



SIMON | PROPERTY GROUP



PACE Market Overview

New Jersey PACE Summit

June 12, 2015

Representing PACENation

- ✓ 501(c)3 Not-for-Profit
- ✓ Foundation Funded
 - Rockefeller Brothers Fund
 - Kresge Foundation
 - Tilia Fund
 - Energy Foundation
- ✓ Information, Resources, Advice, Networking, Problem Solving
 - www.PACENow.org

PACE *IN* 90 SECONDS

VIDEO

WHAT MAKES A PACE DEAL?

A Building Owner



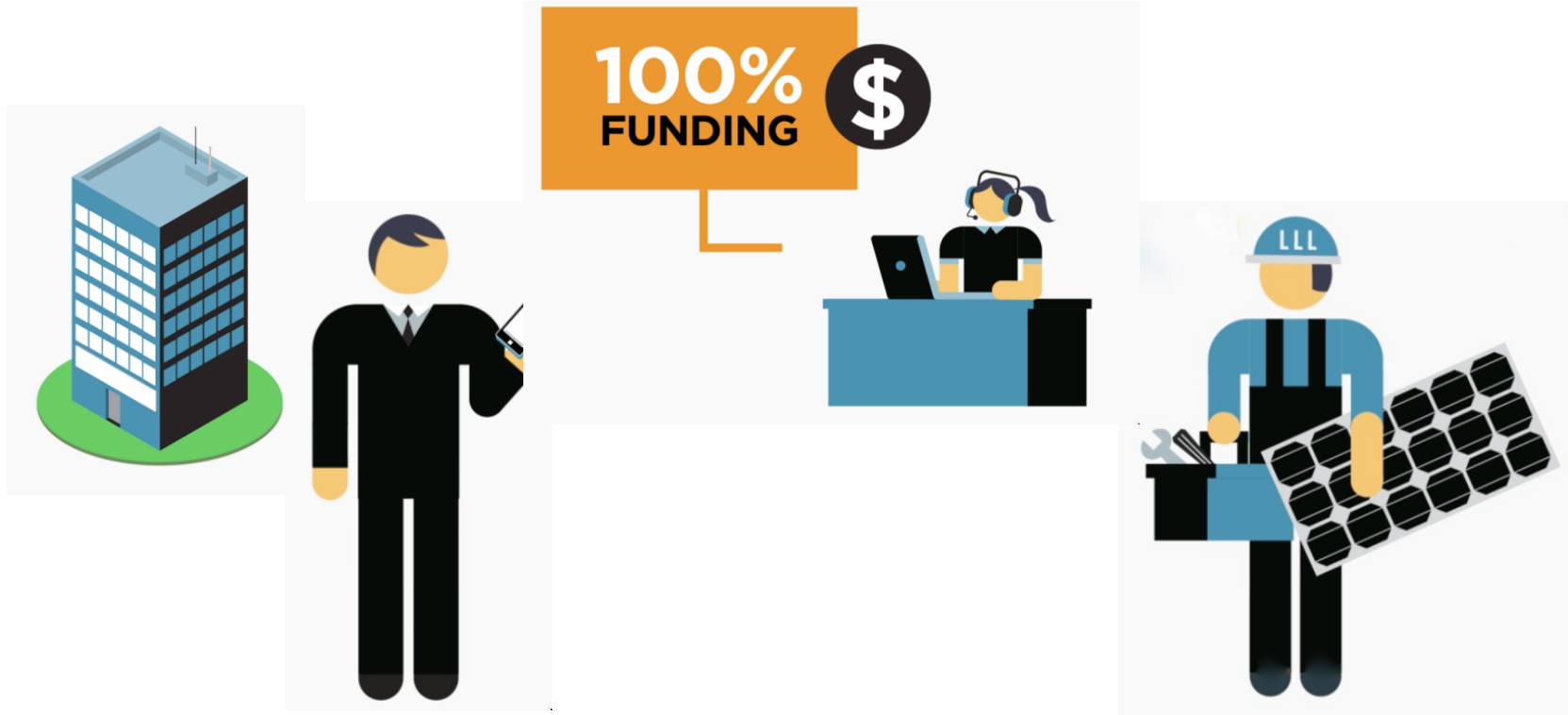
WHAT MAKES A PACE DEAL?

A Project.... And a Contractor



WHAT MAKES A PACE DEAL?

