




# GREENWORKS LENDING

Introduction to PACE Slides  
(General Audience)



# GREENWORKS LENDING



Greenworks Lending is a rapidly growing finance company that invests in commercial real estate with the goal of reducing costs and increasing energy efficiency.

We make investing in energy efficiency and clean energy a smart choice for business owners.

# PACE IS TRANSFORMING COMMERCIAL CLEAN ENERGY

Property Assessed Clean Energy (PACE) is a government financing policy that classifies energy-saving upgrades as a **public benefit** – like a sewer, road extension, etc.

Like other public benefits, PACE projects can be 100% 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.**

# COMMERCIAL ENERGY EFFICIENCY IS LAGGING

43%

Energy Used By  
Non-Government Commercial  
Buildings<sup>1</sup>



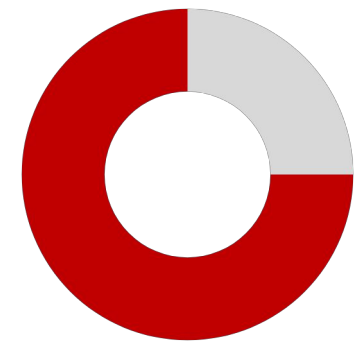
<5%

Energy Efficiency Spend  
Deployed in Non-Government  
Commercial Buildings<sup>1</sup>

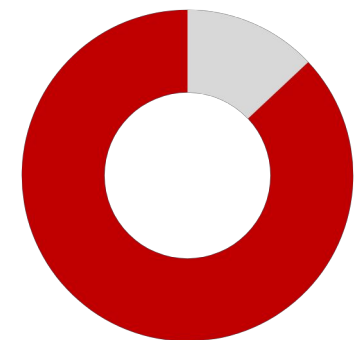
<sup>1</sup> International Energy Agency "Energy Efficiencies In the North American Existing Building Stock:"  
[https://www.iea.org/publications/freepublications/publication/NAM\\_Building\\_Stock.pdf](https://www.iea.org/publications/freepublications/publication/NAM_Building_Stock.pdf)

# LACK OF FINANCING IS A BIG PIECE OF THE PROBLEM

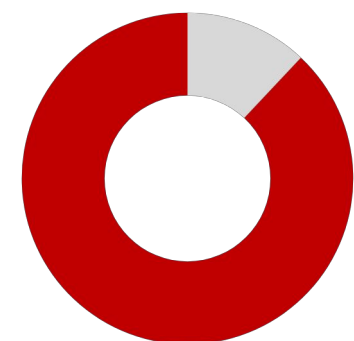
2016 International Facilities Management Association (IFMA) study of sub-100k square foot building owners listed **financing as the top problem** facing energy efficiency and clean energy upgrades



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**

# TRADITIONAL FINANCING FALLING SHORT

## Bank Loan

- Shorter term = **negative cash flow** or balloon payment
- Risk of **rising interest rates**
- Ties up borrowing capacity, potentially limiting future business needs

## Cash Purchase

- Cash must be available
- If available, cash must be diverted from other priorities
- May be **delayed** through one or multiple budget cycles

## Power Purchase Agreement

- Significantly less compelling economics for the owner
- Strict credit standards – most properties do not qualify
- Large minimum system size requirements
- Complex contracts and long term site lease

## Lease

- More **strict credit requirements** – fewer buildings qualify
- **Negative cash flows** or balloon payment

# PACE REMOVES MANY STRUCTURAL BARRIERS



Lack of comprehensive funding?

Sale of building possible?

Payback period too long?

Tenant pays energy bills?

Unsure if savings will appear?



