

# Contractors and Commercial PACE: Understanding the Value Proposition and Best Practices in Recruitment and Training

Part of the Technical Webinar Series for U.S. DOE's Commercial PACE Working Group

Draft Presentation – Intended for distribution with C-PACE Working Group Participants

June 20, 2019



# Purpose

- **C-PACE Working Group Technical Webinar Series:**  
To provide in-depth technical content about C-PACE program elements to state and local participants in DOE's C-PACE Working group with support from market experts.
- **Today's Webinar: To inform state and local governments about:**
  - The value contractors and energy service companies bring to C-PACE programs;
  - Best practices in recruiting and training contractors as a means to build a pipeline of C-PACE projects.

# Housekeeping

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- The recorded webinar, transcript and slides will be available to C-PACE Working Group participants.
- Duration: 90 minutes.
- Attendees are in listen-only mode.
- Attendees are encouraged to type questions and feedback in the webinar interface tool throughout the webinar. We will have time at the end to answer questions.

# Agenda

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- **Background from DOE**
- **Featured Speakers**
  - Todd Williams, Lean & Green Michigan
  - Alysse Lembo-Buzzelli, Connecticut Green Bank
  - Brian McCarter, Sustainable Real Estate Solutions (SRS)
- **Q&A**

# Background: Why Today's Topic?

**Project origination is a top barrier for many established C-PACE programs – contractors help drive project origination.**

*How can programs be designed and implemented to maximize the value offered by contractors?*

- 1. What do we mean by “contractor?” What’s the value proposition for including contractors in a C-PACE Program?*
- 2. How are contractors recruited, trained and certified among different C-PACE programs?*
- 3. What are the best practices from established programs that new programs may want to replicate? What are potential pitfalls to avoid?*

# Speakers



**Todd Williams**

*Senior Counsel, Lean & Green Michigan, LLC*



**Alysse Lembo-Buzzelli**

*C-PACE Program Manager, Connecticut Green Bank*



**Brian McCarter**

*Chief Executive Officer, Sustainable Real Estate Solutions, Inc.*

# Lean & Green Michigan

## *Contractors and Commercial PACE*

Todd M. Williams

Senior Counsel

Lean & Green Michigan, LLC



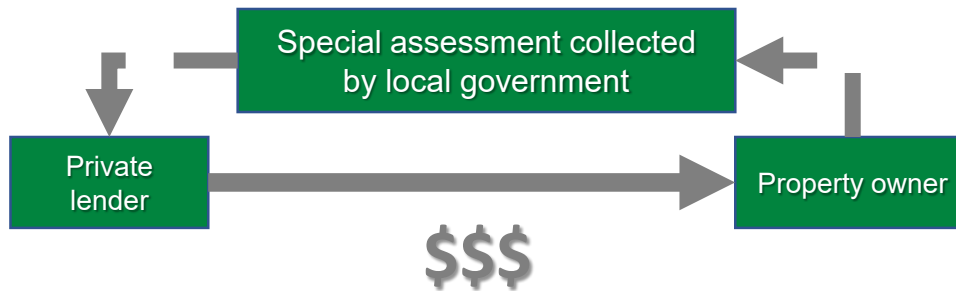
# Agenda

- Michigan PACE
- What is the value proposition?
- Tips and Pitfalls



## PACE in Michigan

- Public Act 270 of 2010
- Passed on 12/14/2010
- Michigan PACE Act is a model in many ways
  - Flexible financing options (public \$, private \$)
  - Direct payment from property owner to lender



## What Michigan's PACE Act Allows

- Public Act 270 allows PACE financing of projects that increase energy or water efficiency or add renewable energy generating capacity
  - An energy savings guarantee is required
  - The only exclusions are incinerators
  - The statute includes a long list of what is allowed, but makes clear they are only examples
  - **Bottom line: the statute is *incredibly broad*** and leaves room for you to include new technologies