Someone to Fund the Project



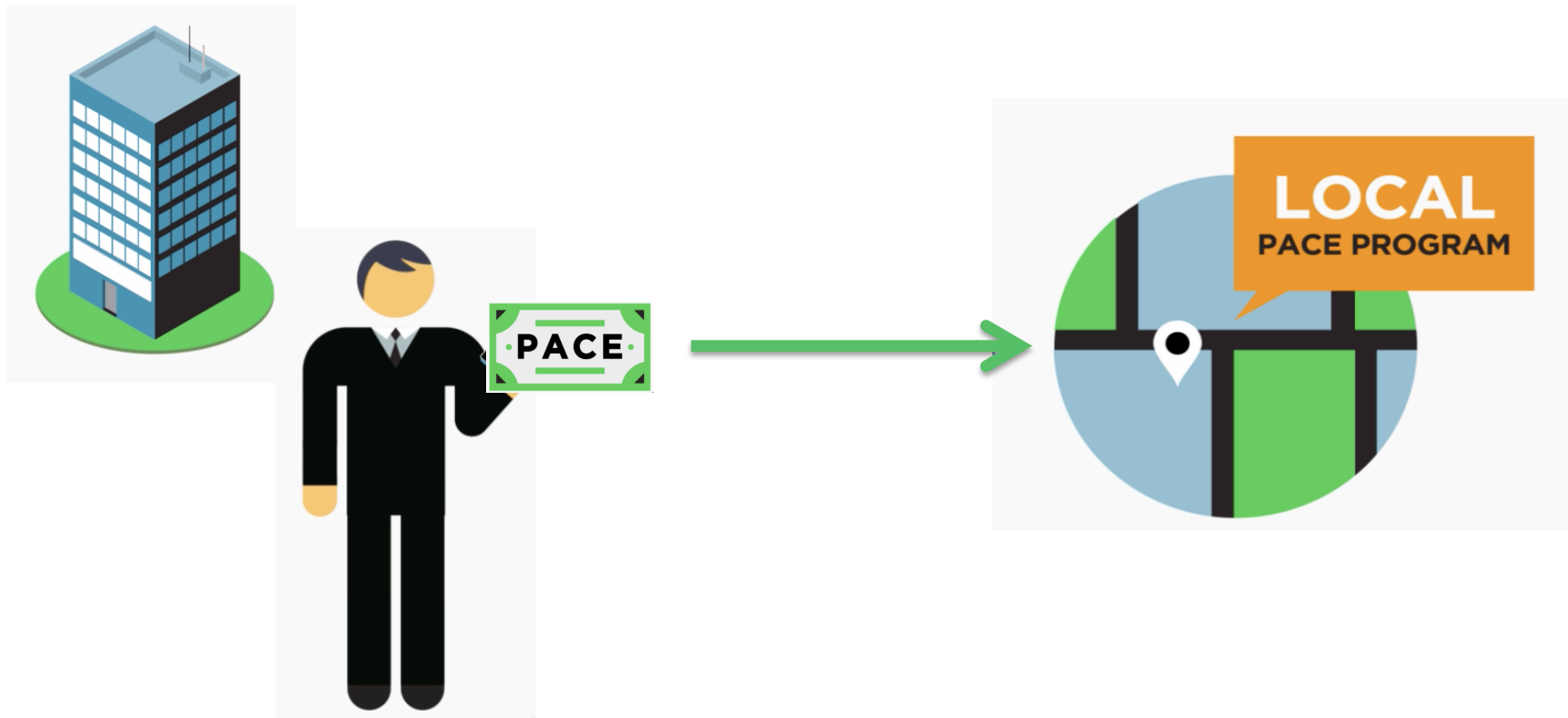
WHAT MAKES A PACE DEAL?

Local Government to “Service” the Financing



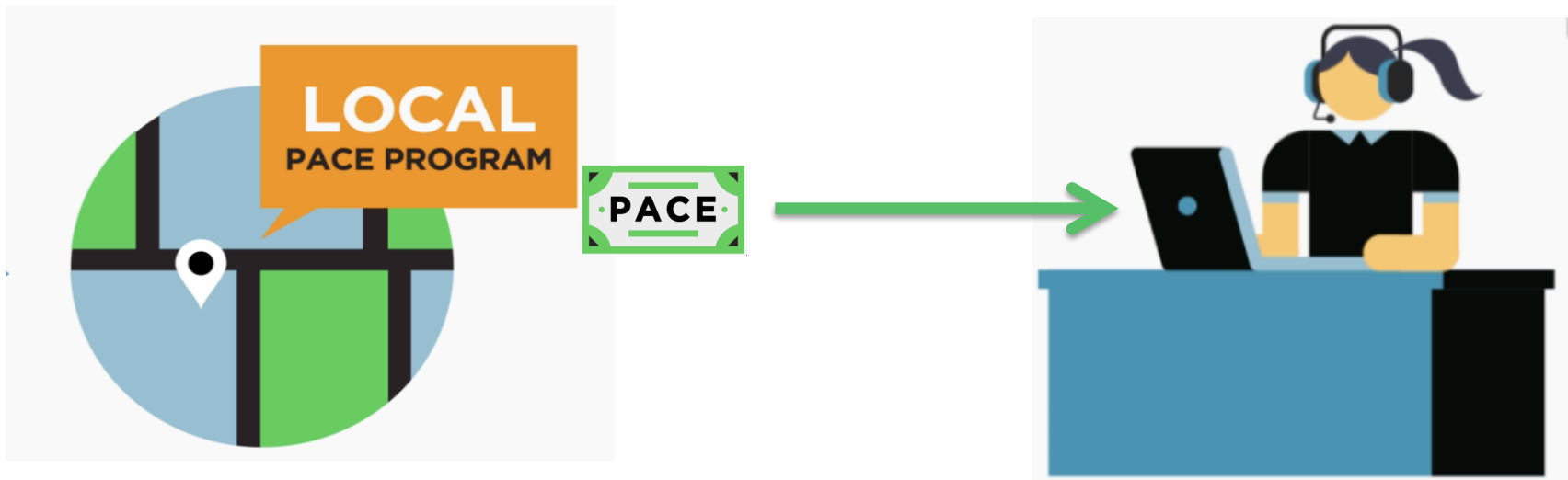
WHAT MAKES A PACE DEAL?

