



**Economic Innovation and Sustainability Committee  
MEETING AGENDA  
October 19, 2023  
Upon Adjournment of CSCDA Meeting**

**California State Association of Counties  
1100 K Street, 1<sup>st</sup> Floor  
Sacramento, CA 95814**

*Members of the public may also observe and offer comment at this meeting telephonically by dialing 669-900-9128, Meeting ID 259-798-2423, Passcode 129070.*

**A. OPENING AND PROCEDURAL ITEMS**

1. Roll Call.  
  
\_\_\_\_\_ Brian Stiger, Member  
\_\_\_\_\_ Tim Snellings, Member  
\_\_\_\_\_ Brian Moura, Member
2. Consideration of the Minutes from the June 1, 2023 Meeting.
3. Public Comment.

**B. ITEMS FOR CONSIDERATION AND ACTION**

4. Consideration of contract extension for GreenPACE Capital as a commercial PACE Administrator.
5. Consideration of contract extension for LordCap PACE.
6. Consideration of proposal by REVL to act as a commercial PACE provider.
7. Consideration of updated commercial PACE guidelines.

**C. STAFF ANNOUNCEMENTS, REPORTS ON ACTIVITIES OR REQUESTS**

8. Staff Updates.
9. Adjourn.

**NEXT MEETING:** Thursday, November 16, 2023 upon adjournment of CSCDA Regular Meeting.



## MINUTES

### MEETING OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ECONOMIC INNOVATION & SUSTAINABILITY COMMITTEE

June 1, 2023

1. Roll Call.

Committee members participating: Tim Snellings, Brian Moura and Brian Stiger.

Others participating: Cathy Barna, Executive Director; James Hamill, Bridge Strategic Partners.

2. Consideration of the May 4, 2023

*The Committee unanimously approved the minutes.*

3. Public Comment.

*There were no public comments.*

4. Consideration of proposal by Benefit Street Partners to be a CSCDA Open PACE commercial PACE Administrator.

*The Committee recommended approval of Benefit Street Partners as a CSCDA Open PACE program administrator, and submitting to the CSCDA Commission.*

5. Consideration of program administrator agreement extension for Petros PACE Finance.

*The Committee recommended approval of a five-year extension for Petros PACE Finance.*

6. Staff Updates.

*None.*

The meeting was adjourned at 2:25 pm.

Submitted by: James Hamill, Managing Director

**NEXT MEETING:** Thursday, June 15, 2023 after the regular CSCDA meeting.



## Agenda Item No. 4

### Agenda Report

**DATE:** October 19, 2023

**TO:** CSCDA EIS Committee Members

**PURPOSE:** Consideration of Extension to the Agreement for Services with Green PACE Capital for commercial PACE under Open PACE

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#### **EXECUTIVE SUMMARY:**

Green PACE Capital (“GPC”) was approved as a program administrator by the Commission in 2020 for commercial PACE only under the CSCDA Open PACE program. The end of the first three-year contract term is approaching. GPC has completed eleven financings ranging from \$100K to \$1MM. GPC is filling the category in commercial PACE related to small-scale solar.

#### **OVERVIEW:**

##### **Green PACE Capital:**

- GPC was created in 2016 as a solar finance company offering its Prepaid Power Purchase Agreements funded by residential and commercial PACE assessments in California.
- GPC utilizes its commercial and industrial contractor channel, providing a high-touch approach with over 100 active contractors within its network.
- GPC has launched its proprietary PACE Prepaid Power Purchase Agreement in 2019 to serve the commercial and industrial market.
- GPC continues to expand its C-PACE platform by offering commercial customers best-in-class finance products.
- The overall market potential for GPC’s products continues to grow, as commercial customers face increasing energy costs.

#### **RECOMMENDED ACTION:**

Recommend the approval of an extension of Green PACE Capital commercial program administrator agreement for services for five years under Open PACE.



## Agenda Item No. 5

### Agenda Report

**DATE:** October 19, 2023

**TO:** CSCDA EIS Committee Members

**PURPOSE:** Consideration of Extension of Agreement for Services with LordCap PACE LLC for commercial PACE under Open PACE

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#### EXECUTIVE SUMMARY:

LordCap PACE LLC (“LCP”) was approved as a program administrator by the Commission in 2019 for commercial PACE only under the CSCDA Open PACE program. The end of the first four-year contract term is approaching. While LCP has not completed any transactions through the Open PACE program, they have outlined steps they have and are taking to improve operations including the following: (1) targeted pipeline of \$150MM in transactions for California; (2) engagement of California resources to source transactions; (3) leveraging PACE experience in other states they are program administrators including Utah, Texas, Delaware and Colorado.

#### OVERVIEW:

##### LordCap PACE:

LCP was established in May 2018 by its parent, Lord Capital LLC, to provide origination, funding and administrative services to the C-PACE industry nationally. LCP team members have been involved in PACE since its inception:

- Conducted the first studies on capital markets financing for PACE.
- Advised states on creating programs and related early financings.
- Worked with rating agencies to establishing ratings criteria.
- Arranged investment funds for both residential and commercial PACE.

LCP continues to build to scale in the commercial PACE by:

- Using a multifaceted origination platform.
- Employing seasoned risk management, credit, and operations personnel.
- Partnering with national scale operating/engineering institutions.

LCP is an affiliate of Lord Capital LLC, an alternative asset advisor, arranger, and investor in the structured finance space since 2003. Lord Capital LLC is a leader in off-balance sheet receivables

finance in the Americas, Europe, and Asia. They directly structure each investment and manages funds and to-date has achieved a zero loss performance.

**RECOMMENDED ACTION:**

Recommend the approval of an extension of the LordCap PACE LLC commercial program administrator agreement for five years under Open PACE.



## Agenda Item No. 6

### Agenda Report

**DATE:** October 19, 2023

**TO:** CSCDA EIS Committee Members

**PURPOSE:** Consideration of proposal by REVL to be a CSCDA Open PACE commercial PACE Administrator.

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#### EXECUTIVE SUMMARY:

CSCDA received a proposal from REVL to act as a commercial PACE only Program Administrator under the CSCDA Open PACE program.

#### OVERVIEW:

##### REVL

REVL Capital Group is an independent asset manager and boutique investment bank providing financial advisory, capital markets and private credit solutions to clients.

