



# Build it Better with C-PACE

## Financing High-Performance New Construction in the Northeast

September 25, 2018

# Agenda

- Welcome & Introductions
- C-PACE New Construction Successes
- Understanding C-PACE (Commercial Property Assessed Clean Energy)
- Improving Projects and Lowering Capital Costs with C-PACE
- Accessing C-PACE for New Construction in the Northeast
- Q&A



# Connecticut Green Bank

## Mission and Goals



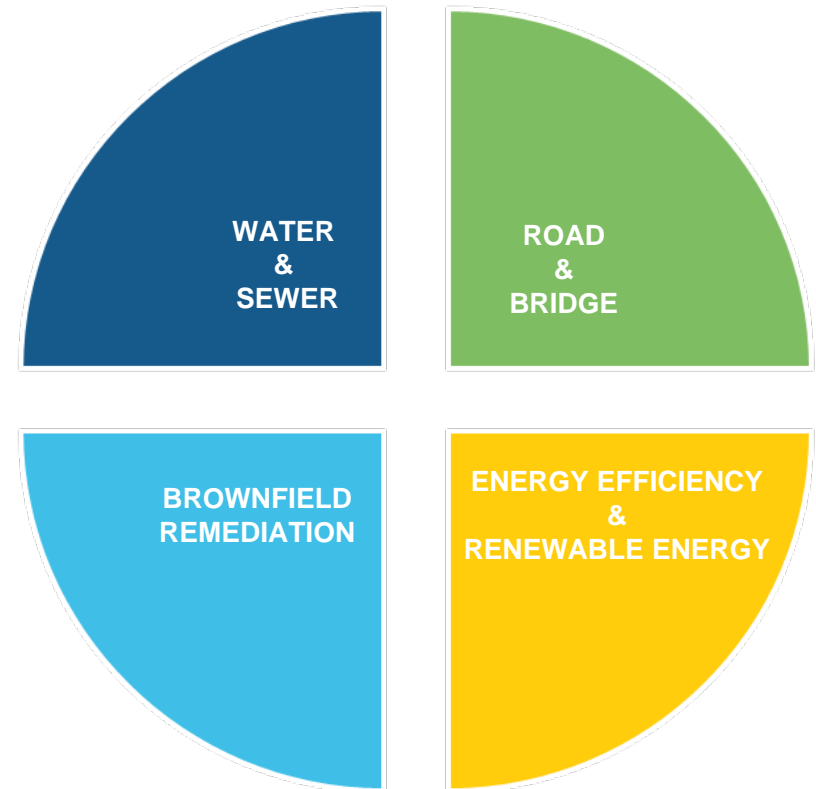
Support the strategy to achieve **cheaper, cleaner, and more reliable** sources of energy while **creating jobs** and supporting **local economic development**

- **Attract and deploy private capital investment** to finance the **clean energy policy goals** for Connecticut
- **Leverage limited public funds** to **attract multiples of private capital** investment while **reinvesting public funds over time**
- Develop and implement strategies that **bring down the cost** of clean energy in order to make it more **accessible** and **affordable** to customers
- Support affordable and healthy homes and businesses in distressed communities **reduce energy burden** and **address health & safety**

# About Rhode Island Infrastructure Bank



- Rhode Island Infrastructure Bank (RIIB) is the central hub for infrastructure financing in the State of Rhode Island.
- We are a quasi-public agency that mobilizes private sector funds using institutional capital to provide lower than market rate financing for local governments, businesses, and residents in RI.



# C-PACE New Construction Successes





## SLOAN'S LAKE FLATS:

\$2.8M

16% of

CAPITAL STACK



NEW CONSTRUCTION MULTI-FAMILY

DENVER, CO — 2017

FIRST PACE PROJECT IN DENVER

FIRST NEW CONSTRUCTION PACE PROJECT IN COLORADO

*“PACE Equity as our partner allowed us to develop the building we wanted to,  
while overall lowering our cost of capital.”*

*-Kyle Dumbleton, Project Developer*



## VELOCITY APARTMENTS



**NEW CONSTRUCTION MULTI-FAMILY PROJECT  
MADISON, WI —2018  
FIRST NEW CONSTRUCTION PACE PROJECT IN PACE WI**

*"It's been a long journey to see our vision for this property come to fruition. Delivering good food was well worth the challenge, and utilizing PACE Equity, which fit with out New Market Tax Credits and USDA loan, completed the financing we needed."*

