GREENWORKS
LENDING

PACE is transforming energy and water performance

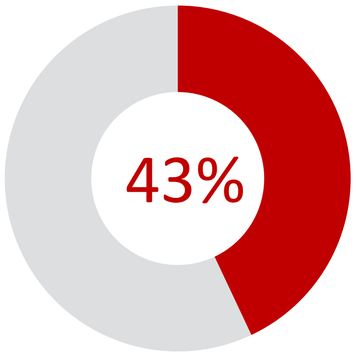
- Property Assessed Clean Energy (PACE) is a government financing policy that classifies building energy-improvement upgrades as a public benefit **–** like a sewer, road extension, etc.
- 100% of hard and soft costs are funded by private capital and repaid via a surcharge on the property tax bill.
- Payback periods match equipment life (often 20+ years)…

…this makes most projects cash flow positive from day one.

PACE BASICS

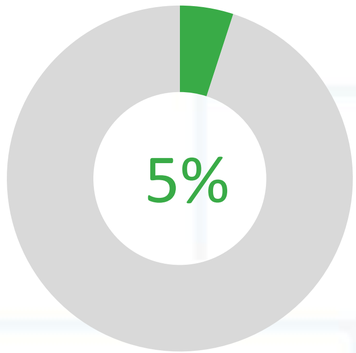
Commercial energy performance is lagging

Commercial buildings use



of all energy consumed by U.S. buildings

…but they only represent



of the energy efficiency market[1]

[1] International Energy Agency "Energy Efficiencies In the North American Existing Building Stock:" https://www.iea.org/publications/freepublications/publication/NAM_Building_Stock.pdf

Lack of financing is a big part of the problem

2016 International Facilities Management Association (IFMA) study of sub-100k square foot building owners listed **financing as the top problem** facing energy efficiency and clean energy upgrades

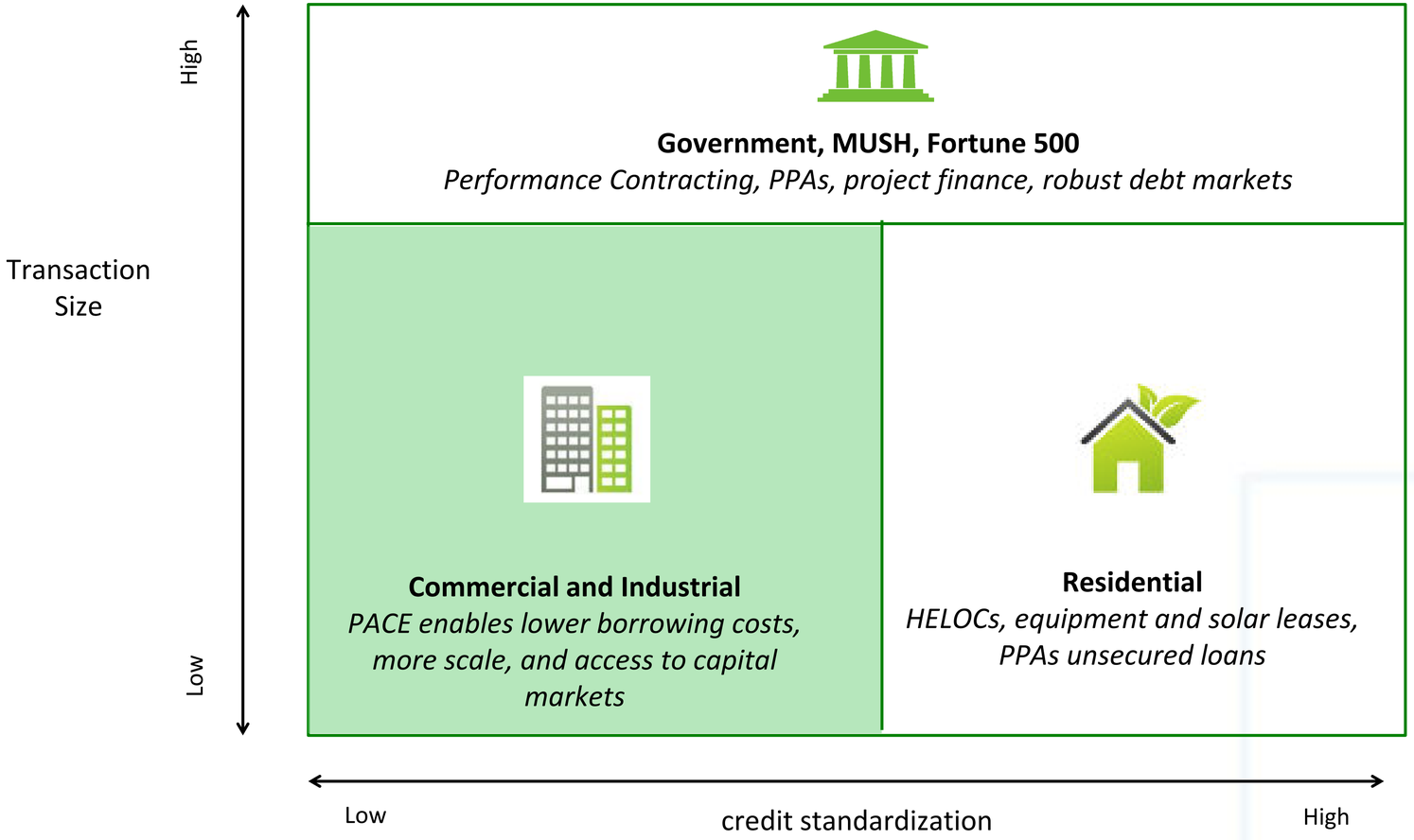
76% of Owners Have **No Energy-Specific Budget**

