

SB 234 – Commercial Property Assessed Clean Energy Program

Written Testimony by Aaron Kraus, Director of Market Activation and Policy for Greenworks Lending
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House Committee Hearing

Good morning Chairman Ellis, Chairman Thomas, and Members of the House Commerce Committee. My name is Aaron Kraus and I am the Director of Market Activation and Policy for Greenworks Lending, one of the largest Commercial Property Assessed Clean Energy (C-PACE) capital providers in the nation. My firm and our founders have executed over \$100 million of C-PACE transactions.

Greenworks strongly supports SB234. We applaud the full Senate for its passage of the bill and hope this Committee and the full House follow suit.

Commercial PACE-enabling legislation is active in over 30 states plus D.C., and most of the surrounding region to Pennsylvania.

C-PACE is a powerful tool that not only supports energy and water efficiency, energy reliability and clean energy, but it assists in economic development and investment in the Commonwealth's commercial and industrial building stock.

This bill enables local governments to set up programs that provide the means for a property owner to levy a voluntary assessment on their own property. This assessment then secures the financing of energy and/or water related measures and that cost is paid back via the property tax billing process.

A few important points to note: no public money is used for this financing whatsoever. In fact, the fiscal note for this bill states "Senate Bill 234 will have no adverse fiscal impact on Commonwealth or local funds." C-PACE brings private capital into these communities to fund these upgrades. Local governments and the tax collection process are the vehicles for how this financing works. They are, even in a default scenario, not liable or responsible for any debt or payments. In addition, this legislation merely enables local governments to opt-in to the program by local ordinance. This legislation does not require a local government to join nor does it require a property owner to ever take advantage of the program.

Because C-PACE uses the property tax bill for the collection, the market can offer commercial and industrial property owners extremely attractive rates and terms. For example:

- Rates are typically far lower than many conventional debt products or cash.
- The terms for this financing are long (often 20 years) resulting in attractive cash-flows.
- Rates are fixed ensuring that the property owner knows the cost structure for the full life of the assessment.
- No capital outlay from the property owner is required which ensures projects get done that might otherwise not be considered.
- Benefits and costs of the assessment can be shared with tenants under triple-net-leases.
- The assessment lays with the land, so if a property owner sells their property they can always pay off their assessment, but they do not need to. They can pass the assessment onto the new owner, just like they would with a sewer assessment.

C-PACE works extremely well for small and medium-sized businesses. That is why Greenworks Lending has partnered with Main Street America, the leading voice for local neighborhood development across the country. We have financed dozens of small commercial properties giving them a financing solution that worked best for them. Most of our deals are well below \$500,000.

C-PACE is a sophisticated program providing strong value and protection to all stakeholders in a building. First, any debt holder on the property has the "power of the pen." Under this bill, projects are required to get lender consent before moving forward with a project. If they do not consent, there is no deal.

Most banks end up agreeing because the project is improving their collateral and usually generating cashflow for the operating company on day one. Also, C-PACE can never accelerate. We can never call on future money owed to us. The only amount due is the amount due on the next payment. In other words, the money owed in the year 2023 can only be collected in the year 2023 – even in a default situation. This makes banks very comfortable and it is why over 165 banks and insurance companies have consented to C-PACE.

C-PACE firms like mine also have rigorous underwriting. We have loan-to-value and debt service coverage metrics that we abide by. We look at environmental conditions of the property and tax payment history as well.

C-PACE will allow the private sector to invest secure capital into the economy of Pennsylvania and will allow us to upgrade buildings and reduce energy and water use. We look forward to working with Pennsylvania towns, cities and counties to make this program meaningful and valuable for their businesses.