- Established in 2014 in Philadelphia, PA
- Founded on the premise that boutique financial firms provide clients with a higher level of attention to detail, and a tailored creative approach to investment strategies.
- Diversified client base, including hedge funds, banks, insurance companies and portfolio managers.
- As of March 2023, REVL actively manages \$7B in underlying assets and has raised \$1B+ in ABS debt
- Completed \$60MM of commercial PACE transactions in other states.

REVL exceeds all of the CSCDA Program Administrator requirements as outlined below:

1. Minimum of \$10MM in capital available for financing C-PACE loans. Availability of capital needs to be evidenced by a capital commitment letter or letter of intent;
2. Minimum transaction size \$2MM;
3. C-PACE finance team established including bond counsel, assessment engineer and trustee;
4. Minimum 2 years of C-PACE or similar financing experience;
5. Ability to manage delinquency of assessments.

**Attachment A – Powerpoint Overview of REVL**

**RECOMMENDED ACTION:**

Recommend the approval to the CSCDA Commission of REVL as a new commercial Open PACE Program Administrator.

# Introduction to REVL Capital Group Commercial PACE Loan Platform

May 2023

*This is not an offer to sell or distribute any product or service. This presentation is only for informational purposes.*

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## Table of Contents

- I. Company Overview
- II. C-PACE Loans Overview
- III. C-PACE Finance LLC
- IV. Senior Investment Team
- V. Disclaimer
  
- VI. We do SBA loans
- VII. ABS issuance
- VIII. Investment bank where we

# I. Company Overview

## About REVL

Established in 2014 in Philadelphia, PA

REVL Capital Group is an independent **asset manager** and boutique **investment bank** providing financial advisory, capital markets and private credit solutions to clients.

Founded on the premise that boutique financial firms provide clients with a higher level of attention to detail, and a tailored creative approach to investment strategies.

Diversified client base, including hedge funds, banks, insurance companies and portfolio managers.

As of March 2023, REVL actively manages **\$7B** in underlying assets and has raised **\$1B+** in ABS debt

**10 Year**  
Proven Track Record

**\$7B AUM**  
**+20,000 Assets**

**\$1B +**  
**ABS Debt Issuance**

**50+ Years**  
Among Managers in  
the SBA Market

## Corporate Structure

REVL

### REVL CAPITAL MANAGEMENT

Collateral & Asset Manager

**\$7bn** AUM, >7,000 SBA 7(a) loans

**6** Actively managed SBA IO Securitizations

**\$100mm** Private Equipment Credit Facility, >11,500 assets

**\$250mm** Loan Portfolio Cash Flow Modeling, >8,000 assets



Asset Manager of small ticket equipment finance Rent-to-Own purchase contracts

Targeting Rent-to-Own & lease purchase market, valued at **\$10.5B**



Investment fund specializing in mezzanine capital for unlisted Greek SMEs.

Located in Athens, Greece

### REVL SECURITIES

Private Placement Securities Underwriting

**> \$10bn** SBA COOF Securitizations

**\$60mm** C-PACE loan securitizations

**\$75mm** CRE loan securitizations

**\$35mm** Manufactured Housing securitizations

**\$95mm** AUTO loan securitizations



Capital provider and originator of Commercial Property Assessed Clean Energy (C-PACE) assessments

**\$60mm** of C-Pace loans through Primary funding and secondary trading

## II. C-PACE Loans Overview

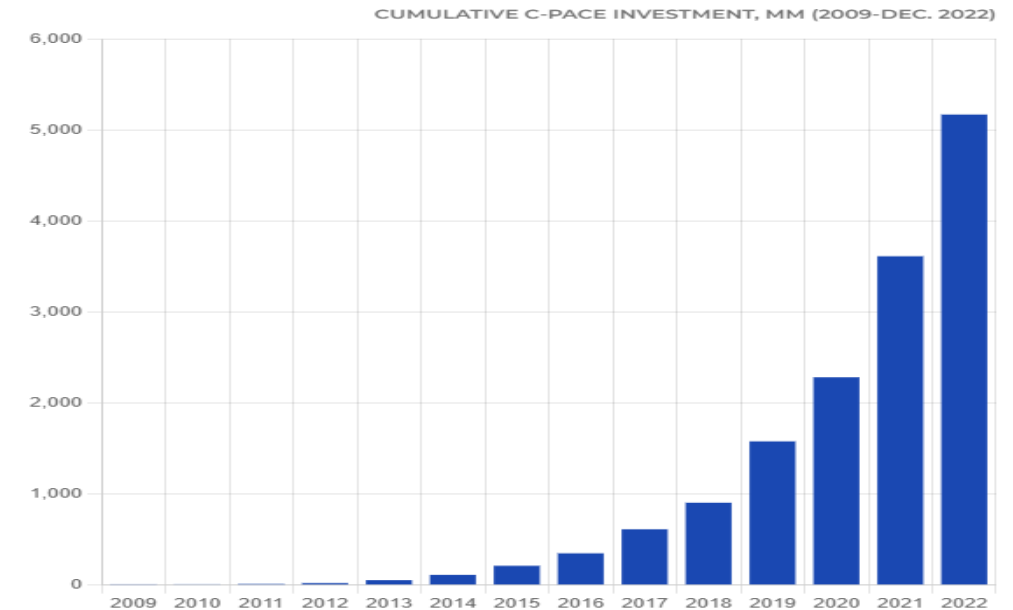
## C-PACE Background and Incentives

### What is PACE?

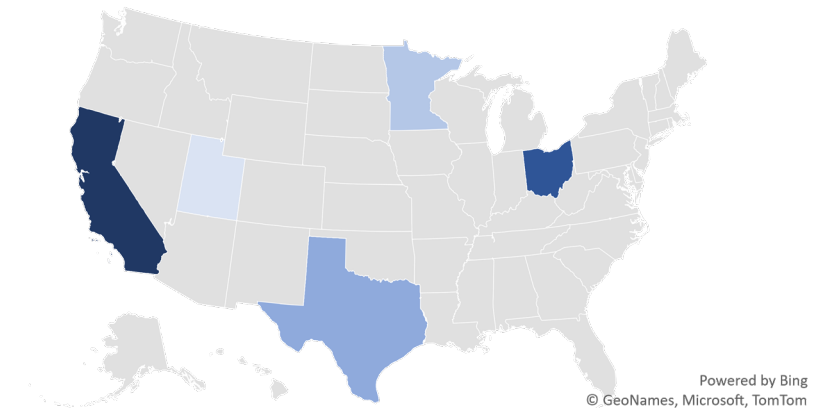
- Property Assessed Clean Energy (“PACE”) allows property owners to finance property improvements by special municipal tax assessment placed directly on the property and paid back through annual property taxes.
- “C-PACE” is the PACE product specifically for commercial properties
- Local governments, state governments, and other inter-jurisdictional authorities, when authorized by their state statutes, issue special assessments, which are funded by private capital providers (CPF), to finance the up-front cost of energy improvements on commercial properties.

