Property Assessed Clean Energy

Tried and test concept, new application and location

DEDAT Green Economy Reference Group

5 March 2020
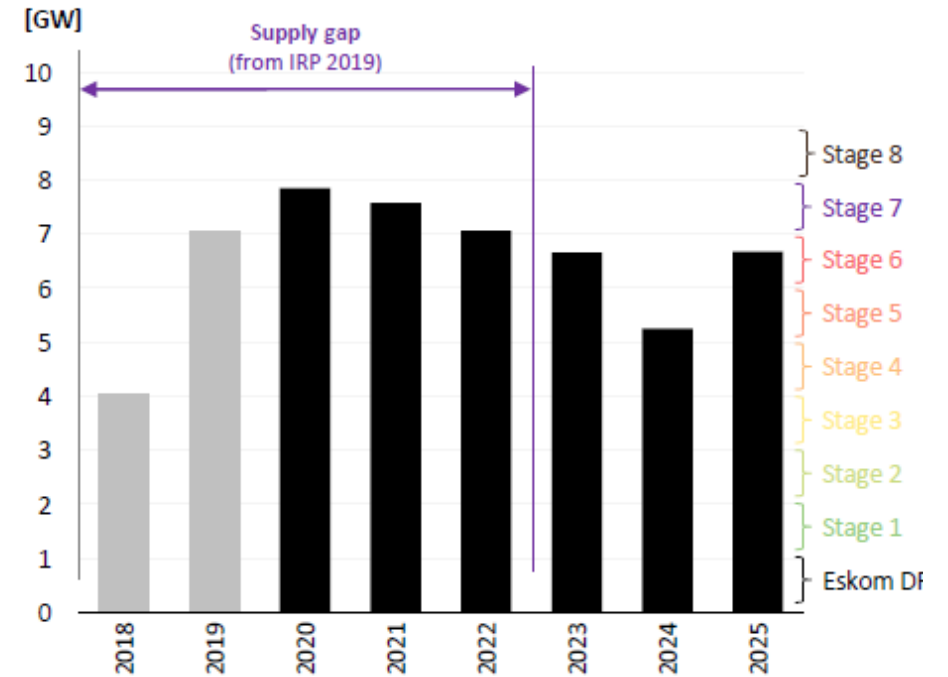
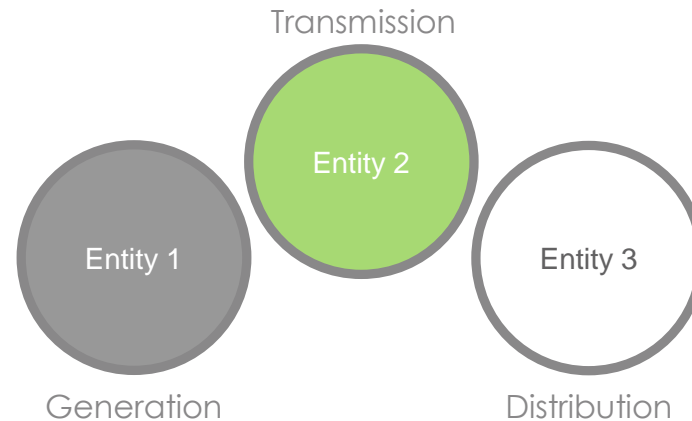# Why are we taking about PACE?

We are walking into a new energy reality…

At the end Sept 2019 there was a total 16.67MW of solar PV in WC (likely A LOT more)

Transmission

Entity 2

Entity 1

Entity 3

Generation

Distribution

GreenCape

What is PACE?

The <u>P</u>roperty <u>A</u>ssessed <u>C</u>lean <u>E</u>nergy (PACE) model is an innovative mechanism for financing energy efficiency, water and renewable energy improvements on private property.

