



PETROS PACE
FINANCE

C-PACE FINANCING FOR DEVELOPERS

WHAT IS C-PACE FINANCING?

C-PACE (Commercial Property Assessed Clean Energy) is a new financing mechanism that can fund up to 25% of the capital stack for development projects.** To qualify for C-PACE, the project must include energy and/or water-efficient components designed to minimize utility consumption at the property or generate power on-site. C-PACE financing has emerged as a low-cost alternative to mezz and equity, and is offered on non-recourse, non-accelerating, fixed-rate loan terms up to 30 years.

C-PACE loans are repaid via a special property tax assessment that automatically transfers to future owners of the property. C-PACE loans are 100% privately funded; no public/taxpayer money is involved.

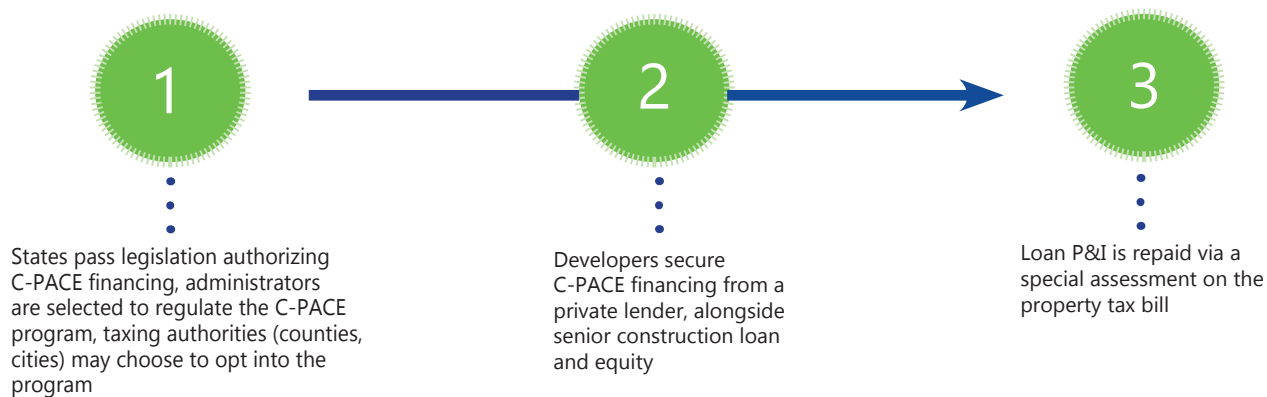
WHO IS PETROS?

Petros PACE Finance is an Austin-based direct lender focused exclusively on C-PACE financing. Petros is a leader in the burgeoning C-PACE industry, having funded loans in nine states plus D.C. The Petros executive team includes proven industry leaders in commercial real estate lending, credit, structured finance, public finance and banking, with long established partnerships with institutional investors.

Petros has been involved in the C-PACE market since 2010 and has played a major role in the implementation of many PACE programs. Through our knowledge and experience, we have developed a flexible financing program designed to seamlessly help property owners and industry partners reap the many benefits of C-PACE financing.

**Rehab, redevelopment, adaptive reuse and new construction projects may qualify for C-PACE; varies by state

HOW DOES C-PACE FINANCING WORK?