# Examples of improvements include, but are not limited to:

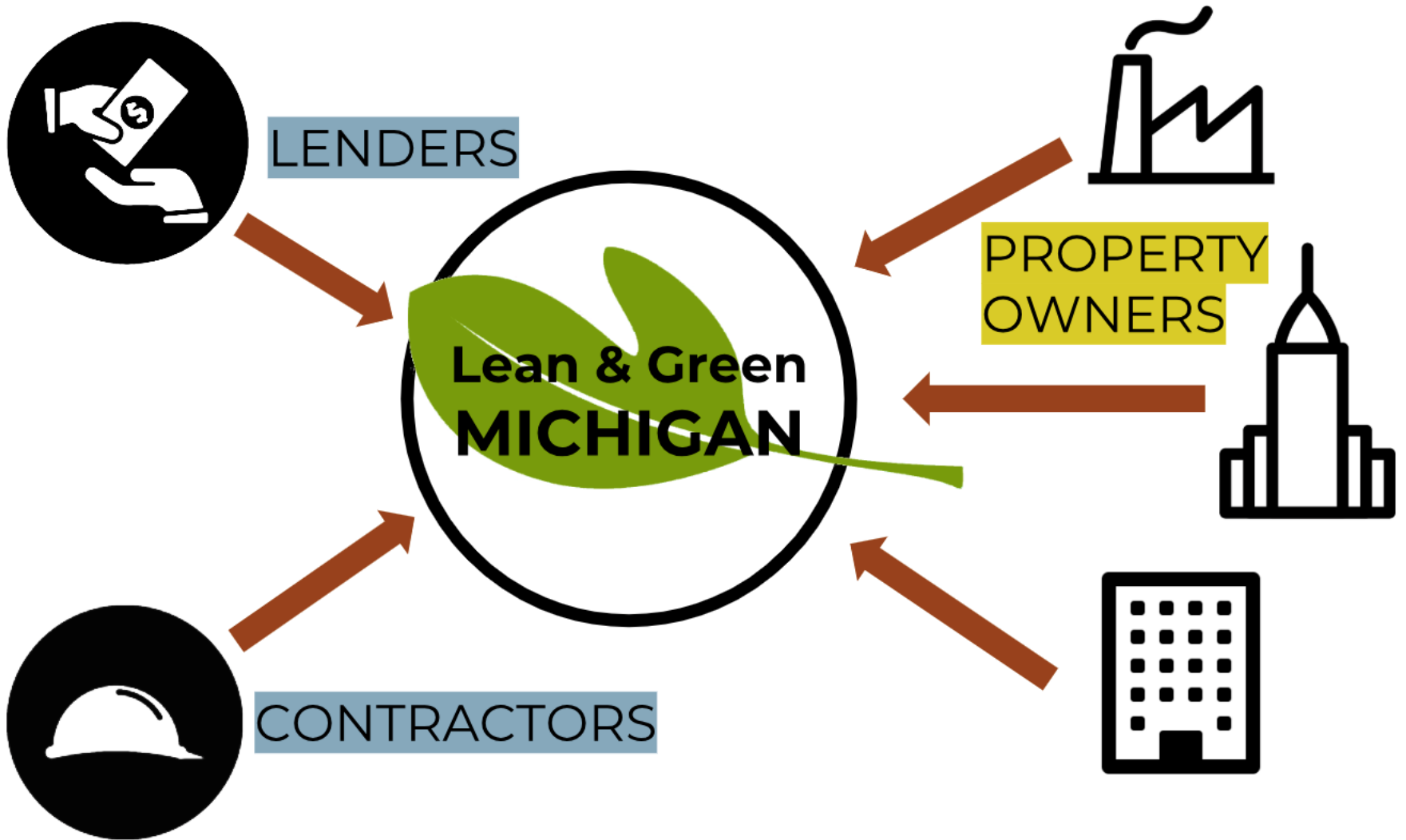
- Insulation
- Lighting
- Efficient windows
- Caulking, weather-stripping, air-sealing
- Energy control systems
- HVAC modifications
- EV charging stations
- Water efficiency improvements
- Solar
- Wind
- Geothermal
- Manufacturing processes
- Hot water systems
- Biomass
- Combined heat and power



# What is Lean & Green Michigan?

- Statewide administrator
- Open Market for Contractors and Lenders
- Provide support to property owners
- Based out of Detroit, MI
- Manage PACE marketplace
- Provide training to contractors





# Contractor Value Proposition to LAGM

PROJECTS  
&  
PARTNERS



# Projects

- Who is going to do your project development?
- LAGM has always had a staff of between 1 and 3 – we serve 40 jurisdictions across Michigan.
- Contractors are a vital source of projects.

REGISTER FOR THE

# 2019 Michigan PACE Summit

MAY 2ND 2019

8AM-2PM, LUNCH WILL BE PROVIDED

IBEW LOCAL 58, 1358 ABBOTT ST.

DETROIT, MI 48226



Lean & Green Michigan is proud to host its first Michigan PACE Summit. The Michigan PACE Summit will bring together leaders from across the state to envision a more sustainable future.

Speakers will address many routes to help Michigan achieve its clean energy goals, including by utilizing:

- PACE Financing
- 2030 Districts
- DTE/Consumers Incentives
- US Green Building Council Certifications
- Zero Net Energy, and more

The 2019 Michigan PACE Summit will also include an exciting tour of the IBEW Local 58's state of the art Zero Net Energy facility.