### C-PACE asset class is poised for significant growth

- To date, \$5.2 Billion worth of Commercial PACE has been funded nation wide
- We believe that the PACE market will grow to \$1 Billion funded annually
- Local PACE programs in the northeast corridor are now active and funding deals. The programs in PA, NY, DC, and DE are now active.



### Nation Leaders in C-PACE



Benefits and Eligibilities

Key Benefits:

PACE requires no upfront cash

Developer LTC up to 80-85%

2-year delay in first payment

Long term assessment and transferrable to the next owner

Assessment cost and savings can be shared with tenants

PACE Eligible Improvements

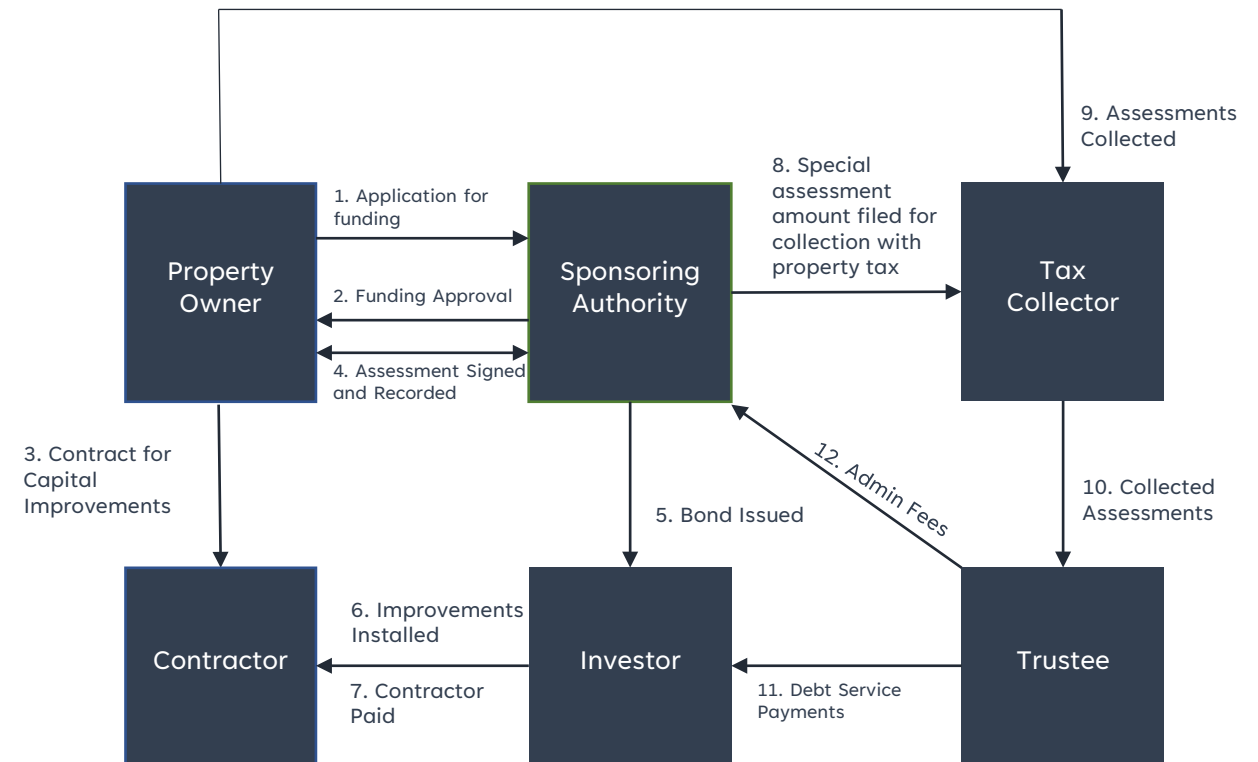
HVAC	Insulation	Ventilation	Refrigeration	Irrigation System
Rainwater Harvesting	Elevator Modernization	Green or Cool Roofs	Low-Flow Showers	Windows
Commercial Washers and Dryers	Cogen Furniture	Lighting Controls	Waterless Urinals	Insulation
Solar Panels	High Efficiency A/C	High Efficiency Lighting	Dishwashers	Hot Water Heaters
Wind Turbine Power	Air Filtration	Electric Car Charging	Thermostats	Soil Moisture Sensors
Duct Sealing	Geothermal Heat Pump	Solar Storage	Seismic Retrofits	Showerheads

## C-PACE Loan Structure

### Underwriting and Financing Structure

- **Loan terms:** Vary from 10, 15, 20-year PACE assessments. Must not extend past useful life of the project.
- **Interest Rates:** Vary based on size, duration, property and project specifics.
- **Property Type:** Commercial, Industrial, Multifamily (4 or more units), Non-Profit, Hospitality
- **Tax Judgement History:** Property must be current on taxes and assessments.
- **Loan to Value:** Total Debt of Property may not exceed 100% LTV.
- **Lien to Value:** Total amount of property tax and assessments must not exceed 30% of property market value.
- **Ownership:** Borrower must be an owner of the property and provide documentation that all ownership approves the participation.
- **DSCR:** Building DSCR (inclusive of PACE) must be at a minimum of 1.0x

### Financing Structure





## **III. C-PACE Finance LLC**

## C-PACE Highlights & Program Growth

**Commercial PACE Finance LLC** – fully owned subsidiary of REVL Capital Group - is a capital provider and originator of Commercial Property Assessed Clean Energy (C-PACE) assessments.

Commercial PACE Finance is uniquely positioned in the PACE market, benefiting from:

### Vertically Integrated Platform

\$50mm of Commercial PACE loans via primary funding and secondary trading in the past 3yrs.

