

Low-Moderate Income Housing And C-PACE

What is C-PACE

Commercial-Property Assessed Clean Energy

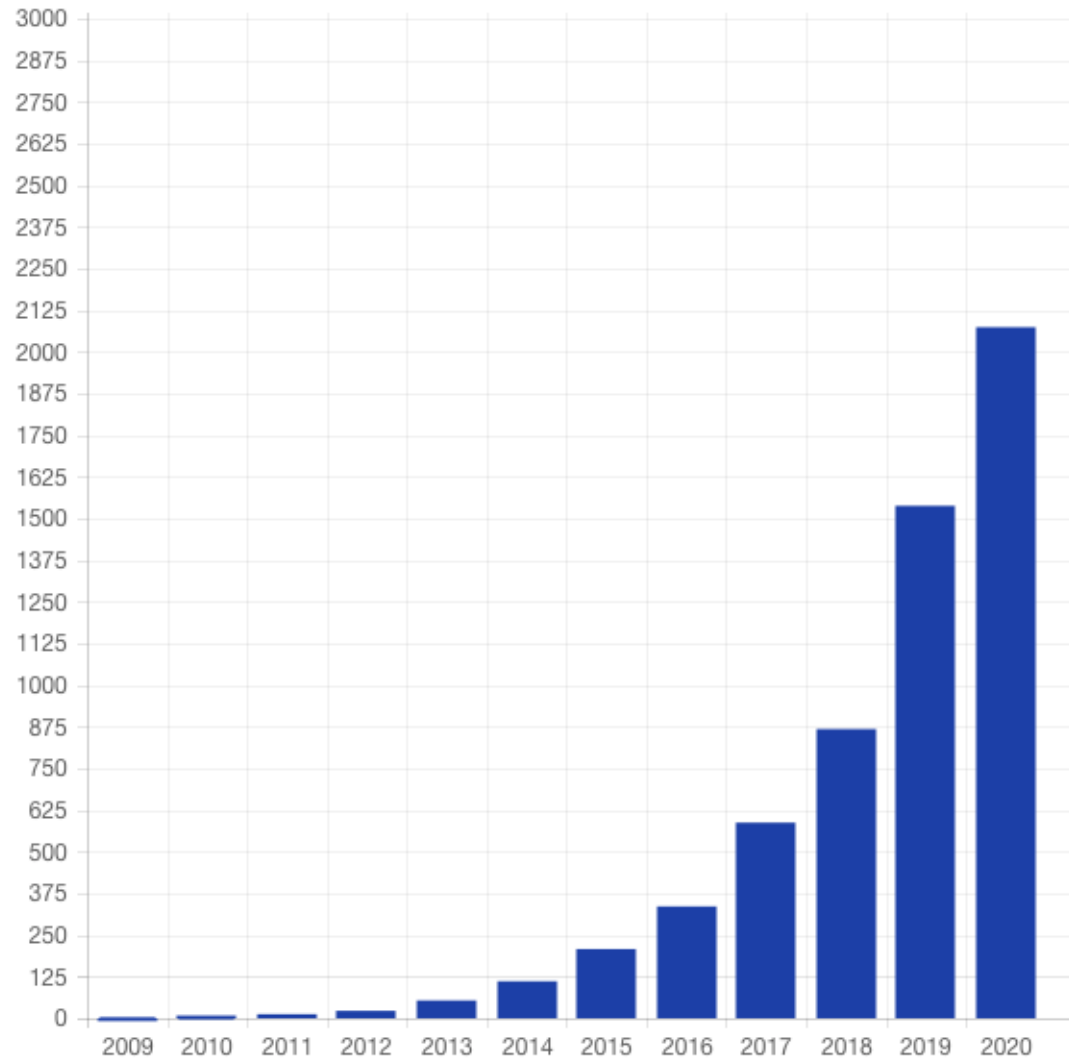
Basics:

- Provides long-term, low-cost financing for energy efficiency improvements and renewable energy project for commercial real estate.
- Repayment is secured through a benefit assessment lien that is subordinate to municipal taxes, but senior to all other liens.
- Financing automatically transfers to a new owner if the property is sold.