BENEFITS OF C-PACE FOR DEVELOPERS

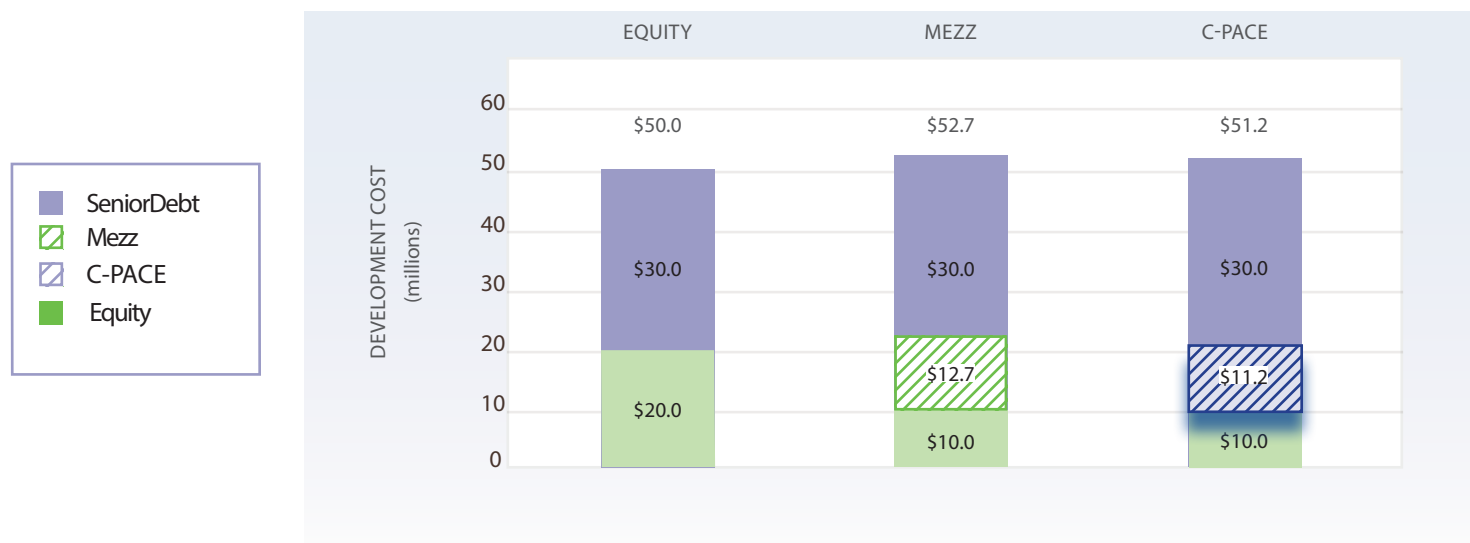
- Displaces more expensive mezzanine and equity requirements in the capital stack
- Lowers WACC and boosts project-level equity returns
- Non-recourse, non-accelerating, long-term, fixed-rate financing
- C-PACE tax assessment is an above-the-line, reimbursable operating expense under net leases
- Developers retain all tax credits/rebates associated with the project
- No ongoing financial, operating or energy savings-related covenants
- Facilitates the use of renewable energy and higher-efficiency building designs
- C-PACE tax assessment attaches to the property, not the borrower, automatically transferring with ownership changes

HOW ARE C-PACE LOANS STRUCTURED?

- Non-recourse
- Max 20% LTV based on appraised value (PACE loan only)
- Max 75% LTV based on appraised value (Senior + PACE)
- Max 85% LTC (Senior + PACE)
- Loan amount includes all soft costs including an interest reserve during the construction period
- Fixed interest rate priced over Treasuries**
- Loan term is equal to the weighted average useful life of C-PACE eligible improvements, typically 20-30 years
- PACE loan funds concurrent with senior construction loan
- Interest-only during construction phase, then fully amortizes over loan term
- Prepayment penalties apply; lockout period followed by step-down penalty
- Senior lender consent required

**A spread premium may apply during the construction phrase

C-PACE IN THE CAPITAL STACK



C-PACE IMPACT ON EQUITY RETURNS

1. 60% LTC, includes senior interest reserve

2. \$10M base loan + 18 month prepaid interest reserve

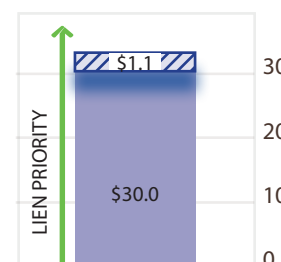
	COST OF CAPITAL	EQUITY	MEZZ
SENIOR DEBT ¹	4.50%	\$30.0	\$30.0
MEZZ ²	14.00%	-	\$12.7
C-PACE ²	7.00%	-	-
EQUITY	18.00%	<u>\$20.0</u>	<u>\$10.0</u>
TOTAL SOURCES		\$50.0	\$52.7
WACC		9.90%	9.35%
IRR		18.6%	23.2%
MULTIPLE		2.20x	2.60x