Commercial PACE Finance has underwritten over \$505 Million in PACE deals in 2019 to date

### Experienced Management Team

Management team has 30+ in experience in Structured Products

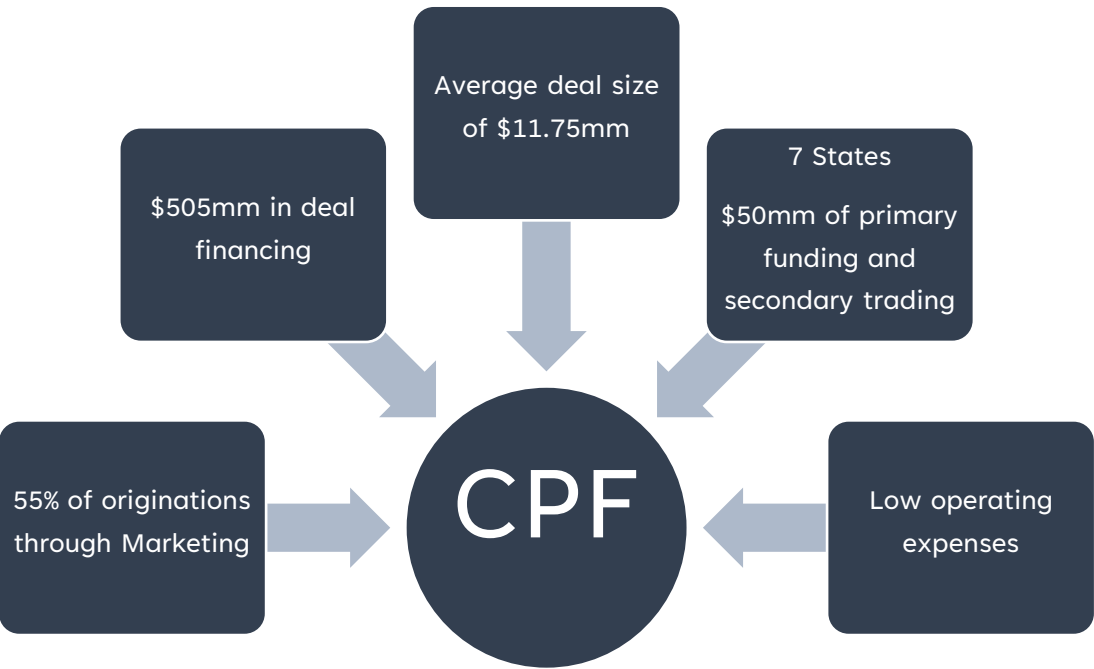
### Exclusive Relationships

Close partnerships with PACE Program Administrators

Exclusive Relationships with energy contractors and retailers, government and non-government organization (NGO) administrators and property

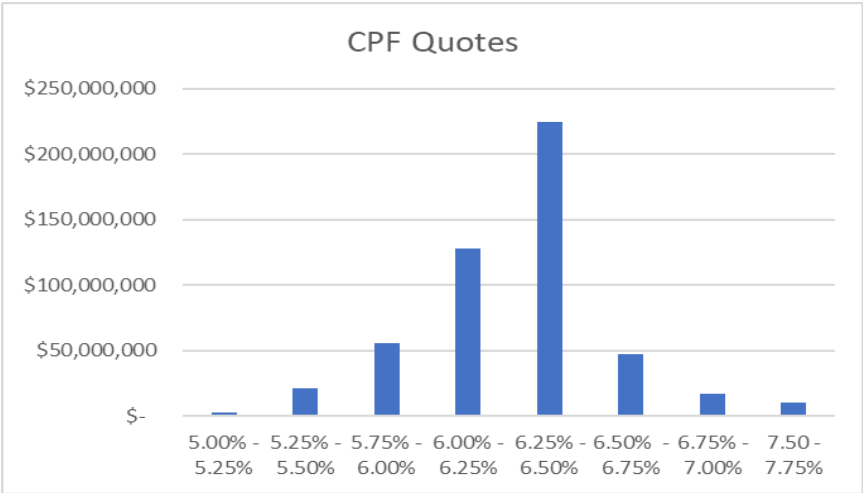
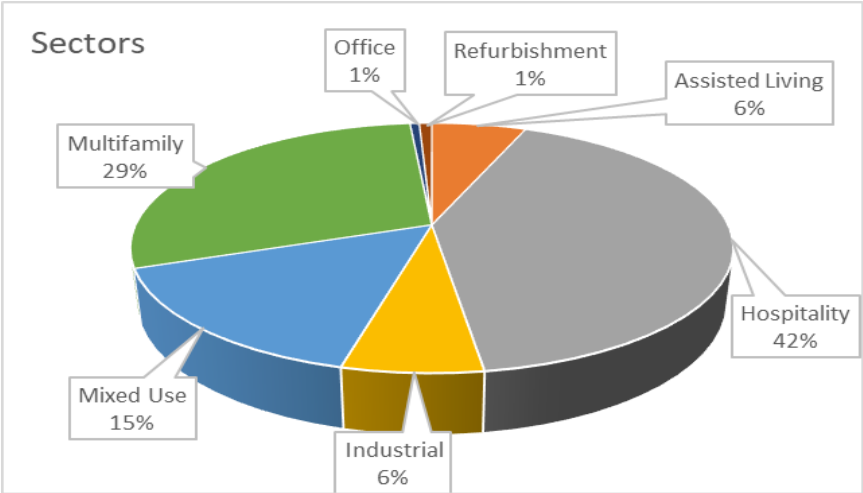
# About CPF

71% of CPF deals quoted to date were Hospitality or Multifamily projects



## CPF 2019 Interest Rate Quotes

- On average, CPF quoted pace projects at a 6.25% interest rate
- The ability to quote deals at 6.00% or below would provide CPF a significant advantage in the market



C-PACE Loan Life Cycle

Our experienced team has **expertise in all stages** of a PACE loan life cycle

Origination Process	Funding Process	Exit Process
<p>CPF <i>underwrites &amp; originates</i> PACE deals and we work with our clients on an individual project basis to create the optimal capital stack</p> <p>CPF continues to grow our network of relationships though direct marketing efforts to developers &amp; brokers</p>	<p>Our team has loans in multiple states, we have funded over \$50 million since 2017</p> <p>We have relationships with program administrators nationwide</p> <p>Our network of senior lenders allows CPF to close PACE loans swiftly &amp; easily; we can fund a live loan in under 30 days</p>	<p>CPF can sell PACE loans in the secondary market at the investor's discretion</p> <p>CPF underwrites &amp; funds PACE loans at a price that will meet our investors yield appetite</p>

