

CaliforniaFIRST

Ahwahnee Conference

Cisco DeVries | March 16, 2013

RENEWABLE  FUNDING



Renewable Funding

Renewable Funding bridges the gap between the public sector and the capital markets to make clean energy accessible to everyone.

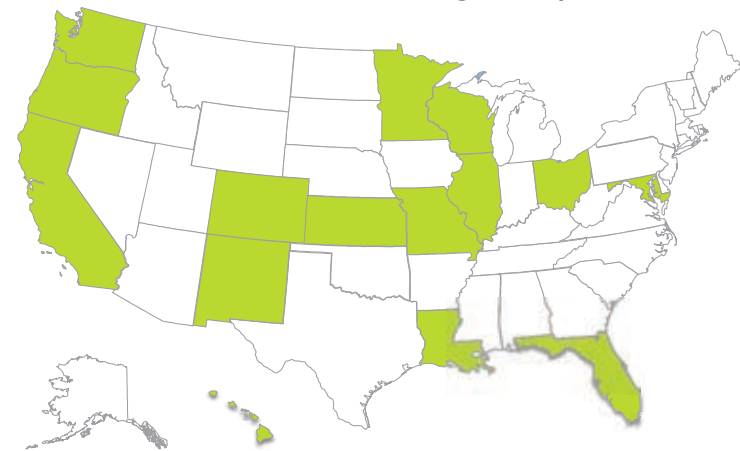
Nationally Recognized Innovator in Clean Energy Programs and Services

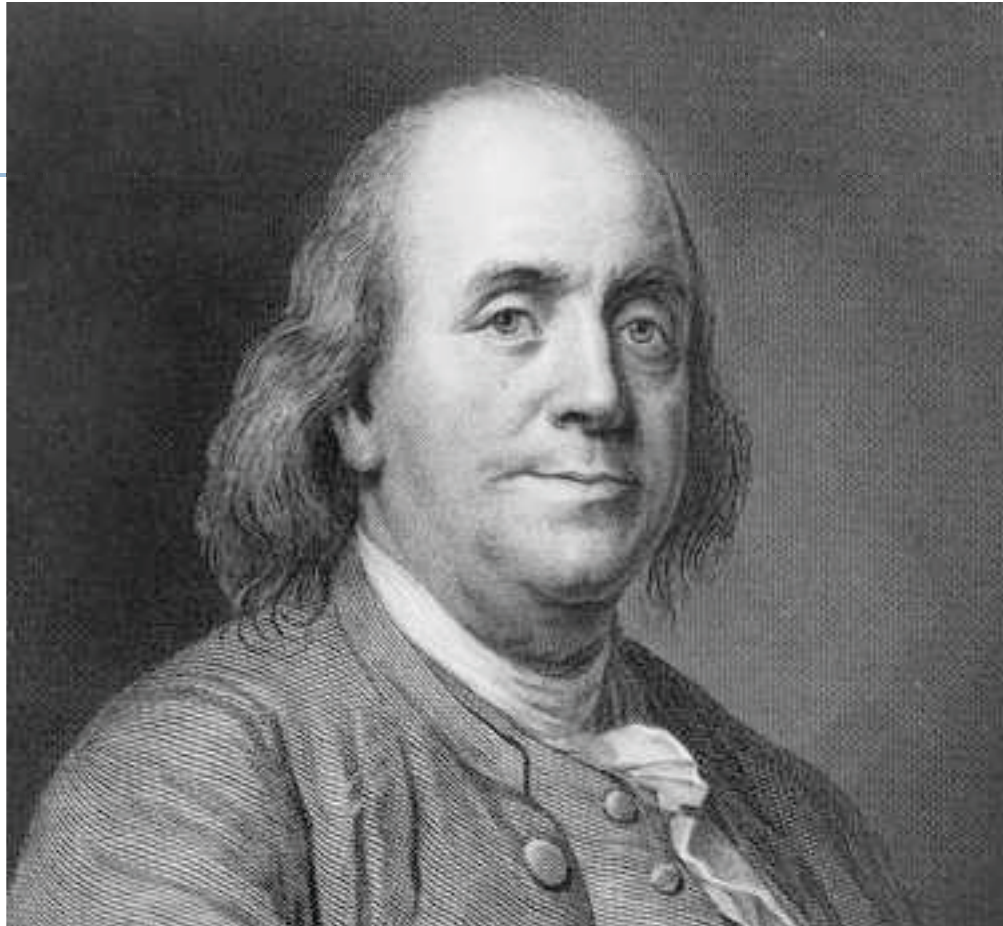
- Architects of PACE
- Contracted to design, administer and finance PACE and other programs serving 200+ communities in eight states
- Built, deployed and manage State of California's energy efficiency web portal (www.energyupgradeca.org)
- Technical Assistance Provider for DOE