PACE – is the term for applying an additional "special assessment" (SA)/rate on a property owners rates bill to repay a fixed asset addition to the property

Financeable Improvements

Our first focus is on the installation of rooftop solar PV (can include water and EE)

GreenCape
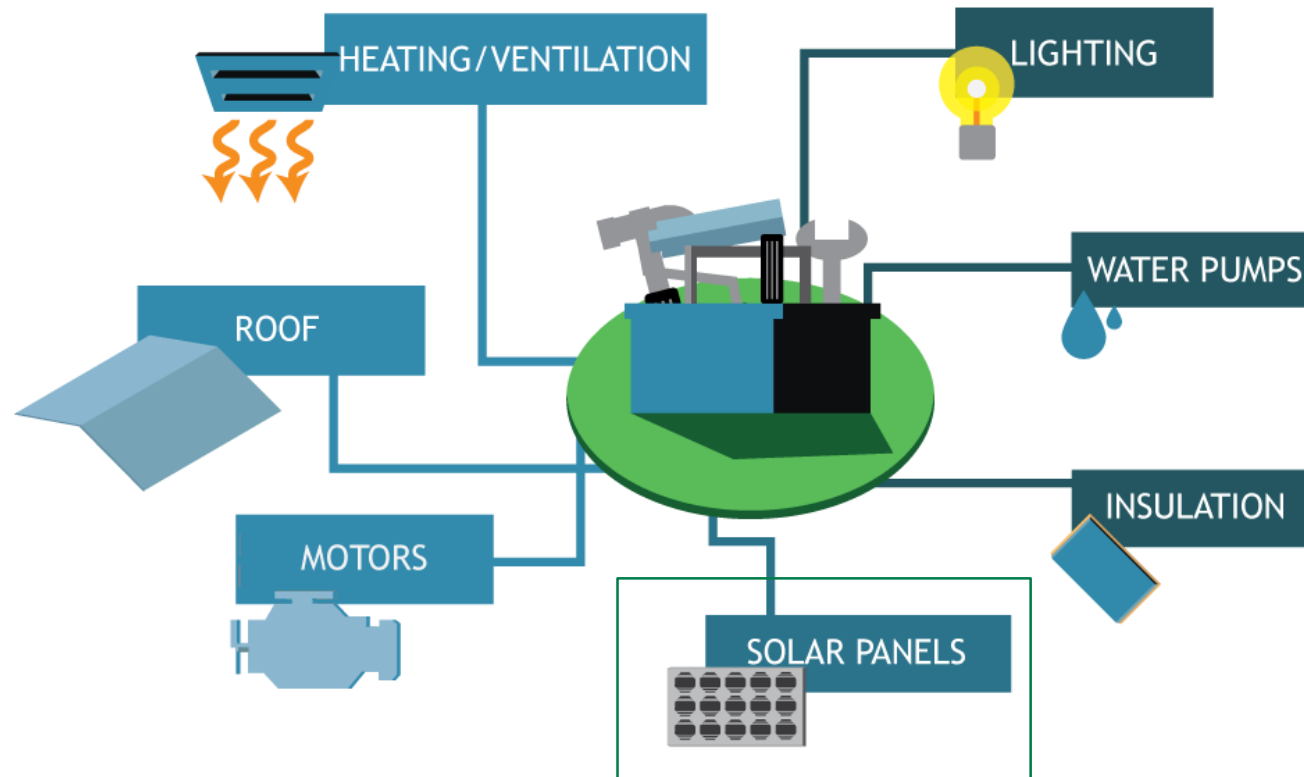
Building Types

The most common PACE models are C-PACE and R-PACE

The South African PACE structure

Project construction proceeds as it typically would
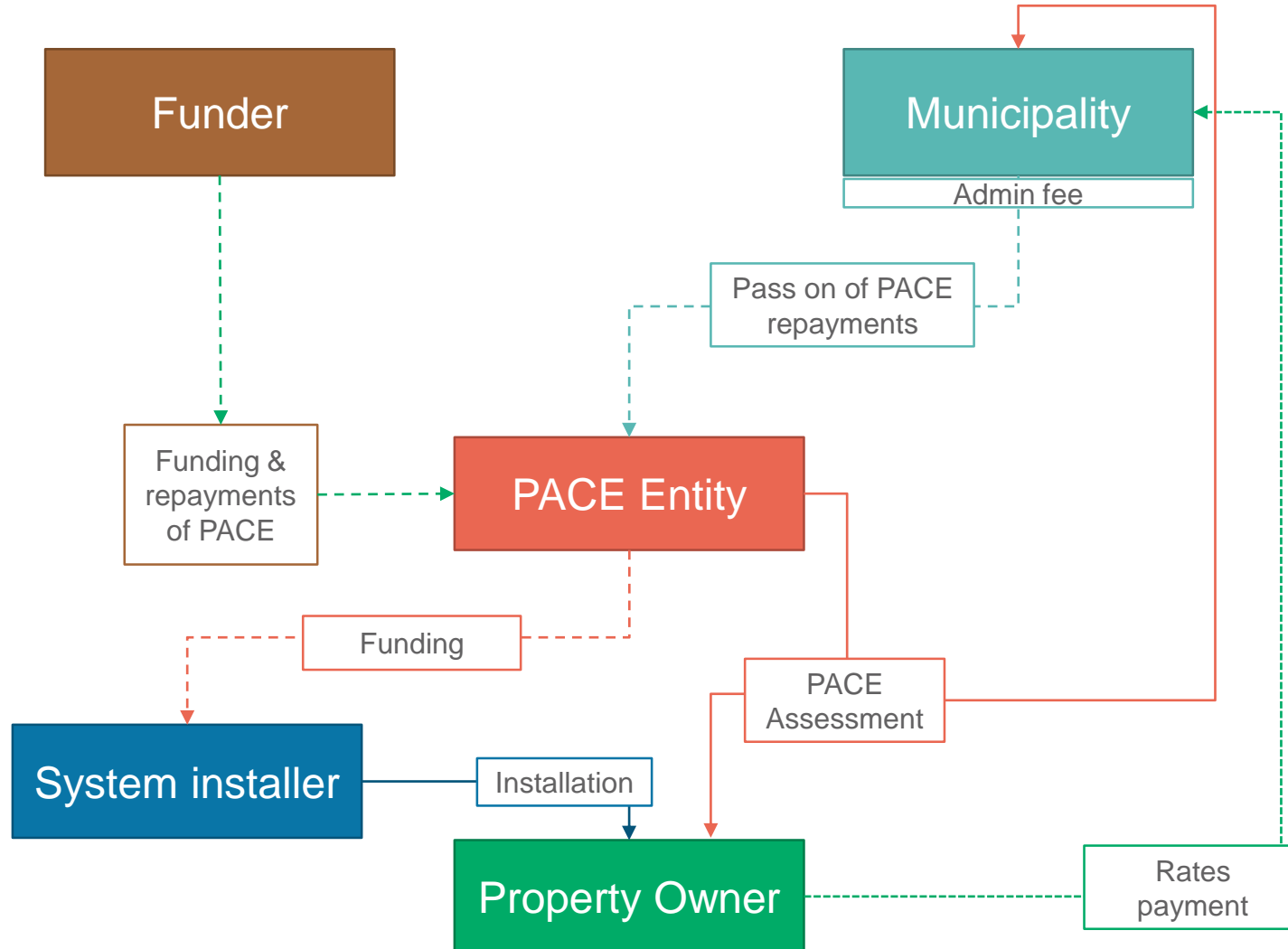
How will the City's constituents benefit from PACE?