## Past Deals



### **Westin – Milwaukee- Ground Up Development** Pace Financing Terms

- Pace Amount \$6,828,330
- 20-year Fully Amortizing PACE Loan
- 6.75% Coupon
- Prepayment Lock-out – 5 Years
- 10.84% Loan to Value Upon Completion

#### **Property Details:**

- Property Type: Flagged Hotel
- Location: Downtown Milwaukee
- Number of Units: 220
- Appraised Value: \$63 million
- Total Construction Cost: \$57 million



### **Covington- Kentucky - Ground Up Development** Pace Financing Terms

- Pace Amount \$4,400,000
- 20-year Fully Amortizing PACE Loan
- 6.84% Coupon
- Prepayment Lock-out – 3 Years, 3% penalty year 4, 1% penalty year 5
- 8.50% Loan to Value Upon Completion

#### **Property Details:**

- Property Type: Multifamily
- Location: Covington, KY
- Number of Units: 189
- Appraised Value: \$51.8 million
- Total Construction Cost: \$44 million
- Number of Parking Spaces: 359
- Additional Commercial Space: 4,000 sq ft

## Current Deals in Pipeline



**Coriell Institute for Medical  
Research**

**\$15,000,000**

**Research Institute**



**Sunshine**

**\$48,000,000**

**Solar Cold Storage  
Facility**



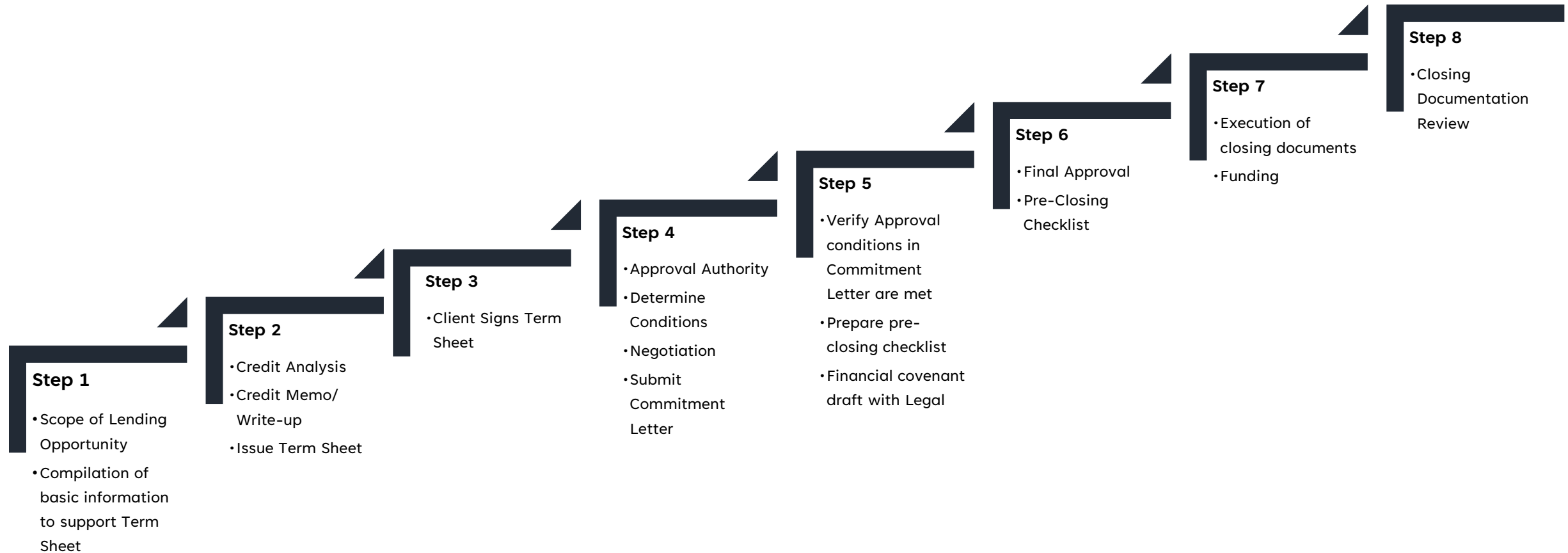
**Evora**

**\$30,000,000**

**Mixed-Use Development**

## Deal Process Timeline

T+ 30 days



## **VII. Senior Investment Team**



## Senior Investment Team



**George Tsetsekos, PhD**

Chairman

With expertise in corporate finance and investments, Dr. Tsetsekos has served in advisory and consulting roles in several public companies and organizations in the US and abroad including The World Bank, The US Securities and Exchange Commission (SEC), Bear Stearns, FannieMae and Calamos Investments. Dr. Tsetsekos has experience in securitizations, risk management and hedging, asset pricing and valuations and M&A. Currently, he is the Francis Professor of Finance and Dean Emeritus at Drexel's LeBow College of Business where he served as Dean of LeBow for 10 years and as VP of Academic Administration at Drexel for four years.



**Dimitri Papatheoharis, CFA**

Managing Principal

Dimitri has more than 20 years of experience in the fields of structured finance, capital markets, fixed income trading and risk transfer technology. He has served as Chief Investment officer of Luminent Capital, a publicly traded investment firm, where he managed a \$15 billion portfolio of non-agency mortgage loans and ABS securities and derivatives. He also served as Senior Vice President of Capital Markets at Radian Group Inc., where he managed Radian's structured products business.



**Thomas Tadley, CFA**

Principal

Thomas was a credit analyst and structurer for Kildare Capital. His experiences include managing deal transaction flows, modeling and stress testing of investment vehicles and pricing and valuation of structures and public securities. Thomas evaluates transactions in the ABS, MBS, IOs, MSRs and derivatives markets and has been involved in roles of progressive responsibility for several financial architecture projects aiming at optimizing structured-products trading and he leads a team of analysts that support portfolio management.

## Senior Investment Team



### **Ergkys Alizoti, MSFS**

#### Vice President

Ergkys evaluates transactions in the ABS, MBS, SBA IOs, and derivatives markets. Mr. Alizoti serves as a Portfolio Manager for the asset management arm of REVL, where he provides leadership in managing over \$7 billion of small business loans. Mr. Alizoti has been actively involved in structuring and trading of over \$950 million of securitizations and private placement transactions in SBA Interest Only Strips.

Ergkys holds a double master's in Finance / Business Intelligence and Analytics from Saint Joseph's University and a bachelor's degree in Banking and Financial Management from University of Piraeus. He has completed executive education coursework from Harvard Business School and holds series 7, 79, 63, 52 securities licenses.



