



DCC
PACE COMMERCIAL
an energy finance solution



Game Changers: Financing

*Connecting Demand for Projects
To Well-Structured Financial Products*

1. Property Assessed Clean Energy (PACE)
2. On-Bill Repayment
3. Housing Finance Agency Programs
4. New Opportunities for EPCs

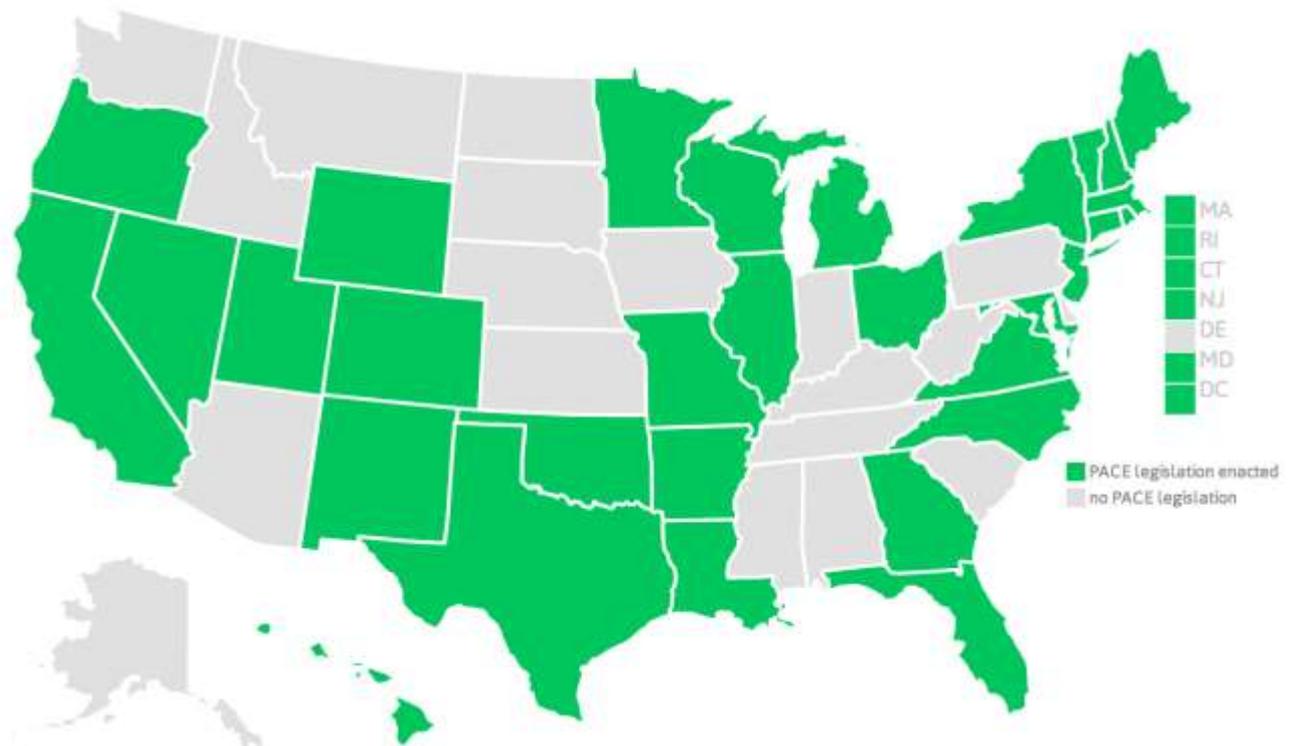
(With thanks to Steve Morgan...)

Clean Energy = Investment

Key Questions for State Programs In Treating Energy as Economic Development

1. What does the market need?
2. What are precedents to drive private investment into publically beneficial projects?
3. What is the product and who is buying it?
4. How can I use what I have... Better?

