PACE Market Overview

NASEO Annual Meeting
September 15, 2015
PACENow

Representing PACENation

✓ 501(c)(3) Not-for-Profit
✓ Foundation Funded
  • Rockefeller Brothers Fund
  • Kresge Foundation
  • Tilia Fund
  • Energy Foundation

✓ Join the Movement

www.PACENation.org
PACE IN 90 SECONDS

VIDEO
OLD CONCEPT – NEW APPLICATION

Local Government Financing – Public Purpose Goal

1736 – First Assessment District in Philadelphia

Today – 37,000 Assessment Districts nationwide

✓ Water & Sewer Service
✓ Parks
✓ Sidewalks
✓ Lighting
✓ Downtown renewal
✓ Energy Efficiency (PACE)
What Makes a PACE Deal?

Local Government to “Service” the Financing
WHO CAN USE PACE?

Almost Any Building
WHAT FOR?

Projects that Save or Generate Energy

- Heating/Ventilation
- Lighting
- Water Pumps
- Insulation
- Solar Panels
- Motors
- Roof
Why PACE?

Long-Term Payback

![Diagram showing Long-Term Payback over 10, 15, and 20 years.](image)
WHY PACE?

Makes Long Payback Projects Work

The secure nature of PACE enables up to 20-yr funding: projects with simple paybacks as long as 12 years can be implemented on a positive cash flow basis

- Increases NOI
- Increases Property Value
Why PACE?

PACE Transfers on Sale

No payoff on sale – PACE automatically transfers to the new owner, like any other real estate tax

✓ No residual encumbrance and easy exit.
✓ Takes the risk away from investing in needed CAPEX.
**Why PACE?**

**Share Benefits and Costs with Tenants**

The real estate tax assessment can be passed on to tenants under most lease forms

- Eliminates the landlord/tenant split incentive for triple net, modified gross leases, and industrial modified gross leases.
“We hope to serve as pioneers in this arena, encouraging others to explore the many ways to reduce energy use now, rather than delaying sound financial and environmental decisions.”

George Caraghiaur, former SVP for Sustainability at Simon Property Group
“Prologis is participating in the PACE program in order to promote new, innovative solutions for financing sustainable building improvements. It provides the flexibility to drive more energy improvement programs and that’s something everyone should embrace.”

Jack Rizzo, Managing Director, Global Construction and Renewable Energy, Prologis
PACENATION
PACE in 2007
PACE TAKES OFF

31 states and DC - 80% of US population

HI Existing Authority
PACE enabled
PACE amendment
2015 / 2016 legislative initiatives
RESIDENTIAL
RESIDENTIAL PACE TODAY

50,000+ Homes - $1.2 billion – 10,000+ Jobs

PACE enabled
Early stage PACE program development
PACE programs with funded projects
RE SURGENCE IN RESIDENTIAL

California Leads Residential Renaissance

✓ SCEIP, HERO, CaliforniaFIRST, Ygrene, Alliance NRG
  • San Francisco, San Diego, Los Angeles, Sacramento, Placer

✓ Strong Political Leadership

✓ California (CAEATFA) reserve
  • Municipal opt-in insures mortgage lenders

✓ HERO Program securitizes $470+ million
  • Deutsche Bank underwrites 3 deals, AA rating, - 4.00%

✓ FHFA continues to voice disapproval
COMMERCIAL
JUNE 2010

27 Projects completed - $5 mil
PACE PROGRAMS TODAY

388+ Projects - $147+ mil - Pipeline $300+ mil - 1,760 Jobs
PACE COMMERCIAL MARKET STATS

Cumulative Financing

Millions

- Dec '09
- Dec '10
- Dec '11
- Dec '12
- Dec '13
- Dec '14
- Dec '15
- Dec '16
- Dec '17

$0

$50

$100

$150

$200

$250

$300
PACE COMMERCIAL MARKET STATS

Broad Applicability

<table>
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<tr>
<th>Category</th>
<th>Millions</th>
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<tr>
<td>Office</td>
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<tr>
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<tr>
<td>Agriculture</td>
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</table>
PACE COMMERCIAL MARKET STATS

Broad Applicability

- 14% Small, less than $75,000
- 33% Medium, $75,000 - $750,000
- 53% Large, greater than $750,000
PACE COMMERCIAL MARKET STATS

Broad Applicability

NUMBER OF PROJECTS, BY TYPE

- Renewable energy: 42%
- Energy efficiency: 48%
- Mixed: 10%

$ AMOUNT OF PROJECTS, BY TYPE

- Renewable energy: 39%
- Energy efficiency: 47%
- Mixed: 14%
ACCESSING PACE — LOT’S OF MODELS

Decentralized Market – Mix of Models & Providers

- PACE Platform – Municipality as “Loan Servicer”
- Sole municipality
  - Edina (MN), San Francisco (CA), Ann Arbor (MI), Sacramento (CA)
- Multiple municipalities – Consortiums
  - California (California First, FigTree, LA County)
  - Florida (Florida Green Energy Works, Ygrene)
  - Michigan (MI Lean & Green)
  - New York (Energize New York)
- Statewide – Uniformity and Scale
  - Connecticut
Thank you and Contact Us

Kristina Klimovich

Director, Communications and Market Research

Kristina@pacenow.org

www.PACENation.org

For PACE data requests, please contact Mike Centore

mike@pacenow.org