### **Colin Keyes**

#### Director

Colin is responsible for transaction management and support to all firmwide deals for the asset management and capital market businesses. Colin is heavily involved in conducting research, financial modeling, portfolio analysis and leads all aspects of investor reporting.

Prior to REVL, Colin was an Associate within JPMorgan's investment bank. As a member of the securitized products group, he managed daily P&L and conducted financial analysis on CMBS, whole loans, real estate private equity and strategic investments. Colin holds a BS in Accounting from Susquehanna University.

### **Laramie Dunlap**

#### Associate

Laramie works as a data analyst and software developer. His responsibilities include database management, data analytics, and automation. He developed our proprietary database of over 2.2 million SBA 7a loans and the software that converts the raw data into actionable insights.

Prior to REVL, Laramie spent 8 years developing execution algorithms and analytics for equity derivatives and futures traders alongside his own trading. His experience includes time series forecasting for financial derivatives, volatility modelling, and order flow analysis. Laramie holds a BS in Economics from the University of North Texas and has completed executive education coursework from The University of Pennsylvania.

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## **Agenda Item No. 7**

### **Agenda Report**

**DATE:** October 19, 2023

**TO:** CSCDA EIS Committee Members

**PURPOSE:** Consideration of updated commercial PACE guidelines.

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#### **EXECUTIVE SUMMARY:**

CSCDA has adopted the attached commercial PACE guidelines, which are annually reviewed to keep them up-to-date for evolutions and changes in the commercial PACE market. Attached is a redline of recommended updates to the guidelines.

#### **SUMMARY OF UPDATES:**

1. Capital Provider Indemnification – Open PACE program administrators have a contractual requirement to indemnify CSCDA. The recommendation is to add this requirement to the financing documents for capital providers to protect CSCDA to the fullest extent.
2. Increase Maximum Amount Authorized – We have and are seeing more transactions in excess of \$100MM which was the previous threshold. The recommendation is to increase this maximum amount to \$500MM.
3. Certification of Energy Efficiency and Water Efficiency Upgrades – Recommend a requirement that a third-party certify proposed energy efficiency and water efficiency upgrades. This is to provide a point for data and validation of proposed upgrades.
4. Multifamily Projects – We have seen an increase in multifamily for-sale projects being financed. To avoid such projects being residential PACE projects the recommendation is to require the PACE assessment be paid-off upon sale of the property. In addition, an escrow account needs to be established that holds funds upon the sale of the property to payoff such assessments.
5. Notarized Lender Consent – Based upon the most recent experience of alleged forgery of lender consent documents the recommendation is to add a requirement that lender consent documents be notarized.

**RECOMMENDED ACTION:**

Recommend the approval of the updated commercial PACE guidelines and submit to the CSCDA Commission for approval.

## Overview

The California Statewide Communities Development Authority (“CSCDA”) has established the CSCDA Open PACE platform to provide Property Assessed Clean Energy (“PACE”) financing for the benefit of its city and county members.<sup>1</sup>

This CSCDA Open PACE Guide (Commercial Properties) (this “Guide”) outlines the basic design and financing structure of the CSCDA Open PACE commercial financing program.

## California Statewide Communities Development Authority

CSCDA is a statewide joint powers authority sponsored by the California State Association of Counties and the League of California Cities. CSCDA’s mission is to provide local governments access to low-cost financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities.

## Statutory Authority

Chapter 29 of Division 7 of the California Streets & Highways Code (“Chapter 29”) authorizes CSCDA to establish voluntary contractual assessment programs to finance or refinance renewable energy, energy efficiency, water efficiency and seismic strengthening improvements, electric vehicle charging infrastructure, wildfire mitigation and any other improvements, infrastructure or work that the Legislature may authorize from time to time (collectively, the “PACE Improvements”).

CSCDA operates two contractual assessment programs under Chapter 29 and the CSCDA Open PACE platform (collectively, the “Programs”):

- CaliforniaFIRST
- Open PACE

## Purpose of CSCDA Open PACE

CSCDA is offering CSCDA Open PACE on a statewide basis to encourage the installation of PACE Improvements. CSCDA will issue assessment-backed bonds that will allow property owners to access competitive interest rates offered by the capital markets.

By offering competitive financing, CSCDA Open PACE provides economic incentives to property owners to help advance important public purposes, including greenhouse gas reductions, reduced water use, wildfire mitigation and seismic safety.

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<sup>1</sup> To provide the broadest geographic reach, CSCDA has established two CSCDA Open PACE programs: (i) the CaliforniaFIRST Program and (ii) the CSCDA Open PACE Program.

## Program Administrators

CSCDA has designated multiple third-party program administrators to administer CSCDA Open PACE (“Program Administrators”). This Guide is intended to provide an overview of CSCDA Open PACE for existing and prospective Program Administrators. Program Administrators are expected to be familiar with the Program Reports adopted by CSCDA and may also develop their own Program Handbook. In the alternative, Program Administrators may notify CSCDA that they wish to adopt this Guide as their Program Handbook.

CSCDA has established minimum criteria for Program Administrators as follows:

1. Program administration contract with CSCDA.
2. Exclusively offer C-PACE through CSCDA in California.
3. Minimum of \$25MM in capital available for financing C-PACE loans. Availability of capital needs to be evidenced by a capital commitment letter or letter of intent.
4. Minimum transaction size \$2MM.
5. C-PACE finance team established including bond counsel, assessment engineer and trustee;
6. Minimum 2 years of C-PACE or similar financing experience.
7. Ability to manage delinquency of assessments.
8. Upon Commission approval of Program Handbook and documents, individual C-PACE transactions do not need to be approved by the CSCDA Commission.
9. The ability to abide by the consumer protection policies established by CSCDA and the Legislature.

## Capital Providers

CSCDA will also provide financing for projects where a Program Administrator has not been designated, and will act as program administrator for those projects. CSCDA has established minimum criteria for capital providers in this circumstance as follows:

1. No program administration agreement with CSCDA [, although capital providers will be required to indemnify CSCDA consistent with indemnification provided in Program Administrator agreements.]
2. Transactions are similar to conduit bond financings completed by CSCDA.
3. Minimum of \$10MM in capital available for financing C-PACE loans. Availability of capital needs to be evidenced by a capital commitment letter or letter of intent.
4. Minimum transaction size of \$2MM.
5. Ability to manage delinquency of assessments.
6. C-PACE finance team established including bond counsel, assessment engineer and trustee.
7. Minimum 2 years of C-PACE or similar financing experience.
8. Each transaction is approved by the CSCDA Commission.
9. The ability to abide by the consumer protection policies established by CSCDA and the Legislature.



