Program Overview

Presented by:
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Director, CO C-PACE Program
C-PACE Session Summary

- C-PACE Background & Structure
- How C-PACE Works
- Benefits of C-PACE for EE/RE Industry
- Q&A
C-PACE Background & Structure
C-PACE Program Background

- New Energy Jobs Creation Act authorized the New Energy Improvement District (NEID) to create the statewide C-PACE “District”

- NEID Board is comprised of seven members, incl. representatives from:
  - Colorado Energy Office
  - Commercial Real Estate Industry
  - Banking Industry
  - Energy Efficiency & Renewable Energy Industry
  - Public Utilities
C-PACE Program Background (cont.)

- May 2015: NEID issued public RFP for C-PACE Program Administrator

- Aug 2015: NEID Board selected SRS as C-PACE Program Administrator
  - SRS has substantial C-PACE experience nationwide

- 4Q 2015: NEID & SRS collaboration on myriad of launch plan activities
  - Program website: www.copace.com

- Dec 2015: Public launch of C-PACE program

- Feb & Mar 2016: 140 contractors attend initial series of C-PACE workshops
What is C-PACE?

- Innovative financing model that provides C&I building owners a smarter way to modernize their buildings:
  - 100% financing (no out-of-pocket expense)
  - Long term (up to 20 years)
  - Lower energy costs
  - Cash flow positive projects
  - No personal guarantees
  - Combine with utility & tax incentives
  - Payment obligation automatic transfer upon sale (akin to sewer assessment)
Eligible Property Types

- Office
- Multi-family
- Non-profit
- Industrial
- Retail
- Agriculture
- Hotel
Eligible Improvements

- Heating/Ventilation
- Lighting
- Water Pumps
- Insulation
- Solar Panels
- Roof
- Motors
C-PACE Program Structure

- Counties voluntarily opt-in to participate in C-PACE statewide “District”

  - Participating Counties:
    - Boulder

  - In-Discussion Counties: (check copace.com website for opt-in updates)
    - Adams
    - Arapahoe
    - Broomfield
    - Denver
    - Eagle
    - Garfield
    - Jefferson
    - Mesa
    - Pitkin
    - Pueblo
    - Summit

- County tax offices bill & collect PACE assessment fees
  - County will remit building owner’s PACE assessment collections to NEID
  - NEID will disburse PACE funds to private capital providers
C-PACE Program Structure (cont.)

- C-PACE is designed as an “open source funding model”
  - No state / public funds are available to finance projects
  - Pre-qualified private Capital Providers fund eligible projects

- In cases where building owner does not have a preferred capital provider the Program Administrator may review pre-approved projects with pre-qualified capital providers to determine funding interest

- C-PACE requires owners to receive written consent of mortgage holder
How it Works
# Why Owners Like “Power of PACE”

Typical mid-sized building owners (Class B & C, 10k-100k SF):

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<thead>
<tr>
<th>Challenges</th>
<th>C-PACE Solutions</th>
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<tr>
<td>Lack capital budget</td>
<td>✔ 100% financing; No out-of-pocket</td>
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<tr>
<td>Poor credit quality</td>
<td>✔ Project underwriting based on building’s financial health (LTV)</td>
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<td>Limited access to financing</td>
<td>✔ No personal guarantee required</td>
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<tr>
<td>Inability to increase OPEX</td>
<td>✔ Immediate positive cash flow</td>
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Why Owners Like “Power of PACE” (Cont.)

- PACE obligation is **attached to the property**

- **Automatically transfers** to new owner upon sale

- **Payment does not accelerate** at time of sale (as in typical bank loan)

- Allows **deeper, capital intensive projects** with longer payback times
  - Overcomes short-term payback focus & fix-at-failure mentality
Role of Mortgage Holder

- Mortgage holder must consent to C-PACE assessment placement

- Mortgage banks will assess the project’s impact on:
  - Borrowers repayment ability
  - Collateral value

- C-PACE projects generate positive cash flow, thus:
  - Improve both the ability to repay & collateral value

- 115+ banks have consented to PACE projects
Role of Capital Providers

- Capital providers financing a C-PACE project will assess the building’s financial health:
  - **Loan-to-Value percentage** (< 80% is preferred)
    - Outstanding mortgage value / estimated property value
  - **Lien-to-Value percentage** (< 20% is preferred)
    - Estimated project value / estimated property value
C-PACE “Project Accelerator Services”

- C-PACE’s experienced team will:
  - Assist contractors **identify** C-PACE eligible projects
  - Collaborate with contractors to **develop** a financeable project
  - Conduct independent **technical review** of projected savings
  - Support a project **presentation** to the building owner
  - Assist owner **obtain consent** from the current mortgage holder
  - Help identify “**best-fit**” **financing** from participating capital providers
Project Accelerator Services – Key Steps

- **C-PACE / Contractor:**
  - C-PACE prepares PACEcheck Pre-qualification Report
  - Contractor schedules Owner meeting(s)

- **Owner Meeting:**
  - C-PACE / Contractor discuss project opportunity
  - Discuss Mortgage Holder consent requirement
  - Contractor submits project application to C-PACE program
Project Accelerator Services – Key Steps

- **Owner / C-PACE Preliminary Meeting with Mortgage Holder**
  - C-PACE overview
  - Confirm building financial data
  - Obtain “conditional” approval from mortgage holder

- **C-PACE / Contractor**
  - Collaborate on project development
  - Select optimal EE/RE measures
  - C-PACE prepares alternative Project Finance Reports (SIR)
Project Accelerator Services – Key Steps

**Contractor:**
- Contractor confirms final project and cost
- Contractor submits final proposal to owner

**Owner:**
- Approves final Project Finance Report
- Obtains mortgage holder consent
- C-PACE team facilitates introduction to Capital Providers
Project Accelerator Services – Key Steps

- **Capital Provider:**
  - Prepares financing term sheet for owner approval
  - Prepares Finance Agreement
  - Closes financing and disburses funds
C-PACE Benefits to CO Energy Efficiency / Renewable Energy Industry
C-PACE Benefits to CO EE/RE Industry

CO C-PACE is right-structured for success:

- Statewide program with CEO / NEID as sponsor agency
  - Ensure consistent, repeatable and scalable process

- Technically sound Program Guidelines & independent project review
  - Overcome owner & mortgage holder skepticism of savings projections

- “Open Market” access to private capital
  - Facilitate building owner selection of “Best-Fit” capital provider
C-PACE for New Construction EE Projects

- Colorado is first program in nation to allow C-PACE financing for new construction EE projects
  - Building’s baseline energy consumption based on IECC energy code
  - Energy savings credit is delta between code and new EE equipment
  - C-PACE financing not to exceed 20% of total new construction costs
  - See Program Guide: “Special Considerations for New Construction”
Next Steps – Contractor Registration

- Become a C-PACE registered contractor
  - Online registration application at: www.copace.com
- C-PACE team registration contact:
  - Ken Gallagher
    Manager, Technical Support Services
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