**FOR MORE INFORMATION AND TO REGISTER, VISIT:**  
<https://www.eventbrite.com/e/michigan-pace-summit-registration-58808143741>

## SPEAKERS

**Bali Kumar**  
CEO, Lean & Green Michigan

**Liesl Eichler Clark**  
Director, Department of Environment, Great Lakes, and Energy

**Councilman Scott Benson**  
City of Detroit

**Christian Koch**  
Business Development Driver, Lean & Green Michigan

**Todd Williams**  
Senior Counsel, Lean & Green Michigan

**Mansoor Ghori**  
Co-Founder and CEO, Petros PACE Finance

**Ken Randazzo**  
Manager, Energy Optimization & Energy Partnership, DTE Energy

**Jon Somerville**  
Business Energy & New Construction Advisor, Consumers Energy Business Energy Efficiency Programs

**Laura Long**  
USGBC Detroit Region

**Connie Lilley**  
Executive Director, Detroit 2030 District

**Cheri Holman**  
Executive Director, USGBC West Michigan

**Joel Howrani Heeres**  
Director of Sustainability, City of Detroit

**Diana Nash**  
Client Solutions Consultant, Energy Sciences



## Partners

International Brotherhood of  
Electrical Workers

&

National Electrical Workers  
Association

- Early supporters of LAGM
- They often invest in new markets and new technologies – did so in PACE to help create the market.
- Impetus for and Sponsor of the 2019 Michigan PACE Summit.





# PACE Value Proposition to Contractor

- \$\$\$\$
- Often allows for growth in project scope
- Training in PACE
- Recognition on our website

# Training

- In Person and Web based training
- Provide PACE Manual, model documents
  - General Contract Information
  - Project Eligibility Flow Chart
  - Program Application
  - Model Scope of Work
  - PACE Explanation Materials (can be used with their clients)
  - PACE Cost Analysis Template (helps with our SIR requirement)

# Lean and Green Michigan Contractors

Thanks for your interest in Lean & Green Michigan! Below is a list of contractors who have attended one of our PACE trainings as well as registered their business information with our partner organization, Michigan Saves. This list will grow as additional training seminars are held. Please check any number of boxes below to search for contractors that meet your needs.

To be featured as a Lean & Green Michigan PACE contractor, please sign up for our next contractor training [here](#).

## Find contractors that provide the following services:

- ☐ Automated energy control systems
- ☐ Biomass
- ☐ Building envelope (e.g. windows, doors, insulation, sealing)
- ☐ Ceiling fans
- ☐ Combined heat and power
- ☐ Daylighting systems
- ☐ Efficient manufacturing processes
- ☐ Electric vehicle charging stations
- ☐ Energy audits
- ☐ Geothermal
- ☐ Heat recovery
- ☐ Hot water systems
- ☐ HVAC (e.g. boilers, heating, cooling, duct sealing, ECM and variable speed drive motors)
- ☐ Landfill methane gas capture
- ☐ Lighting
- ☐ MBE Certification
- ☐ Roofing
- ☐ Solar PV
- ☐ Solar thermal

Company Name	Phone	Services Offered
<a href="#">ABM</a>	248-614-3439	<a href="#">View Details</a>
<a href="#">BASS Controls</a>	586-731-0028	<a href="#">View Details</a>
<a href="#">Best Lights</a>	800-545-2928	<a href="#">View Details</a>
<a href="#">Better World Builders, LLC</a>	269-383-7862	<a href="#">View Details</a>
<a href="#">BGI Technologies</a>	586-322-2799	<a href="#">View Details</a>
<a href="#">BHHG Energy, LLC</a>	248-568-5339	<a href="#">View Details</a>
<a href="#">Blue Terra Energy</a>	906-231-3995	<a href="#">View Details</a>
<a href="#">Bratic Enterprises</a>	2485821408	<a href="#">View Details</a>
<a href="#">Building Performance Solutions</a>	855 926-8362	<a href="#">View Details</a>
<a href="#">Butler Electric</a>	(616) 643-8287	<a href="#">View Details</a>
<a href="#">Catalyst Partners</a>	616 454 1111	<a href="#">View Details</a>
<a href="#">CGE Energy</a>	248-446-1344	<a href="#">View Details</a>
<a href="#">Commercial Building &amp; Retrofit, Inc</a>	800-423-0453	<a href="#">View Details</a>
<a href="#">CTI Mechanical Contractors</a>	269-441-1900	<a href="#">View Details</a>
<a href="#">E3 Prime Environments</a>	4147880844	<a href="#">View Details</a>
<a href="#">E3, Inc.</a>	855-338-4733	<a href="#">View Details</a>

# Best Practices, Tips, Pitfalls

- Recruit early and often – BUT know who you are recruiting into the market
  - Set up a good background check for the companies
  - AND – Google can be your friend!
- Vital to understand what your Contractor is and is not
  - Energy Auditor
  - Able to offer Savings Guarantee?
  - Construction/Implementation
  - General Contractor v. Subcontractor