Capital Markets & Investment Management Expertise

- Over 50 combined years of experience structuring, investing in, and managing fixed income assets and securities
- Deep understanding of how institutional investor base evaluates risk and makes investment decisions

Renewable Funding Footprint



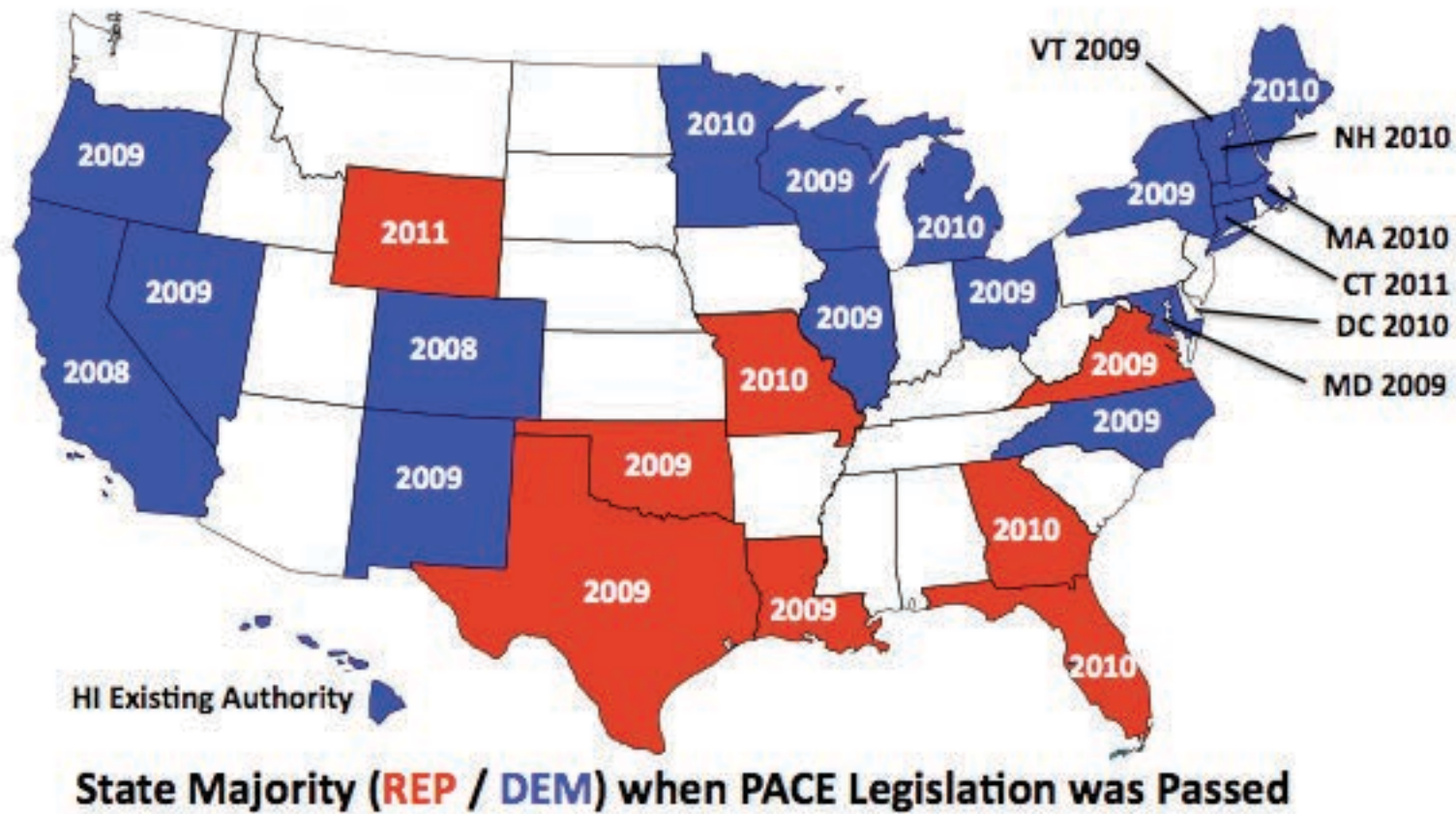


Benjamin Franklin
Established first special assessment district

Dec. 7, 1736 * Opt-in fire services



27 States Adopted PACE Legislation



The Hammer Falls...

- **July 2010: FHFA guidance letter**
 - PACE creates “safety and soundness concerns.” Authorize punishment of PACE properties and communities:
 - **Require larger down payments** for all new mortgages issued in communities that offer PACE financing.
 - **Require mortgage holder consent** prior to homeowners receiving PACE financing.
 - **Tighten underwriting requirements** to make it harder for buyers to qualify for new mortgages in entire communities that offer PACE financing.
- **August 2010: Fannie Mae implementation**
 - Grandfathers PACE ‘loans’ before July 6, 2010.
- **June 2012: FHFA Proposed Rule**
 - Take immediate actions to protect first lien, including requiring immediate repayment of mortgage.
 - Change mortgage documents as necessary to prevent PACE liens.