Building Owner Repays with an Assessment



WHAT MAKES A PACE DEAL?

Assessment Repays Project Funder



OLD CONCEPT – NEW APPLICATION

Local Government Financing – Public Purpose Goal



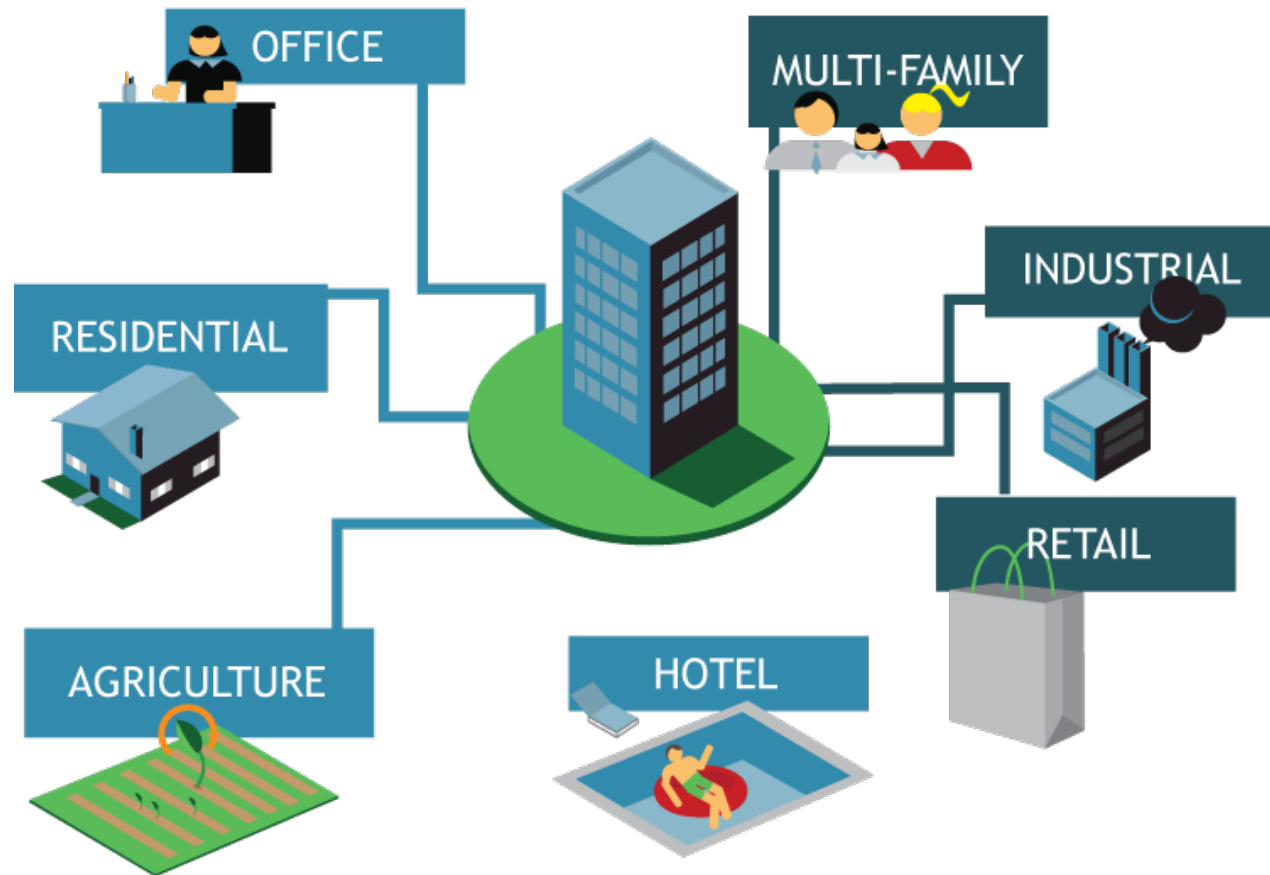
1736 – First Assessment District in Philadelphia

Today – 37,000 Assessment Districts nationwide

- ✓ Water & Sewer Service
- ✓ Parks
- ✓ Sidewalks
- ✓ Lighting
- ✓ Downtown renewal
- ✓ Energy Efficiency (PACE)

