

Keeping PACE With NZE Buildings

How Innovative Finance is Scaling Deep Retrofits

Spring 2018



About CleanFund

CleanFund Commercial PACE Capital

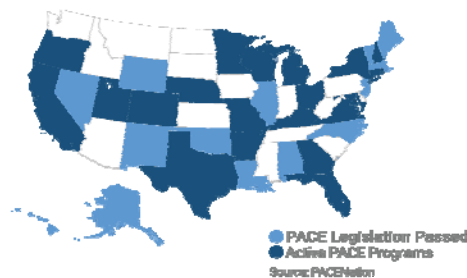
- Founded in 2009 by PACE financing pioneers
- Team of 35 professionals with 100% focus on commercial PACE financing
- Direct capital provider (not a broker)
- National coverage with headquarters in the San Francisco Bay Area
- We make EE, WE, & RE **easy and affordable** for commercial property owners
- 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?

Property **A**ssessed **C**lean **E**nergy

- **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.



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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.

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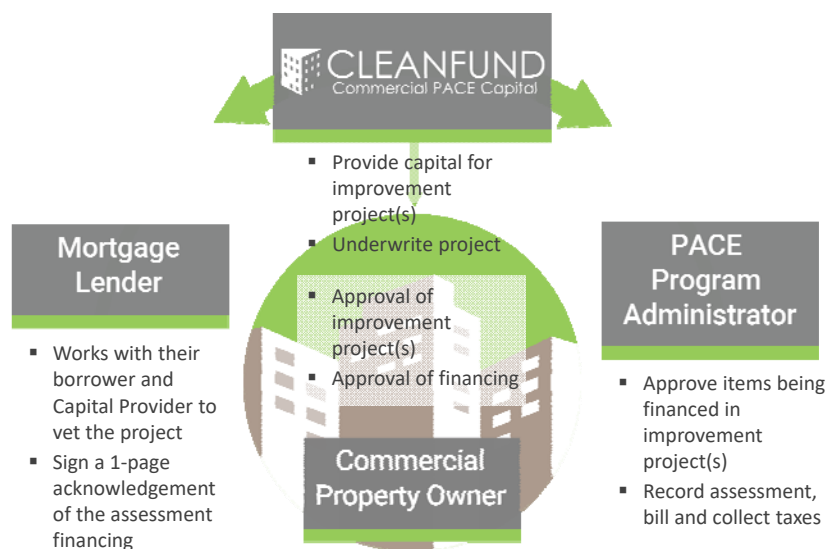
How PACE Works: from Program Creation to Funding



- **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

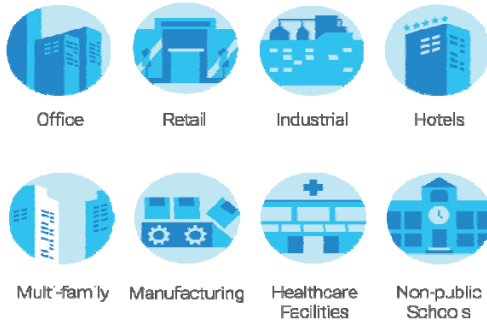


How CleanFund Works: The PACE Ecosystem



Property Types and Eligible Improvements

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

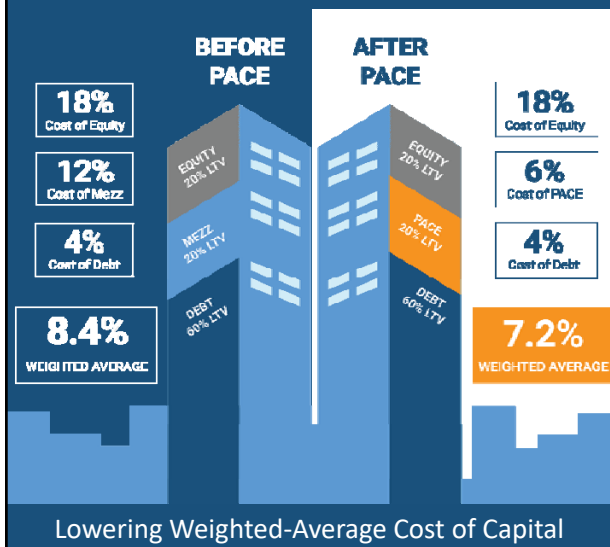


CleanFund finances up to 100% of **both hard and soft costs** for performance-improvement building projects



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*



Comparable 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



Case Study: Bay Area Community Center

Milpitas, CA

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



C-PACE enabled:

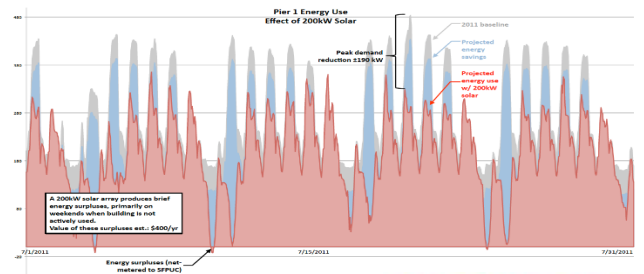
- ✓ Lower utility cost, lower OpEx
- ✓ Non-profit to procure solar through PACE PPA
- ✓ Improved user comfort, sustainability of space



Case Study: Prologis Corporate Headquarters

San Francisco, CA

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



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

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



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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