

C-PACE 101

An Insider's Guide to C-PACE Financing



PETROS PACE
F I N A N C E

In Alliance with **Apollo**

What is C-PACE?

Cost Effective Capital for Efficient Projects

Commercial Property Assessed Clean Energy (C-PACE) is a public-private partnership enabled by state and local legislation, allowing private lenders to provide financing for measures that improve building energy performance.

C-PACE is a ***low-cost, long-term financing*** vehicle that makes investing in energy efficiency, water efficiency, renewable energy, and resiliency projects more affordable for property owners and developers.

Repaid through a voluntary assessment on the property tax bill, C-PACE can be used to finance new construction, building retrofits and gut rehabilitations with no upfront costs. In most markets, C-PACE can even be used to ***refinance more expensive capital*** and provide more advantageous terms for completed projects.

Fixed-Rate

***Up to
35% LTV***

Low-Cost

***Up to
30-yr Terms***

Which upgrades are eligible?

Typical Measures Funded by C-PACE

Many common energy and water efficiency upgrades along with renewable and resiliency measures qualify for C-PACE financing. In fact, most new buildings are already designed to meet minimum C-PACE requirements, which frequently don't exceed the efficiency standards found in today's building codes.

Commonly Financed Measures



HVAC and associated
mechanical systems



LED lighting and
electrical systems



Building envelope and
fenestration



Low-flow plumbing
fixtures



Solar power



Seismic

Which asset types qualify for C-PACE?

Commercial Property Types

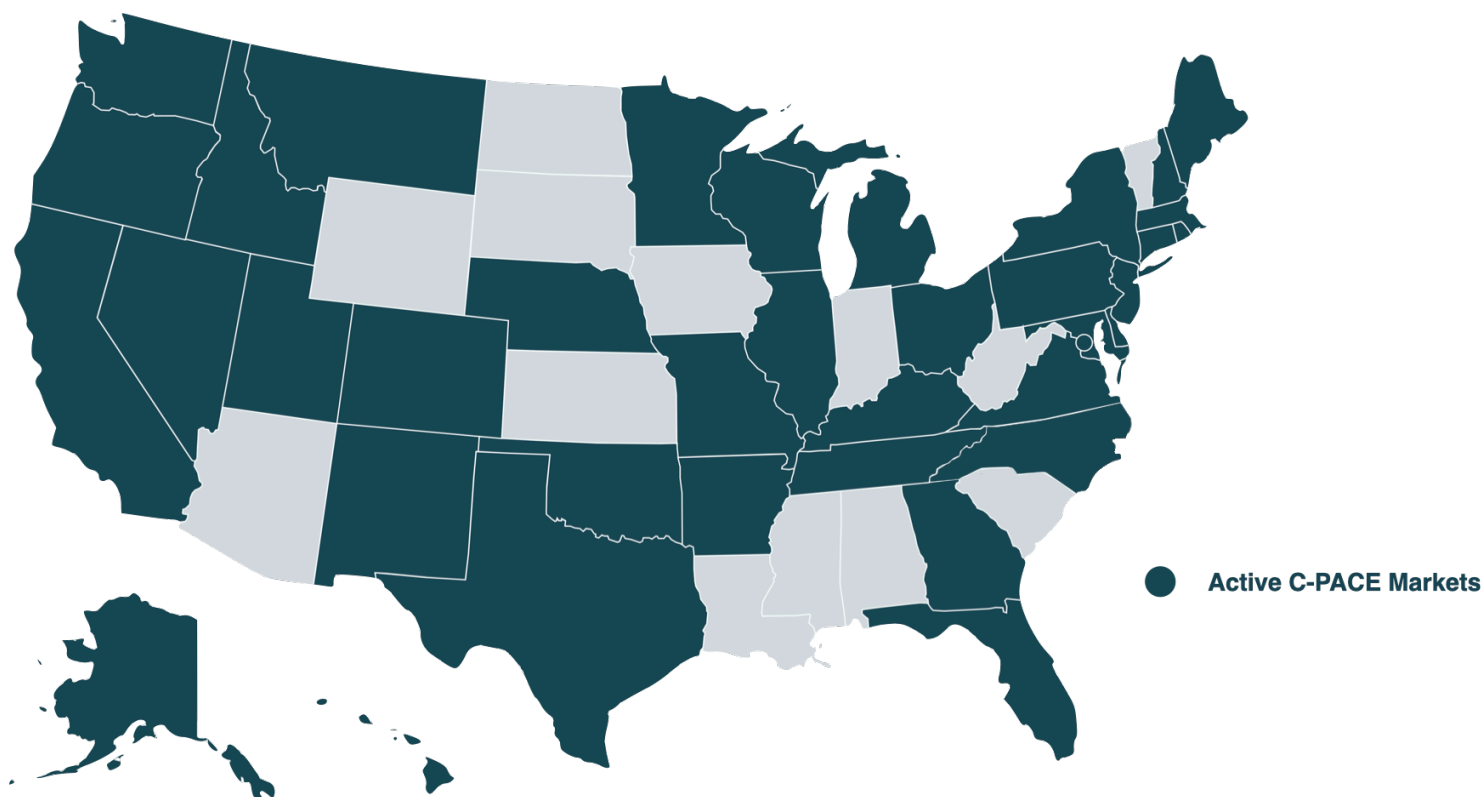
C-PACE can be used to finance a wide variety of commercial property types including:



Where is C-PACE available?

C-PACE Expands Across the Country

More than 39 states and the District of Columbia have passed legislation enabling C-PACE financing to date. Petros can **transact anywhere nationwide** where there is an active C-PACE program.



Why use C-PACE?

Low-Cost, Long-Term, Non-Recourse Financing

C-PACE eliminates the out-of-pocket cost and lowers the risk of **investing in environmentally-friendly upgrades** by allowing property owners and developers to:

- Replace higher cost mezzanine and equity capital
- Secure fixed-rate financing with terms up to 30 years
- Increase net operating income and property value
- Recover as an operating expense
- Generate positive cash flow from day 1
- Utilize fully-amortizing and non-accelerating capital
- Finance all project hard and soft costs with no out-of-pocket expenses
- Transfer the payment obligation upon sale
- Lower utility and maintenance costs



“It was great working with the Petros PACE Finance team. Their experience handling large C-PACE transactions is unparalleled. The PACE financing solution will provide long-term stability for our capital stack, and it pays us back for a significant investment in energy efficiency throughout the Capitol District.”

– Mike Moylan, President of Shamrock Development

What are the C-PACE financing parameters?

Flexible Financing Structure

CRITERIA	REQUIREMENTS*
Amortization	15-30 years, may not exceed useful life of funded PACE measures
Geography	All active PACE jurisdictions; subject to MSA and RUCA parameters
PACE LTV	Up to 35% as-stabilized value
Combined LTV (PACE + Debt)	Up to 95% as-stabilized value
Combined DSCR*	Minimum of 1.15x at stabilization
Capitalized Interest Period	Not to exceed 36 months
Energy Savings	Energy audit required, varies per state statute and program guidelines
Insurance	Petros added as additional insured to Property/Builder's Risk policy
Environmental	No un-remediated RECs
Recourse	Non-recourse after construction
Collateral	Special assessment lien
Mortgage Lender Consent	Written lender acknowledgment required if property is mortgaged
Completion Guaranty	Required on new construction and gut rehabs
Payment & Performance Bonds	Applicable on new construction and gut rehabs, Petros to be named additional beneficiary
Construction Inspections	Third party engineering/inspection firm to review all draw requests, Petros to approve prior to disbursements

* Requirements may vary by program

How does C-PACE work?

A Game-Changer for Green Building Financing

1

Initial Underwriting & Term Sheet Issuance

Petros takes the project through our initial underwriting process, reviewing project details such as location, property appraisal/market study, sources and uses, proformas, and construction budget, among others. This review determines overall qualification and the approximate amount of C-PACE financing.

2

Final Underwriting & Approvals

A Petros deal team will coordinate diligence, documentation, and closing logistics. Petros also assists borrowers to secure lender consent for any mortgage holders and facilitates mandatory energy audits with third-party engineering firms to identify eligible C-PACE measures and life expectancy of those measures, and the review and approval process with the C-PACE program administrator. The entire closing process usually averages 60-120 days.

3

Closing & Funding

C-PACE financing typically closes simultaneously with other capital stack participants. C-PACE proceeds are funded into an escrow account with our trustee, Wilmington Trust, upon receipt of the recorded assessment documents. C-PACE funds will be disbursed at close for refinance projects and during construction, *pari passu* with the senior lender's funds as costs for the C-PACE eligible measures are incurred.

4

Repayment

C-PACE financing is tied to the property, not the individual, as a voluntary special assessment. With a capitalized interest period of up to three years, the non-recourse instrument is paid back through a special assessment collected annually or semi-annually with property taxes, though some states prefer for the C-PACE capital provider to bill and collect directly.



Why choose Petros PACE Finance?

The Leading National C-PACE Provider

Petros is solely dedicated to helping commercial property owners invest in greener buildings by providing **flexible, long-term C-PACE financing** that makes sustainable building investments more affordable.

