

How a PACE Project Actually Happens

Phase 1: Project Eligibility

The first step on the road to a PACE project is to determine eligibility. This can take the form of a self-evaluation or a simple phone call or email exchange with Levin Energy Partners. The key questions include the following:

- Is the property a commercial, industrial, or non profit property?
- Is the property value greater than \$800,000?
- Does the property spend more than \$60,000 on utilities annually?
- Is the existing debt on the property less than 80% the value of the property?
- Is the Property Owner current on all property tax obligations?

If the answer to all of these questions is “yes,” the project meets the initial eligibility criteria for PACE financing. It’s not guaranteed - there’s still more underwriting to be done, but that comes later.

Phase 2: Energy Analysis

Next, it’s time to get a better understanding of the property’s potential energy savings. If the PACE team doesn’t include a PACE Contractor at this point, this is the time to find one and Levin Energy Partners can help.

A PACE Contractor will complete an initial energy analysis to see exactly how inefficient the building is and what opportunities exist to improve it. This includes an analysis of the last two years of utility bills, any anticipated changes to the building and its use, and a walk through of the building. With this information, the PACE Contractor can provide a free estimate of the potential savings, the potential costs, and the viability of PACE financing.

Phase 3: Underwriting and Issuance of Term Sheet

Once it is clear that a property is eligible and there is a good potential PACE project, the next step is thorough underwriting by a PACE Lender. If the PACE team doesn’t include a PACE Lender yet, it’s time to find one. Levin Energy Partners can help.

The PACE Lender will conduct an initial underwriting, typically asking for, among other items, the past three years of financials for the Property Owner, a title report on the property, a recent appraisal or another form of property valuation, and the existing mortgage on the property should one exist.

The PACE Lender then will issue a term sheet for the Property Owner to review and sign. Typically, this will include information regarding the amount of financing available, the term length, interest rate, and other details of the prospective PACE loan.

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Phase 4: Finalize the energy project

With a signed term sheet in hand, it's time to finalize the scope of the project, including costs and savings. The PACE Contractor will typically ask for a contract from the Property Owner. The cost of this contract will usually be bundled into the finalized PACE project. If the PACE project doesn't go forward, the Property Owner will pay the PACE Contractor for its engineering and design work.

Once this contract is signed, the PACE Contractor will finalize project engineering. The contractor uses the final projected costs and savings to provide an Energy Savings Guarantee to the Property Owner that the savings from the PACE project will be greater than the payments made to the PACE Lender.

Phase 5: Secure lender consent

If there is an existing mortgage on the property, the Property Owner will need to obtain consent for the project from the mortgage lender. Once the energy project and the financial underwriting are squared away, it should be easy sailing with the mortgage lender. It's important to include Levin Energy Partners in the consent process to make sure the bank understands the legal and financial ramifications of PACE financing for the property.

Phase 6: Finalize loan documents

Once lender consent is secured, we're in the final stretch. Any final supporting documents are gathered and the final loan documents are exchanged between Property Owner and PACE Lender.

Phase 7: PACE application

The final step is to submit an application to Levin Energy Partners for the PACE special assessment agreement. This application consists of the basic information about the property and Property Owner, the energy project, and the PACE loan. Levin Energy Partners will then work with all parties to finalize the documentation, coordinating with local government.

Phase 8: Closing the PACE financing

Property Owner, PACE Lender, local government, and Levin Energy Partners meet to sign the necessary documents. Once the special assessment agreement and loan documents are signed, the PACE Lender records the PACE special assessment agreement with the Register of Deeds and the money is wired to the property owner that day or the following morning.

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Phase 9: Complete the work

Once the financing is in place, the PACE Contractor will oversee the work included in the PACE project budget. Payments are typically handled in a manner similar to a construction loan payment schedule.

Once the project is complete, PACE Contractor and Property Owner send a letter to Levin Energy Partners stating that the project has been installed successfully.

Phase 10: Monitoring performance and repaying the loan

To make sure projects are performing as anticipated, Property Owners agree to enter their utility data into Energy Star Portfolio Manager for the PACE financing term and link their account to Levin Energy Partners' account.

Property Owner will start payments on the PACE loan according to the payment schedule outlined in the loan agreement. The PACE loan is typically paid back directly to PACE Lender, meaning that only in the case of nonpayment would the County need to be involved.