100% upfront, 20+ year financing

Obligation transfers with property

Positive cash flow in year 1

Assessment/savings pass to tenants

Third party technical review

# MOST PACE PROJECTS CREATE DAY 1 SAVINGS

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

	<b>Cash</b>	<b>Bank Loan</b>	<b>PACE Assessment</b>
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
<b>5-Year Financial Performance</b>			
5-Year Net Cash Flow	(\$400,000)	(\$611,475)	\$695,110
5-Year NPV @ 6%	(\$258,430)	(\$530,574)	\$585,611
5-Year IRR	-7%	NA	Infinite

<sup>1</sup>Assumes no utility cost escalation and no performance degradation to simplify case study



# MOST COMMERCIAL BUILDINGS ARE ELIGIBLE

## 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 generally limited to 35% of property value – up to 20% in some cases.
- ✓ Total property debt (mortgage + PACE) cannot exceed 95% of property value – also may vary by state.
- ✓ Not in bankruptcy
- ✓ Meets other state statutory requirements

# A WIDE RANGE OF ENERGY AND WATER SAVING PROJECTS QUALIFY

- ✓ High efficiency lighting
- ✓ 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 (ex. oil to gas conversions)
- ✓ Water conservation
- ✓ Heat recovery and steam traps
- ✓ Building enclosure/envelope improvements
- ✓ Building management systems
- ✓ Renewable energy systems
- ✓ **Associated permitting and other soft costs**
- ✓ Etc...





# CASE STUDY: THE BUSHNELL CENTER

## Value Proposition:

New hot water heater, three high efficiency boilers and replacement of a single, inefficient steam boiler saved over \$1.2M for this 95,000sf theater.

The theater was pleased with C-PACE's ability to offer an upgrade with no capital outlay at a time when they were searching eBay for spare parts.

<b>Total Project Cost:</b>	\$650,000
<b>Money Down:</b>	\$0.00
<b>Incentives:</b>	\$266,000
<b>C-PACE Financing:</b>	\$384,000
<b>Term:</b>	20 years
<b>Annual Payment:</b>	\$30,411



**Annual Energy Cost Savings: \$58,674**

**Lifetime Energy Cost Savings: \$1,173,479**

Hartford, CT

# CASE STUDY: 500 POST ROAD EAST

## Value Proposition:

Property owner was able to retrofit his building – replacing lights, windows, roof repairs, and adding solar – to increase market appeal while attracting a new anchor tenant. All improvements were made with no money out of pocket.

**Property Type:** Office Building

**Amount:** \$998K

**Project Type:** Multiple measures including HVAC, lighting, windows, solar



# CASE STUDY: OFFICE PARK LLC\*

## Value Proposition:

Office building in Montgomery County seeking to lower monthly utility bills is planning a **300 kW solar energy system** that would reduce their PEPCO bill by ~70% and result in a net cost of energy of \$0.04/kWh (vs. current rate of \$0.12/kWh).

