

Property Assessed Clean Energy (PACE) Financing 101

unlocking the commercial and industrial clean energy markets

1. Property Assessed Clean Energy (PACE) 101
2. Why PACE Matters
3. PACE in Action

Introducing Greenworks Lending

where clean energy becomes smart business

Who We Are

- Greenworks is a clean energy finance company focused on commercial PACE lending
- Headquartered in Stamford, CT and operates wherever PACE programs are active
- Founded by the architects of the Connecticut Green Bank's C-PACE program – the program that completed **75% of all commercial PACE nationwide** in 2013-2014

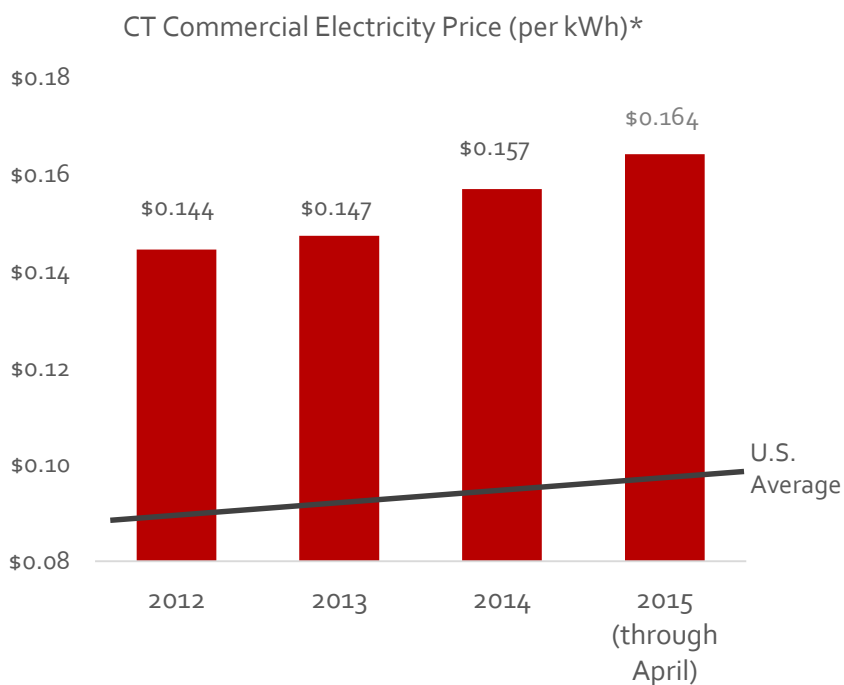
What We Do

- Finance commercial clean energy projects using PACE (property assessed clean energy)
- Partner with contractors looking to expand the number and increase the size of projects
- Provide an attractive financing alternative to traditional bank loans, leases, and PPA's

New England Businesses Face an Energy Challenge

Businesses Are At A Price Disadvantage...

...Yet Efficiency Projects Often Face Headwinds



Most Frequent Barriers to Energy Efficiency Projects

1. Lack of Funding
2. Near-term plan to sell
3. Insufficient payback/ROI
4. Split Incentives (landlord vs. lessee)
5. Uncertain savings/technical expertise

*U.S. Energy Information Administration

Property Assessed Clean Energy (PACE) Financing

What is PACE?

- PACE is a **government policy** that says commercial clean energy projects (efficiency or generation) are a **public benefit** – like a sewer, road extension, etc.
- How does **it work**?
 - State passes enabling legislation
 - Local government creates benefit district/agrees to service
 - Building owner selects projects
 - Mortgage lender gives consent for senior lien
 - PACE lender provides financing
 - Lien attaches to property and PACE assessment added to tax roll
- Like other public benefits, PACE projects are **secured by the building they benefit** with a **senior tax lien** and repaid (at low interest rates and with \$0 down), through the property tax bill.

PACE was named one of the top 20 "world-changing" ideas by Scientific American magazine

Why Does PACE Matter?

PACE Removes The Financial Barriers Facing Energy Efficiency Projects



Lack of funding?

Near term plan to sell?

Insufficient payback/ROI?

Split incentives?

Uncertain savings/technical expertise?