*- Paul McKee, CEO, M Property Services*



**GREEN LEAF GROCERY:**

**\$2.7M**

**14% of**

**CAPITAL STACK**



**NEW CONSTRUCTION RETAIL PROJECT**

**ST. LOUIS, MO — 2017**

**FIRST NEW CONSTRUCTION PACE PROJECT IN MISSOURI**



*"The RiverHaus financing team was great and successful all around. PACE Equity, as our partner, was key to this project moving forward."*

*- Deron Kintner, General Counsel, Flaherty & Collins Properties*



**RIVERHAUS:**  
**\$4.4M**  
**10% of**  
**CAPITAL STACK**



**NEW CONSTRUCTION MULTI-FAMILY PROJECT**  
**COVINGTON, KY — 2017**  
**LARGEST MULTI-FAMILY PACE PROJECT TO DATE**

*“PACE Equity moved quickly after receiving a New Market Tax Credit Allocation.  
This project is a great win for us and the community.”*

*- Stewart Wangard, Chairman and CEO, Wangard Partners, Inc.*



**LAACKE & JOYS:**  
**\$2.2M**  
**7% of**  
**CAPITAL STACK**



**NEW CONSTRUCTION OFFICE PROJECT**  
**MILWAUKEE, WI — 2017**  
**FIRST GROUND-UP OFFICE DEVELOPMENT TO USE PACE**  
**FIRST PACE & NEW MARKETS TAX CREDIT PROJECT**

*“PACE Equity provided **high value** to our capital stack and enabled this project to get off the ground. Additionally, PACE financing provided us the opportunity to apply smart building decisions and reduce energy use.”*

*— Doug Nysse, Project Developer, Westin Hotel*



**WESTIN HOTEL:**

**\$7M**

**10% of**

**CAPITAL STACK**



**NEW CONSTRUCTION HOSPITALITY PROJECT**

**MILWAUKEE, WI — 2016**

**FIRST NEW CONSTRUCTION PACE PROJECT**

# Understanding Commercial Property Assessed Clean Energy (C-PACE)



# What is C-PACE?

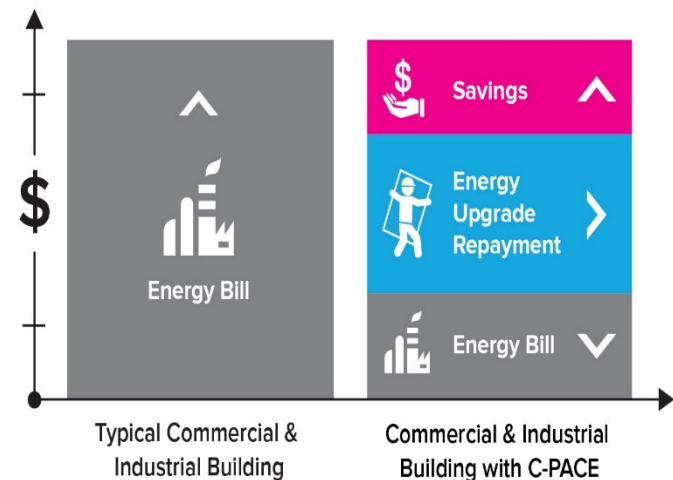
Commercial Property Assessed Clean Energy (C-PACE) is an innovative financing solution that makes green energy upgrades accessible and affordable.

C-PACE financing can take what was once a capital expenditure and turn it into a cash-flow positive investment that lowers operating costs, increases asset value and improves building performance.