C-PACE
\$30.0
-
\$11.2
\$10.0
\$51.2

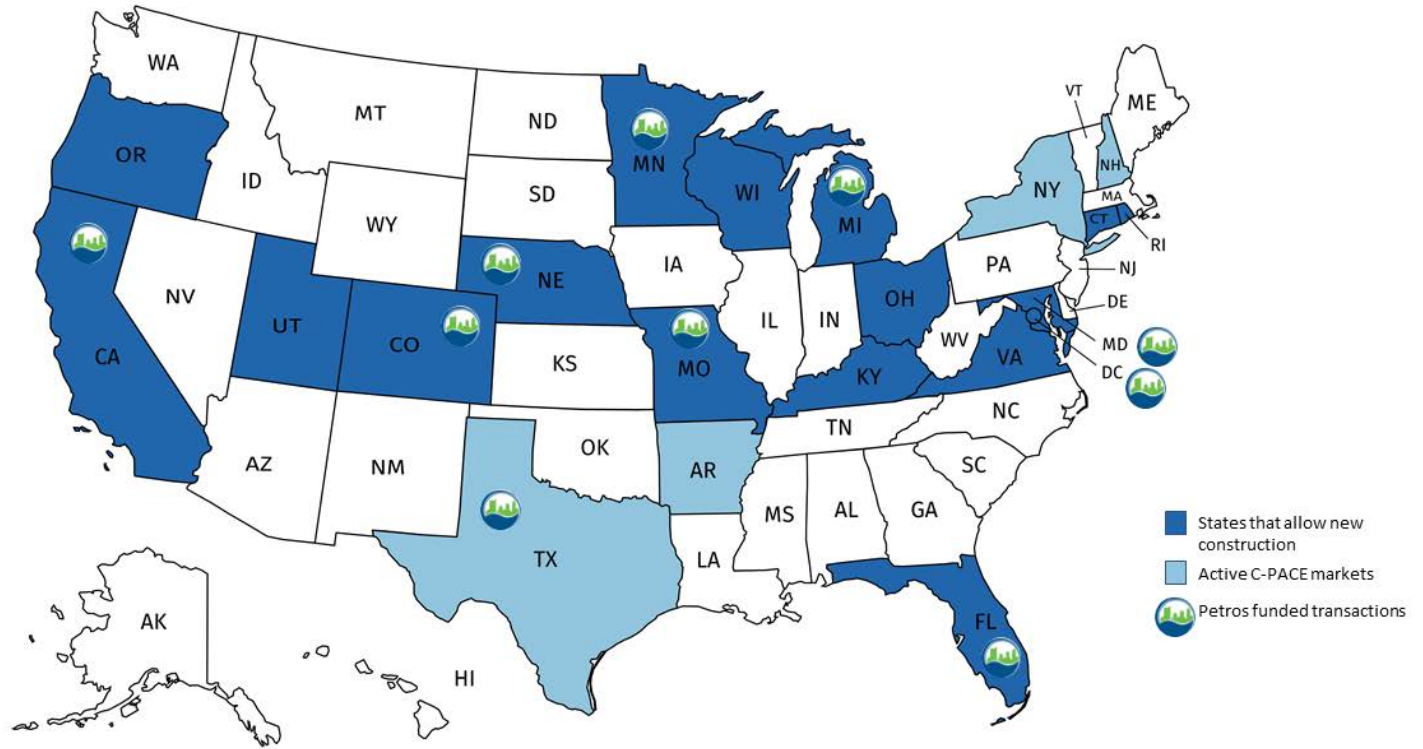
7.68%
27.8%
3.05x

WHY DO MORTGAGE LENDERS CONSENT TO C-PACE?

- C-PACE loans cannot accelerate under any circumstances
- C-PACE lien amount is limited to the amount of any unpaid tax assessment, not the full principal balance of the C-PACE loan; annual assessment typically = 1-2% of property value
- C-PACE interest during the construction period is fully capitalized in the loan amount
- No impact to mortgage lender's rights, remedies, ability to foreclose, cure, etc.; C-PACE lender does not have a right to vote on a plan of reorganization in borrower bankruptcy



STATES ALLOWING NEW CONSTRUCTION & ACTIVE C-PACE MARKETS



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FINANCE

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