPACE platform includes streamlined documents, transaction tools, and back-office support.



For property owners and developers, our network of lenders provides access to lower cost capital and more efficient execution for C-PACE deals of all sizes, from \$100K on up.



www.allectrify.com | Deals@allectrify.com

Xerxes Investments LLC



THE PROJECT

Super 8 by Wyndham is a 106-room hotel located near Interstate 90 in Butte that was built in 1985. The owner was interested in installing solar panels on the property to help reduce electricity costs. The Last Best PACE program worked with the owner and lender to ensure the project met C-PACE eligibility requirements. Working to connect the owner with appropriate partners throughout the process enabled the project to secure low-cost fixed-rate financing.

PROJECT PARTNERS

| | |
|-----------------------|---|
| C-PACE Lender: | Clearwater Federal Credit Union |
| Solar Contractor: | OnSite Energy, Inc. |
| Third-Party Reviewer: | The National Center for Appropriate Technology, Inc. (NCAT) |
| Senior Lender: | Stockman Bank of Montana |
| Legal Counsel: | Jackson Murdo & Grant, PC |

Last Best PACE Program

Commercial property owners can apply for a C-PACE (Commercial Property-Assessed Capital Enhancements) loan with a capital provider to fund energy efficiency improvements, renewable energy systems, or water conservation equipment. Projects must be "cost-effective" – projected savings must equal or be greater than costs. If property has existing debt, senior lender consent must be obtained. The C-PACE financing is repaid annually through a special payment that is collected by the county as part of the real estate tax bill for that property.



| | |
|----------------------------------|-----------------------------------|
| Project Type: | Renewable Energy |
| Property Type: | Commercial |
| Industry: | Hospitality |
| Improvements: | 82.21 kW Solar System |
| Percent Financed: | 100% |
| Financed Amount: | \$247,488 |
| Lifetime Energy Savings: | \$373,153 |
| Loan Term: | 15 Years, Fixed-Rate |
| Location: | Butte, MT |
| Other Project Incentives: | ~USDA-RD REAP ~IRA Tax Credits |

Last Best PACE

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