



**ENERGIZE
DELAWARE
C-PACE**

C-PACE for New Construction

October 24, 2019

Presenter

Brian McCarter



- Chief Executive Officer, SRS
- SRS is industry leader in C-PACE program design and administration services
- SRS supports Energize Delaware in C-PACE administration

Why C-PACE for New Construction?

Challenges for Developers

- Capital for new construction projects can be limited and expensive
- Rising construction costs and equity contribution requirements
- High-performance features and energy efficient equipment that can:
 - Lower operating costs
 - Increase tenant comfort
 - Accelerate occupancy

often get “value engineered” out of projects

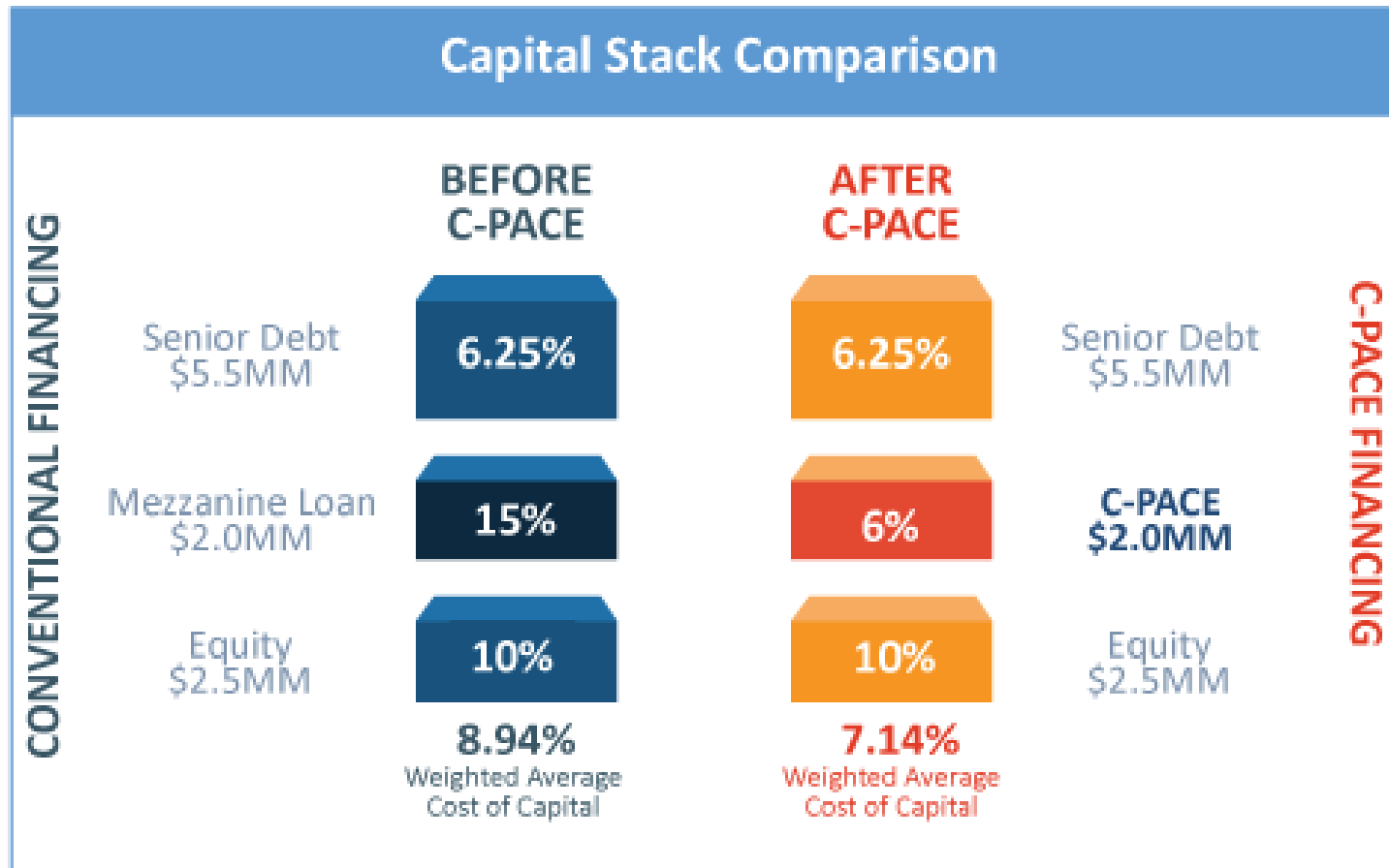
Why C-PACE for New Construction?

Solutions for Developers

- **Fill gaps in the capital stack**
 - C-PACE can finance up to 20% of eligible construction costs
- **Lower weighted average cost of capital**
 - C-PACE can displace more expensive debt or equity

C-PACE in the Capital Stack: Lower WACC

- Where lower cost C-PACE financing can be used in lieu of mezzanine debt or equity the developer can lower weighted average cost of capital



- C-PACE, at less than half the cost of mezzanine debt, lowers WACC by 1.8%

C-PACE New Construction Methodology

- **C-PACE eligible finance amount determination process:**
 - 1. Determine Total Eligible Construction Cost (TECC)***
 - 2. Model building energy performance at “Code Compliance”**
 - DE energy code: IECC 2012 / ASHRAE 90.1-2010 baseline
 - 3. Model building energy performance “As Designed”**
 - If “As Designed” performance exceeds “Code Compliance” by 10% or more, developer is eligible for C-PACE financing up to 20% of TECC

* TECC includes “vertical” building construction costs, excluding land acquisition, paving, etc.

C-PACE for New Construction: Example

- **\$15 Million: Total Development Budget**
 - 93%: Eligible vertical building construction hard + soft costs
- **\$14 Million: Total Eligible Construction Cost (TECC)**
 - 15%: “As Designed” exceedance above energy code
- **\$2 Million: C-PACE Eligible Finance Amount ***

* \$14 million TECC x 15% code exceedance = \$2 million C-PACE eligible

Summary of C-PACE Benefits for Developers

- **C-PACE unlocks capital to enable developers to:**
 - Achieve higher building performance (avoid value engineering)
 - Fill gaps in the capital stack with long-term, fixed rate C-PACE financing
 - Reduce developer's equity contribution or need for mezzanine financing
 - Decrease weighted average cost of capital and increase return on equity
- **The result is more high performing buildings that meet the “win-win” public policy goals behind C-PACE:**
 - Increased local job creation
 - Improved tenant comfort and health
 - Reduced energy use and CO₂ emissions

