Keeping PACE With NZE Buildings
How Innovative Finance is Scaling Deep Retrofits
Spring 2018

About CleanFund

CleanFund Commercial PACE Capital

- Founded in 2009 by PACE financing pioneers
- Team of 35 professionals with 100% focus on commercial PACE financing
- Direct capital provider (not a broker)
- National coverage with headquarters in the San Francisco Bay Area
- We make EE, WE, & RE easy and affordable for commercial property owners
- Our products leverage a new financial technology – property assessed clean energy (PACE) – that is based upon more than 100 year old land-secured financing.
What is PACE Financing?

- **Legislatively enacted program** for financing energy efficiency and renewable energy projects through property tax assessments.
- Available for “public good” property improvements.
- Simple **repayment via property tax bill**.
- Typically **uses private capital**, with negligible cost to municipalities.

How PACE Adds Value

**Because PACE payments are secured by real property, and billed/collected via property taxes...**

- **Credit constraints are removed**: more property owners can improve their properties
- **Up-front cost barriers are eliminated**: no initial costs for new construction or retrofits
- **Payments are stretched over decades**: energy savings are more pronounced with lower financing payments
- **Payments can be shared with tenants**: many leases allow for pass-through of operating expenses, including property taxes
- **Financing transfers upon property sale**: so there’s no balloon payment, and new owners carry the benefits and costs going forward
- **Cost of capital is lower**: with the financing secured by the underlying real estate, the cost of PACE can be much lower than equity or mezzanine debt.
How PACE Works: from Program Creation to Funding

- **Step 1**: State approves PACE legislation (34 so far)
- **Step 2**: Counties or cities “opt-in” to one or more PACE programs based upon state program parameters
- **Step 3**: CleanFund underwrites PACE programs to ensure best practices
- **Step 4**: CleanFund sources transactions:
  - Directly through relationships with property owners
  - Indirectly through channel partners (engineers, contractors, loan brokers, solar installers)
- **Step 5**: CleanFund underwrites individual transactions, gets program approval and funds the transaction
- **Step 6**: The county collector adds a line-item to the property’s tax bill, and collects the new PACE payments as part of ordinary remittances

How CleanFund Works: The PACE Ecosystem

- **Mortgage Lender**
  - Works with their borrower and Capital Provider to vet the project
  - Sign a 1-page acknowledgement of the assessment financing
- **Commercial Property Owner**
- **PACE Program Administrator**
  - Approve items being financed in improvement project(s)
  - Record assessment, bill and collect taxes
Property Types and Eligible Improvements

Some of the **building types** eligible for CleanFund’s PACE Financing:

- Office
- Retail
- Industrial
- Hotels
- Multi-family
- Manufacturing
- Healthcare Facilities
- Non-public Schools

CleanFund finances up to 100% of both **hard and soft costs** for performance-improvement building projects:

- Solar Systems and Energy Storage
- HVAC Systems
- Lighting and Building Controls
- Building Envelope and Windows
- Cool Roof Systems
- Water Conservation
- Soft Costs
- Irrigation and Controls

A New Financing Tool for Your Capital Stack

**Typical Financing Options:** Pay out of pocket. Take out loan from bank (1st or 2nd). Raise equity from partners. **Or, Use PACE**

**Comparative Dollars in the Capital Stack:**

**Typical Mezzanine Debt**
- 10-15% Rate & 2-4 Pts
- Max LTV: 80-85%
- Recourse

**Typical PACE**
- 6-7% Rate & 1.25-2.5 Pts
- Max combined LTV: 100%
- Non-Recourse

Lowering Weighted-Average Cost of Capital
### Case Study: Bay Area Community Center

**Milpitas, CA**

<table>
<thead>
<tr>
<th>PACE Financing</th>
<th>$467,560</th>
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</thead>
<tbody>
<tr>
<td>Term</td>
<td>20 years</td>
</tr>
<tr>
<td>Projected Energy Savings</td>
<td>75%</td>
</tr>
<tr>
<td>Address</td>
<td>525 Los Coches Street Milpitas, CA</td>
</tr>
<tr>
<td>Size</td>
<td>Special Purpose / Community Center</td>
</tr>
<tr>
<td>Year Built</td>
<td>1983</td>
</tr>
<tr>
<td>Year of Project</td>
<td>2017</td>
</tr>
<tr>
<td>Eligible Improvements</td>
<td>193kW DC roof-mounted solar system, water efficiency measures, such as hands free flush valves and electronic faucets.</td>
</tr>
</tbody>
</table>

**C-PACE enabled:**
- Lower utility cost, lower OpEx
- Non-profit to procure solar through PACE PPA
- Improved user comfort, sustainability of space

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### Case Study: Prologis Corporate Headquarters

**San Francisco, CA**

<table>
<thead>
<tr>
<th>PACE Financing</th>
<th>$1.4 million</th>
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<tbody>
<tr>
<td>Term</td>
<td>20 years</td>
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<tr>
<td>Projected Energy Savings</td>
<td>32%</td>
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<tr>
<td>Address</td>
<td>Pier 1, San Francisco</td>
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<tr>
<td>Size</td>
<td>Office</td>
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<tr>
<td>Year Built</td>
<td>1918</td>
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<tr>
<td>Year of Project</td>
<td>2014</td>
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<tr>
<td>Eligible Improvements</td>
<td>1,500 new lighting fixtures, 200kW rooftop solar, HVAC overhaul, building controls</td>
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</tbody>
</table>

**C-PACE enabled:**
- Lower utility cost, lower OpEx
- More comfortable, sustainable work environment
- Alignment with corporate sustainability commitment
Case Study: Downtown Hotel/Mixed-Use

Dallas, TX

<table>
<thead>
<tr>
<th>Description</th>
<th>Information</th>
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<tbody>
<tr>
<td>PACE Financing</td>
<td>$24 million</td>
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<tr>
<td>Term</td>
<td>20 years</td>
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<tr>
<td>Projected Energy Savings</td>
<td>66%</td>
</tr>
<tr>
<td>Address</td>
<td>500 South Ervay Street, Dallas, TX</td>
</tr>
<tr>
<td>Size</td>
<td>Mixed-Use – Hotel / Multifamily</td>
</tr>
<tr>
<td>Year Built</td>
<td>1918</td>
</tr>
<tr>
<td>Year of Project</td>
<td>2017</td>
</tr>
<tr>
<td>Eligible Improvements</td>
<td>HVAC, lighting, insulation, roofing, glazing, and exterior waterproofing/plaster, and water saving plumbing and irrigation</td>
</tr>
</tbody>
</table>

C-PACE enabled:
- Revitalization of property, surrounding area/economy
- Attractive, efficient space for tenants, hotel guests
- Annual savings of 6.6 million kWh in electricity, 700,000 gallons of water, over 3,500 Tonnes of CO2

Thank you!

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