1. General Overview
2. Case Studies
3. Program Guide Highlights
4. Application Process
5. Q & A
VIRGINIA PACE AUTHORITY (VPA)

Building the Future with Commercial PACE Financing

November 7th, 2019

- Loudoun BOS voted unanimously to adopt C-PACE in February 2019
- Loudoun hired Virginia PACE Authority (VPA) after competitive bid process; VPA is also the Program Administrator (PA) for the City of Petersburg
- Loudoun has **cooperative rider** for interested localities
- **VPA** - Non-profit C-PACE PA serving Virginia exclusively:
  - Low administrative fees to encourage use of C-PACE (1.25% of total Project Costs; max $50,000)
  - Best-in-Class partners - Pace Financial Servicing & Slipstream
  - Partner - MidAtlantic PACE Alliance (MAPA)
- **Abigail Johnson**, VPA Founder and Executive Director
  - Designed and implemented C-PACE legislation and programs around the country and in the Commonwealth including Virginia C-PACE statutes in 2015 and 2019 (added resiliency and stormwater management)
- **Deb Rosiello** and **Amy Williams** provide marketing and admin support for VPA
- **Jessa Coleman**, Business Development & Servicing Partner
WHAT IS C-PACE?

C-PACE stands for Commercial Property Assessed Clean Energy

C-PACE becomes active when it is enabled at both the state and local levels through enabling legislation

Innovative product, financing 100% of building measures related to:
- Energy efficiency
- Renewable energy
- Water efficiency

Provides gap financing for upgrades to existing buildings or for new construction or gut rehab projects
WHAT IS C-PACE?

Eligible Property Types

November 7th, 2019
WHAT IS C-PACE?

Eligible Energy Improvements

November 7th, 2019
WHAT IS C-PACE?

C-PACE participants

C-PACE Capital Provider

Existing Lender

Property Owner

Contractor & Service Provider

County/Program Admin

November 7th, 2019
WHAT IS C-PACE?

A Public-Private Partnership

PUBLIC

C-PACE loan secured by special assessment on property
Locality enforces C-PACE loan in case of foreclosure

PRIVATE

Funding provided by private Capital Providers for private owners
Contractors hired privately; do not follow public procurement

Public/Private: C-PACE loan installments are paid back either directly to Capital Providers or to them through the Program Administrator
## IDENTIFYING C-PACE OPPORTUNITIES

### C-PACE Unlocks Capital

November 7th, 2019

### Barriers for Financing

- Lack of funding?
- Plan to sell building?
- Payback period too long?
- Tenant pays energy bills?
- Unsure if savings will appear?
- Borrower has untraditional credit history?

### How PACE Unlocks Capital

- 100% upfront, 25+ year financing
- Obligation transfers with property
- Positive cash flow in year 1
- Assessment/savings pass to tenants
- Technical review by program administrator
- Secured by property – not by owner guarantee or credit score
IDENTIFYING C-PACE OPPORTUNITIES

C-PACE for Different Borrowers

November 7th, 2019

Owners Who Have Financing Challenges
- Owners with “Zero Cash Down” Focus
- Owners without access to competitive Capital (Non-Investment Grade Credit)

Owners in Need of Flexibility
- Buildings that may sell before full payoff
- Building where tenants pay energy bill but owner finances upgrades
- Project has longer payback period

Owners with Tax Appetite Love C-PACE
- Full realization of tax credits – including solar ITC
- Accelerated depreciation benefits (MACRS)

Owners Focused on Net Operating Income
- Prefer Operating vs. Capital Expenditures
- Don’t want balance sheet tied up with debt
- Want to own vs. lease

- C-PACE is perfect for projects that contractors know are “locked” (the owner knows there is a need but can’t afford to fill that need)
- C-PACE is a way for a project to avoid being “value engineered” to small or to nothing (C-PACE helps you avoid cutting otherwise excess costs)
- C-PACE is a way to “go deep” on a job (can add HVAC, deferred maintenance, etc.)
Projects Face an All Too Familiar Scenario...