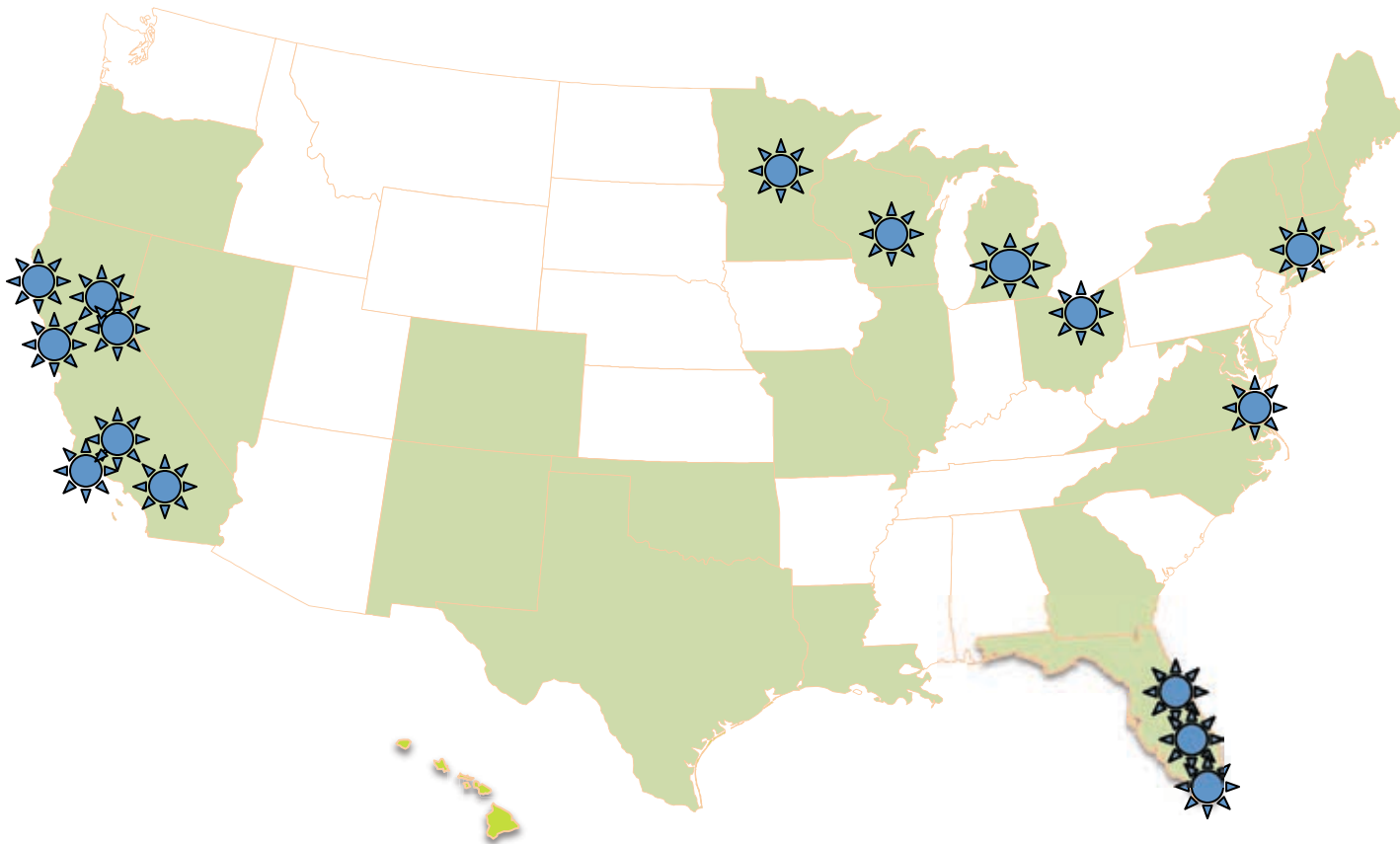


The Commercial PACE Opportunity

- Buildings consume over 40% of energy used in U.S.
 - Making U.S. buildings more efficient represents an investment opportunity of \$280 billion
 - Energy efficiency investments could save \$1 trillion in energy costs and create 3.3 million cumulative job-years over the next decade, while reducing carbon emissions by 600 million metric tons/year
- PACE helps solve fundamental challenges in the market
 - Commercial properties not regulated by FHFA
 - Long term financing at reasonable rates makes deep retrofits cash flow positive immediately
 - Ability to transfer obligation at ownership change allows for projects even when property sale is contemplated
 - Many leases will allow pass through to tenants for cost of improvements when attached to property tax bill.

Commercial PACE Underway

7 Programs in CA; 16 Programs in U.S.



www.californiafirst.org



California**FIRST**

[Property Owners](#) [Contractors](#) [Participating Areas](#) [Apply](#) [Contact](#)

SAVE ENERGY. INCREASE CASH FLOW. LOW-COST, LONG-TERM FINANCING.

PACE financing for commercial,
industrial & multifamily projects.

[Learn how to participate »](#)

