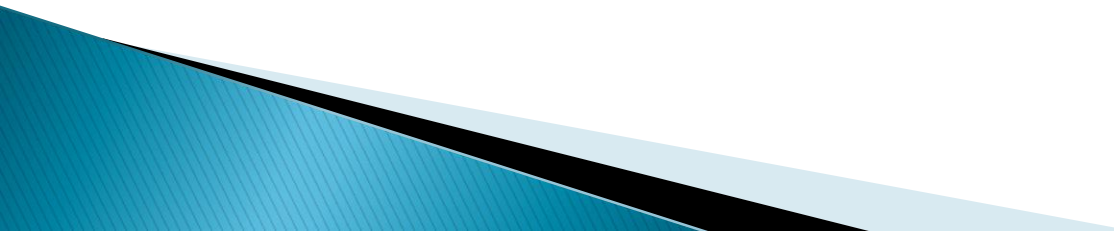


GreenFinanceSF

Open Market Commercial PACE
City and County of San Francisco

Melanie Nutter
SF Department of the Environment

Green Finance SF

- ▶ As part of Energy Upgrade California, owners of commercial properties (including nonprofit-owned and multifamily rental properties with five or more units) in San Francisco have access to GreenFinanceSF, an innovative financing program that uses Property Assessed Clean Energy (or PACE) to provide funding up to 100% of the cost of building performance upgrades.
 - ▶ Is a new financing option for commercial building upgrades that will benefit owners, tenants, and investors
- 

Investment Opportunity– SF

- Commercial building space in:
 - City and County of San Francisco = 226m square feet*

	Retrofit Cost / SF		
% Market Penetration	\$1 /sf	\$3/sf	\$5/sf
10%	\$23m	\$68m	\$113m
25%	\$56m	\$170m	\$283m
50%	\$112m	\$339m	\$565m

*Source: SF Assessor and SF Planning Department

** Figures do not account for properties whose mortgages may be held in ABS, CMBS or CDO trusts.


Open Market PACE Features

- Flexible (not one size fits all)
- Bonds purchased by Qualified Institutional Buyers, or Accredited Investors, as defined by SEC (“PACE Lenders”)
 - Each building/project consists of an individual “improvement area,” backed by single privately-placed special tax bond
- Project specific underwriting criteria: vary widely by lender and by project
 - Approach allows for flexible underwriting that can be tailored to individual property owner needs and building/project types (e.g. SF policy priority to support retrofit financing of nonprofits and affordable housing i.e. buildings serving low income populations)
- Allows for diverse pools of capital to potentially be deployed

PACE Benefits for Mortgage Lenders

- Financial Upside, Risk Management
 - Mortgagee may underwrite and purchase the PACE bond
 - Value-add product for existing customers
 - Improve occupancy and cash flow = improved borrower ability to meet existing mortgage obligation
 - Allows borrower to preserve capital for other upgrades
 - Enhance and/or preserve value, improve long term value
 - Community Reinvestment Act Credit
 - Opportunity for recognition and positive PR

Process For Application

- ▶ Set by step
 - ▶ – Complete application on GreenFinanceSF website
 - ▶ – Meet requirements and get an initial reservation
 - ▶ – Assess the project scope
 - ▶ – Receive a qualified audit
 - ▶ – Secure financing
 - ▶ – Bond is issued to the project lender at the beginning of the project
 - ▶ – Project work begins
- 

Ideal PACE Projects

- PACE is ideal
 - Big-ticket EE measures with longer paybacks
 - Onsite power generation projects
- Examples of eligible performance upgrades:
 - HVAC upgrades
 - Building envelope upgrades (roof, windows, insulation)
 - Elevator modernization
 - Solar PV or Fuel Cells to generate electricity
 - Water conservation upgrades



Marketing and Outreach Activities

- Website
- Press releases, social media, industry blogs/newsletters
- Direct mailers (S.F. Existing Commercial Buildings Energy Performance Ordinance)
- Meetings with owners
- Industry groups presentations
- Program partners (capital providers, contractors, service providers, equipment vendors, banks)
- City/County leaseholds
- Business Improvement Districts, etc.

SF Project Pipeline (April 2012)

(received applications and/or projects under development)

Multitenant commercial office building:
\$1.3M lighting and solar project

Community food bank: \$400,000
refrigeration upgrade project

60 unit MF apartment building:
\$100,000 solar hot water project

Hotel: \$500,000 air conditioning
system upgrade

Hotel: >\$1M envelope, windows,
HVAC, solar PV



Thank You!

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