87% of Owners Have **No Access to Third-Party Financing Options**

88% of Owners Have **No Energy Services Agreement or Contract**

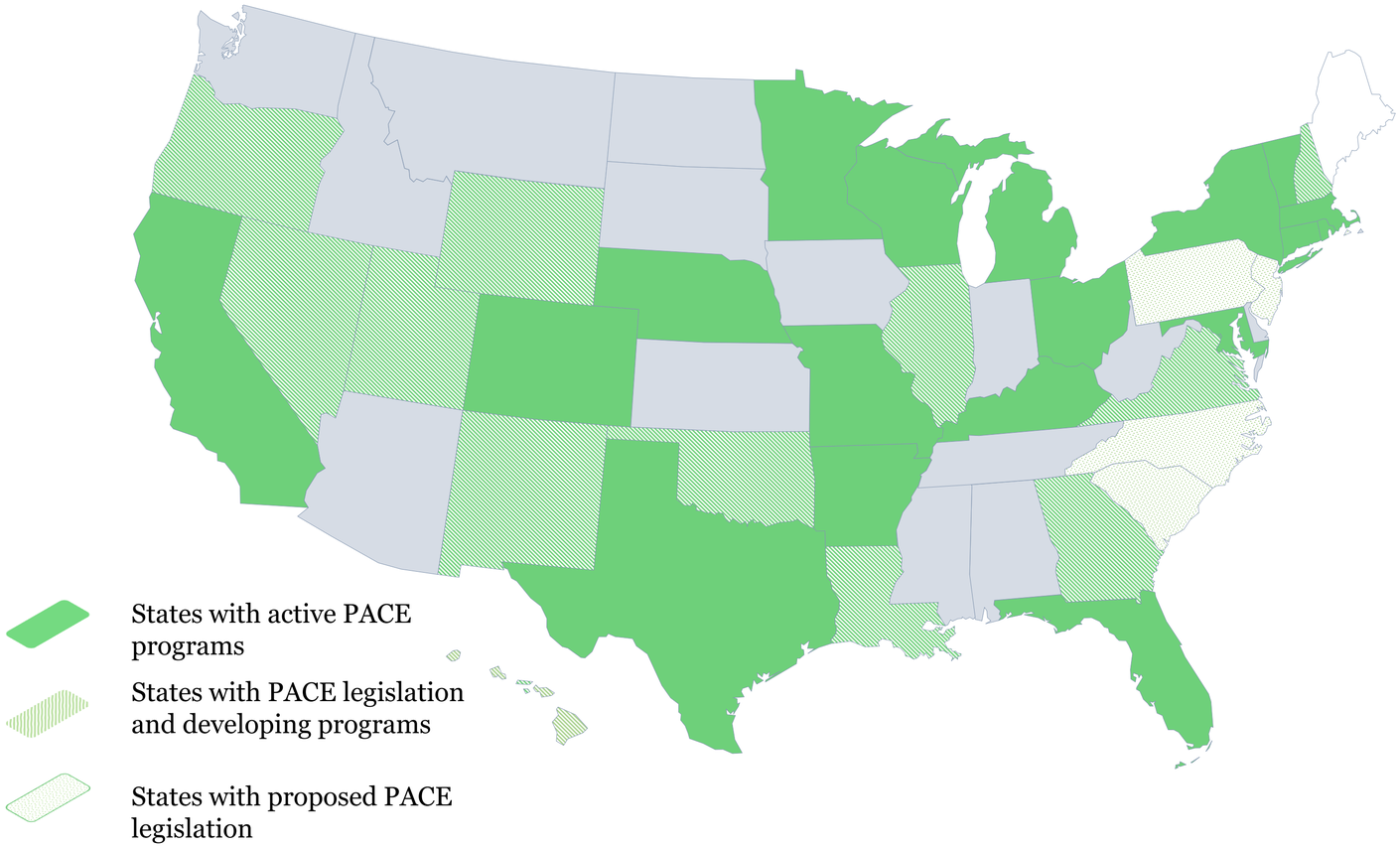
[1]2016 IFMA and Johnson Controls Energy Efficiency Indicator Survey.