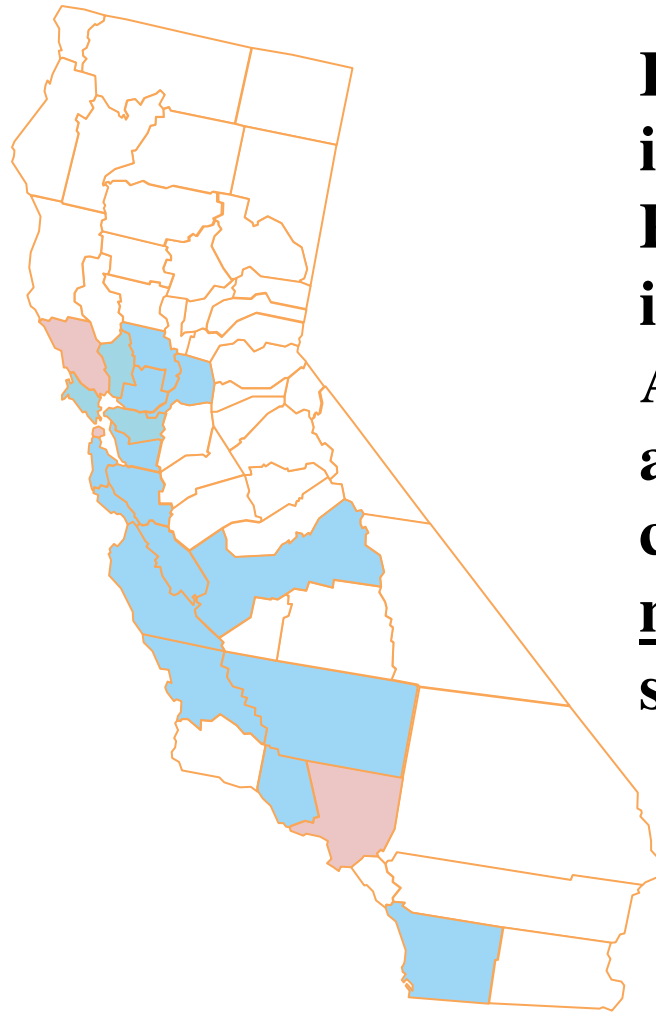
Contractors: Close deals and build your business with finance that sells. [Learn more »](#)



CaliforniaFIRST Marketplace

Participating Counties

1. Alameda
2. Fresno
3. Kern
4. Monterey
5. Sacramento
6. San Benito
7. San Diego
8. San Luis Obispo
9. San Mateo
10. Santa Clara
11. Santa Cruz
12. Solano
13. Ventura
14. Yolo
15. Contra Costa (coming 2013)
16. Marin (coming 2013)
17. Napa (coming 2013)



Regular exchange of ideas with other key PACE programs including Los Angeles, Sonoma, and San Francisco creating a unified marketplace for stakeholders

Benefits of Working Together

- **Scale Matters**
 - Common standards allow growth of market
 - Contractors can market effectively across jurisdictions
 - Financial entities need scale to deploy capital
- **Standards Matter**
 - Variations in underwriting rules spooks regulators
 - Capital providers need to be able to pool across jurisdictions
- **Cost Matters**
 - Saves staff time, legal costs
 - Allows for focus on marketing, program integration, rather than legal issues
- **Liability Matters**
 - JPAs take the liability off the City
 - CSCDA is a risk-averse organization

CaliforniaFIRST Property Eligibility

- Underwriting Requirements
 - Property must be located in approved jurisdiction
 - Must currently pay (or be eligible to pay) property taxes
 - Requires lender consent/acknowledgement
 - Current on mortgage debt and property taxes
 - No recent defaults, bankruptcies, or late property taxes
 - Property can't currently be 'underwater' on debt
 - Requires title search to confirm eligibility and ownership
 - Project investor may add additional underwriting requirements
- Project Requirements
 - Equipment/materials must be permanently affixed to property
 - Extensive list of *common* EE, RE, WC measures*
 - HVAC, lighting, building envelope, solar, wind, low flow toilets, etc.
 - *Custom* measures considered on a case-by-case basis
 - Requires professional energy audit

CaliforniaFIRST Application Process

Part 1: Initial Application

- No application fee
- Simple, basic information
- ‘Pre-qualification’ of project
- Contractor may apply on behalf of property owner
- Customer service - fee estimates, capital provider