INDUSTRY LEADER

Petros has played a leading role in the C-PACE market since its earliest days, helping to shape and strengthen many C-PACE programs throughout the U.S. and establish widely adopted industry best practices and standards. Petros is also a founding member of the C-PACE Alliance, the leading authority and advocacy organization for commercial projects.

UNMATCHED CAPITAL

Strategic capital partners provide Petros with billions of dollars of committed capital to fund C-PACE assessments ranging in size from \$1 million to \$200 million+, providing our clients **certainty of close.**

NATIONWIDE COVERAGE

Petros is an approved capital provider in the majority of approved C-PACE markets and has completed transactions in 18 states and Washington, D.C.

EXCELLENT EXECUTION

Our experienced team of in-house professionals make closings quick and efficient.

CASE STUDY: West Harbor

Petros PACE Finance Funds Development in San Pedro, CA

Project Highlights



West Harbor San Pedro, CA

375,000 SF | Mixed Use

THE CLIENT

The Ratkovich Company is a Los Angeles development company specializing in urban infill & rehabilitation projects. Their accomplishments range from large-scale urban planning and entitlement endeavors to mixed-use projects. They have completed or have under construction 18 million+ SF of office, retail, and industrial space.

Jerico Development, Inc. is a San Pedro based developer whose affiliated family-owned companies are engaged in commercial office, institutional, retail, and multifamily residential development projects in the Southern California, metro Denver, and Raleigh/Durham markets. Current activities are focused on San Pedro, CA downtown multi-family/waterfront

THE CHALLENGE

The C-PACE transaction will fund a portion of the construction of 375,000 SF mixed-use development, primarily retail. The Sponsor was selected by the City of Los Angeles to redevelop the site through a public-private partnership with the Port of Los Angeles.

THE NEEDS

- Building Envelope
- Electrical
- Lighting
- HVAC

THE SOLUTION

C-PACE financing enabled the efficiency measures of the mixed-use, new construction project at the San Pedro Waterfront and provided a natural complement to the capital stack that also included Parkview Financial, Port of Los Angeles, and The Nederlander Organization.

THE RESULTS

- Private capital incentivized forward thinking, sustainable building designs without the use of public funds.
- Efficient building design minimized future utility expenses, boosting NOI and property values for owner.
- The energy efficient measures make it more attractive to investors and guests, while minimizing the carbon footprint of the development.
- Developer secured lower-cost, non-recourse capital to finance the project.
- Developer secured a more efficient capital stack and long-term interest rate hedge, ensuring long-term stability.

THE PARTNERS

*Parkview Financial
Port of Los Angeles
Matt Construction
Bernhard TME
Partner Engineer & Science, Inc.*



CASE STUDY: CAPITOL DISTRICT APARTMENTS

Petros PACE Finance Helps Capitol District Apartments Secure Efficient Take Out Financing

Project Highlights



Multi-Family
Omaha, Nebraska

180,026 SF | 223 Units | Built in 2018

THE CLIENT

Shamrock Development, Inc is an Omaha-based development company. They build quality, visionary commercial developments with a focus on enhancing the urban core of Omaha while incorporating longterm efficient designs.

THE CHALLENGE

The Metropolitan and Convention Authority chose Shamrock Development Inc. to redevelop a two-block site in downtown Omaha as part of a larger urban renewal effort. Shamrock wanted to secure take-out financing for the apartment component of the project to help ensure long-term stability for their capital stack while providing the funding necessary for their desired efficiency components.

THE NEEDS

- Comprehensive building envelope upgrade
- Roof construction & thermal insulation
- Domestic water fixtures
- Elevators
- Heat pumps
- Efficient lighting with control

THE SOLUTION

C-PACE financing enabled the efficiency upgrades to the downtown apartment building and provided a natural complement to the capital stack that also included Tax Increment Financing (TIF) from the City of Omaha.

THE RESULTS

- Private capital incentivized forward thinking, sustainable building designs without the use of public funds.
- Efficient building design minimized future utility expenses, boosting NOI and property values for owner.
- The improvements modernized the facility, making it more attractive to investors and tenants, while minimizing the carbon footprint of the development.
- Developer secured lower-cost, non-recourse capital to refinance the infrastructure upgrades.
- Developer secured a more efficient capital stack and long-term interest rate hedge, ensuring long-term stability for their capital stack.

THE PARTNERS

Asset Environments
Eastern Nebraska Clean Energy
Assessment District (ENCEAD)
PACE Sage Capital
City of Omaha



Questions about C-PACE or Petros PACE Finance?

Please contact info@petrospartners.com
for more information.



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petros-pace.com