100% upfront, 20 year financing

Tax obligation transfers with property

Positive cash flow in year 1

Assessment/savings pass to tenants

Third party technical review

PACE Projects Have a “Day 1 Payback”

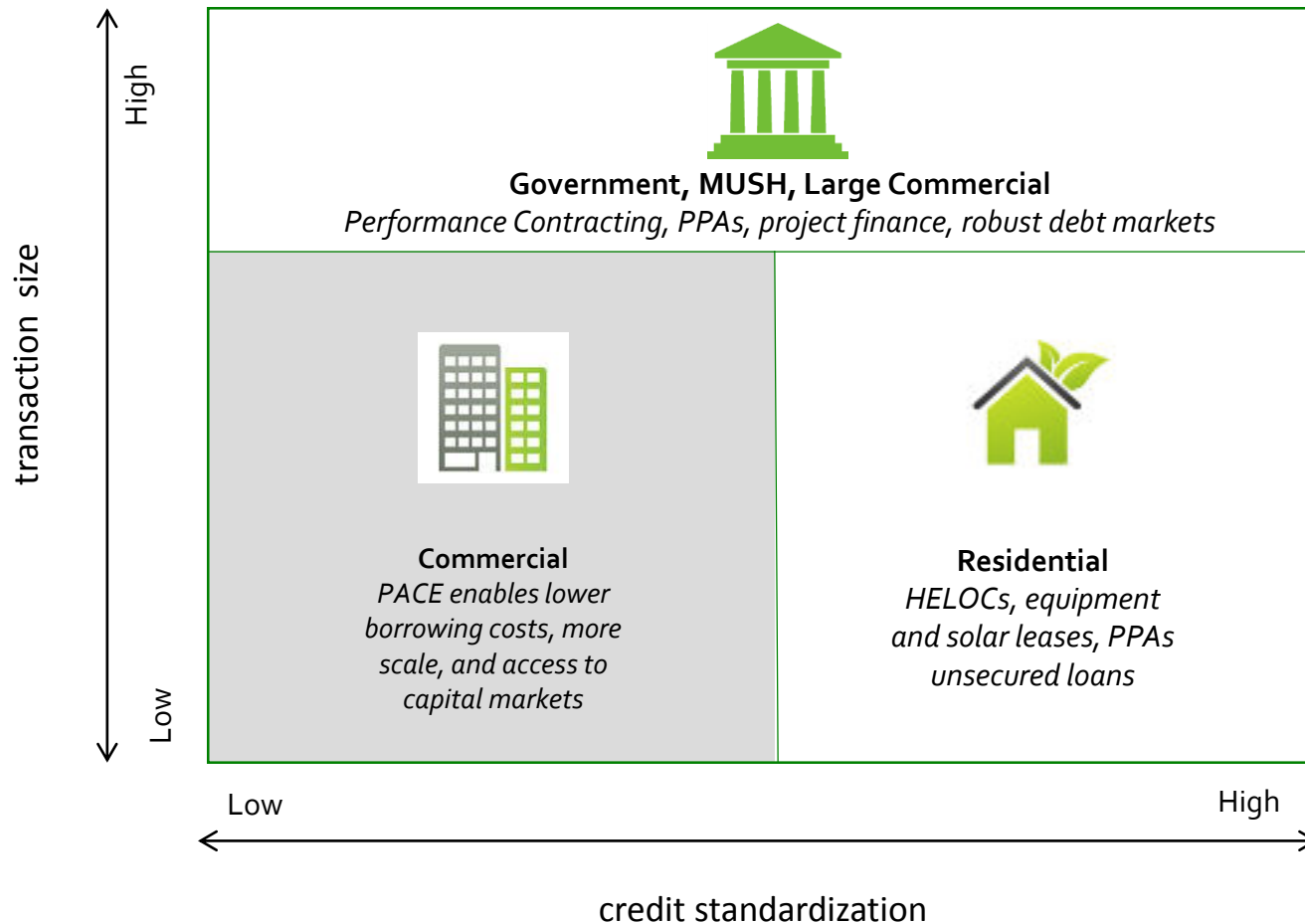
Sample \$2M, Multi-Measure Project w/ ~6.25 Year Simple Payback

	Cash	Bank Loan	PACE Assessment
Down payment amount	(\$2,000,000)	15% - (\$300,000)	\$0
Loan amount	\$0	\$1,700,000	\$2,000,000
Loan term	NA	7 yrs	20 yrs
Interest rate	NA	4.00%	6.00%
Annual Cash Flow			
Annual payment	NA	(\$339,884)	(\$177,856)
Annual energy savings	\$320,000	\$320,000	\$320,000
Net annual cash flow	\$320,000	(\$19,884)	\$142,144
5-Year Financial Performance			
5-Year Net Cash Flow	(\$720,000)	(\$399,418)	\$710,718
5-Year NPV @ 6%	(\$840,766)	(\$366,776)	\$598,760
5-Year IRR	-16%	NA	Infinite

¹Assumes no utility cost escalation and no performance degradation to simplify case study

