



**ENERGIZE  
DELAWARE  
C-PACE**

## **C-PACE for New Construction**

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# Presenter

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# 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**

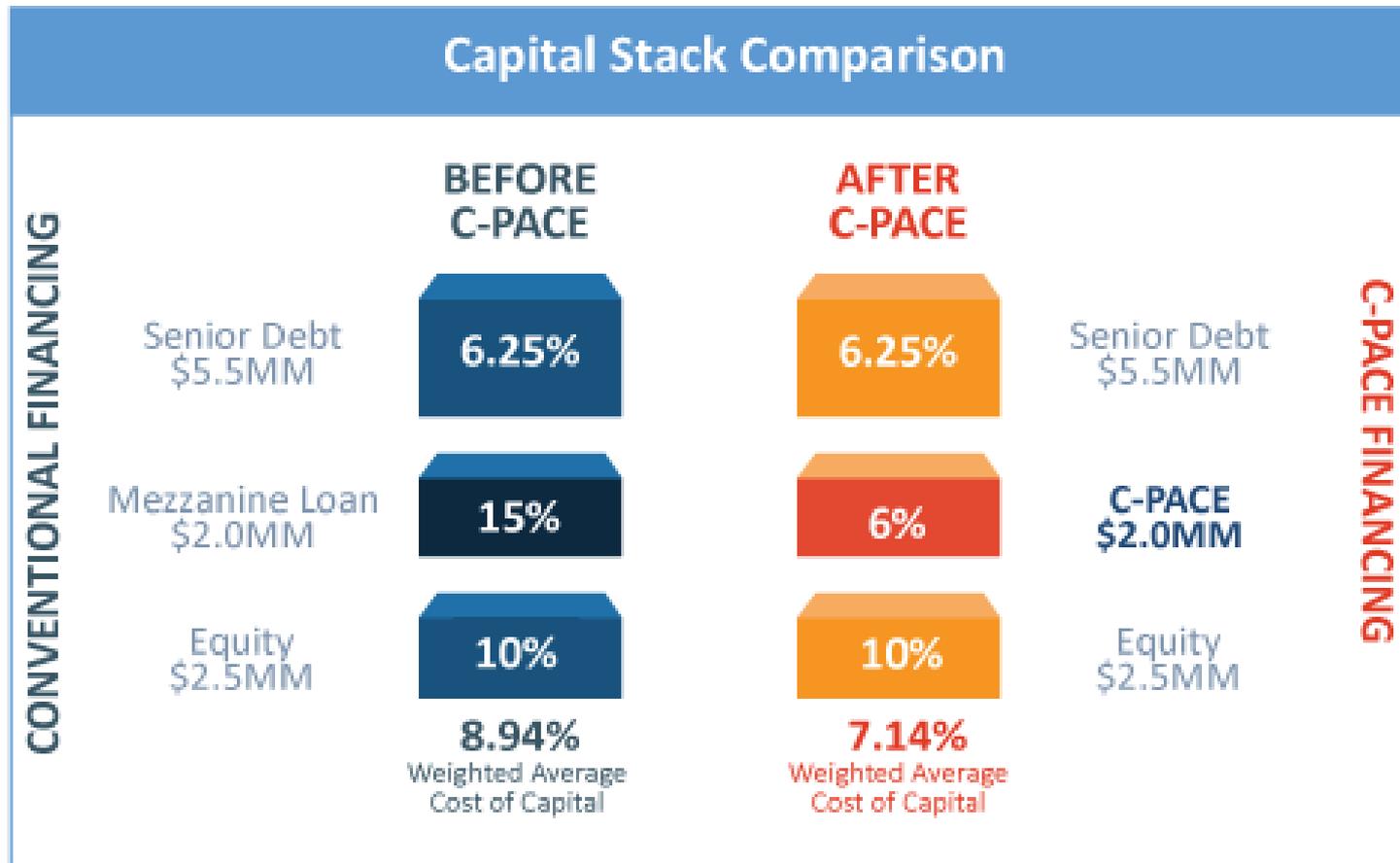
# Why C-PACE for New Construction?

## 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 CO<sub>2</sub> emissions