# Best Practices, Tips, Pitfalls

- Main things to bear in mind
  - Contractors may be the first and only time a property owner is hearing about PACE
  - A bad Contractor and a resulting upset Property Owner is extremely bad for a new/young market
  - Other parties may start to think of you and the contractor as the same entity...strive to maintain an independent identity

# Thank you!

[www.leanandgreenmi.com](http://www.leanandgreenmi.com)

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# Contractor Channel Best Practices from CT C-PACE Lessons Learned

*Presented by:*

**Alysse Lembo-Buzzelli**

Manager, C-PACE Program



**Brian McCarter**

CEO



*June 20, 2019*

# Connecticut Green Bank



Connecticut Green Bank, a national leader in the green bank movement and trusted partner across the commercial and industrial sector, is accelerating the adoption of green energy by making it more accessible and affordable to commercial and industrial buildings.

## Our vision:

Lead the green bank movement by accelerating private investment in green energy deployment.

- **Help Connecticut achieve economic prosperity**
- **Create jobs**
- **Promote energy security**
- **Address climate change**

## Our mission:

Support Connecticut's energy strategy to achieve cleaner, cheaper and more reliable sources of energy while creating jobs and supporting local economic development.



# The Value of Contractors in the C-PACE Program

**Contractors provide a *direct* channel to property owners who:**

- have pent-up demand for capital intensive equipment replacement
- have limited capital budget to self-fund improvements
- are ideal prospects for C-PACE benefits (100% long-term financing for green energy improvements)



# The Value of Contractors in the C-PACE Program

- Contractors help make up the C-PACE program's "salesforce" by incorporating the C-PACE financing option into conversations with property owners.
- Utilize the unique skillsets of clean energy contractors to grow the C-PACE program while also growing their business.
- Most of the 260+ closed C-PACE projects in CT were originated by contractors & developers.



# Role of Contractors in C-PACE

## Encourage Contractors & Developers to “join” the program



- Attend a half-day training workshop to learn about C-PACE in CT
- Become a “Registered” Contractor
- Collaborate with C-PACE program to originate projects:
  - Prequalify projects for C-PACE
  - Optimize project development for C-PACE financing
  - Help Property Owners submit Project Applications for financing

# How does C-PACE Help Contractors?

## Confidence

### Trusted partner



By becoming a C-PACE contractor and partnering with Connecticut Green Bank – a national leader in the green energy movement – building owners will feel more comfortable closing projects with you.

## Credibility

### Sales support



With trainings, marketing materials, technical support and assistance in developing and pitching projects, Connecticut Green Bank provides the resources you need to confidently sell more green energy projects.

## Creates Opportunities

### More business



C-PACE creates value for building owners of all types. With C-PACE, projects are more comprehensive and have fewer barriers to completion. You can connect with new prospects and expand work with existing clients.

# CT C-PACE Contractor Recognition Program



## Registered Contractors:

- Completed online registration form
- Within last 12 months:
  - Submitted at least 1 approved project OR;
  - Attended a training within the past year; and
  - Are in good standing with the CT Green Bank



## Advanced Contractors:

- Registered, plus:
  - Have developed a minimum of 5 approved C-PACE projects
  - 1 new project approved annually
  - Are in good standing with CT Green Bank

# SRS Background

- **2010: SRS was founded by CRE technology and energy efficiency professionals with 25+ years' experience**
- **Industry leader in C-PACE Program Administration Services**
  - **2012:** Entered C-PACE in collaboration with Connecticut Green Bank to design and implement the nation's 1<sup>st</sup> statewide C-PACE program
  - **2019:** SRS has provided C-PACE program support services nationwide
    - CO, CT, DE, NV, OH, OR, RI, UT, VA (~1,200 contracting firms trained)
    - Facilitated C-PACE projects valued over \$175M (~70% contractor sourced)
    - Developed a suite of C-PACE software, analytics, QA/QC tools to enable contractors to efficiently develop C-PACE project scenarios

# Why the HVAC Contractor Channel?

## **HVAC servicing & equipment replacement firms** (EE contractors)

- Maintain a roster of building owner clients under equip. service contracts
- Know which buildings have equip. replacement needs (C-PACE opportunities)
- Often submit “cost” proposals for owners to self-fund equip. replacement
  - Only to hear cost-avoidance objections:
    - “Can I get another year out of it?” (i.e. repair vs. replace)
    - “The payback period is too long” (i.e. > 3 years)
- 100% long-term C-PACE financing benefits can often change such “cost” proposals to “investment” (cash flow positive) opportunity proposals
- For these reasons, SRS targets HVAC contracting firms as a primary EE project origination channel for C-PACE programs