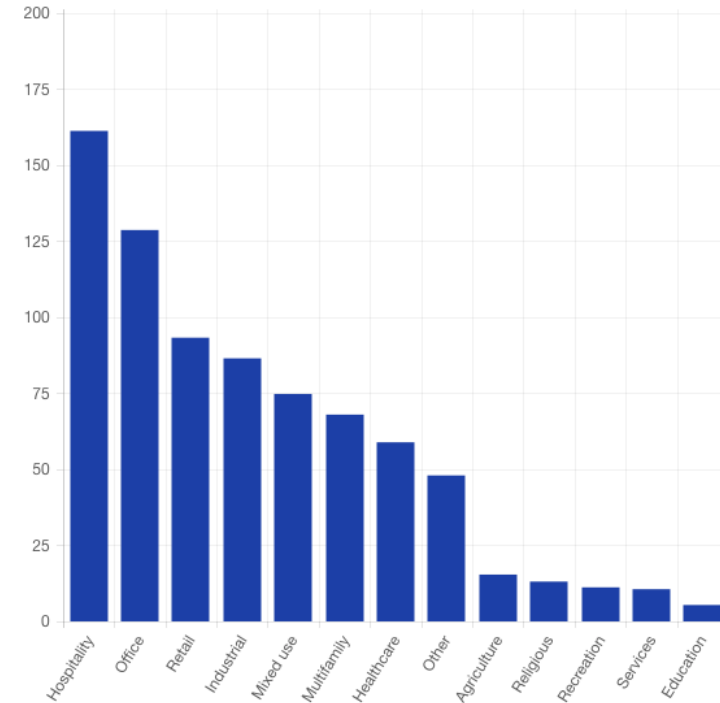


Total C-PACE Volume

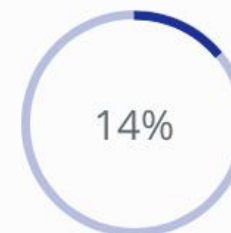
CUMULATIVE C-PACE INVESTMENT, MM (2009-2020)



C-PACE INVESTMENT BY BUILDING TYPE, MM



% INVESTMENT IN NEW CONSTRUCTION



% INVESTMENT BY PROJECT DOLLAR AMOUNT



C-PACE - Key Points

1. Lower blended cost of capital
Ability to replace expensive debt with C-PACE
2. No upfront cost
Financing is available for 100% of the costs associated with energy efficiency
3. Customizable terms up to the expected life of the improvements
Up to 30 years and fixed interest rates
4. Significant Reduction in buildings energy bills
5. Increased cash flow - Savings to Investment Ratio (SIR)
6. Creates enhanced quality of life and more sustainable living environment

Eligible Properties (Multi-family)

