

Oklahoma C-PACE 101

THURSDAY, DECEMBER 7, 2023, 3:00 PM CT



WEBINAR AGENDA

I. Welcome & Introductions

Nancy Graham, Oklahoma C-PACE Administrator, INCOG

Keith Kuhlman, Oklahoma County C-PACE Administrator, Oklahoma Industries Authority

II. Oklahoma C-PACE Program Basics: What, Why, Where, What Qualifies, etc.

Keith Kuhlman, Oklahoma County C-PACE Administrator, OIA

Nancy Graham, Oklahoma C-PACE Administrator, INCOG

III. A walk through the Application Process

Holly Edinger and Dan Streit, Slipstream

IV. Perspectives from a successfully closed project

Candace Baitz, Pivot Real Estate

Kari Hoffhines, Crowe & Dunlevy

V. Q & A



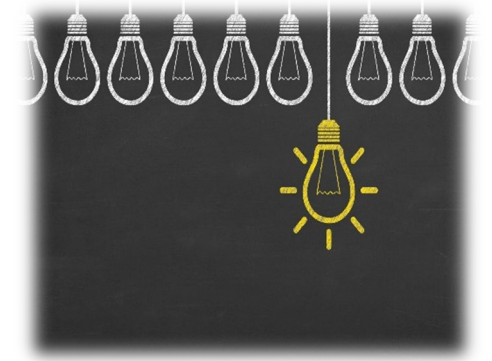
Oklahoma C-PACE Program Basics; What, Why, Where, What Qualifies?



- Nancy Graham, INCOG
- Keith Kuhlman, Oklahoma Industries Authority

WHAT is C-PACE Financing? The Basics

Commercial Property Assessed Clean Energy



- Long term, fixed interest-rate financing mechanism
- Private sector open-market capital, not government funds
- Improves building efficiency, lowers energy costs, and increases asset value

C-PACE benefits Oklahoma. It is an economic development tool driving private sector investment, improving commercial property values, increasing county property tax base, and bringing jobs and sustainable environmental benefit to local communities.

C-PACE FINANCING

- Can be used for qualifying property improvements which are affixed to the property
- Secured as a 3-party Special Assessment lien (property owner, capital provider, Board of County Commissioners) recorded on the property in county land records
- Similar to an ad valorem tax obligation
- Paid annually (or semi-annually)
- Transfers with the property, not the borrower
- Does not accelerate; C-PACE annual assessment payments hold priority over senior mortgages
- Billing and collection is handled directly between property owner and capital provider - not within county assessor or treasurer's treasurer office

Public-private
partnership legislated by
states

Financing for energy efficiency, energy
sources, water conservation and
building resiliency improvements

C-PACE

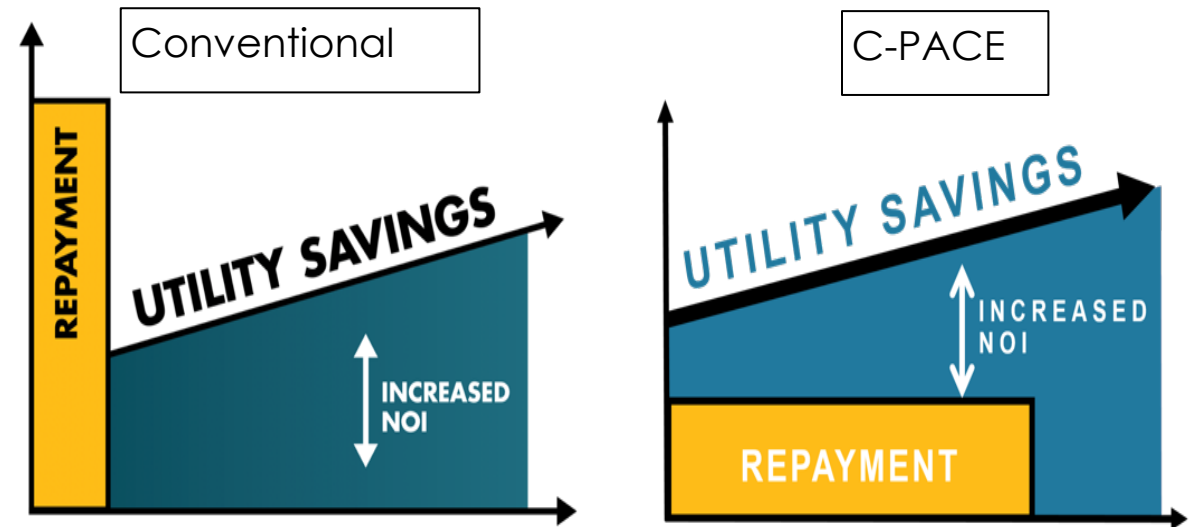
- ✓ Long-term
- ✓ Non-recourse
- ✓ New Development or Renovation
- ✓ Retroactive Refinancing

Increased net operating
income and property
value

Can be combined with
complex structures such as
New Market Tax Credits,
Historic Tax Credits, TIF

Why C-PACE?