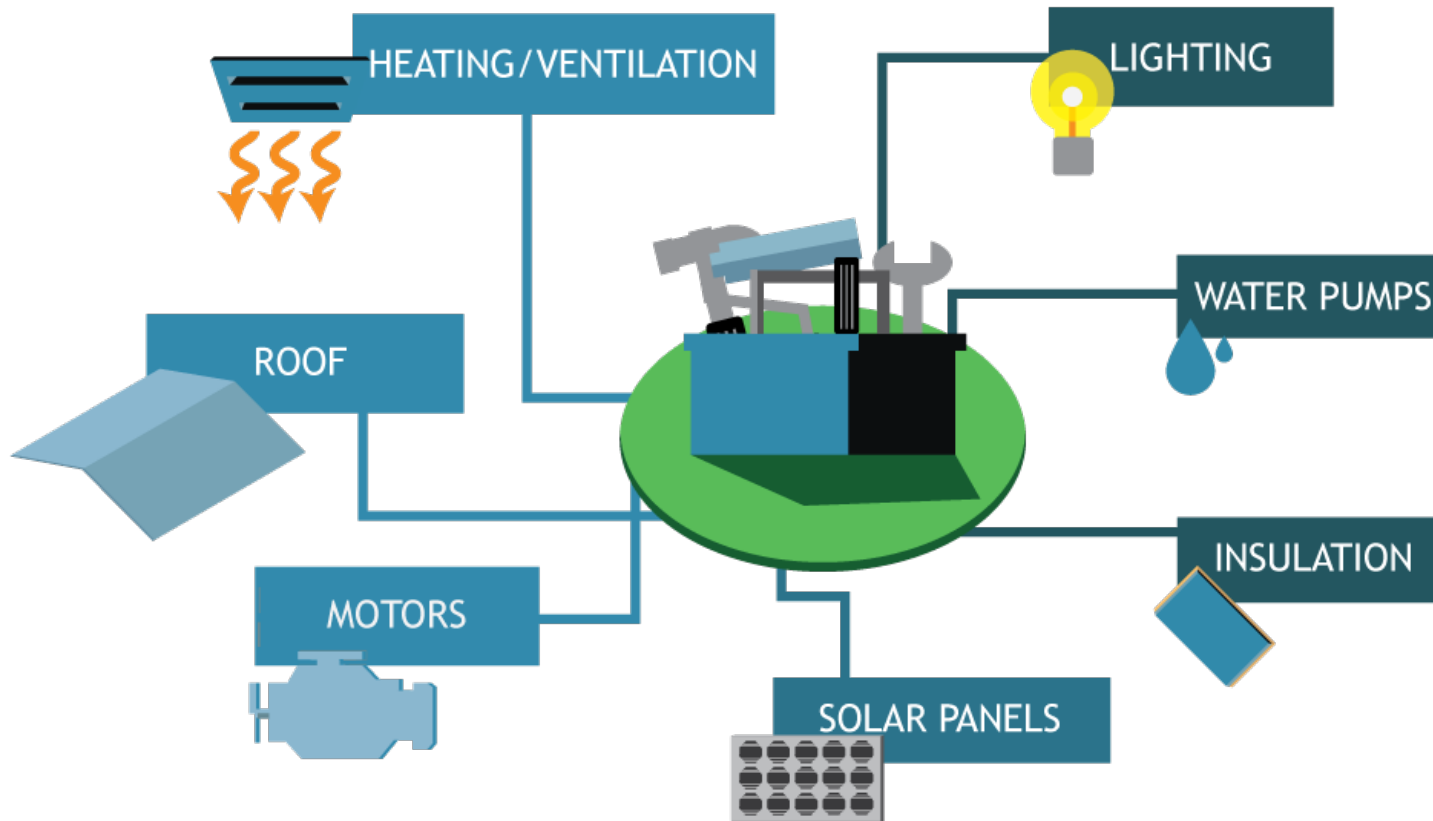
WHO CAN USE PACE?

Almost Any Building



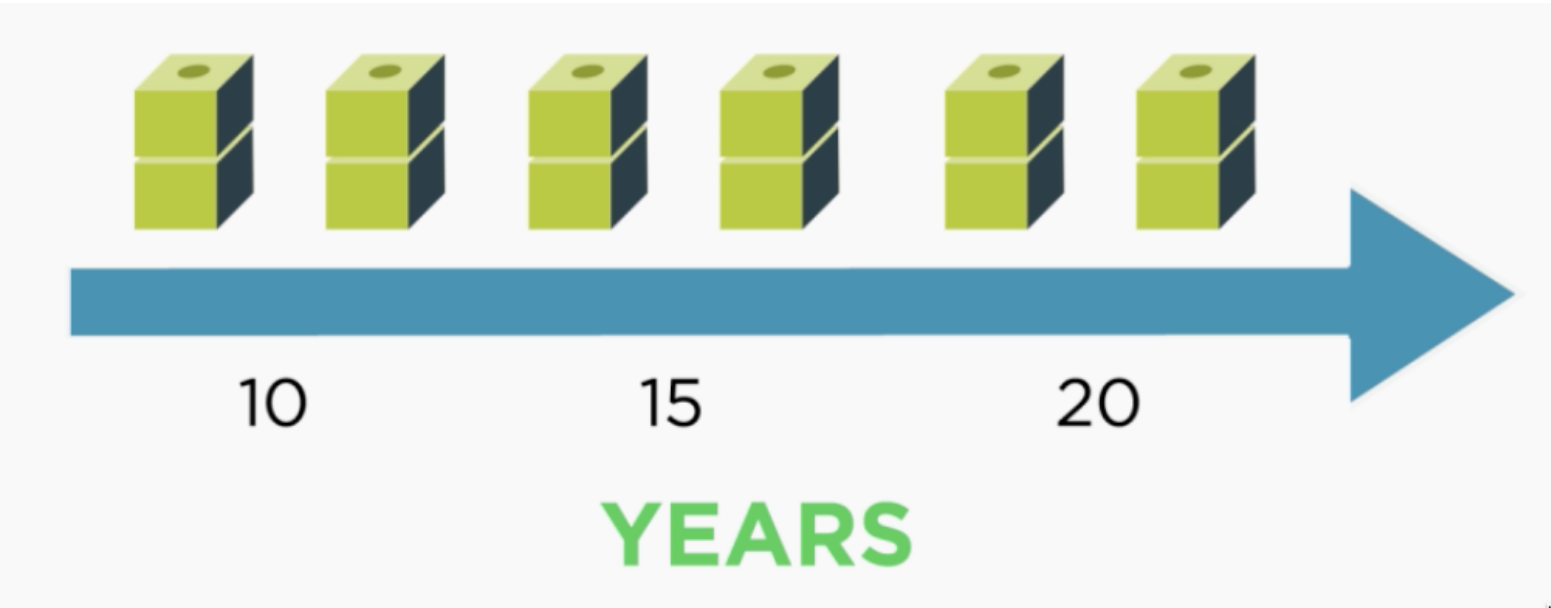
WHAT FOR?