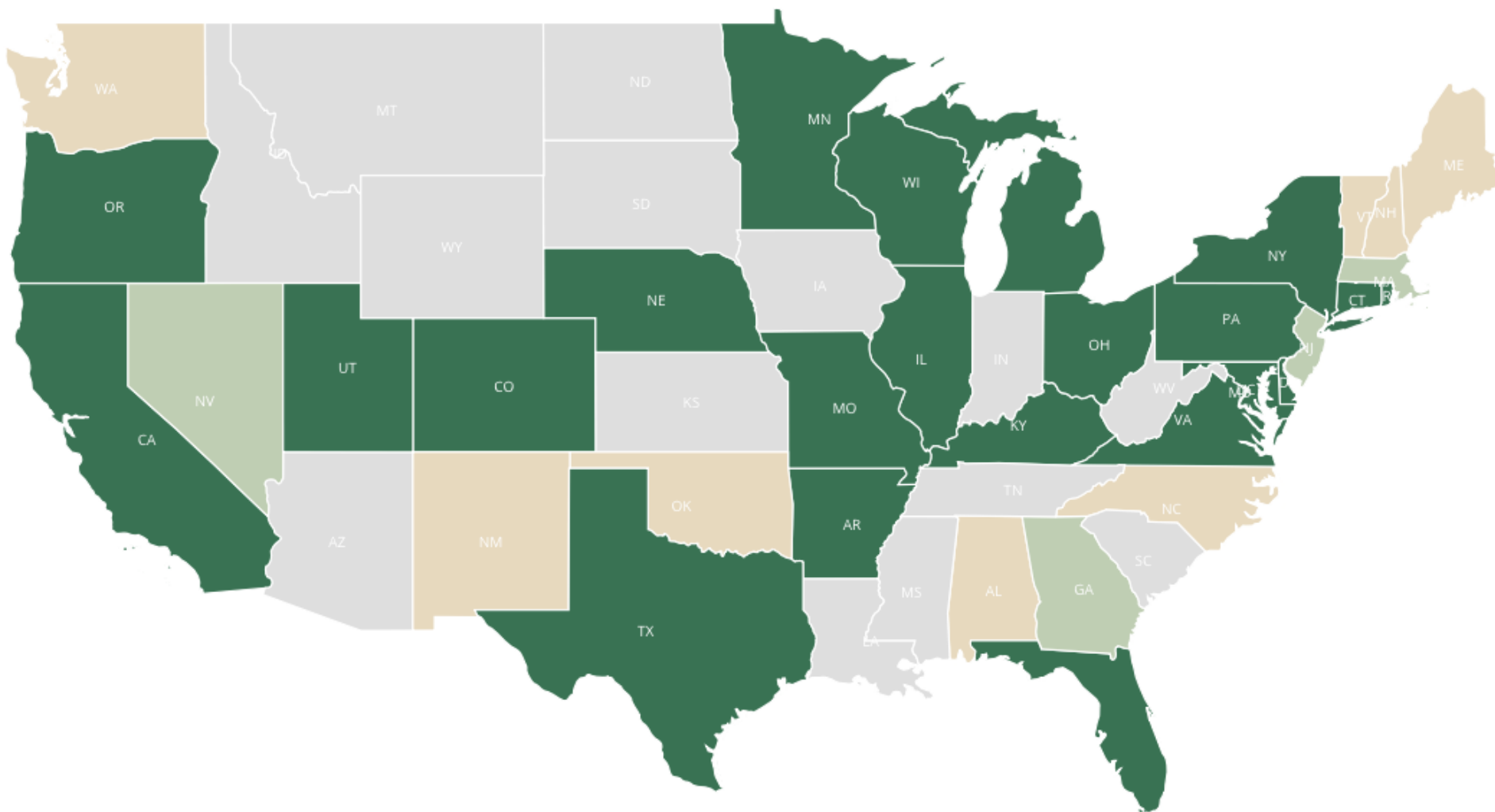
- All multifamily property (5 units or greater).
- Not-for-profit or For profit.
- Existing or New Construction (Not in all states).
- HUD Programs (§8, §202, §811, §236, §221(d)4, §223f, and more).
- 2-3 year look back on in-place improvements (Not in all states).

Not Eligible:

- Properties with Fannie or Freddie debt.
- Government owned properties.
- Properties in states where C-PACE is not offered.



Active C-PACE Programs



Active program(s)