Sample $2M Project with $320,000 in Annual Savings (~6.25 Year Simple Payback)

Replacing old or broken energy and water systems have multiple benefits:

✓ Strong ROI – will save $5.6M over system life
✓ Innovative, groundbreaking efficiency technology
✓ Replace existing equipment approaching end-of-life
✓ 20-year warranties, proven expertise
✓ Hedge against rising energy prices
✓ Unparalleled tenant comfort
EFFECTIVE GAP FINANCING

Projects Face an All Too Familiar Scenario….

Sample $2M Project with $320,000 in Annual Savings (~6.25 Year Simple Payback)

But treatment of energy improvements as Capex investment considers only short-term costs:

- Where will I get the funding?
- What if I sell the building in 5 years?
- We only do 3-Year payback projects
- Good technology…but my tenant pays the energy bills
- Are these savings even real? I’ve been burned before…
## EFFECTIVE GAP FINANCING

### C-PACE Makes “Unfinanceable” Projects Financeable

**November 7th, 2019**

Sample $2M Project with $320,000 in Annual Savings (~6.25 Year Simple Payback)

<table>
<thead>
<tr>
<th>Description</th>
<th>Cash</th>
<th>Bank Loan</th>
<th>PACE Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Down payment amount</td>
<td>($2,000,000)</td>
<td>15% - ($300,000)</td>
<td>$0</td>
</tr>
<tr>
<td>Loan amount</td>
<td>$0</td>
<td>$1,700,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Loan term</td>
<td>NA</td>
<td>5 yrs</td>
<td>20 yrs</td>
</tr>
<tr>
<td>Interest rate</td>
<td>NA</td>
<td>4.00%</td>
<td>6.25%</td>
</tr>
</tbody>
</table>

### Annual Cash Flow

<table>
<thead>
<tr>
<th>Description</th>
<th>Cash</th>
<th>Bank Loan</th>
<th>PACE Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual payment</td>
<td>NA</td>
<td>($382,295)</td>
<td>($180,978)</td>
</tr>
<tr>
<td>Annual energy savings</td>
<td>$320,000</td>
<td>$320,000</td>
<td>$320,000</td>
</tr>
<tr>
<td>Net annual cash flow</td>
<td>$320,000</td>
<td>($62,295)</td>
<td>$139,022</td>
</tr>
</tbody>
</table>

### 5-Year Financial Performance

<table>
<thead>
<tr>
<th>Description</th>
<th>Cash</th>
<th>Bank Loan</th>
<th>PACE Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Year Net Cash Flow</td>
<td>($400,000)</td>
<td>($611,475)</td>
<td>$695,110</td>
</tr>
<tr>
<td>5-Year NPV @ 6%</td>
<td>($258,430)</td>
<td>($530,574)</td>
<td>$585,611</td>
</tr>
<tr>
<td>5-Year IRR</td>
<td>-7%</td>
<td>NA</td>
<td>Infinite</td>
</tr>
</tbody>
</table>

1 Assumes no utility cost escalation and no performance degradation to simplify case study

---

Note: C-PACE transforms what are typically paid as **Capex investments into Opex expenses**, making most projects **cash flow positive from day one.**
CASE STUDIES
Case Studies

New Construction: Audi Field

Description: Plans for a new 20,000 seat stadium for the D.C. United soccer team required additional investment

Challenge: Unlock additional funds to green the stadium to LEED Gold standards and extend sustainability commitments

Solution: D.C. United worked with DC PACE to integrate $25 million of PACE financing into the $300 million stadium project. C-PACE unlocked additional funds to green the stadium to LEED Gold standards, incorporating integrated solar, LED field lighting, and aggressive stormwater management measures.

Financing: $25,000,000 (in a $350,000,000 project)

Measures Financed:
- 884 kW Solar System
- High Efficiency HVAC Systems
- LED Field Lighting
- Insulation
- Site Stormwater Conservation
- Green Roof
- Low Flow Water Fixtures

Savings: Improvements are expected to reduce energy use by 25%
Main Street Business

The Finishing Touch

**Description:** The Finishing Touch, a custom frame and print boutique in downtown Chestertown, MD, had air conditioners and windows that dated back to 1978. These outdated HVAC systems were inefficient and expensive to operate.