## Legal Structure of CSCDA Open PACE

CSCDA Open PACE uses a tool that is widely used by local agencies in California to finance public benefit projects: land-secured financing. State law has long provided cities and counties with the power to issue bonds and levy assessments on the county property tax bill to finance public projects such as sewers, parks, and the undergrounding of utilities.

- Chapter 29 authorizes the levy of “contractual assessments” to finance the installation of PACE Improvements.
- A “contractual assessment” is an assessment that is levied by contract (an “assessment contract”), between a public agency and property owner.
- Under CSCDA Open PACE, a contractual assessment lien is placed on each participating property in an amount necessary to:
  - finance the installation of PACE Improvements over a 5 - 39 year period of time, depending upon the expected useful life of the financed improvements,
  - pay for costs of issuing bonds (including funding a reserve fund, if required), and
  - pay the costs of administering CSCDA Open PACE.
- The contractual assessment installments are collected on the property tax bill of the county in which the participating property is located. If the owner sells the property, the contractual assessment obligation remains an obligation of the property.
- Under CSCDA Open PACE, if a property owner fails to pay the annual contractual assessment installments, CSCDA is obligated to strip the delinquent installments off the property tax bill and commence judicial proceedings to foreclose the lien of the delinquent installments. CSCDA will appoint foreclosure counsel in this circumstance and work with the Program Administrator to cure the delinquency.
- All property owners participating in CSCDA Open PACE need to consult with their existing lenders that are secured by their property to determine whether the execution of an assessment contract will violate their existing loan agreements. CSCDA requires a written acknowledgement of the assessment contract by all existing lenders secured by the property.
- In order for the property owner to participate in CSCDA Open PACE, the property must be located within a Program Participant, which means a city (if the property is located in an incorporated area) or county (if the property is located in an unincorporated area) that is a member of CSCDA, and has adopted a resolution to permit CSCDA to operate CSCDA Open PACE within its jurisdiction. If the property is not located within a Program Participant, CSCDA will attempt to have the city or county become a Program Participant. CSCDA will provide Program Administrators and capital providers with access to a document repository where all adopted Program Participant resolutions may be found. Program Administrators and capital providers are responsible for confirming that a participating property is located within a Program Participant and that there are no restrictions or additional requirements in the Program Participant’s resolution that are inconsistent with the proposed financing.

In general, but subject to any restrictions in the Program Participant resolutions, Program Administrators and capital providers may operate under both Programs.

### Regulation of Program Administrators

Program Administrators are subject to State regulation under Assembly Bill 2693 (2016), Assembly Bill 1284 (2017) and Senate Bill 242 (2017), among others.

Program Administrators are responsible for complying with any State or Federal laws that are applicable to their activities in CSCDA Open PACE.

### CSCDA Open PACE (Commercial Properties)

#### Parameters and Project Eligibility Requirements

CSCDA will evaluate projects based on a broad range of criteria. Any exceptions to the CSCDA Open PACE eligibility criteria will be documented as part of the underwriting of each transaction.

<b>Financing Amount</b>	\$2,000,000 - \$500,000,000 (1) <b>increase \$100M limit?</b>
<b>Financing Term</b>	Up to 39 years, provided that the weighted average life of the financing (weighted by principal amortization) is equal to or less than the weighted average life of the qualified improvements.
<b>Closing Costs and Fees</b>	Typical program costs and fees, legal costs, bond issuance costs, plus servicing fees for any third party retained.
<b>Financing Rate</b>	Fixed and variable rates of interest, determined on a project-by-project basis
<b>Property Location</b>	Within CSCDA Program Participant
<b>Property Type</b>	<ul style="list-style-type: none"> <li>Non-residential property</li> <li>Residential property with four or more units (2)</li> </ul>
<b>Property Value</b>	<p>1. The property value is typically established by a recent appraised value or assessed value. The market value of each participating property must be \$1,000,000 or greater. Financing amount relative to value shall be subject to the following constraints:</p> <p>2. PACE lien-to-value generally not to exceed 30% of property value.</p>

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	<p>3. Combined lien-to-value not to exceed 95% of property value.</p> <p>4. Annual property taxes and assessments on the property's tax bill, including the contractual assessment, may not exceed 5% of the property's market value, as of the date of the execution of the assessment contract.</p> <p>5. Any commercially reasonable method of establishing a property's market value may be used to calculate the "PACE Lien-to-Value" and "Combined Lien-to-Value".</p>
<b>Eligible Improvements and Project Scope</b>	<p>Direct and indirect costs for material, labor and soft costs related to project design, evaluation, demolition, installation and construction necessary to implement PACE Improvements as part of ground-up construction, existing-structure retrofits and renovations. Eligible categories of PACE Improvements include heating, ventilation, air conditioning, electrical, plumbing, seismic strengthening, fire hardening. PACE Improvements must be permanently affixed to the property, to the extent required by Chapter 29.</p> <p><u>Energy efficiency and water efficiency measures should meet the eligibility criteria specified in the Program Reports or be certified as improvements that produce water or energy savings in a third-party report or by the Program Administrator.</u></p> <p>Further information about eligible PACE Improvements is set forth in the Program Reports for the Programs.</p>
<b>Ownership Interest and Authorization</b>	<p>Except as permitted by Chapter 29, owners of the fee simple title to the participating property, or their legally authorized representatives, must sign the financing documents.</p>

<b>Property Owner History</b>	<p>1. There must be no notices of default recorded against the property, whether in effect or released, due to non-payment of property taxes or loan payments within the prior three (3) years (or since acquisition, if property owner has held title to the property for less than 3 years).</p> <p>2. There must be no bankruptcies involving the property owner in the prior 12 months.</p>
<b>Mortgage Lender Acknowledgement</b>	Required.
<b>Prepayment</b>	Prepayment of the contractual assessment is allowed. The terms and any prepayment premiums shall be determined on a case-by-case basis.
<b>Retroactive Financing</b>	The PACE financing must close no later than 3 years after issuance of the certificate of occupancy for the financed PACE Improvements.
<b>Refinancing</b>	Permitted.

(1) The \$2,000,000 minimum applies to the aggregate principal amount of a bond financing, not to the principal amount of a contractual assessment. The minimum aggregate bond principal amount may be achieved by pooling multiple contractual assessments in a single financing.