- ✓ Addresses a gap in the credit market
- ✓ Private capital financing option for building efficiency improvements when traditional banking is too short-term to make financial sense
- ✓ Provides long term, fixed-rate credit allowing for the cost savings to equal or exceed the debt service
- ✓ Because cleaner sustainable buildings are a public benefit



Oklahoma C-PACE Program Structure

2019 – C-PACE pilot projects in Tulsa County

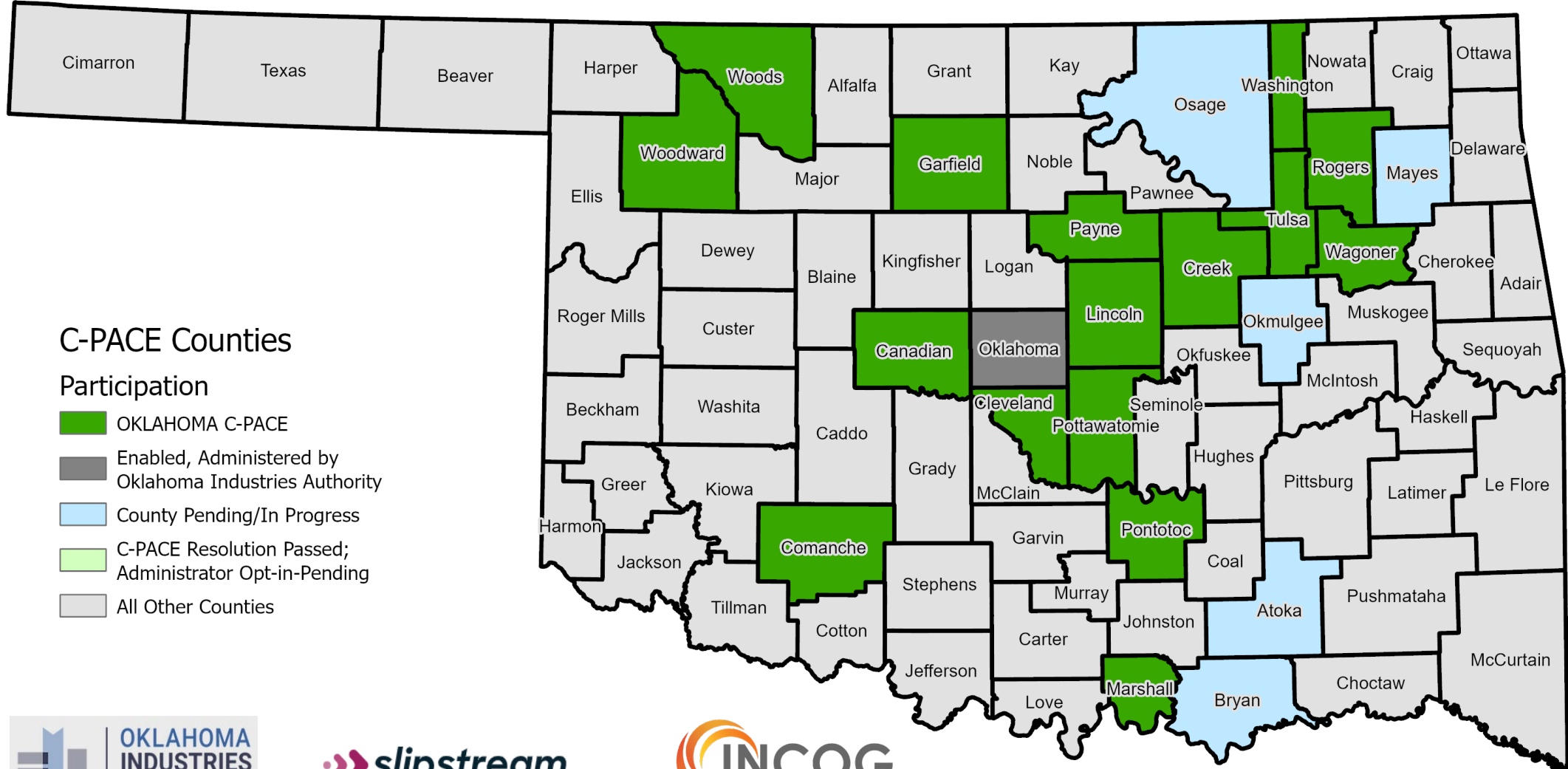
2020 – With input from statewide steering committee including county governments, Oklahoma legislature amended the Oklahoma Energy Independence Act (19 O.S. §460, et seq.) establishing a broad C-PACE framework that works for Oklahoma