Commercial financing held back by lack of credit standardization and relatively small size



Commercial PACE Expansion

PACE MARKET IN 2016



Strong C-PACE market growth since 2009

- 2 states (CA and CO) had programs in 2009
- 20 states (plus DC) with active C-PACE programs in 2016
- 40 states with PACE programs in development

Most commercial buildings 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 property value – may vary by state.
- ✓ Total property debt (mortgage + PACE) cannot exceed 95% of property value
- ✓ Not in bankruptcy
- ✓ Meets other state statutory requirements

Most energy and water projects qualify

- ✓ Renewable energy systems
- ✓ High efficiency lighting
- ✓ Building enclosure/envelope improvements/roofs
- ✓ Automated building and HVAC controls
- ✓ High efficiency chillers, boilers, and furnaces
- ✓ High efficiency hot water heating systems
- ✓ Combustion and burner upgrades
- ✓ Fuel switching (ex. oil to gas conversions)
- ✓ Water conservation
- ✓ Heat recovery and steam traps
- ✓ Building management systems
- ✓ Variable speed drives (VSDs) on motors fans and pumps
- ✓ Associated permitting and other soft costs
- ✓ Many other measures…

Where does PACE work best?

- ✓ Owners who lack optimal access to capital
- ✓ Owners who may sell their buildings
- ✓ Owners who are cash flow sensitive
- ✓ Owners who don’t want to tie up their balance sheet
- ✓ Tenant or owner occupied buildings for pass-through costs
- ✓ Owners with financially levered up buildings

WHY PACE?

PACE removes barriers

Lack of comprehensive funding?

Sale of building possible?

Payback period too long?

Tenant pays energy bills?

Unsure if savings will appear?

Sensitive to taking on debt?

100% upfront, 20+ year fixed cost financing

Obligation transfers with property

Positive cash flow in year 1

Assessment/savings pass to tenants

Third party technical review

Not on corporate balance sheet

Benefits of PACE

- 100% financing with no money down required with rates as low as 5% and at fixed rates.
- Non-recourse form of financing. No personal or corporate guarantees or investment-grade credit required.
- Financing includes both hard and soft costs.
- PACE financed projects generate positive cash flow in Year 1. Immediate Net Operating Improvement.
- Long terms (up to 20+ years) allow payments to stretch over life of energy measures.
- Structure allows benefit and cost to pass to tenant.
- No payoff on sale of property. Assessment does not accelerate.
- Doesn’t tie up balance sheet with debt.
- Enables building to monetize all available tax benefits.

The 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	5 yrs	**20 yrs**
Interest rate	NA	4.00%	**6.25%**
Annual Cash Flow			
Annual payment	NA	($382,295)	($180,978)
Annual energy savings	$320,000	$320,000	**$320,000**
Net annual cash flow	$320,000	**($62,295)**	**$139,022**
5-Year Financial Performance			
5-Year Net Cash Flow	**($720,000)**	**($611,475)**	**$695,110**
5-Year NPV @ 6%	**($840,766)**	**($530,574)**	**$585,611**
5-Year IRR	**-16%**	**NA**	**POSITIVE**

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

PACE IS TRANSFORMING COMMERCIAL CLEAN ENERGY

IMMEDIATE **CASH FLOW**

- ✓ 100% financing
- ✓ Long payback period, fixed rate
- ✓ Covers all hard and soft costs

FLEXIBLE AND **SECURE** FOR OWNERS

- ✓ No personal or corporate guarantee
- ✓ Transfers on sale
- ✓ Can be passed through to tenants
- ✓ Preserves borrowing capacity