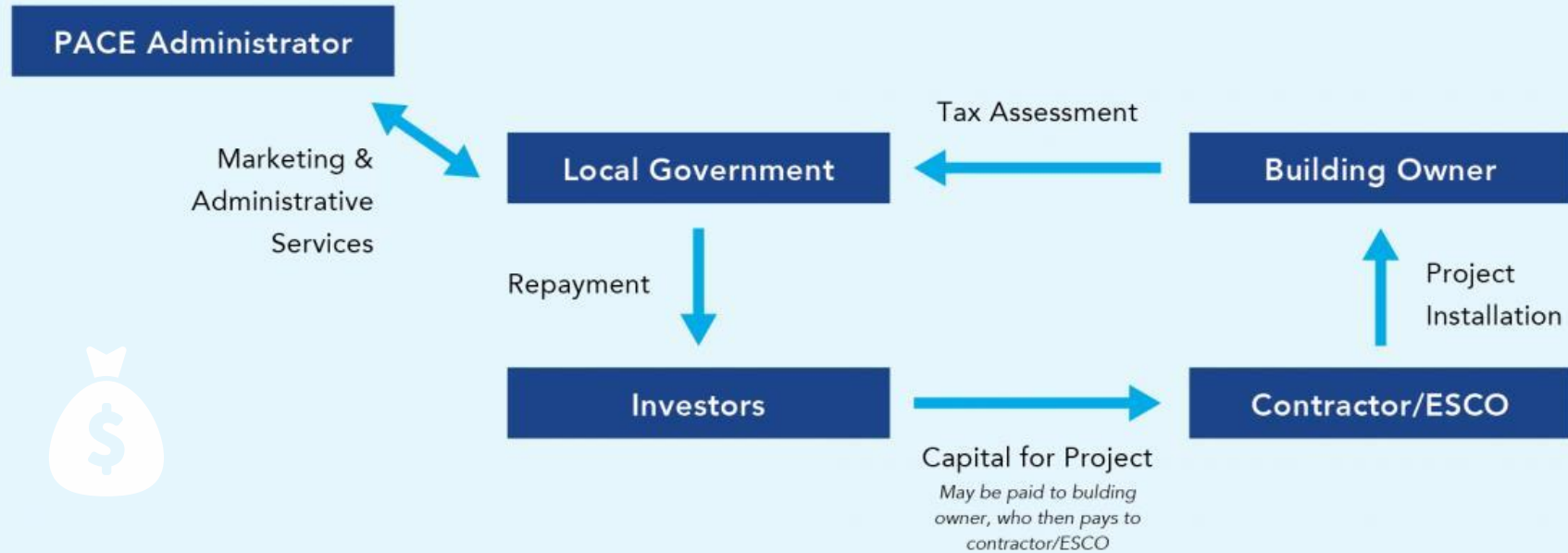
Program in development



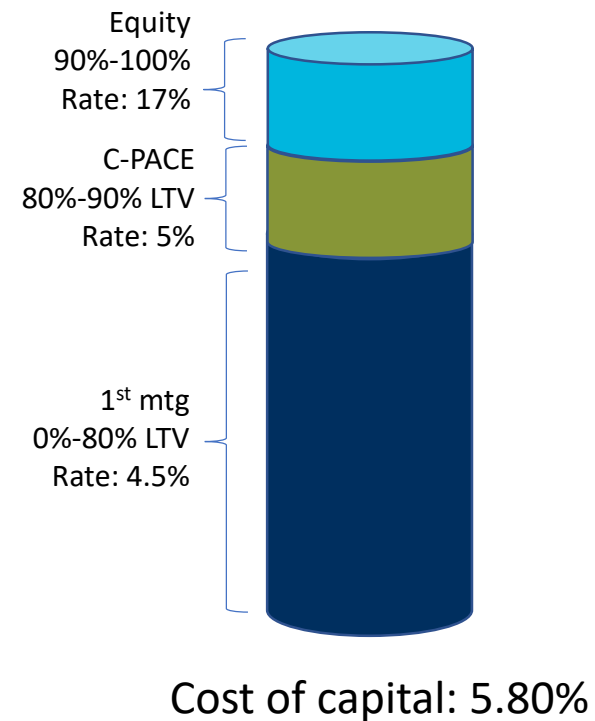
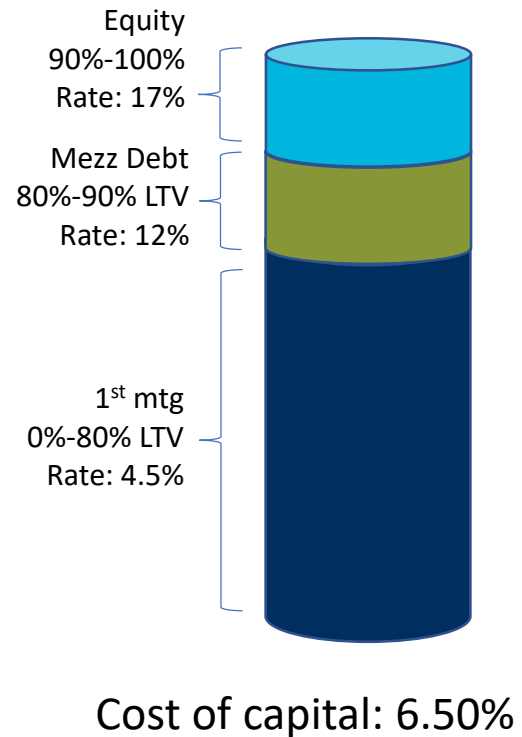
PACE-enabled

Flow of Funds

Typical CPACE Financing Structure



C-PACE and Workforce Housing





C-PACE and Affordable Housing

Additional Source of Capital for:

- LTV constrained buildings.
- Shrinking UA's on LIHTC transactions.
- Mid stream energy upgrades.
- RAD transactions (e.g..202s & public housing).
- Solar/renewable Installations.

Case Study - Phyllis Wheatly - YMCA

Type: 9% LIHTC Acq/Rehab in Washington D.C.