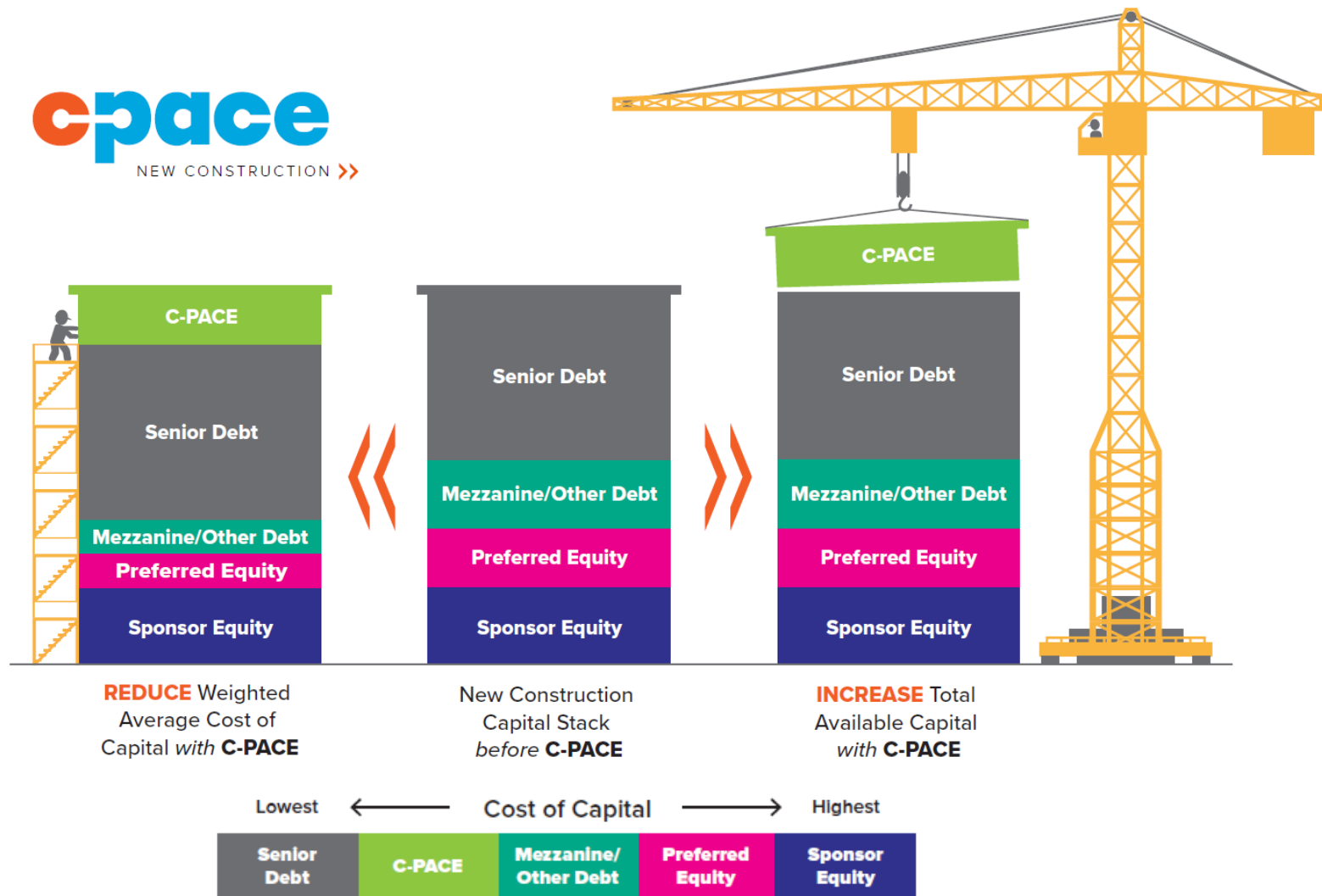
# Business Case for C-PACE

Financing clean energy projects through C-PACE can:

- Increase asset value
- Improve free cash flow
- Preserve cash and credit for core business investments
- Solve deferred maintenance needs
  - For retrofit projects
- Displace higher cost debt in the capital stack



# Completing or Improving the Capital Stack with C-PACE



# Underwriting Criteria

- In Rhode Island and Connecticut, funding amount is governed by eligible costs and a model comparing building energy consumption to code.
- Other criteria include:
  - Debt + PACE LTC and LTV
  - Debt + PACE DSCR (depends on product type)
- Term is determined by useful life of eligible improvements