MOST **PROJECTS** & **BUILDINGS** QUALIFY

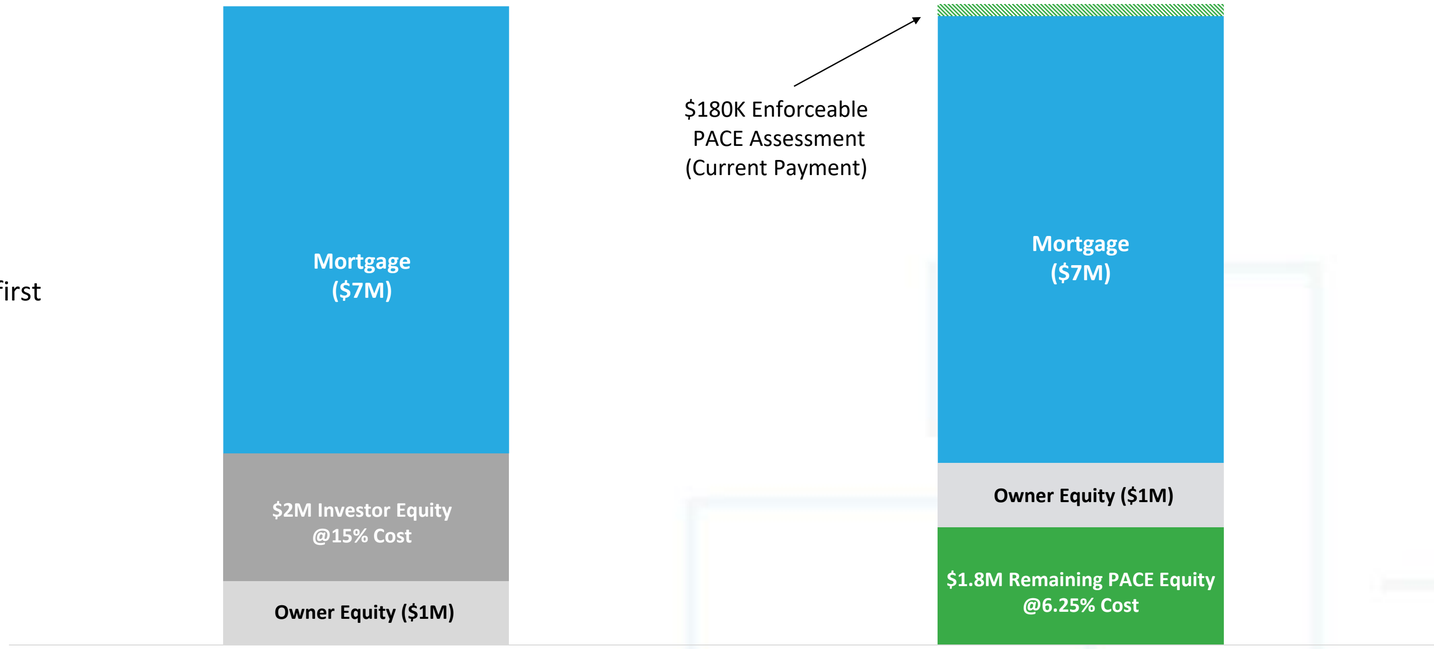
- ✓ Qualify based on property value
- ✓ Funds most energy and water projects
- ✓ All standard commercial property types

PACE provides a secure, affordable source of project equity

PACE equity decreases overall cost of capital and enhances existing mortgage and equity holder security

- ✓ Payments made via property tax surcharge
- ✓ PACE equity cannot be accelerated past current amount due - stays with property even in event of default
- ✓ Up-front disbursement of 20-35% of “as is” property value – providing source of “first in, last out” capital*
- ✓ Total funding can be up to 20% of “as complete” property value
- ✓ Project measures must meet PACE program requirements and often “self fund” – producing savings that outweigh payments
- ✓ Existing mortgage lender consent required due to tax assessment structure (illustrated at right)

Capital Stack For Sample $10M Property



Traditional Capital Stack | **Capital Stack with $2M PACE**

Case Study:

Sample $10M new development uses $2M PACE equity (6.25% cost of capital) instead of traditional investor equity (12%-15% cost of capital). Use of PACE results in $146K annual savings vs. investor equity due to reduction in cost of capital.

*Mandatory 10% hold-back until construction completion.

Case Study: Office Building (CT)

Project Need & Solution

Commercial office building requiring gut rehabilitation of two floors to reposition the asset for a higher grade tenant.

Energy: High efficiency lighting, HVAC, and 80 kW solar

Total Project Cost: ~ $1,000,000
Money Down: $0.00
C-PACE Financing: ~ $1,000,000 **Term:** 20 years
Annual PACE Assessment: ~$22,000
Annual Cost Savings: ~$75,000

Net Annual Cash Flow: ~$53,000
Lifetime Cost Savings: ~$1,800,000
PACE to Value <10%

Case Study: Hotel & Office Building (MD)

Project Need & Solution

Commercial office building and hotel implementing cost-saving energy efficiency upgrades.

Energy: Building envelope, HVAC replacement, LED Lighting

Total Project Cost: ~ $1,400,000
Money Down: $0.00
C-PACE Financing: ~ $1,400,000 **Term:** 20 years
Annual PACE Assessment: ~$25,000
Annual Cost Savings: ~$55,000

Net Annual Cash Flow: ~$30,000
Lifetime Cost Savings: ~$3,000,000
PACE to Value <10%

Greenworks is the leading PACE provider

- Greenworks is the largest Commercial PACE provider in the United States.
- Greenworks and its founders have closed more than $125 million of PACE projects.
- Greenworks has multiple financial resources for deal development.
- Greenworks manages the process and makes PACE a seamless transaction.
- Greenworks has grown its footprint to new markets such as MD, RI, DC, OH, MO and TX.

GREENWORKS
LENDING

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