C-PACE Financing – Funding for Green Building Improvements

Presented by: Anne Murphy Hill, President, RAHILL Capital
C-PACE Financing Overview

- C-PACE provides low cost, long term financing for energy efficiency projects.
- C-PACE payments are secured by the property and repaid through a special tax assessment.
Benefits of C-PACE

- Funding for up to 25% of the building value at completion
- No personal guarantees
- Up to 20 year fixed-rate funding
- Lower rates/cost than mezzanine debt or equity
- No payments for up to 2 years after funding
- No principal repayment required upon sale
- Ability to pass through tax assessment to tenants or hotel guests
C-PACE Applications

- Project types – retrofit, redevelopment, new construction
- Industries – office, agricultural, warehouse, industrial, multifamily, institutional
- Project Sizes – from $150,000 to $20M+
- Scope of work – almost anything attached to the building
Criteria for C-PACE underwriting

- The property must have clear title with no liens and taxes must be current.
- The borrower should have no bankruptcies over the last five years.
- The project must have a useful life longer than the term of the projected financing.
- The overall savings should be greater than the cost of the C-PACE assessment over the term of the loan.
- No existing environmental issues.
C-PACE financing can be used to fund:

**Energy Efficiencies**
- HVAC
- Lighting
- Insulation
- Elevator modernization
- Windows
- Roofing
- Refrigeration

**Water Reduction**
- Aerators
- Fixtures
- Irrigation
- Paving
- Water retention systems

**Renewable Energy**
- Fuel cell
- Solar
- Wind
- Renewable fuels
- Cogeneration

**Soft Costs**
- Permits
- Architectural & engineering plans
- Measurement & verification
Savings to Investment Ratio for Energy Efficient Improvements

- CPACE projects require a SIR of 1.0 or greater
- Life of the improvements needs to exceed the term of the loan
- Compare measures to what is currently in the building or to code for new construction
- Can include energy savings, rebates/incentives, and operational and maintenance savings
Lafayette School Lofts
815 Ann Street, St. Louis, MO

Developer: Advantes Real Estate

- Historic school building (1906) in Soulard redeveloped into 36 multi-family units
- $600,000 of CPACE financing, 20 year term, 5.75%, annual payment ~$54,000
<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Improvements</th>
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<tbody>
<tr>
<td><strong>Lighting</strong></td>
<td>- All incandescent bulbs</td>
<td>- 14W CFL bulbs in units</td>
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<td>- No lighting controls</td>
<td>- LED bulbs in all common areas</td>
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<td></td>
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<td>- Install occupancy sensors in storage rooms, laundry room, garage, etc</td>
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<tr>
<td><strong>HVAC</strong></td>
<td>DX split system with electric heating (10 SEER)</td>
<td>- Install high efficiency DX split system units with electric heat (13 SEER)</td>
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<tr>
<td><strong>Roofing/Insulation</strong></td>
<td>Ballasted roof, R-Value 11</td>
<td>- Install cool-white TPO roof membrane with 2 inches of insulation, R-Value 11.4</td>
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<tr>
<td><strong>Renewable Energy</strong></td>
<td>No systems</td>
<td>- Install solar PV system on roof with production capacity of 60,167 kWh per year</td>
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<tr>
<td>No.</td>
<td>Measure Info</td>
<td>Electric Savings ($/year)</td>
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<tr>
<td>ECM 1</td>
<td>Lighting Upgrades</td>
<td>$25,463</td>
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<tr>
<td>ECM 2</td>
<td>Lighting Controls</td>
<td>$3,429</td>
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<tr>
<td>ECM 3</td>
<td>HVAC Upgrades</td>
<td>$7,555</td>
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<tr>
<td>ECM 4</td>
<td>Roof &amp; Insulation</td>
<td>$4,478</td>
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<tr>
<td>ECM 5</td>
<td>Solar PV System</td>
<td>$7,171</td>
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<td>Capital Stack without PACE</td>
<td>Capital Stack with PACE</td>
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<tr>
<td>Total Investment</td>
<td>$ 5,700,000</td>
<td>$ 5,700,000</td>
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<tr>
<td>Debt/Other Sources</td>
<td>3,350,000</td>
<td>3,350,000</td>
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<tr>
<td>Historic Tax Credits</td>
<td>850,000</td>
<td>850,000</td>
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<tr>
<td>PACE Equity</td>
<td>-</td>
<td>600,000</td>
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<tr>
<td>Deferred Developer Fee / Equity</td>
<td>1,500,000</td>
<td>900,000</td>
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<td>Hold Term (yrs)</td>
<td>8 years</td>
<td>8 years</td>
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<td>Value @ Sale</td>
<td>7,300,000</td>
<td>7,300,000</td>
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<td>Deduction from proceeds: Prepayment</td>
<td>3,065,349</td>
<td>3,551,594</td>
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<td>Proceeds at Sale</td>
<td>4,234,651</td>
<td>3,748,406</td>
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<tr>
<td>ROI</td>
<td>14%</td>
<td>20%</td>
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Contact:

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