PACE unlocks the capital markets for C&I efficiency projects

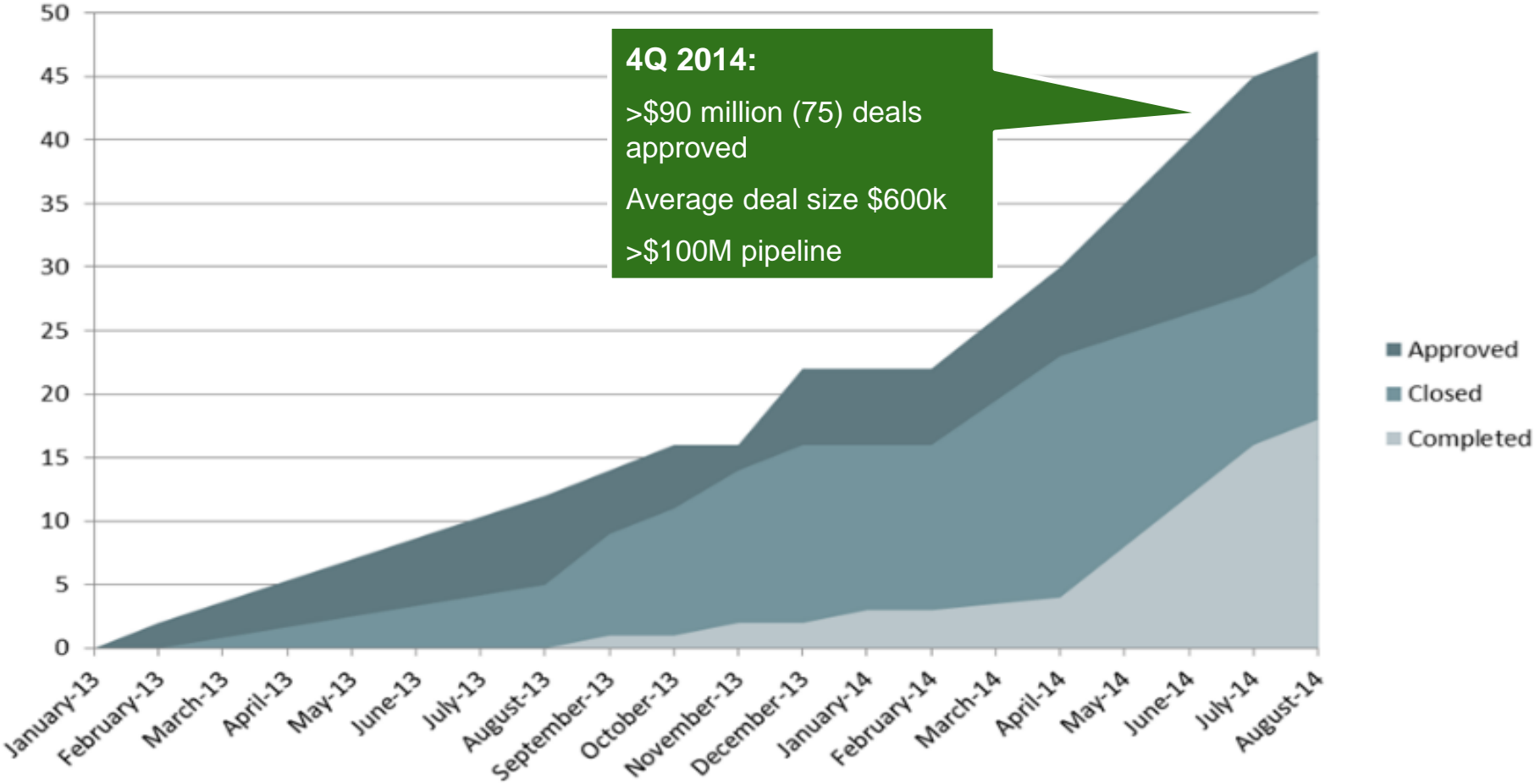
PACE financing enables previously unattainable, attractive financing for commercial property owners to install clean energy upgrades