Counties enable C-PACE by passing a 1) resolution and 2) establishing a program; or by third-party program administrator

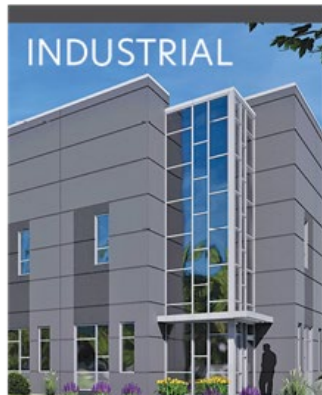
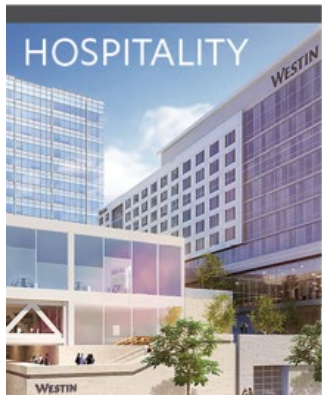
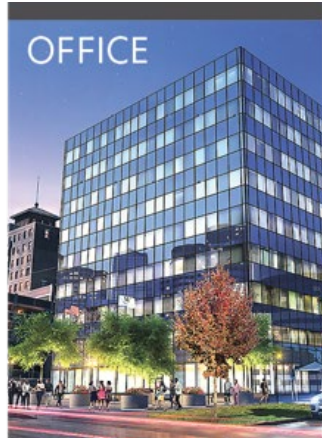
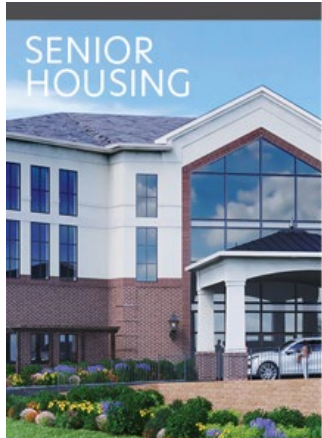
2020-2021 – **Oklahoma C-PACE Program** designed, developed, and launched. Provides a templatable set of program and legal documents to simplify the county opt-in process and maximize the benefits of C-PACE throughout the state. Oklahoma C-PACE provides a consistent county resolution, form contracts, application documents, administrative procedures, and Program Guidelines which lowers overall program costs and maximizes open market participation.



Oklahoma C-PACE



Oklahoma C-PACE Eligible Properties

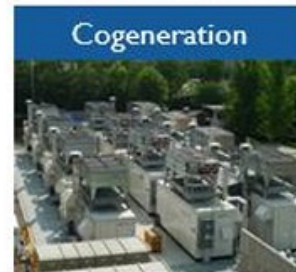


- Manufacturing
- Agriculture
- Nonprofits
- Mixed Use
- New Construction
- Existing property
- 24-month refinance look-back

- Single Family Residential is not eligible
- Government or publicly owned property is not eligible

Oklahoma C-PACE Eligible Improvements

Typical C-PACE Eligible financed measures



Application Process

Oklahoma C-PACE

Dan Streit, dstreit@slipstreaminc.org, 608.729.6954

Holly Edinger, hedinger@slipstreaminc.org, 608-210-7184

Timeline

- Identify improvements to be made and estimated cost
- Talk with a C-PACE lender
- Evaluate energy/ water savings of improvements
- Talk to a C-PACE administrator
- Review Term Sheet from C-PACE Lender
- Develop an application



C-PACE Capital Providers

1. Brave Star Capital LLC
2. Counterpointe Sustainable Real Estate
3. Nuveen Green Capital
4. Imperial Ridge Real Estate Capital
5. LordCap Green
6. PACE Equity
7. PACE Loan Group
8. Petros PACE Finance
9. Stonehill Strategic Capital
10. Twain Financial Partners
11. Bayview PACE, a division of Silver Hill Funding, LLC
12. Ygrene Energy Fund Capital LLC
13. Dividend Finance
14. Poppy Bank
15. Inland Green Capital LLC
16. Forbright Bank
17. Sustainable Equity LLC
18. Commercial PACE Finance
19. Allectrify
20. North Bridge Capital