**Solution:** The property owner focused on tenant experience and operational costs as motivation to upgrade the 60+ year old HVAC system and high efficiency windows throughout. The mixed-use building was vastly improved and is now more tailored toward customer and renter comfort.

**Financing:** $134,408

**Measures Financed:**
- HVAC upgrades
- Replacement of more than 1,000 sq ft of low R-value glass

**Savings:**
$7,000 in the first year and $300,704 in lifetime savings!

Renovation/Adaptive Reuse

Brown’s Arcade

**Description:** Brown’s Arcade is a mixed-use commercial building encompassing both retail and business offices. It was constructed in the 18th century and is therefore listed on the National Registry of Historic Places. It is the only building of its kind left in the City of Baltimore, and the last known building of its kind in the state. Its historic roots shine through in embellished Colonial Revival details.

“We are very excited about this opportunity to re-position and transform this historic building with new retail concepts and multifamily apartments in downtown Baltimore alongside our recent acquisition of Brown’s Loft which sits on the same 300 block of N Charles Street.” – Kelvin Fu, GL Capital

**Measures Financed:**
- Water conservation measures
- Building enclosure improvements
- Lighting replacements
- New automated building & HVAC controls

The Historic Renovation/Adaptive Reuse
Case Studies

Basic Retrofit

Medical Office Building

Description: Recently purchased medical office building with pharmacy in need of extensive renovations

Financing: $800,000

Measures Financed:
- Air handling units and thermostat
- Modern elevator controls
- LED lighting
- Roof insulation
- TPO roofing

<table>
<thead>
<tr>
<th>Projected Energy Savings (Cumulative)</th>
<th>EUL</th>
<th>Projected Energy Savings (Annual Average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>kWh</td>
<td>BTU</td>
<td>$</td>
</tr>
<tr>
<td>4.7m</td>
<td>329m</td>
<td>857k</td>
</tr>
</tbody>
</table>

Non-Profit

Re-entry Center

Description: A Baltimore-based non-profit wanted to expand the capabilities of its residential re-entry center by building out 5,000 square feet of unused space in their facility. The goal of this project was to complete the planned build out while incorporating energy and water efficient equipment.

Challenge: Underwriting cash flows of a non-profit; many NPOs do not think they are eligible for PACE financing

Financing: $785,000

Measures Financed:
- Insulation and Building Envelope Improvements
- New HVAC and Electrical Installation

Savings: $3,100 in the first year and $80,000 in lifetime savings
Eligible Property Types

- All commercial such as office, industrial, hospitality, retail, agricultural, and real property (e.g. ground mounted solar)
- Nonprofit organizations
- Residential including single family, multifamily, condominiums (individual units and common areas) are not eligible
- Public buildings are not eligible

Eligible Improvements

- **Energy and water efficiency**: Any measure that results in reduction in energy/water consumption over a baseline established by an Energy Analysis
- **Renewable energy**: Any system that generates energy from a renewable source
- **Future**: Resiliency and stormwater management measures
PROGRAM GUIDE HIGHLIGHTS

Eligible Projects

- **Existing building upgrades** and **new construction** projects

- **Project term:**
  - One Eligible improvement: **Not to exceed EUL\(^{(1)}\) or 30 years**, whichever is less
  - Multiple Eligible Improvements: **Not to exceed EUL of Improvement with longest EUL or 30 years**, whichever is less

- **Property value**: Assessed or appraised both acceptable

- **Project improvements** must be permanently affixed during the term of the loan

- **Financing thresholds**:
  - $50,000 min
  - $25,000,000 max or 30% of Stabilized Value\(^{(2)}\), whichever is greater

---

1. EUL = Expected Useful Life
2. Stabilized Value - The market value of the property after it reaches stabilized occupancy as evidenced by an appraisal of the property
Energy Analysis Requirements

- Credentials and Standards of Energy Analysis:
  - Must be performed by Qualified Energy Professional
  - Must meet minimum requirements described in the Program Guide

- Methodology:
  1. For Existing Buildings, document energy and/or water consumption of Property or individual, relevant systems, OR For New Construction, utilize a statutory energy code baseline usage, AND
  2. Include calculations of expected energy and/or water monetary savings to be achieved
     - Quantifiable expected savings during the term of the C-PACE Loan over the baseline usage must be demonstrated