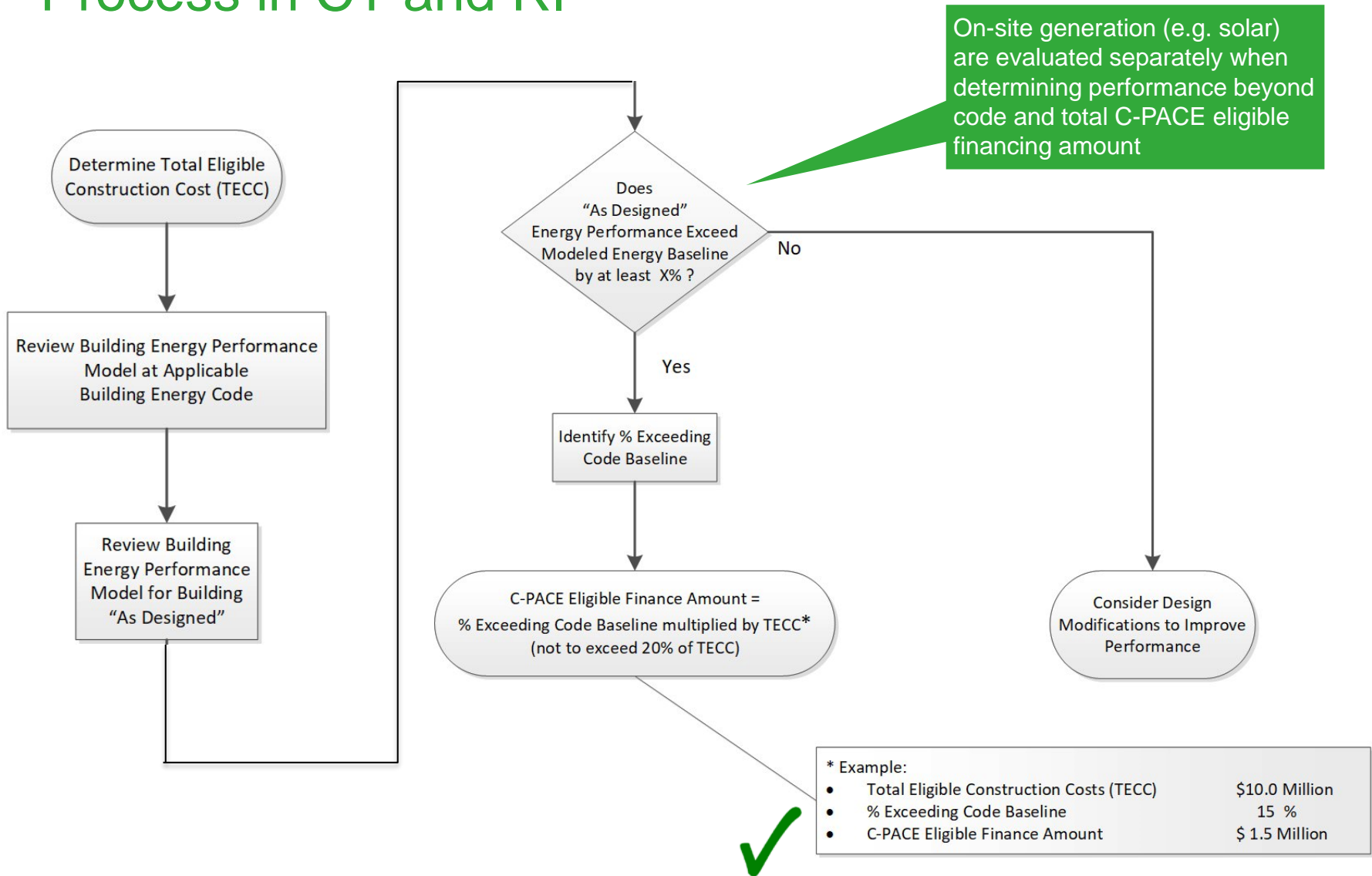
# Why Do Lenders Support C-PACE For New Construction?

- Required Lender Consent
- PACE funds do not accelerate upon default
- No impact to lender's ability to foreclose
- Ability to transfer upon sale for \$0 and no paperwork
- Long term fixed rate financing
- Full funding at PACE Equity closing
- Ability to recoup from tenants and escrows
- Improved property value through improved equipment
- Maintain clients or gain new ones who need additional capital

# Accessing C-PACE for New Construction in the Northeast



# C-PACE New Construction Example Process in CT and RI



# Rhode Island Utility Incentives

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- Owner Financial Incentives
  - Integrated Design Incentives
    - Exceed 2012 IECC target by 15%
    - Electric: \$0.35/kWh = Gas: \$1.70/therm
  - Custom Incentives
- Design Team Incentives
  - \$3,000 Energy Efficiency Charrette
  - Electric: \$0.07/kWh + Gas: \$0.34/therm
- Design and Technical Assistance

nationalgrid

# Connecticut Utility Incentives

For the latest information regarding new construction incentives and availability from Eversource and United Illuminating visit  
[EnergizeCT.com/EnergyConsciousBlueprint](http://EnergizeCT.com/EnergyConsciousBlueprint)

Larger, more complex

Minimum 30,000 SF

Early in design process

Undergoing standardized modeling & reporting

## 2018 Design Incentives

Brainstorming Energy Charette	\$2,500
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Energy Model Incentives	<b>\$15,000 – \$20,000</b>
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≥ 15% Energy Savings	\$.20/sf*
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<b>Path to Net Zero ≥35%</b>	<b>\$10,000</b>
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\*Subject to program caps up to a maximum of \$15,000.

## 2018 Installation Incentives

Savings Above Code	\$/sf
≥ 10% - <15%	0.50
≥15% - <20%	0.75
≥20% - <25%	1.25
≥25% - <30%	2.25
≥30%	3.00

<b>LEED Enhanced Commissioning</b>	<b>10% of incentive up to \$15,000</b>
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Certification Bonus (LEED & Green Globes)	\$5,000 - \$15,000
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# Q&A





# Thank you!



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