# Why the Solar PV Contractor Channel?

## Solar PV firms (RE contractors)

- Deploy ongoing solar PV sales efforts to targeted building owners
- Historically have relied on the Power Purchase Agmt (“PPA lease model”)
- C-PACE extends solar PV firms’ financing options to include “ownership model”
- Moreover, 100% long-term C-PACE financing benefits integrated in solar PV projects often results in compelling “investment” (cash flow positive) proposals
  - 100% financing over 25 year term
  - ITC, MACRS accelerated depreciation
  - State-level REC programs, e.g. CT’s ZREC program (15 year fixed contract)
  - Inclusion of roof upgrade cost in C-PACE financing (PPA excludes roof cost)
- For these reasons, SRS targets solar PV contracting firms as a primary RE project origination channel for C-PACE programs



# Contractor Outreach, Education & Support

## Recurring C-PACE training workshop and support initiatives:

- Conduct research to identify targeted HVAC (EE) & Solar PV (RE) firms
- Perform outreach (email & telemarketing) to invite firms to free workshops
- Host recurring training workshops (in targeted regions around the state)
- Conduct workshop follow-up to stimulate project applications & grow pipeline
- Provide contractor tools & support services to engage and retain contractors

# Contractor Channel Key Challenges?

- **HVAC servicing & equipment replacement firms often lack experience:**
  - Developing energy savings & cash flow projections (that owners need to get to “yes”)
  - Integrating 3<sup>rd</sup> party financing into their projects (finance is “foreign language”)
- **This “gap” makes it challenging for HVAC firms to successfully integrate C-PACE into their standard proposal & project development process**

# Contractor Channel Key Challenges? (cont.)

- **Biggest pitfall has been the “one-and-done” contractor:**
  - Upon introduction, many contractors enthusiastically embrace the C-PACE benefits
  - However, the implementation challenges & multi-stakeholder complexity of C-PACE is often intimidating (“old way” – “new way” challenge; change is hard...)
  - This “new way” challenge coupled with the C-PACE “time to close” concerns have resulted in a stiff contractor retention challenge
- **To meet these challenges, SRS developed contractor training, tools** (project pre-qualification, project optimization for C-PACE financing) **& support services**