- New Construction/Gut Rehab Methodology:
  1. Itemization of Individual Eligible Improvements: 100% of cost of each measure > code is eligible
  2. Whole Building savings:
     - Exceed code minimum up to 5% => fund up to 20% of total Project Costs
     - Exceed code minimum by more than 5% => fund up to 25% of total Project Costs
Program Guide Highlights

Eligible Property Owners, Capital Providers, and Contractors

November 7th, 2019

Property Owners (Borrowers):

• Eligibility follows state law requirements (title holder of property, no delinquent taxes, liens, loan payments; no bankruptcies, etc.)

Capital Providers:

• Open market program where participation by a wide variety of capital providers is encouraged and supported
• To qualify, fill out and sign RFQ and Agreement found on the website

Contractors:

• All work requiring a license must be installed by a licensed contractor
• To sign up as a Contractor, fill out the registration form and sign the Contractor Terms and Conditions found on the website; all installation contractors, licensed engineers and architects, energy auditors, solar installers/developers, and other service providers can register
APPLICATION PROCESS
Steps to C-PACE Financing

1. Property Owner develops project and inputs data into online portal.

Identifies contractor:
Works with them to develop a proposed scope of work.

Identifies capital provider:
Works with them to obtain credit approval & proposed financing terms for C-PACE.
APPLICATION PROCESS

Virginia PACE Authority website

November 7th, 2019
Thank you for submitting a pre-application for the VA-PACE Program.

Congratulations! Your VA-PACE application has been pre-approved.

The next step in the process is to work with your designated representatives to develop and define the PACE Project. An Energy Analysis will need to be completed according to the requirements in the Program Guide (Section 4: Energy Analysis Requirements). Simultaneously to the project development process, the Program Administrator recommends contacting any current mortgage holders to acquire written Mortgage Lender Consent for the proposed PACE Financing.

The Virginia PACE program is working to approve multiple Capital Providers. If a PACE Capital Provider has not already been determined, please contact us at info@virginiapace.com to obtain a list of eligible PACE Capital Providers.

Please log in to the VA-PACE Project Center to complete the Final Application, submit documents, review program materials, and apply for additional projects. Please contact VPA with any questions at PACE_Admin@siastreaminc.org.
# Application Process

**Project pipeline**

---

## Existing Applications

<table>
<thead>
<tr>
<th>Submit Date</th>
<th>Property Address</th>
<th>Property Owner Legal Name</th>
<th>Project Cost</th>
<th>Eligible Community</th>
<th>Status</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/5/2019</td>
<td>111 Main Street</td>
<td>I love paco2</td>
<td></td>
<td>Yes</td>
<td>Pre-Approved</td>
<td>Application Final Application</td>
</tr>
<tr>
<td>11/1/2019</td>
<td>1 Harrison St SE</td>
<td>Deb Roselio</td>
<td></td>
<td>Yes</td>
<td>Pre-Approved</td>
<td>Application Final Application</td>
</tr>
</tbody>
</table>

---

**Log Off: deb@abacusprop.com**
APPLICATION PROCESS

Steps to C-PACE Financing

1. Property Owner develops project
   - Identifies contractor: Works with them to develop a proposed scope of work
   - Identifies capital provider: Works with them to obtain credit approval & proposed financing terms for C-PACE

2. Property Owner submits application package to VPA based on application checklist
   - Checklist may include:
     - Executed Final Application
     - Signed installation contract(s)
     - Energy analysis
     - Lender consent and subordination Agreement
     - Title report
     - Offer to fund (C-PACE term sheet)
     - Appraisal (if assessed value isn't used)
     - Substantially Final C-PACE Loan Documents
     - Mortgage lender statements (if applicable)

November 7th, 2019

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APPLICATION PROCESS

Final Application

VA-PACE Final Application

The purpose of this Final Application is to confirm property owners and proposed PACE Projects meet all eligibility requirements set forth in the VA-PACE Program Guide. The data collected here and document submissions are essential to the Final Application process. Failure to complete the Final Application will result in a Notice of VA-PACE Approval letter. If the Program Administrator determines that the Final Application is incomplete then the Applicant will receive a request for more information. A copy of this Final Application signed by the key principals is a required document.