PACE In Action: The Connecticut Story

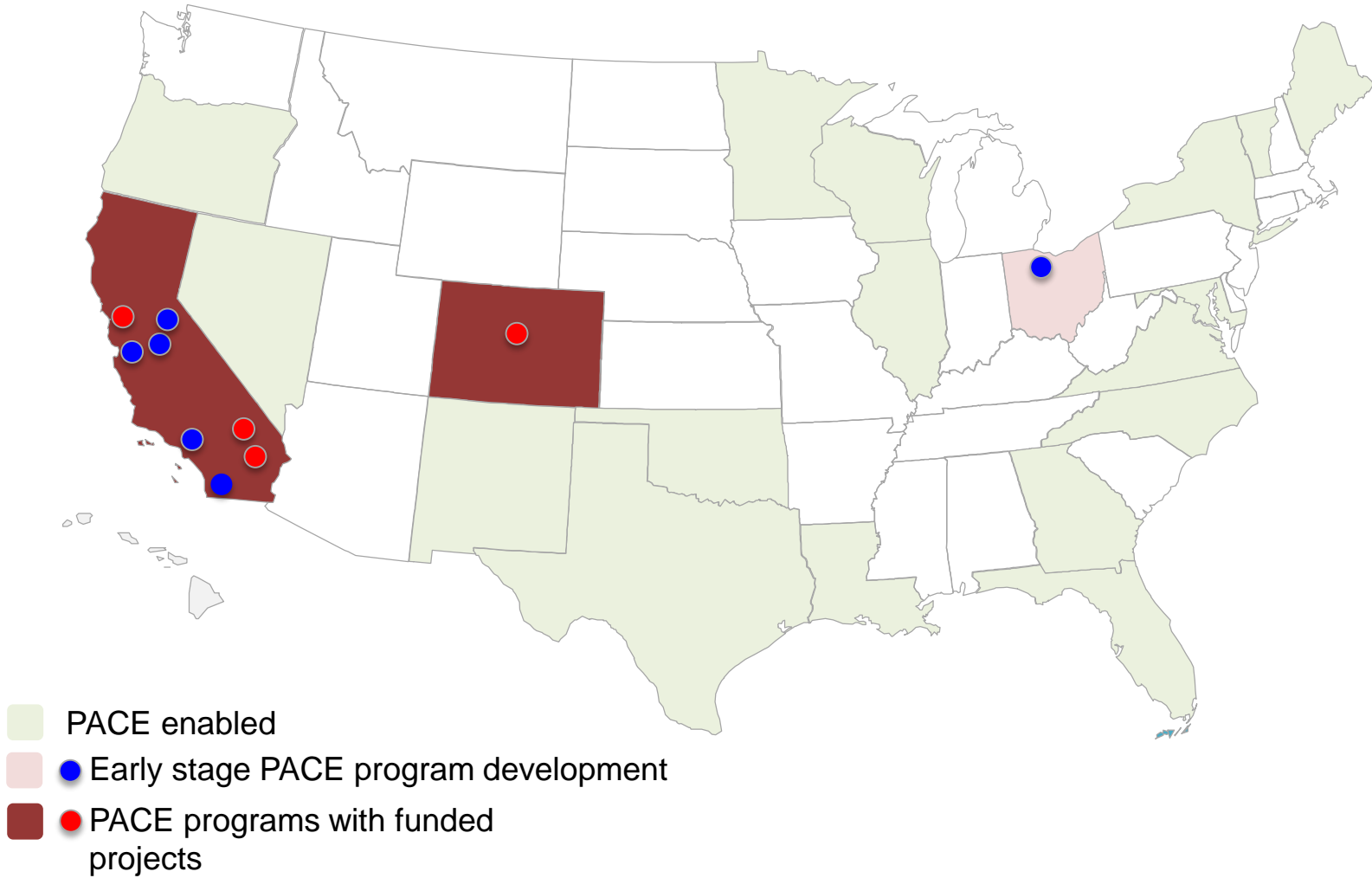
C-PACE Projects

4Q 2014:
>\$90 million (75) deals approved
Average deal size \$600k
>\$100M pipeline