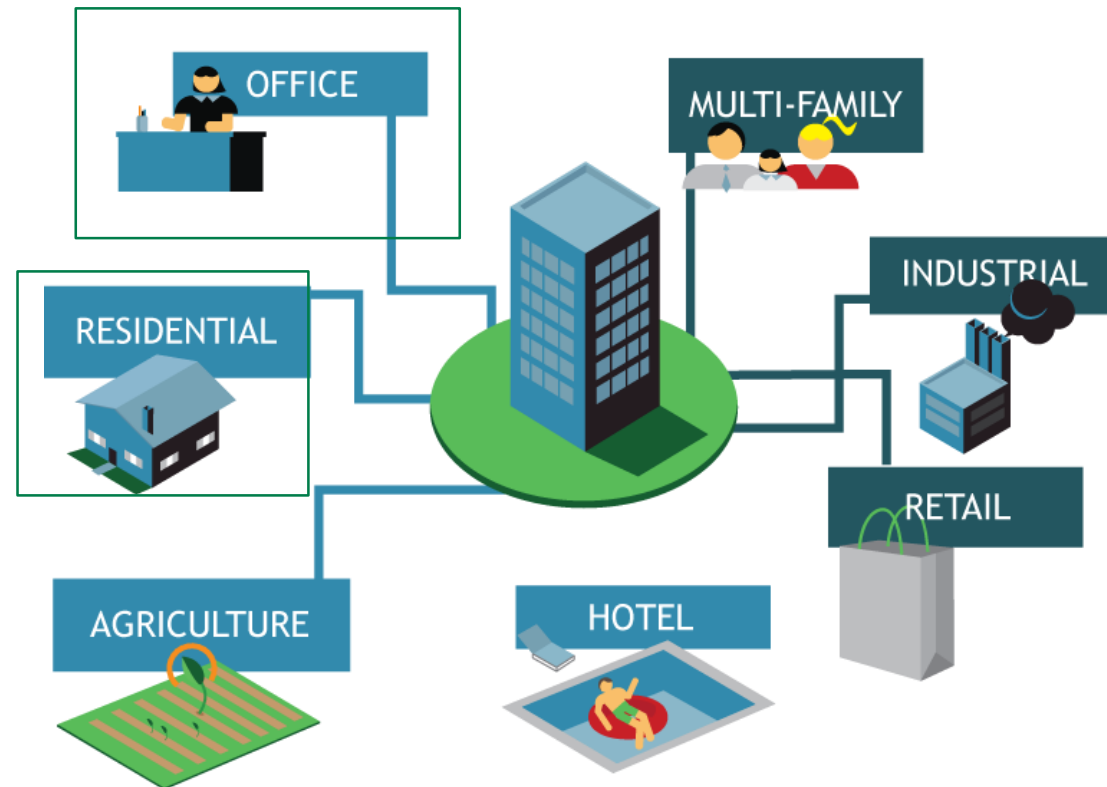Increases the ease and decreasing the cost…

No Money Out of Munic Pocket: 100% financing including soft costs

Immediate Savings: Cash-flow positive on day one

Property as security: Reduced lending rate

Longer Term (20 Yr.): Reduces annual payments

Secures seniority in repayment: Liquidation & Transfer

Off Balance Sheet Finance: Tied to property not your credit

RE improvements increases property value: Upwards of 15%

How will the City benefit from PACE?

Removes financing barriers and creating a more competitive environment

Accelerate uptake of RE projects: Developing market

Outsource green financing: No public financing required

Standardized processes: Accelerated application and uptake

Use existing revenue collection model: revenue and admin

Credit enhancement: Adds security for investors, reduces risk

Independent Validation: Reduces technical risk for municipality

The way forward…

1. Does PACE fall within the cities mandate?
    – YES, promotes development
    – Best interests of local community
    – promotes safe and healthy environment

2. How will a special assessment be added to rates account?
    – Through the Special Rating Area policy, which allows an **individual property** to be classified as a special rating area
    – Amend SRA by law and policy to include individual property (6-12 months)

3. What is the structure of the PACE entity?
    – Either a PPP or Service Level Agreement with private sector

Thank You

The Energy and Finance Team

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GreenCape's Green Finance Desk

The Green Finance Desk's main role is to as a facilitator increase investments in the Green Economy in the Western Cape.

Engaging regularly with financiers active in the Green Economy, as well as with project developers and/or companies requiring funding.

Designing and maintaining the Green Finance Database