(2) Financings for residential properties with four or fewer units are subject to regulation under California law. See "Regulation of Program Administrators" above.

### **Financings for Residential Properties with Recorded Condominium Maps or Recorded Subdivision Parcel Maps**

CSCDA will provide C-PACE financings for residential properties with four or more units with recorded condominium parcel maps and residential projects with a recorded subdivision parcel map comprised of parcels with fewer than four units (including single-family homes), in each case if (1) all of the parcels are owned by a single property owner at the time of the PACE financing closing and (2) the assessment contract provides that if the property owner sells any parcel other than as part of a bulk sale of all of the parcels, the property owner will prepay the assessment amount allocable to such parcel.

If the property owner has indicated that it intends to own and operate the participating property as a residential rental project, the Program Administrator or capital provider shall ensure that the PACE financing includes an acceptable mechanism (such as a covenant enforceable in specific performance) under which sale proceeds or other available moneys will be used to prepay the allocable PACE assessment of each unit on or before the time it is sold.

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If the property owner has indicated that it intends to sell individual units or parcels, the Program Administrator or capital provider shall ensure that the PACE financing includes an escrow structure under which sale proceeds or other available moneys will be used to prepay the allocable PACE assessment of each unit on or before the time it is sold, unless otherwise approved by the Commission.

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### **Compliance with Existing Secured Lenders**

Chapter 29 requires CSCDA to record two notices in the real property records in the county where the property is located. These notices include a Notice of Assessment (NOA) and a Payment of Contractual Assessment Required (POCAR). These notices may be combined into a single document, which is referred to as the NOA POCAR. This document establishes a lien as security for the repayment of the contractual assessments, as specified in California Government Code § 53935.

Some existing private lenders may limit the ability of the property owner to further encumber the property. Property owners are expected to take responsibility for working with existing private lenders to ensure that the PACE financing does not result in a default or trigger the exercise of remedial action under the existing loan documents. All property owners are required to obtain written, notarized acknowledgment of the PACE financing from existing mortgage lenders.

### **Contractors**

All contractors must follow applicable local, state, and federal laws, and must be registered with California State License Board.

## **Finance Details**

### **Transaction Costs and Interest Rates**

Costs involved with PACE transactions may be either paid by the property owner directly or included in the total financing amount. These costs may include financing or commitment fees, legal costs, third-party report costs, costs of recording the NOA POCAR, bond trustee fees and expenses, and other fees or costs customarily incurred in PACE programs. Total transaction costs will be determined on a case-by-case basis, including financing or commitment fees negotiated per project. The total transaction costs financed by the PACE financing will be detailed in the PACE financing documents.

Interest rates will be established on a case-by-case basis, and may either be a fixed or variable rate. In no case will the interest rate exceed the maximum interest rate permitted under state law.

## Administrative Fees

As part of the financing process, property owners will be charged administrative fees, some of which are paid at the time of closing, while others are paid semi-annually along with each installment of the contractual assessment. The specific fees for a given transaction will be set forth in the assessment contract.

## Funding Request and Disbursement

In most cases, the assessment contract or other program documents will establish certain milestones that must be met before disbursements of PACE financing proceeds can be made to pay for authorized costs of PACE Improvements.

Once any disbursement conditions have been met by the property owner, the Program Administrator will work with the bond trustee to disburse PACE financing proceeds.

## Transfer or Sale of the Property

If the property is sold or transferred prior to full repayment of the contractual assessment, the remaining contractual assessment will transfer with the property, and must be paid by the new property owner, without any action needed by any party. A property owner, prior to selling or transferring the property, may choose to prepay the outstanding principal balance of the contractual assessment, plus any required prepayment premium.

Property owners must make any legally mandated disclosures regarding the existence of the contractual assessment as part of the sale or transfer of the property.

## Other Terms

### Changes in Local, State, and Federal Law

CSCDA's ability to issue bonds is subject to a variety of local, state, and federal laws. If those laws, or the judicial interpretation of those laws, changes after the property owner has applied for CSCDA Open PACE financing, but before CSCDA issues a bond (even if the property owners has paid fees or incurred costs in anticipation of receiving financing), CSCDA may be unable to provide funding. Neither CSCDA nor the Program Administrator will be liable for any expenses or costs incurred as a result of such change in laws.

### Changes in Program Terms; Severability

This Guide is provided to CSCDA Open PACE administrators and capital providers. CSCDA reserves the right to make modifications to this Guide at any time.

**Moved up [1]:** If a participating property is a multifamily residential project for which a condominium map is either planned or recorded, the Program Administrator or capital provider shall ensure that the PACE financing includes an escrow structure under which sale proceeds or other available moneys will be used to prepay the allocable PACE assessment of each unit on or before the time it is sold, unless otherwise approved by the Commission.¶

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**Multifamily Residential Projects with Condominium Maps¶**

If any provision of this Guide is determined to be unenforceable for any reason, then that provision will be deemed severed, but will not affect the validity or application of the remaining provisions.

### **Disclosure of Property Owner Information**

As a condition of participating in CSCDA Open PACE, the property owner agrees to permit CSCDA to disclose any information received about the property, property owner, or transaction to any third-party, when that disclosure is essential to the operation of CSCDA Open PACE or to facilitate the transaction. This may include compliance with any law, legal process, or request from a regulatory agency, as well as to allow CSCDA or the Program Administrator's employees or contractors to provide services to the property owner or otherwise perform their duties.

Neither CSCDA nor the Program Administrators will provide any information for the purposes of telemarketing, or e-mail or direct solicitation. All information received will be treated with care in order to protect the property owner's privacy and security.

### **Environmental Attributes**

Property owners, or third-party owners of qualified improvements, shall retain the rights to any environmental attributes related to qualified improvements financed through CSCDA Open PACE.

### **CSCDA Fees**

CSCDA fees for transactions are pursuant to its adopted fee schedule that can be found at <https://cscda.org/wp-content/uploads/2021/01/CSCDA-Fee-Schedule-1.21.21.pdf> . The fee schedule is subject to review and change by the Commission.

### **Exceptions to Terms and Conditions**

CSCDA may make exceptions to the terms and conditions identified in this Guide, where such exceptions further the goals and objectives of CSCDA Open PACE. However, no such exceptions may be made where they conflict with Chapter 29 or any guideline established by the CSCDA Commission.