**Total Project Cost:** \$660,000

**Money Down:** \$0.00

**Cash Incentives:** \$195,498 over 7 years (Solar REC)

**Tax Incentives:** \$507,740

**C-PACE Financing:** \$678,480

**Term:** 20 years

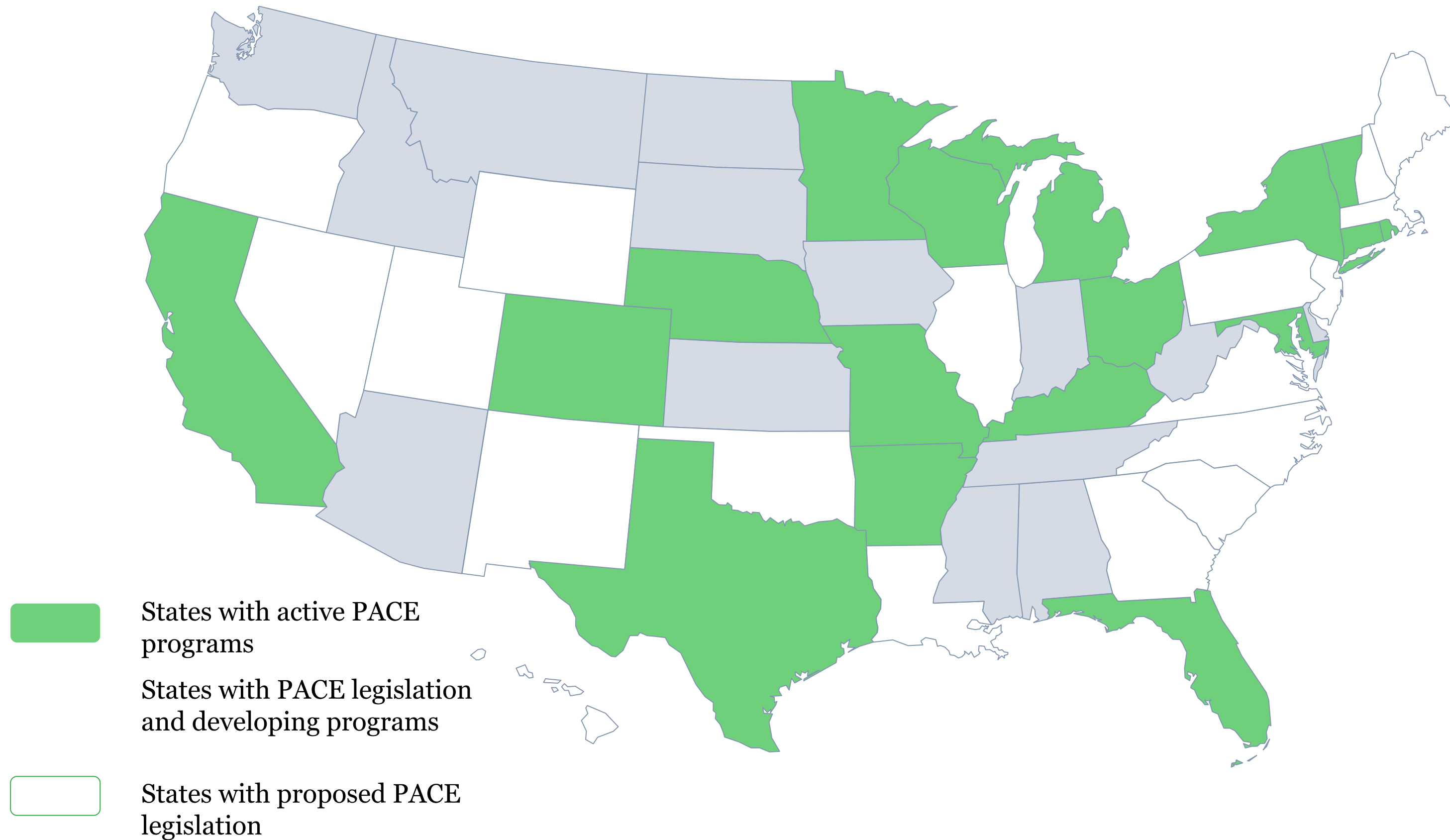
**Annual C-Pace Assessment:** \$59,897



\*Pseudonym Project from Montgomery County, MD

# PACE AND GREENWORKS ARE EXPANDING

16 States have active PACE programs



## 2017 Greenworks Markets

CT, MD, DC, TX, RI, OH, MO, CA, WI

- Statewide program OR standard market rules
- Low-cost administrator

## Promising Markets Pending Legislation

MA, NY, NJ, DE, VA

- Promising markets – **but not yet viable** – legislation or program changes pending

## 2018+ Greenworks Markets

CO, FL, KY, MI, MN

- No statewide program / mixed markets
- Higher cost administration
- GWL cannot fund projects in 2017

# PACE IMPROVES MORTGAGE SECURITY

- **Debt Service Coverage Ratio:** Almost all PACE projects have a project DSCR (SIR) >1 and often significantly enhance the building's overall Net Operating Income (NOI).
- **Debt to Value Ratio:** PACE structure ensures value increase far outweighs the debt increase.

**Debt:** As a property tax, the annual PACE payment becomes a liability in the year it is due. Mortgage lenders typically add one year's payment to the property debt.

**Value:** Projects are almost always accretive to the property value – either via improved cash flow or completion of deferred maintenance projects.

- PACE helps **Defuse the “Deferred Maintenance Time Bomb”** – reducing the mortgage holder's risk from surprise costs that could harm a borrower's ability to pay.