PACE financing nationally



- Finance Efficiency, Renewables & Water savings
- Available for Commercial & Multi-Family Buildings
- Began in CA. Now Legislation in 28 States & DC
- Washington DC is a national leader

How PACE works

- PACE Commercial (Property Assessed Clean Energy).
- Enabled by Energy Efficiency Financing Act of 2010
- A global energy efficiency solutions program to:
 1. *Assist property owners to maximize clean energy, efficiency, and water savings in their properties and*
 2. *Upgrades for chillers, boilers, lighting, windows, solar, cogeneration, geothermal, water conservation, etc.*
 3. *Provide 100% financing to fund the improvements*
- No out of pocket costs, including design & engineering
- Loan payment is an assessment on tax bill
- Loan is sized to be repaid through savings
- Reduces annual operating costs

PACE program benefits:

- 100% financing for large capital projects
- 20 year amortization improves cash flow
- Long repayment term allows deep retrofits
- Assessment tied to building & transfers with title
- Cash flow positive when savings exceed capital cost
- Great for large capital projects & gap financing
- Performance guarantees can insure savings
- Off-balance-sheet, not traditional debt

Opportunities in Affordable:

- PACE offers useful gap financing for rehab and retrofit projects in private or non-profit affordable
- Key opportunity: Affordable Housing Preservation
- Well aligned with LIHTC structures to provide a new capital source for improvements
- Lender Consent: CT HFA Trustee Precedent
- Working to coordinate single underwriting for Housing Trust Fund: DHCD, DC HFA & DDOE

400 M St. SE pilot project

Property Description:

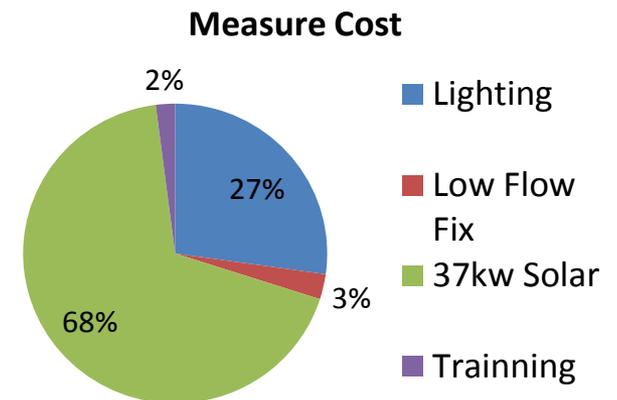
- 139 Unit Affordable Multi-Family Affordable Housing
- All tenants income at or below 60% AMI
- HOPE VI project lead by Forest City
- 7 year old property

Project Description:

- Total Project Cost: \$340,000
- Common Area Lighting and Controls
- Low Flow Fixtures
- 37kw Rooftop Solar
- Energy Control Training
- 1 yr project process (scope to close)

Financial Impact:

- Energy Savings: 15%
- Avoided Costs: ~\$26k per yr; Reduced energy use: ~\$20k;
Maintenance savings: ~\$6k
- Energy Production: ~\$4k
- SREC Sales: ~\$11k





For More Information Contact:

Bracken Hendricks, Urban Energy Advisors
bhendricks@urban-atlantic.com

Project Development



How
DCPACE
works

Customer Education

Initial discussion between building owner & DC PACE
Concludes with decision to proceed with a project application

Initial Application

Building owner submits an initial application to the program, compiles utility bills and other information and conducts a walk through

Project Definition

Building owner works with DC PACE and a contractor of their choosing to conduct initial audits and scope out an appropriate project for financing

Project Underwriting

A financial application and formal engineering proposal is submitted to the PACE program, for financial and energy underwriting and approval

Financial Closing

The building owner, District of Columbia, and lending financial institution agree on a final project. At closing the PACE assessment is attached to the property title and funds are transferred to the owner

Construction

The property owner and their general contractor guide project execution, also building staff receive any training on new operation and maintenance

Post-Construction

Following construction, the contractor tests measures and certifies results to the independent engineer and implements any M&V and testing plans

PACE financing

- Project sizes from \$100,000 to \$20 million
- Consent of existing mortgage lender required
- Financial underwriting (LTV 80% / DSCR 1.2)
- Energy underwriting (savings > debt service)
- Projects executed by qualified contractors
- Non-profit organizations can apply

- Currently estimated financing terms:
 - *Amortization up to 20 years*
 - *Terms of 10 to 20 years*
 - *Interest rate +/-6% fixed*

PACE flow of funds