Projects that Save or Generate Energy



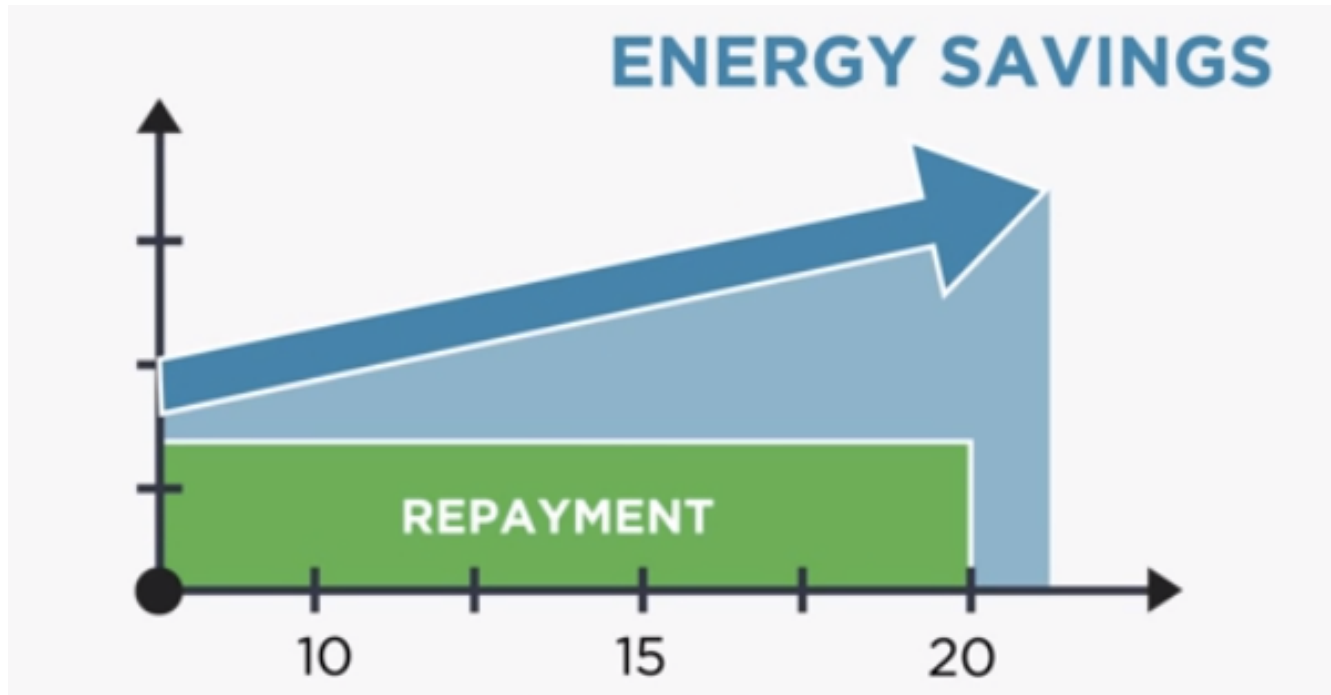
WHY PACE?

Long-Term Payback



WHY PACE?

Makes Long Payback Projects Work



The secure nature of PACE enables up to 20-yr funding: projects with simple paybacks as long as 12 years can be implemented on a positive cash flow basis

- ✓ Increases NOI
- ✓ Increases Property Value

WHY PACE?

PACE Transfers on Sale



No payoff on sale – PACE automatically transfers to the new owner, like any other real estate tax

- ✓ No residual encumbrance and easy exit.
- ✓ Takes the risk away from investing in needed CAPEX.

WHY PACE?

Share Benefits and Costs with Tenants



The real estate tax assessment can be passed on to tenants under most lease forms

- ✓ Eliminates the landlord/tenant split incentive for triple net, modified gross leases, and industrial modified gross leases.

SIMON PROPERTY GROUP – GREAT LAKES MALL, OH

\$3.4 mil Energy Efficiency – Multi Project



“We hope to serve as pioneers in this arena, encouraging others to explore the many ways to reduce energy use now, rather than delaying sound financial and environmental decisions.”

George Caraghiaur, former SVP for Sustainability at Simon Property Group

SIMON | PROPERTY GROUP

PROLOGIS, INC. HEADQUARTERS – SAN FRANCISCO, CA

\$1.4 mil Energy & Solar Upgrade – Multi Project



“Prologis is participating in the PACE program in order to promote new, innovative solutions for financing sustainable building improvements. It provides the flexibility to drive more energy improvement programs and that’s something everyone should embrace.”



Jack Rizzo, Managing Director, Global Construction and Renewable Energy, Prologis

SOLAR & EE UPGRADE IN MIDDLETOWN, CT

\$2.5 mil Energy & Solar Upgrade – Multi Project

Project

- the installation of air units, variable frequency drives, high efficiency lights occupancy sensors, air leakage improvements, an upgraded energy management system,
- and a 260 kW ground-mounted solar photovoltaic system.