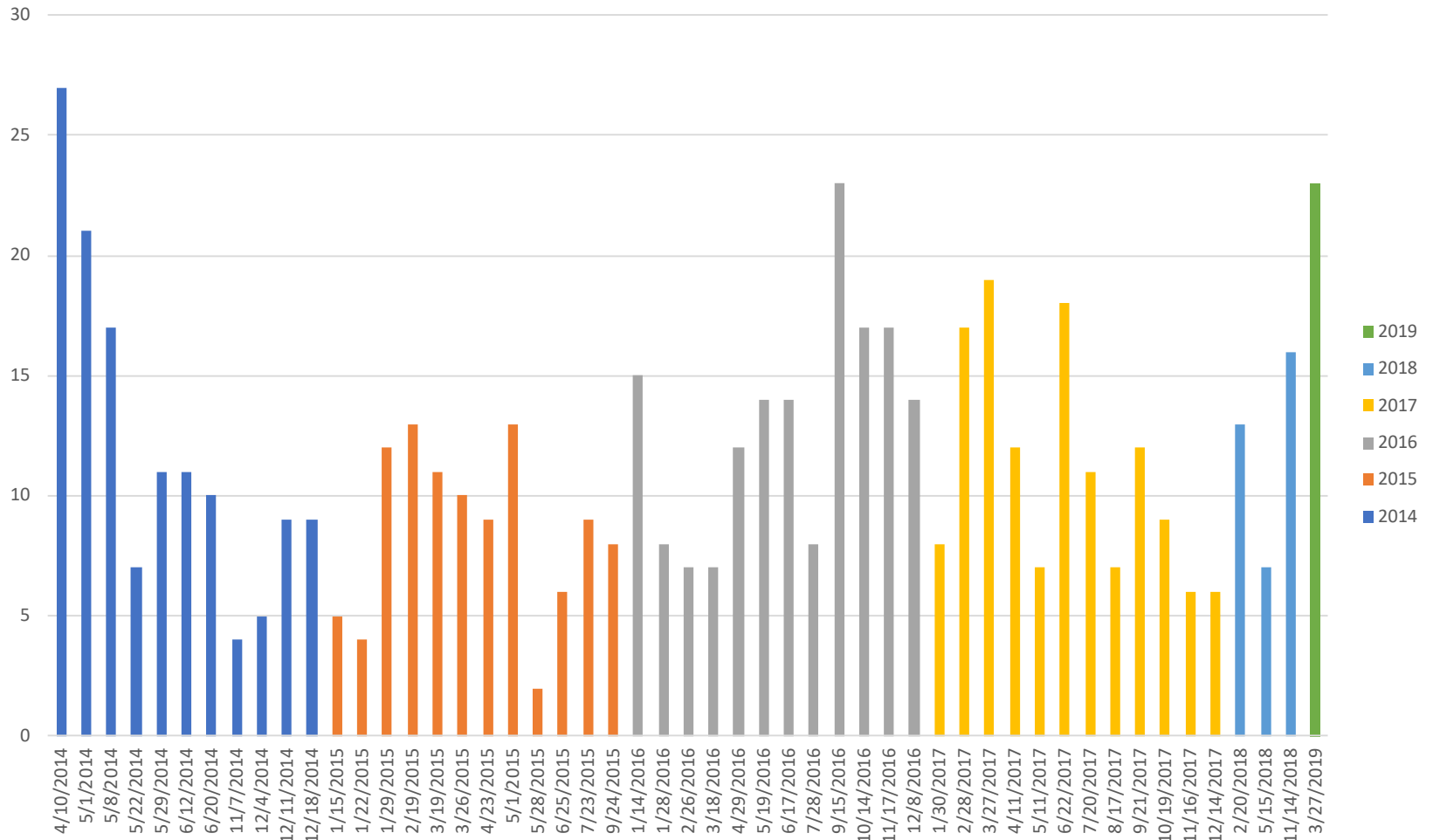
# Contractor Channel Successes

**The following slides share key metrics from CT C-PACE contractor channel initiatives:**

- How recurring outreach, education, and support services to contractors drives C-PACE project origination
- “Conversion rate” lessons learned from project origination funnel:
  - Contractor trainings-to-project applications
  - Project applications-to-finance closings

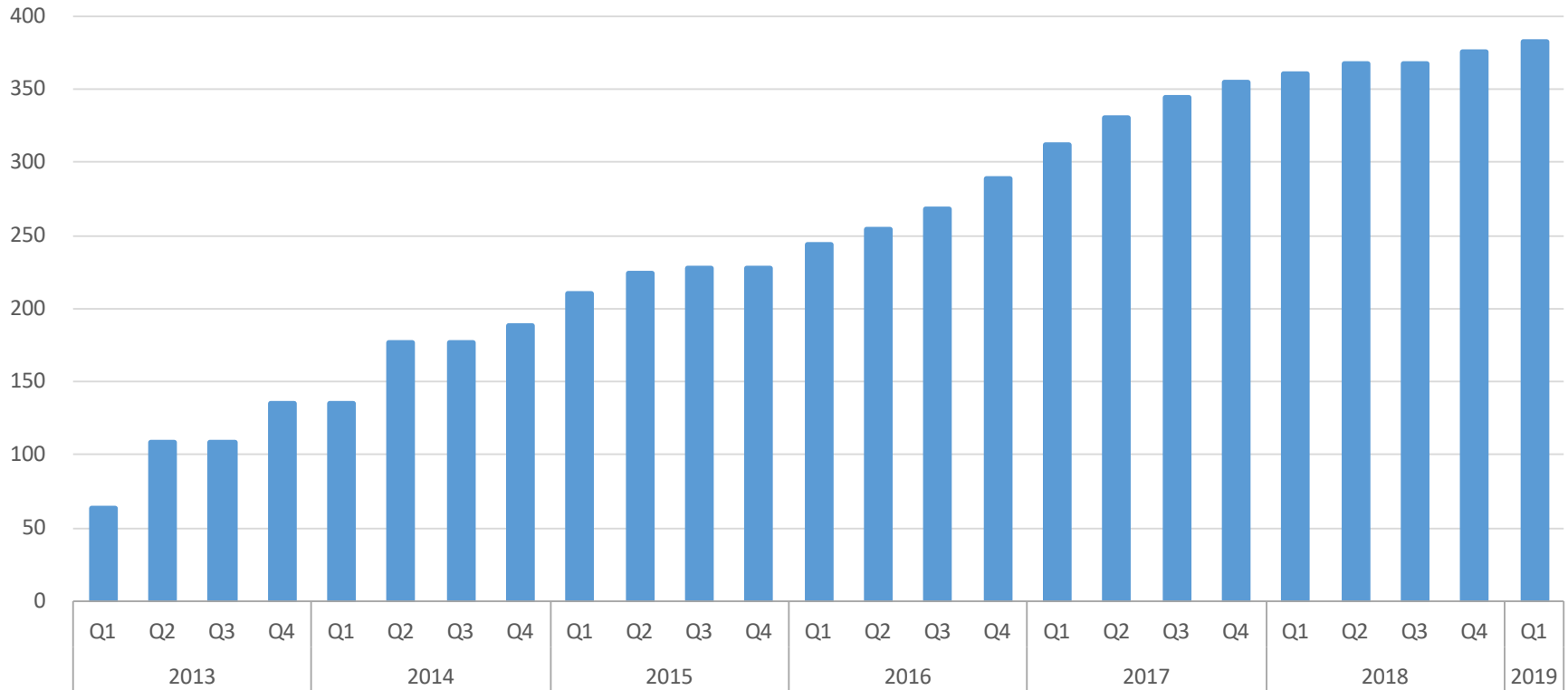
# CT C-PACE Contractor Training Workshops