Units: 84

Capital Stack: 17MM (8 capital sources)

C-PACE Assessment: \$700,000

Annual Savings: \$7,000

Term: 20 years

Developer: Dantes Partners
Program Admin: Urban Ingenuity
Consultant: Thinkbox



Upgrades:

- 30kW solar system,
- efficient HVAC systems,
- heat recovery system,
- LED lighting,
- Energy Star appliances,
- low-flow water fixtures

C-PACE Modeling

Assessment Amount: 100% of the cost of the improvements.

Rate: 5%-6%.

Term: Avg useful life of improvements (plug 20-25 years).

Amort: Fully Amortizing.

Income Statement

Decrease - Utility spend (Utility line items or Utility Allowance). *Underwriter discount*

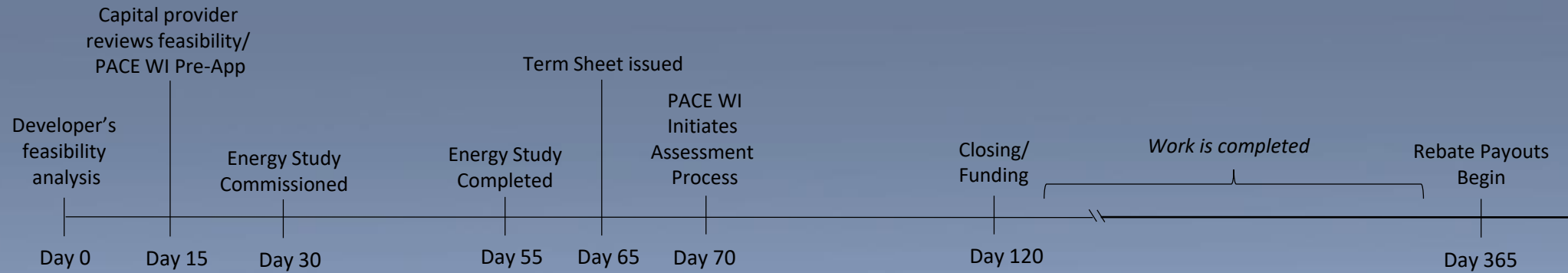
Increase - Real Estate Tax Line Item equal to the C-PACE Payment.

Balance Sheet

Add new current liability equal to 1 year of C-PACE liability.



Sample Retrofit Timeline



Senior Lender Consent

- C-PACE Financing May Increase the Value of the Senior Lender's Collateral.
- Relationships matter.
- Senior Lenders May Escrow the C-PACE Assessments.
- C-PACE Assessments Cannot be Accelerated.
- C-PACE Financing Does Not Restrict a Senior Lender's Foreclosure Rights.
- Over 200 lenders have consented to C-PACE.

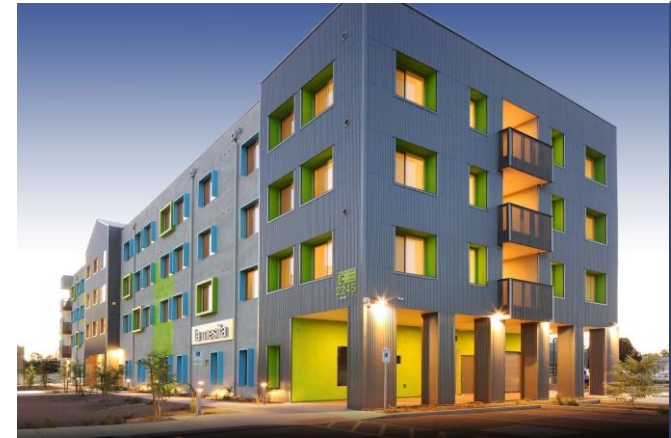


Rehab Evaluation

- Check to make sure C-PACE legislation has been enacted.
- Assemble team (capital provided, program administrator).
- Obtain an energy study (Ashrae Level II).
- Savings: Investment Ratio (SIR) is acceptable per statute and make sense relative to the owner's goals. (Must be over 1.0)
- Timing of C-PACE funds.

New Construction Evaluation

- Check to make sure C-PACE legislation has been enacted and includes New Construction.
- Upgraded equipment exceeds building code.
- Timing of C-PACE funds.





More Information

HUD Guidance - <https://www.hud.gov/sites/documents/17-01HSGN.PDF>

PACE Nation - <https://pacenation.org>

CDFA - <https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/pace.html>



FOR MORE INFORMATION

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