Financial Impact

- Energy savings of \$224k annually

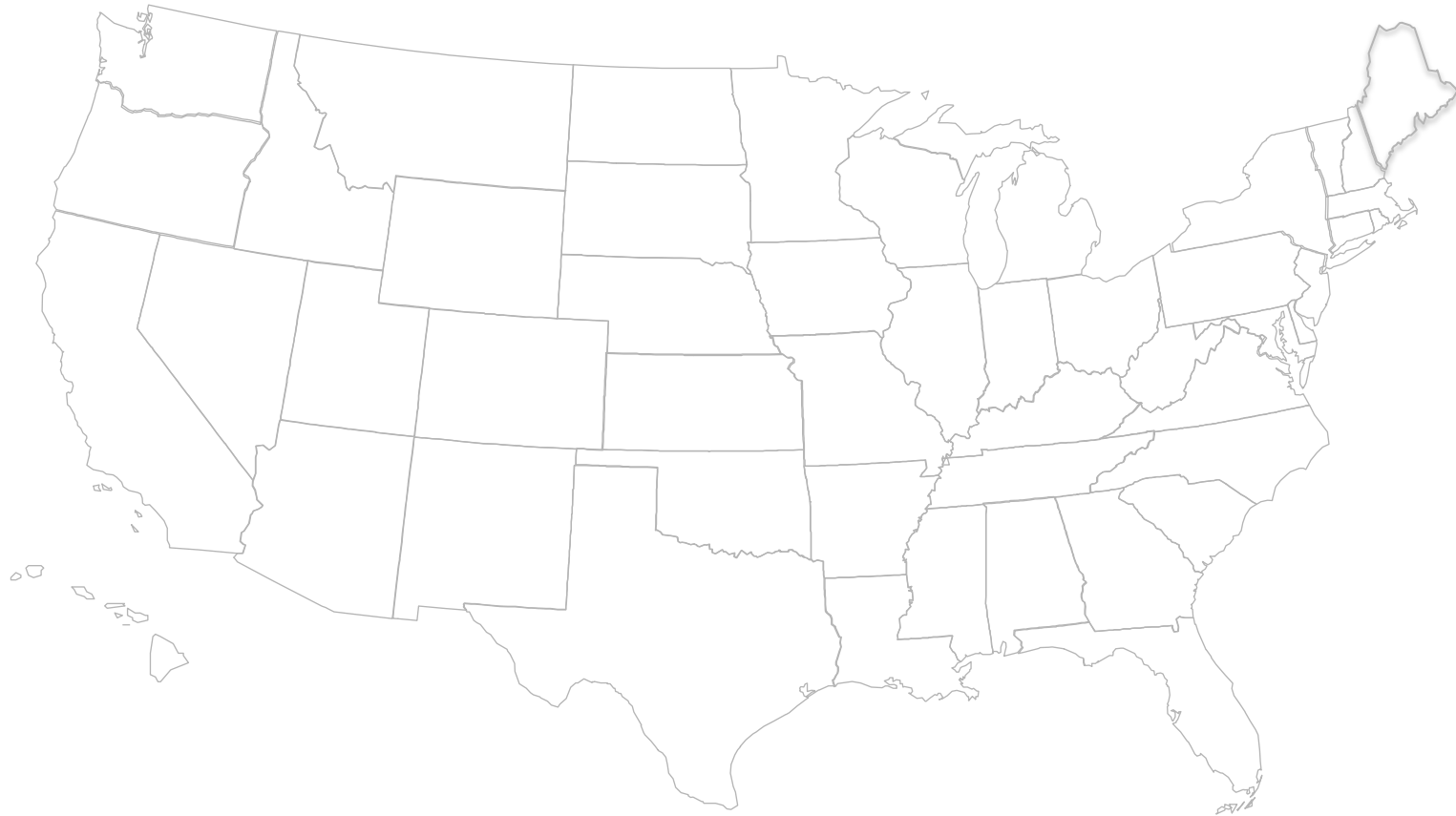
Impact

- 51M kBTUs saved
- 8.5M kWh clean energy produced



PACENATION

PACE IN 2007



RESIDENTIAL

RESURGENCE IN RESIDENTIAL

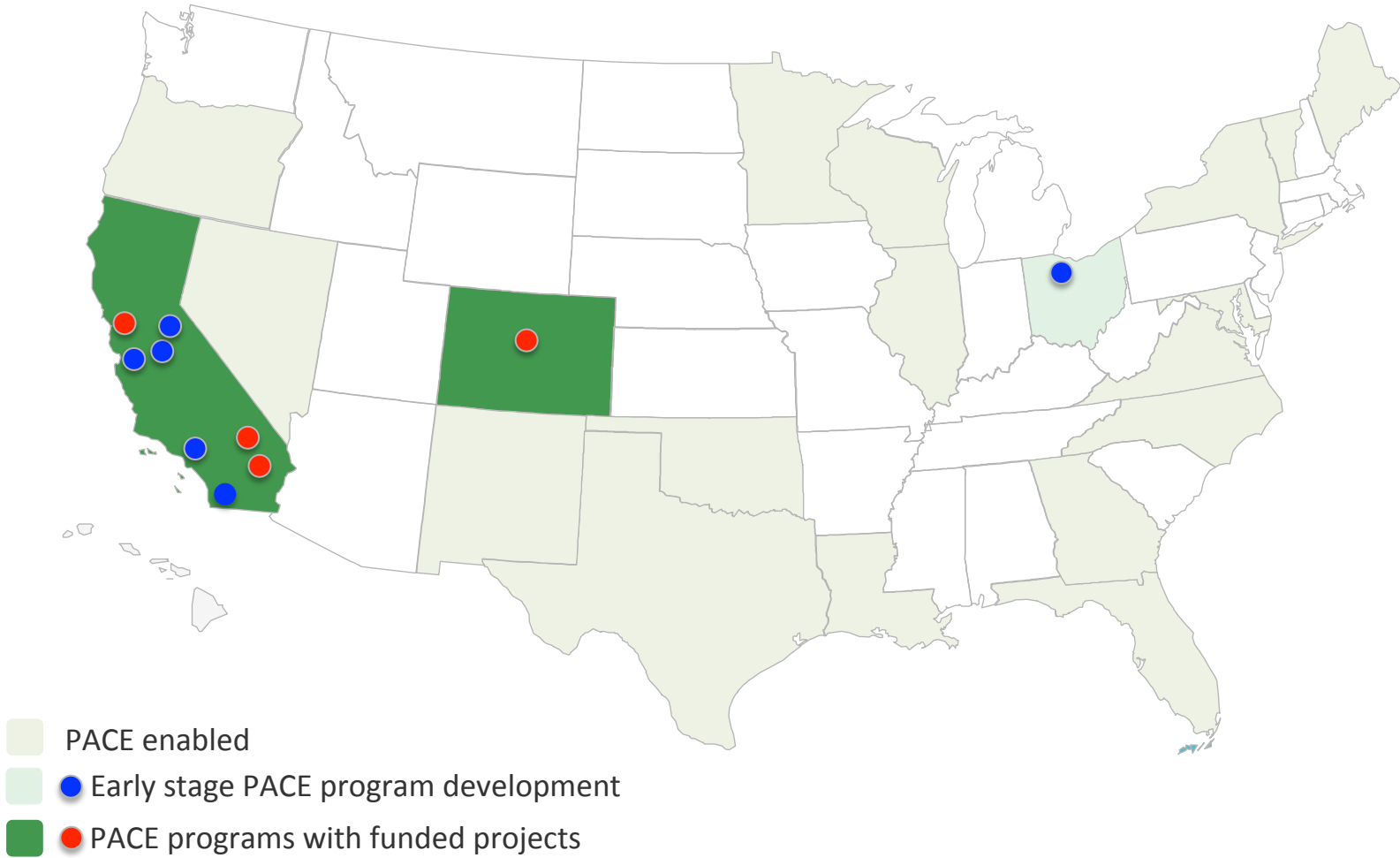
California Leads Residential Renaissance

- ✓ SCEIP, HERO, CaliforniaFIRST, Ygrene, Alliance NRG
 - San Francisco, San Diego, Los Angeles, Sacramento, Placer
- ✓ Strong Political Leadership
- ✓ California (CAEATFA) reserve
 - Municipal opt-in insures mortgage lenders
- ✓ HERO Program securitizes \$470+ million
 - Deutsche Bank underwrites 3 deals, AA rating, - 4.00%
- ✓ FHFA continues to voice disapproval