Proposed C-PACE
Project:
Supporting
Documentation
Checklist

	Required Documents	Indicate if included in application
1	Current Property Search	<input type="checkbox"/>
2	Title Report	<input type="checkbox"/>
4	Certification of Eligibility	<input type="checkbox"/>
5	Disclosure of Risks Affidavit	<input type="checkbox"/>
6	Mortgage Holder Consent (if applicable)	<input type="checkbox"/>
7	Certificate of Eligible Improvements	<input type="checkbox"/>
8	Capital Provider Offer to Fund	<input type="checkbox"/>



Application Documents

- Signed Application
- Capital Provider Offer
- Title Commitment or Report
- Certification of Eligibility
- Disclosure of Risks Affidavit
- Mortgage Holder Consent
- Certificate of Eligible Improvements
- Application Fee

A close-up photograph of a desk with a pen and a document. The document features a blue bar chart and a blue line graph. The image is partially obscured by a white, torn-edge border on the right side.

Closing Documents

- C-PACE Assessment Contract
 - Template provided by C-PACE Program
 - No modifications accepted
- Supplemental Agreement
 - Financing agreement between the lender and the borrower
 - May not conflict with the Assessment Contract



Certificate of Eligible Improvements

- Energy efficiency
- Energy generation
- Water efficiency
- Building resiliency

Completed by a Qualified Professional





Fees

(Eligible indirect costs)

- Capital Provider Fees
- Legal Fees
- Program Administration Fee
 - 1.25% of the sum of eligible costs financed
 - Capped at \$50,000.



Perspectives from a successfully closed Project

Candace Baitz, Pivot Real Estate

Kari Hoffhines, Crowe & Dunlevy

HARVEY 13: Recapitalization Project



Building Envelope



New Roof



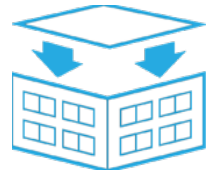
HVAC Equipment



Hudson Office Building: Integrated Approach



Building Envelope



New Roof



HVAC Equipment



Water Conservation



Hot Water Heating



LED Lighting



C-PACE in Oklahoma – An Overview

- Codified into State law as 19 Okla. Stat. §460.5 as an addition to the Oklahoma Energy Independence Act.
- A Loan – Quasi-government/quasi-private
 - Funded with private dollars
 - Lien priority of an ad valorem tax obligation
 - Options for enforcement
 - Judicial Foreclosure
 - County Tax Sale

*Subsequent information should not be understood as, or considered a substitute for, specific legal advice. For inquiries, please contact Kari Hoffhines, or another licensed attorney.

Interaction of PACE Loan and Private Loan

- PACE Loan is secured by an Assessment Contract recorded in the real estate records
- Assessment contract constitutes a lien on the property
- Priority of lien is the same as ad valorem taxes (only amounts then due and payable are superior to other liens)
- Full acceleration of PACE Loan is not permitted, so future PACE loan payments are not superior to mortgage liens
- PACE obligation cannot be extinguished by judicial foreclosure of any other debt or tax obligation encumbering the property, including a tax sale
- Remaining portion of PACE obligation remains intact

Enforcement of PACE Loan upon Default

- Capital Provider - Enforcement by judicial foreclosure, similar to a real estate mortgage
 - Remedy only available if PACE loan payment is at least 6 months delinquent
- County Treasurer - County Treasurer may collect any outstanding PACE payment obligations upon property sale for taxes or other assessments - This is optional
 - 3-year delinquency

Is it a Loan or is it a Tax Assessment?

The private and governmental characteristics of PACE

Characteristics of a Loan

- Funded by private dollars from Capital Provider
- Evidenced by a note
- Payments of principal and interest, remitted to Capital Provider
- Enforcement by foreclosure

Characteristics of Tax Assessment

- Annual Payments
- Recourse against property, not individual
- Not subject to acceleration, even upon failure to pay
- Each current payment obligation is superior in priority to any other lien filed against the Property
- Collection of delinquent PACE payment by treasurer through property “tax sale”



C-PACE Considerations for Private Lenders

- Can PACE funds be characterized as equity?
 - No.
 - May 24, 2018 - Economic Growth, Regulatory Relief, and Consumer Protection Act
 - Final regulation effective April 2020, 12 CFR Part 324
- High volatility commercial real estate acquisition, development and construction loans (HVCRE):
 - Loan to acquire, development or improve commercial, income producing property;
 - Future-income dependent
 - Borrower must contribute at least 15% of the property's as-completed appraised value.
- Eligible contributed capital:
 - Cash, unencumbered readily marketable assets, development expenses paid out-of-pocket, and contributed real property or improvements
 - Cash borrowed from others is generally acceptable so long as funds are not be derived from, related to, or encumber the project that the credit facility is financing or encumber any collateral that has been contributed to the project to ensure that tangible equity is invested in the project. Accordingly, PACE funds are not equity.



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