- CT C-PACE has conducted over 50 contractor workshops since 2014



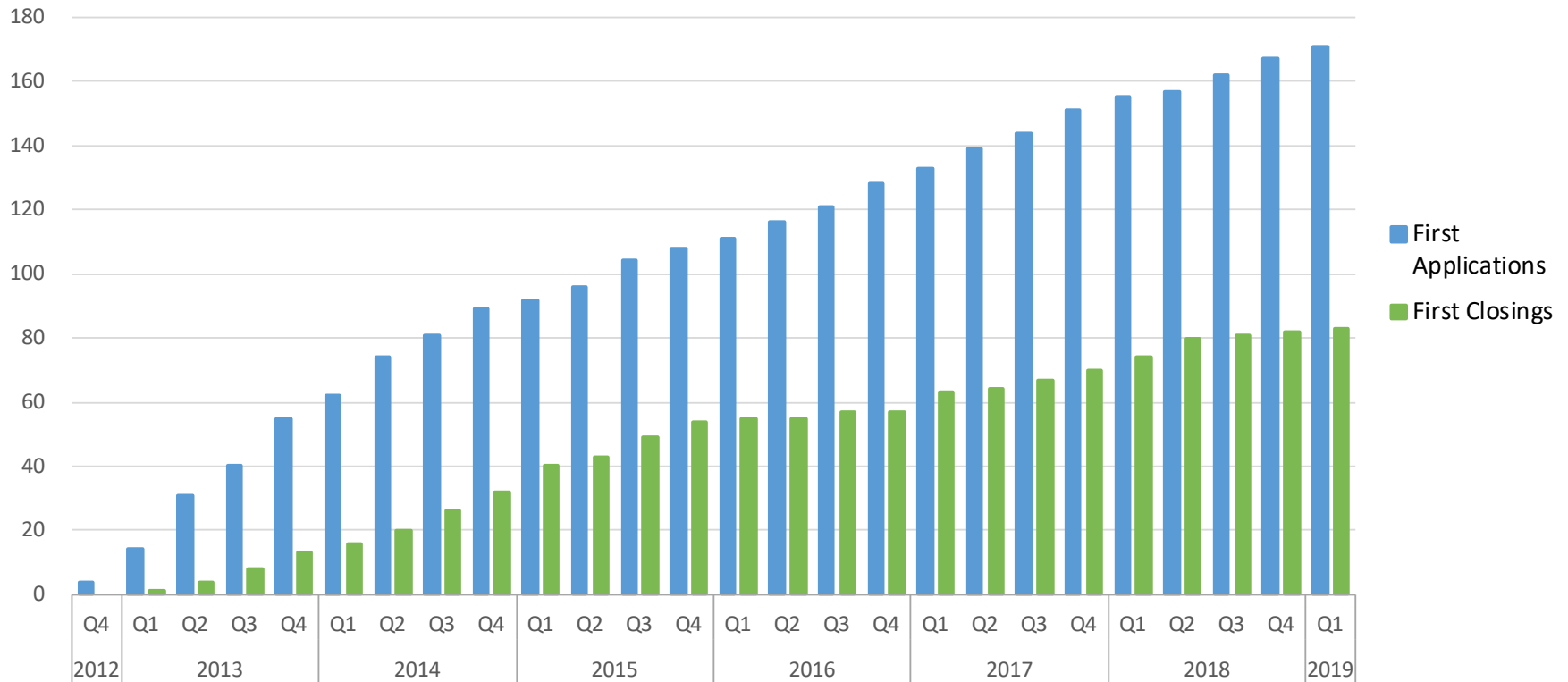
# CT Contractors Attending Training Workshops

