About CleanFund Commercial PACE Capital, Inc.

- Founded in 2009 by PACE pioneers
- Focus only on commercial PACE
- More than 25 professionals with deep expertise in commercial real estate, finance, government policy, construction, energy efficiency and solar
- Track record of originating PACE transactions across the country through multiple municipalities
- Direct capital provider
- Partnerships with several solar and efficiency contractors in Colorado and working on $20M+ worth of projects in market
Introduction to PACE Financing

- PACE was conceived for:
  - **Public Good**: Benefit society through lowering buildings’ environmental impact
  - **Better Financing**: Better match the financing term with the useful life of property upgrades
  - **Equalized Incentives**: Provide a mechanism for property owners and tenants to share in the cost and benefits of property upgrades
  - PACE is not a government program but a legal framework that allows for private financing of property assessments

- PACE has achieved strong growth nationwide
  - Legislation passed in 33 states & D.C.
  - 45 active PACE programs nationwide

CleanFund’s Geography

PACE is enabled in 33 states and DC
What can be financed?

<table>
<thead>
<tr>
<th>Energy Efficiency</th>
<th>Water Conservation</th>
<th>Renewable Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Sealing &amp; Ventilation</td>
<td>Low Flow Fixtures</td>
<td>Solar</td>
</tr>
<tr>
<td>Insulation</td>
<td>Grey/Black Water</td>
<td>Wind</td>
</tr>
<tr>
<td>HVAC Systems</td>
<td>Rainwater Harvesting</td>
<td>Fuel Cell</td>
</tr>
<tr>
<td>Lighting</td>
<td>Irrigation &amp; Controls</td>
<td>Cogeneration</td>
</tr>
</tbody>
</table>

Most Soft Costs

- Permits
- Architectural & Engineering Plans
- Measurement & Verification

What Problems Can PACE Solve?

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upfront project costs/lack of funds</td>
<td>100% 3rd party financed</td>
</tr>
<tr>
<td>Tendency only “low-hanging fruit” projects to get done</td>
<td>Up to 30-year financing enables deep retrofits to be accretive</td>
</tr>
<tr>
<td>Inability or unwillingness to take on additional debt</td>
<td>Property assessments = operating expense (not debt)</td>
</tr>
<tr>
<td>Split incentives</td>
<td>Tenants share cost/savings in NNN leases</td>
</tr>
<tr>
<td>Owner might sell building</td>
<td>Transfers to next owner</td>
</tr>
</tbody>
</table>
CleanFund’s Financing Adds Value

Across many property strategies and situations

- Routine Improvements for Single or Multiple Properties
- Recent Property Acquisitions
  - Base Building Capital Improvements
- Large Tenant Improvement Projects
  - Tenants > 50,000 sq. ft.
- New Construction and Redevelopment

Typical PACE Process: Close in 45-90 Days

- Project Assessment and Scope
  - Initial evaluation
  - Execute letter of intent
- Approvals and Underwriting
  - Initial kick-off and document request
  - Verification of estimated savings
  - Mortgage lender approval
  - Municipality approval
  - CleanFund issues commitment to fund
- Funding and Construction
  - Closing documentation
  - CleanFund funds escrow
  - Owner and contractor request draws upon completion of construction milestones
How CleanFund works: The PACE Ecosystem

CleanFund coordinates respective activities among all parties

- **Mortgage Lender**
  - Acknowledge and consent to assessment payment

- **PACE Program Administrator**
  - Approve items being financed in improvement project(s)
  - Assist in filing assessment contract with municipality

- **Financing Provider**
  - Provide capital for improvement project(s)
  - Underwrite project

- **Commercial Property Owner**
  - Approval of improvement project(s)
  - Approval of financing

- **Partners** (Contractors, MEP Firms, Architects, Engineers, Products & Service Providers, etc.)
  - Provide products and/or services to property

CleanFund’s PACEDirect™ Financing Program

- **Project Size:** $150,000 – $40 million
- **Terms:** 20-30 years, fixed-rate, with no guarantees or covenants required
- **Property Types:** Most commercial and non-residential real estate
- **Eligible Improvements:** Commercial property retrofits or new construction related to energy efficiency, water conservation, renewable energy and seismic strengthening
- **Type of Financing:** Special assessment recorded on the subject property, paid back via property taxes
- **Geography:** Nationwide in active PACE jurisdictions
- **Approvals:** CleanFund facilitates mortgage lender acknowledgement and manages the program approval process
PACE Benefits