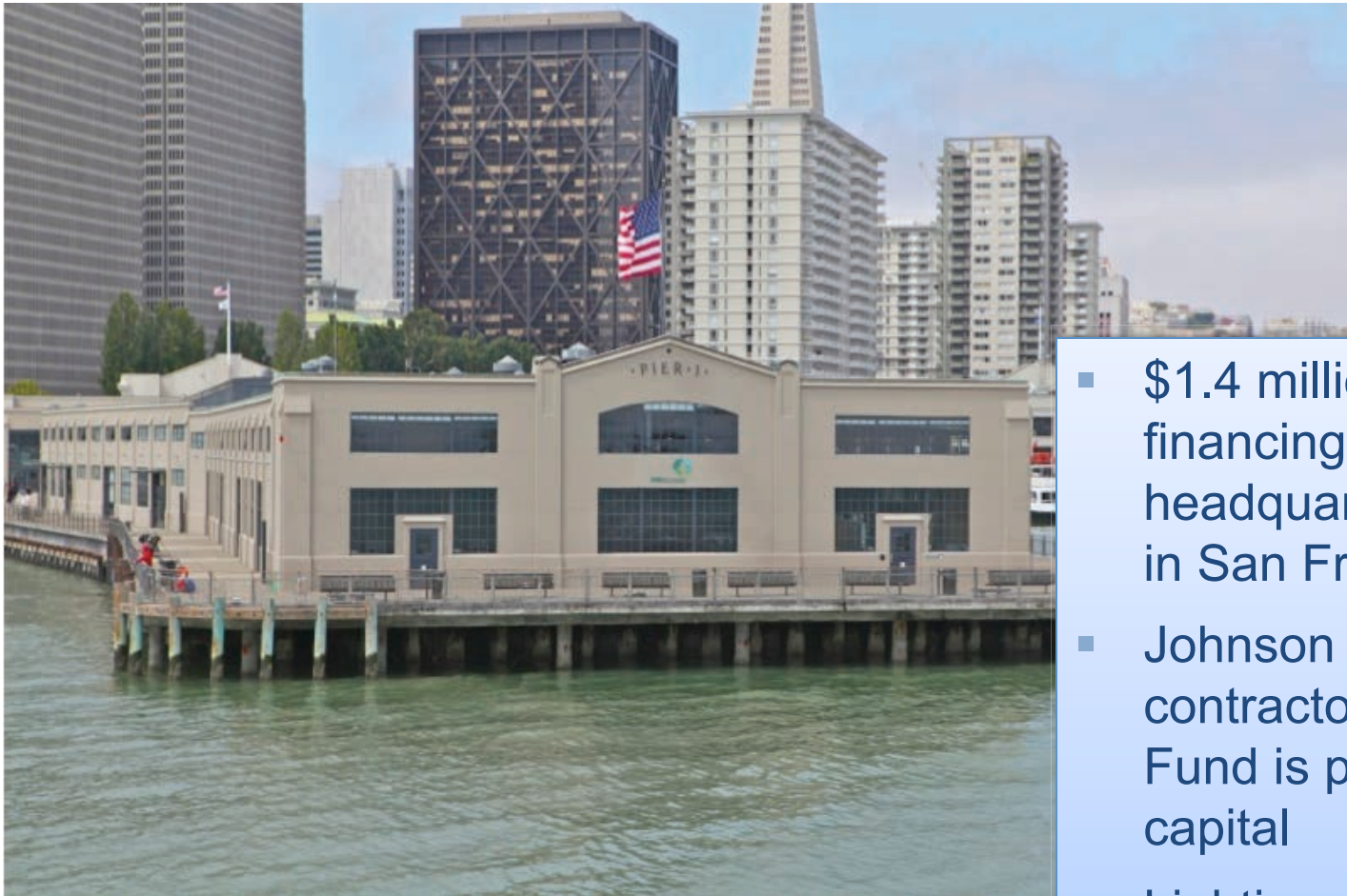
Part 2: Final Application

- Once project scope is fully developed
- Mortgage lender acknowledgement
- Capital provider terms provides
- Basis for final documentation
 - Approximately 10 day turn around
- Bond documents issued

CaliforniaFIRST Program Performance

- Program launched late 2012
- All 14 counties have had project applications submitted
- Diverse project and property type mix
 - Solar, energy efficiency
 - Agricultural, health care, private schools, commercial office, retail
- Current statistics:
 - Total applications: 71 projects for \$20 million
 - Active applications: 45 for \$12.2 million
 - Pre-application pipeline: over \$50 million

PACE Success: ProLogis Headquarters



- \$1.4 million PACE financing for corporate headquarters of Prologis in San Francisco
- Johnson Controls is the contractor and Clean Fund is providing the capital
- Lighting, HVAC, Solar



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