■ **383 unique firms** (645 individuals) **have attended C-PACE workshops**



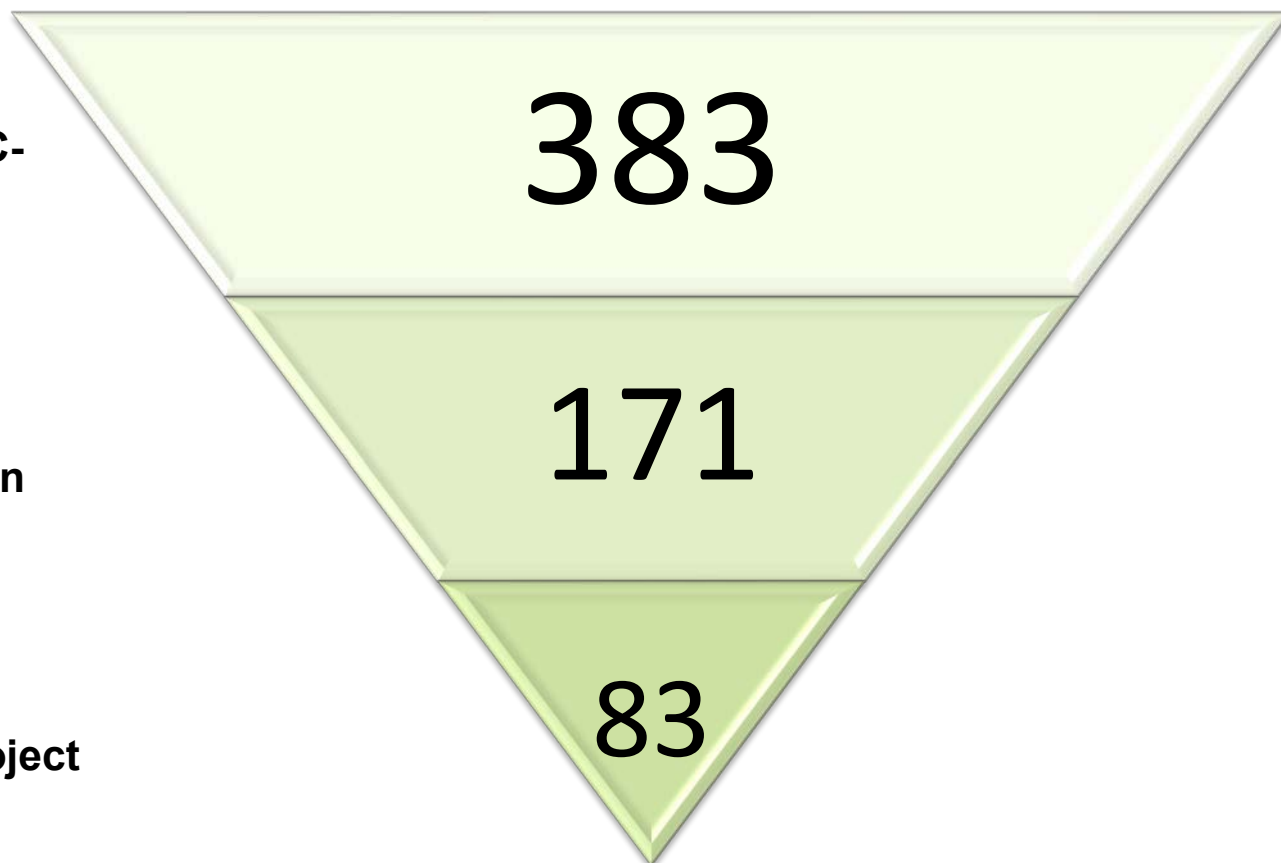
# CT Contractor Project Applications & Closings

- **171 contractors submitted a C-PACE application** (45% of workshop attendees)
- **83 firms have closed a C-PACE project** (22% of workshop attendees)



# CT Contractor Channel Project Origination Funnel

- Firms attending C-PACE workshops
- Have submitted a project application
- Contractors who have closed a project





# What makes a successful C-PACE Contractor?

- Incorporate C-PACE into sales model
- Utilize ALL available incentives, grants, credits, etc. and pair them with C-PACE financing
- Take advantage of C-PACE sales tools & calculators
- Stay engaged with the C-PACE program by following program updates & available marketing/sales assistance



**\*Work together with the C-PACE Team from start-to-finish\***

# Best Practices - Education

- Keep training workshops relatively short (no more than a half-day)
- Make workshops informative and thorough, but avoid too much detail
- Offer training workshop often (CT conducted over 50 sessions over the last 7 years)
- Stick to small-to-medium sized groups (25 attendees or less allows for more conversation & willingness to ask questions)
- Explain how on-going, continued programmatic support will be provided post-training
- Encourage attendees to submit projects and get comfortable with the process through first-hand experience



# Best Practices - Recognition

- Focus groups for continued internal process improvements
- Networking & Appreciation events
- Marketing campaigns
- PACESetter Awards



# Questions?

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**Please type all questions into the webinar dialogue box.**

# Thank You

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**State and Local Solution Center**

<http://energy.gov/eere/slsc/state-and-local-solution-center>