- **Higher Property Value**
  - Higher Cash Flow Resulting from Lower Operating Costs
  - Faster Lease-Up and Stronger Tenant Retention
  - Easier Marketability When Selling Property
  - Mitigates Risks of Failing Equipment
- **Lower Cost**
  - Lower Rates Compared to Mezz Debt or Equity
  - Lower Effective Rates than Bank Financing because of Tenant Pass-Through of Property Tax Payments
- **Capital Preservation**
  - Conserve Equity
  - No Payments for up to 2 Years (capitalized interest)
  - No Repayment Required Upon a Sale (can transfer to new owner)
  - Less Debt

---

Case Study: Prologis Headquarters, Pier 1

CleanFund provided financing for a holistic retrofit of Prologis’ HQ, the largest owner and operator of industrial real estate.

**PACE Improvements:**

- Solar
- LED lighting & controls
- HVAC overhaul
- Retro-commissioning

**Financials:**

- Annual Savings: $98,000 (Increases with inflation)
- Annual PACE Assessment: $101,000
- NPV of energy savings: $351,000
- Avoided energy inflation: 3.5% per year
Case Study: State House Square

- **PACE financing:** $8.4 million
- **Term:** 25 years
- **Projected Energy Savings:** 90%
- **Address:** 10-90 State House Square, Hartford, CT
- **Type:** Commercial Office
- **Size:** 100,000 sq. ft.
- **Year Built:** 1920
- **Year of Project:** 2015

**Eligible Projects:**
- New central Heating & Cooling plant, including chillers, natural gas fired condensing boilers, steam boilers, cooling towers, and a plate-and-frame heat exchanger.

**Project Synopsis:**
CleanFund closed on financing for the largest known commercial PACE project to date. The $8.4 million PACEdirect™ financing by CleanFund enabled State House Square, one of Hartford’s premiere, Class A office buildings, to significantly lower its energy and operating costs.

CleanFund originated, underwrote, and closed the 25-year financing.

The improvement project involved the design and installation of a new central heating and cooling plant consisting of premium-efficiency chillers, natural gas fired condensing boilers, steam boilers, cooling towers, and a plate-and-frame heat exchanger. The property has achieved nearly 90% cost savings by eliminating its reliance upon steam and chilled water purchased from a local utility.

---

Case Study: 644 Broadway

- **PACE financing:** $1.8 million
- **Term:** 20 years
- **Projected Energy Savings:** 24%
- **Address:** 644 Broadway, San Francisco
- **Type:** Mixed Use
- **Size:** 45,000 sq ft
- **Year Built:** 1984
- **Year of Project:** 2014-2015

**Eligible Projects:**
- HVAC Replacement, LED lighting, building controls, cool roof, envelope improvements (insulation, high performance windows), low flow water fixtures

**Project Synopsis:**
CleanFund financed a $1.8 million PACE bond that paid for a retrofit for the mixed-use four-story building located at the crossroads of Little Italy, Chinatown, and the Broadway District.

The building was acquired several years ago by Cypress Properties Group, a Bay Area based real estate developer, who intended to redevelop it into a modern complex with office, theater, and retail space.

CleanFund’s PACE financing paid for a range of energy efficiency upgrades that turned the property into a highly desirable space for the tenants. PACE financing was especially attractive for the owner because it replaced equity otherwise needed for the energy efficiency component of this renovation.
How to Identify a Potential PACE Project

The Checklist:

• Does the project involve energy efficiency, water efficiency or renewable energy?

• Is the property type “commercial” (e.g. all property types (including non-profits!) with exception of residential or government-owned)

• Is the property free of any major environment issues? (e.g. chemical plant or gas station)

• Is there a “Live” PACE program in place (current CO counties include: Adams, Arapahoe, Boulder, Broomfield, Denver, Eagle, Jefferson, & Pitkin)

Thank You!

Joshua Kagan
Senior Director of Business Development
(415) 269-4130
Joshua.kagan@cleanfund.com