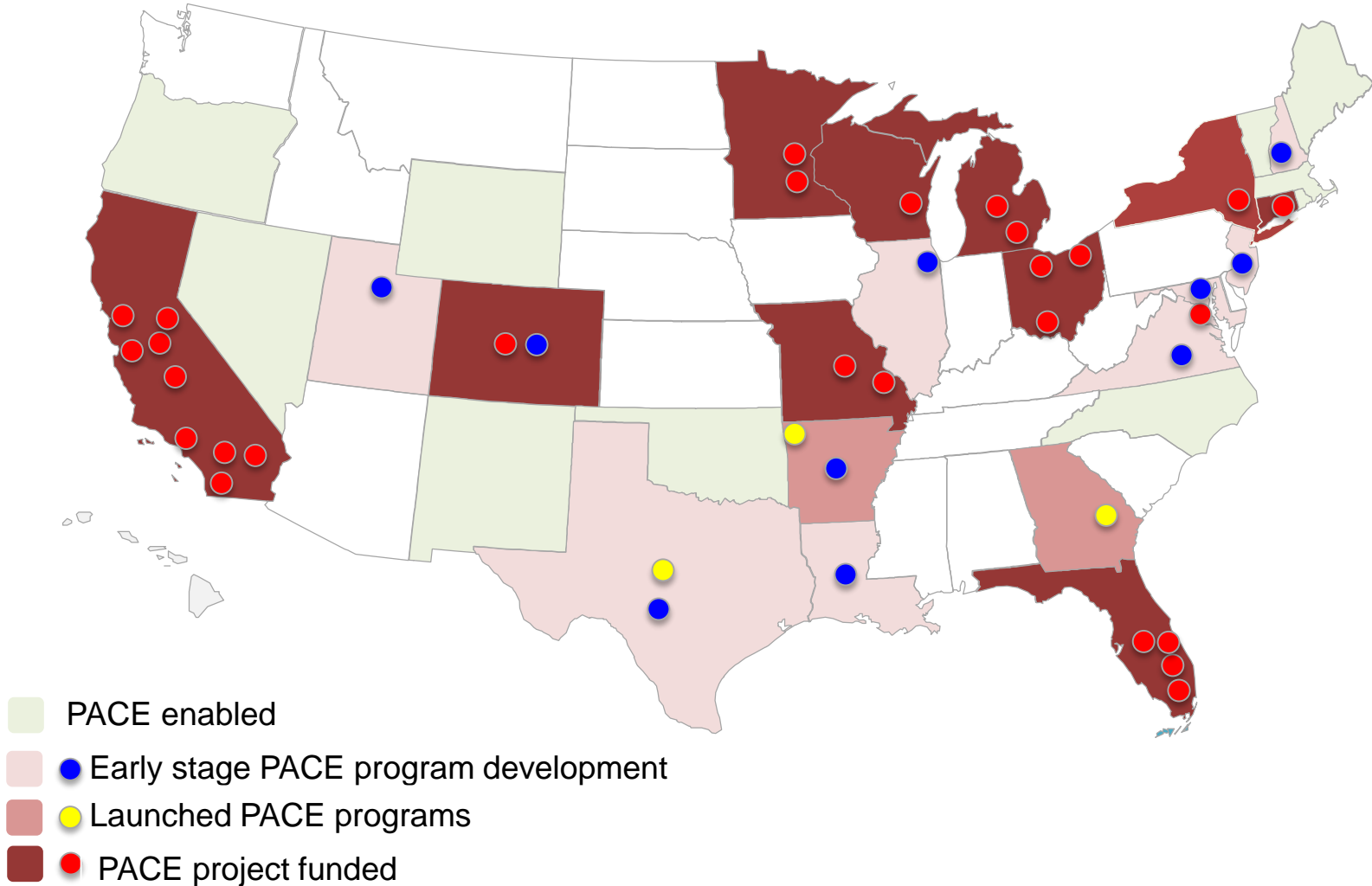
Property Assessed Clean Energy (PACE) Financing

Where was PACE in 2010?



Property Assessed Clean Energy (PACE) Financing

Where is PACE in 2015?



Which Upgrades are PACE-able?

Clean Energy, Energy Efficiency, Water Conservation, and most soft costs can use PACE

- High efficiency lighting upgrades
- New automated building and HVAC controls
- Variable speed drives (VSDs) on motors fans and pumps
- High efficiency chillers, boilers, and furnaces
- High efficiency hot water heating systems
- Combustion and burner upgrades
- Fuel switching
- Water conservation
- Heat recovery and steam traps
- Building enclosure/envelope improvements
- Building management systems
- **Solar, Wind, Geothermal, other renewable energy**
- LEED certification, permitting, appraisals, etc.



Upgrades must be:

1. Permanently affixed to the property
2. Save electricity, fuel or maintenance; or produce clean(er) energy

Which Buildings Can Commercial PACE Finance?

Most C&I, agricultural, multi-family projects in PACE municipalities qualify



Building Requirements

- Commercial, Industrial, Non-Profit, Multi-Family >5 Units
- Does NOT work for residential, government
- Located within operational PACE municipality
- Current on property taxes



Financial Requirements*

- Financed amount cannot exceed 35% of building value (10% in NY)
- Total property debt (mortgage + PACE) cannot exceed 95% of property value
- Not in bankruptcy
- Meets other state statutory requirements
- Mortgage holder consent

**Underwriting exceptions may be made on a case-by-case basis, based on additional credit factors.*

Questions?

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