To increase C-PACE volume in Rhode Island, the RI C-PACE program has developed a partnership with Greenworks Lending that will provide turnkey service to GRID account managers and their customers.
Greenworks Lending was founded in 2015 by Commercial PACE policy architects, Jessica Bailey and Alexandra Cooley. Since that time, the specialty finance firm, dedicated to helping commercial property owners and businesses grow, has set the industry standard for C-PACE project development.

- In 2017 Greenworks issued the industry’s first C-PACE securitization, establishing the asset class with an AA rating from Morningstar.
- As of April 2018, Greenworks has financed over 100 Commercial PACE projects in 12 states.
The Rhode Island Infrastructure Bank (Bank) provides affordable financing to municipalities, commercial and residential property owners for investments in clean water, drinking water and energy efficiency and renewable energy projects. The Bank is the program sponsor of the RI C-PACE program and has selected Sustainable Real Estate Solutions, Inc. (SRS) to be the program administrator.

Sustainable Real Estate Solutions (SRS) partners with state and local governments to administer commercial property assessed clean energy (C-PACE) programs. Founded in 2010 by experienced commercial real estate and energy efficiency professionals, the company’s proprietary technology-enabled PACEworx™ Platform streamlines the management of the data-intensive C-PACE technical and financial underwriting process. SRS’s Investor Confidence Project-credentialed quality assurance methodology has facilitated more than $120 million in C-PACE financing nationwide—a level unmatched in the industry.
AGENDA

1. What is C-PACE
   - What is it?
   - Growing C-PACE Market

2. RI-PACE AND ENERGY EFFICIENCY
   - Why do owners love PACE?
   - Who is a good fit...and who isn’t?

3. FURTHERING EERMC’S GOALS
   - Ideas for expanding C-PACE Impact
   - Fit for EERMC Constituents
Property Assessed Clean Energy (PACE) is a government financing policy that classifies energy-saving upgrades as a public benefit – like a sewer hookup, sidewalk 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 – similar to a water or sewer assessment.

Payback periods match equipment life (often 20+ years)...

...this makes most projects cash flow positive from day one.
ECONOMIC DEVELOPMENT + PUBLIC BENEFIT
NATIONAL DATA, ALL LENDERS (12/31/17)

C-PACE improvement type breakdown
(By $ funded)

- Energy Efficiency (48%)
- Renewable energy (27%)
- Mixed (18%)
- Resiliency (7%)

C-PACE projects by amount financed
(By $ funded)

- Small, less than $75,000: 9.8%
- Medium, $75,000 - $750,000: 18.4%
- Large, greater than $750,000: 71.8%
C-PACE is growing in Rhode Island

RHODE ISLAND DATA, ALL LENDERS (9/17/2018)

- Tripled number of closed projects year on year – 14
- +$8 MM in energy savings to businesses
- Greenhouse gas emission reduction equivalent to 37 MM miles driven by the average passenger car
- Projects range from $0.1 MM to $1.6 MM
RI-PACE and ENERGY EFFICIENCY
COMMERCIAL ENERGY EFFICIENCY IS LAGGING

43%

Energy Used By Non-Government Commercial Buildings¹

<5%

Energy Efficiency Spend Deployed in Non-Government Commercial Buildings¹

PROJECTS FACE AN ALL-TO FAMILIAR SCENARIO...

Sample $2M, Multi-Measure Project w/ ~6 Year Simple Payback

You **PITCH:**

- ☑ 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
Owner THINKS:

- 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…

If it ain’t broke…
### MOST PACE PROJECTS CREATE **DAY 1 SAVINGS**

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

<table>
<thead>
<tr>
<th></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>
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</table>

### Annual Cash Flow

<table>
<thead>
<tr>
<th></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></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.
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
Accelerating Efficiency in Rhode Island
C-PACE CAN SERVE MAJORITY OF EERMCS’S CONSTITUENTS

Class 1:
Standard Building Types
PACE Budget = ~35% Property Value
✓ Office
✓ Industrial + light manufacturing
✓ Retail
✓ Multi-family (4+ units)
✓ Hospitality

Class 2:
Special Use (High Quality)
PACE Budget = ~20% Property Value
✓ Not-for-profits (museums, theaters, etc.)
✓ Private schools, Houses of Worship
✓ Class 1 properties in a rural/distressed area

Class 3:
Most Likely Ineligible
If eligible, rate may be higher
✓ Transfer stations, gas stations
✓ Heavy/specialty manufacturing
✓ Golf courses and Country Clubs
✓ Class 2 properties in a rural/distressed area
Popular Energy-Saving Measures

- High efficiency lighting
- Building enclosure/envelope improvements/roofs
- Automated building and HVAC controls
- High efficiency chillers, boilers, and furnaces
- High efficiency hot water heating systems
- Combustion and burner upgrades
- Renewable energy systems

- Fuel switching (ex. oil to gas conversions)
- Heat recovery and steam traps
- Building management systems
- Variable speed drives (VSDs) on motors fans and pumps
- Associated permitting and other soft costs
- Many other measures that impact energy...
C-PACE Reduces the Cost of Capital for New Developments and Gut Rehabilitation Projects

PACE funding replaces mezzanine, preferred equity, EB-5, etc. in the capital stack

*Source: CT Green Bank.*
CASE STUDY: HOTEL AND MEDICAL OFFICES

Project Need & Solution
Commercial office building and hotel on a single parcel in Gaithersburg MD. implemented cost-saving energy efficiency upgrades.

Project Type: Building envelope, HVAC replacement, LED Lighting

Total Project Cost: $1,400,000
Money Down: $0.00
C-PACE Financing: $1,400,000
Term: 20 years
Annual Assessment: $124,567

Year One Savings: $34,444
Lifetime Savings: $3,174,510
PACE to Value: <10%

Highlight: Hotel received Choice Hotel’s (ComfortINN) highest level certification for sustainability following the improvements.
CASE STUDY: PUBLIC LIBRARY

Project Need & Solution
Privately owned (by nonprofit), public library in Providence RI embarked upon redevelopment of an 85,000 SF wing to ensure long term viability in the community. Updated design featured EE measures.

Project Type: Building envelope (windows and doors) and HVAC (air handling unit, RTUs, and heat pumps)

Total Project Cost: $ 25 million
C-PACE Financing: $ 1.6 million
Term: 20 years
Annual Assessment: $ 146,000

Share of Capital Stack: 6.40%
PACE to Value 1.9%

Highlight: Library foundation received term financing during construction phase which filled a financing gap and reduced burden on fundraising.
GRID Financing
C-PACE financing provides a GRID product line extension for multi-measure, long-term payback projects for all C&I property types

<table>
<thead>
<tr>
<th></th>
<th>OBR</th>
<th>Ascentium</th>
<th>C-PACE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Down payment percentage</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Loan term</td>
<td>up to 5 years</td>
<td>up to 5 years</td>
<td>5 to 25 years</td>
</tr>
<tr>
<td>Interest rate</td>
<td>0%</td>
<td>6% to 8%</td>
<td>5% to 7%</td>
</tr>
<tr>
<td>Amount Financed</td>
<td>up to $250K</td>
<td>up to $2.5M</td>
<td>$100K+, no max</td>
</tr>
</tbody>
</table>

C-PACE financing amount up to 35% of property value