WHAT IS C-PACE?

C-PACE – (Commercial Property Assessed Clean Energy) is a Public/Private Partnership financing for commercial real estate

- Municipalities allow private lenders to place financing on real estate, secured by and repaid via a tax assessment on the property
- Owners can borrow up to 20-25% LTV for any commercial asset class excluding multifamily residential condominiums
- Applications of this program include:
  - New construction or renovation construction financing including LL97 (in New York) and similar programs elsewhere
  - Rescue/refinance capital for existing or under-construction projects
  - Take-out financing for completed projects
- C-PACE loans can be more attractive when compared to other forms of financing:
  - No interest or principal payments for up to 5 years at competitive interest rates (5.5-7%)
  - Fully amortized with fixed payments over a long duration (20-30 years)
  - Non-recourse, fully pre-payable and assumable upon transfer of title, deed, ownership
  - Structured to help withstand market volatility
  - Can close in 60 days from agreement of terms and signature of terms sheet
- Sizing is based off a future stabilized value or total project costs incurred within the last three years[1]
- Borrower has flexibility in how to use funds: cost over-runs, carry costs, take-out financing, covering current project costs

(1) Dependent on State program

C-PACE ELIGIBILITY

Total funds to Sponsor are lesser of three tests: LTV, DSCR and C-PACE Eligible Costs

- **I. LOAN-TO-VALUE (LTV) / LOAN-TO-COST (LTC):** [1]
  - Maximum LTV 20-25% for new construction and 30% LTC for retrofits based on stabilized value (up to 5-years in the future)
  - Funding is focused on expended cost or future stabilized value, rather than current market “value”
- **II. DEBT SERVICE COVERAGE RATIO (DSCR):**
  - Minimum requirement of 1.25x; Potentially lower DSCR in prime locations with high quality borrowers
  - DSCR covenant required one time at financial closing with no on-going re-test requirements
- **III. UP TO 100% CLEAN ENERGY / C-PACE ELIGIBLE COSTS FINANCED:**
  - All clean energy costs / C-PACE eligible costs can be financed
- **ELIGIBILITY:**
  - No tax delinquencies in past 3 years
- **CONDITIONS PRECEDENT:**
  - Lender consent, financial statements and projections, and technical review / energy audit

(1) Limits on Total Financed Amount determined by municipality specific programs

Representative C-PACE Opportunities

There are multiple ways to use C-PACE in a capital stack

Office Ground-Up Construction

New Construction Capital

- Project under construction with expensive acquisition financing.
- C-PACE structured to be 25% of total capital stack of project at a cost less than current WACC.
- Structured to advance a portion of C-PACE funds at close with remainder funded with construction lender.
- 5 year cap I period gives borrower flexibility with current stack, ability to pre-pay and flexibility.
- Keeps project moving forward at accretive cost to borrower.

C-PACE bridges acquisition through completion with flexibility

Existing Hotel Renovation

Redevelopment Capital

- C-PACE to pay for majority of redevelopment upgrades to existing cash-flowing project.
- Renovations planned and some work accelerated due to covid and availability of c-pace to fund costs.
- State allows for a 3-year retroactive look-back for financing of previously completed projects to increase proceeds
- Long term hold for project with additional energy efficient measures enabling lower operating expenses going forward.

C-PACE allows retroactive lookback to previous costs and current work

Under construction Hotel

Rescue Capital

- C-PACE being used for a new Hotel project whose costs have increased due to covid and project has been delayed.
- C-PACE will be used to fund cost over runs, carry costs for the project and partially pay down part of the senior loan.
- A 4 year cap I was structured so that senior loan maturity occurs during cap I period and no payments are due to C-PACE.

C-PACE is used to fund cost overruns and carry costs to offset problems caused by covid and loan maturity timing.

Recently Completed Hotel

Refinance Capital

- C-PACE used in capital stack to take out a high-yielding PE construction loan.
- Project construction complete but project not yet stabilized due to covid.
- C-PACE to be matched with Sponsor's local relationship lender's first mortgage to stabilize asset to mitigate business disruption.
- Cap I structured for two years to give project additional time to stabilize before starting payments.

C-PACE will be used with low-cost funding to fill new capital stack