CONTACT: For questions about VA-PACE or application status, email PACE_Admin@slipstreaminc.org.

PROPERTY LOCATION
Address Line 1: 1 Mars den St #E
Address Line 2: County: Loudoun
City: Leesburg
ZIP: 20175

POIN T OF CONTACT INFORMATION
Business Contact Name: Deb Rosello
Company Legal Name: Alaeus Property Solutions
Title (Job Title): Administrative Assistant
Business Contact Phone: (503) 241-0207
Business Contact Email: deb-f@alaeusprop.com

PROPERTY OWNER INFORMATION
Property Owner Legal Name: Deb Rosello
Property Owner Business Classification: Tenant
Key Principal Name: Title
Deb Rosello: Owner
Property Type: Nonprofit
Value of Property: $900,000
Value Source: Other

Have you ever filed for bankruptcy or is the property currently an asset in a bankruptcy? No
Are there delinquent property taxes, utility payments, or property-secured debt payments for the property? No
Are any involuntary liens recorded against the property? No

PROJECT CENTER

Documents
Property: 1 Mars den St #E, Leesburg, VA (2019)

Please upload a copy of each of the required documents listed below in the table below by clicking the link in the box next to the corresponding document. This section only accepts the types .pdf, .png and .jpg. The maximum document size that can be uploaded is 15 megabytes.

A signed copy of the Final Application will need to be uploaded to this site as a document. Click on the link below to have the Final Application emailed to the contact or each of the Key Principals. This document will need to be signed and scanned. By signing this application the Property owner(s) certifies that it meets the Eligible Property Owner requirements.

Email Contact Person: Click this link to email the Final Application to the contact person only.
Email Contact Person and Key Principals: Click this link to email the Final Application to the contact person and each Key Principal.

Required Document Required Document
Executed Final Application Yes
Signed Installation Contract* Yes
Energy Analysis* Yes
Lender Consent and Subordination* Yes
Title Report Yes
Substantially Final C-PACE Loan Documents Yes
Mortgage Loan Statement* Yes

All required documents must be submitted to Slipstream prior to Final Approval. See Program Guidelines for specific instructions about required documentation.

5000002691 11/07/2019
APPLICATION PROCESS

Steps to C-PACE Financing

1. Property Owner develops project
   - Identifies contractor: Works with them to develop a proposed scope of work
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     • Title report
     • Offer to fund (C-PACE term sheet)
     • Appraisal (if assessed value isn’t used)
     • Substantially Final C-PACE Loan Documents
     • Mortgage lender statements (if applicable)

3. VPA reviews and approves project based on County-specific guidelines

4. VPA circulates C-PACE Program Agreement for signature
   - C-PACE Program Agreement: County, Property Owner, & Capital Provider are named

5. VPA ensures recordation of C-PACE Lien Certificate
   - C-PACE Lien Certificate: County, Property Owner, & Capital Provider are named

Paid directly by Capital Provider (in most cases)
COLLECTION & REMITTANCE

Steps to C-PACE Financing

6. Capital provider (CP) or VPA on behalf of County bills the Borrower typically semi-annually

7. CP or VPA collects C-PACE payment

8. If VPA collects C-PACE payment, VPA remits C-PACE payment to CP
To complete your application, please upload an executed version of the PACE Capital Provider RFQ and a file with the company logo that should be displayed on the VA PACE program website.

<table>
<thead>
<tr>
<th>Select Logo Image*</th>
<th>Choose File... (No... on)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PACE Capital Provider RFQ*</td>
<td>Choose File... (No... on)</td>
</tr>
</tbody>
</table>

- **Logo Image**: JPEG, PNG or PDF file type with a maximum size of 100KB.
- **PACE Capital Provider RFQ**: PDF file type with a maximum size of 1MB.

Privacy Statement © 2019 - Slipstream
THANK YOU!

Contact Information

Virginia PACE Authority

Abby Johnson  abby@virginiapace.com
Deb Rosiello  deb@virginiapace.com
Jessa Coleman  jessa@virginiapace.com

November 7th, 2019