MGBA-ESCO-JA-03

Two-Lane Sequencing Map

Running the project track and the capital track in parallel — with a worked bundling example

TRACK	JOB AID	VERSION	DATE
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The most common way an ESCO-led C-PACE deal goes sideways is sequencing. Firms run their normal performance contracting process, reach the point where they would ordinarily arrange financing, and discover the financing track needed to start months earlier. Run both tracks in parallel, from the first meeting.

The two-lane map

Phase	Track 1 — Project (yours)	Track 2 — Capital
Week 0–1	Owner meeting. Preliminary walk and utility bill review	Four-gate eligibility screen (MGBA-ESCO-JA-02). Owner document request list issued
Week 1–3	Preliminary assessment. Measure identification	Project registered with MGB. Capital provider engagement opened. Holders of record identified
Week 3–8	Investment grade audit	Owner assembles the property file. Capital provider term discussion
Week 6–10	Measure selection, scope definition, pricing	Lender consent package prepared and submitted as soon as scope and approximate financed amount are stable. **Do not wait for the performance contract to be signed.**
Week 8–12	Savings calculation. M&V plan. Engineer certification of the savings test	Program review. Lender consent in process
Week 10–16	Energy savings performance contract executed with the owner, guarantee included	Assessment contract (owner ↔ MCED) and financing agreement (owner ↔ capital provider) executed. Closing
Post-close	Construction. Requisitions, lien waivers, milestone certification	Draws funded against your requisition package

Four dependencies that actually bind

1. **The eligibility screen comes before the audit. Always.** It is free and it is absolute.
2. **Lender consent starts when scope and approximate financed amount are stable** — not when the performance contract is signed. It is the longest-lead item in the entire transaction and the one you control least. Four to eight weeks is normal; securitized loans run longer.
3. **Your audit output feeds the capital provider's review.** Write that deliverable knowing a lender is going to read it. Scope-to-cost breakdown a third party can follow, useful lives with sources, stated M&V methodology.

4. **The performance contract and the assessment are separate agreements between separate parties.** This is the structural one, and it governs how you sell, what you can promise, and exactly where your guarantee stops.

Who is party to what

Agreement	Parties	Are you a party?
Energy savings performance contract	You ↔ Owner	Yes. This is your paper and your guarantee
Assessment contract	Owner ↔ MCED	No
Financing agreement	Owner ↔ Capital provider	No
Mortgage lender consent	Owner → Mortgage holder of record	No. You prepare the package; the owner makes the request

SAY THIS ONE OUT LOUD

You are not a party to the assessment. Your guarantee runs to the owner. The assessment obligation runs to MCED. A savings shortfall triggers your contractual remedy with the owner — it does not reduce, suspend, or offset the assessment. Not for a month, not for a year, not at all.

Hand the owner this list on day one

The capital provider is underwriting the real estate, so their file reads like a real estate credit file. Owners assemble these documents slowly, and the file is almost always the thing sitting in the way when everything else is ready. You are not doing the owner's homework — you are keeping your project from stalling behind it.

- ☐ Rent roll, current, with lease expirations
- ☐ Operating statements — trailing 12 months and two prior years
- ☐ Existing loan documents for every holder of record, including mezzanine and subordinate positions
- ☐ Title information or a current title report
- ☐ Ownership entity documents and evidence of signing authority
- ☐ Property tax payment history
- ☐ Recent appraisal, if one exists
- ☐ Representative lease forms — specifically the operating expense recovery provisions
- ☐ Certificate of occupancy and current occupancy schedule

Requisition package — assign this on closing day

Your requisition paperwork becomes a payment condition. Assign it to a named person the day you close, because a missing lien waiver stops a draw and nobody finds out until payday. Format is set by the capital provider.

- ☐ Named owner of the requisition process on your team: ______________________
- ☐ Invoices in the capital provider's required format

- ☐ Conditional and unconditional lien waivers — yours and every subcontractor's
- ☐ Milestone or percentage-of-completion certification
- ☐ Change order log, current as of each draw
- ☐ Insurance certificates current through the construction period

Worked bundling example

A 210,000 square foot multi-tenant office property in a member community. This is the page to work through with a pencil — it is the arithmetic behind every claim in Module 1.

Step 1 — Measures and useful lives

Measure	Installed cost	Useful life	Cost × useful life
LED lighting and networked controls	$310,000	15 yrs	4,650,000
Building automation system replacement	$265,000	15 yrs	3,975,000
Chiller plant — 2 × 250-ton high-efficiency	$980,000	23 yrs	22,540,000
Condensing boiler plant	$420,000	25 yrs	10,500,000
Roof replacement, R-30 continuous insulation	$735,000	25 yrs	18,375,000
Glazing retrofit — low-e secondary units	$145,000	20 yrs	2,900,000
Domestic water fixture retrofit	$45,000	15 yrs	675,000
Total installed cost	**$2,900,000**	—	**63,615,000**

Weighted average useful life = 63,615,000 ÷ 2,900,000 = **21.9 years**

Step 2 — Eligible soft costs

Cost	Amount	Note
Investment grade audit	$48,000	Financed rather than carried
Design and engineering	$86,000	
Commissioning	$34,000	Protects the guarantee
Permitting and inspection	$12,000	
Program and closing fees	$29,000	
Capitalized interest during construction	$61,000	11-month build
Total soft costs	**$270,000**	

Step 3 — Term, assessment, and coverage

Total financed amount	$3,170,000
Weighted average useful life	21.9 years
Term	**20 years — capped by statute, not by the weighted average useful life**
Rate	7.75% fixed, fully amortizing (illustrative)
Annual assessment	**$316,900**
Projected year-1 avoided cost	$402,000
Year-1 coverage (avoided cost ÷ assessment)	**1.27×**
Projected savings over the 20-year term (1.5% escalation)	≈ $9,296,000
Savings-to-investment ratio, simple	**2.93**

Four things this example is teaching

- **The cap binds before the useful life does.** The weighted average useful life is 21.9 years, but the term is 20 — Missouri caps assessment contracts at 20 years, not to exceed the weighted average useful life. Whichever is lower governs. Do not quote a term longer than 20 years to an owner.
- **The roof is carried by the bundle.** The roof is 25% of the installed cost and, on its own, returns roughly $38,000 a year — a simple payback near 19 years. Under a seven-year aggregate payback screen it is the first measure you would have cut. Under a 20-year term tested on the bundle, it stays in, and the building gets the measure it actually needed.
- **Simple payback is the wrong metric here and it will mislead you.** The bundle's simple payback is 7.9 years — a number that fails most owners' internal screens. The same project produces 1.27× coverage in year one and $402,000 of avoided cost against $316,900 of assessment. Lead with annual cash flow, not payback.
- **Design to a margin, not to the threshold.** A 2.93 ratio has room for an energy price move, a scope adjustment, or a reviewer who is more conservative about one of your measures than you were. A project that clears 1.0 by a hair has none.

Plan the calendar backwards

From stable scope to funded closing, expect two to four months on a clean transaction — driven mostly by lender consent and program review, not by anything you control. Tell the owner that number early. An owner who was promised six weeks and got fourteen remembers the fourteen.