COMMERCIAL

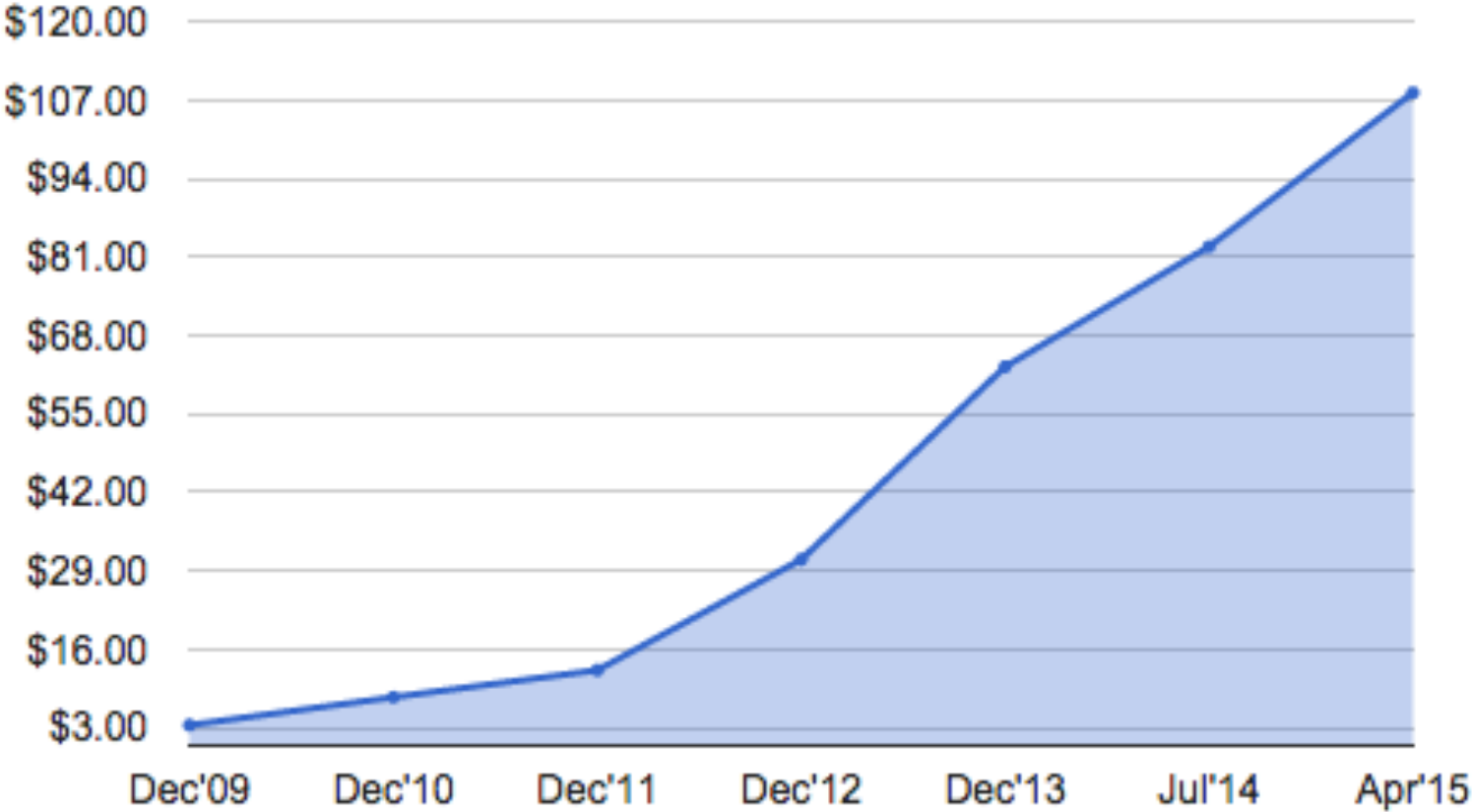
JUNE 2010

27 Projects completed - \$5 mil



PACE COMMERCIAL MARKET STATS

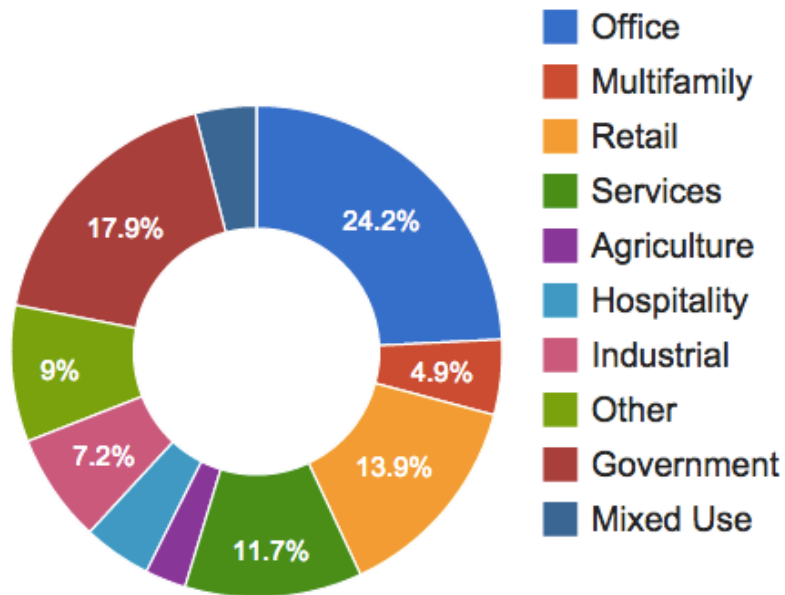
Cumulative Financing



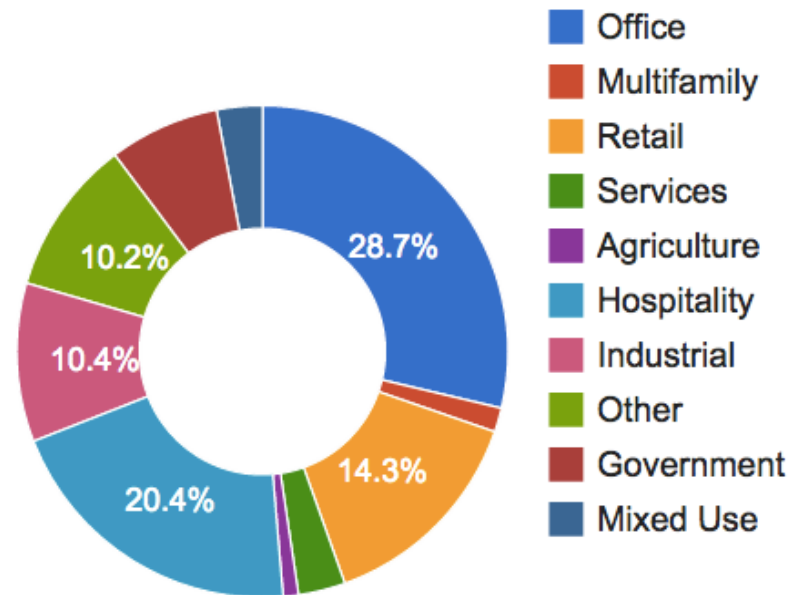
PACE COMMERCIAL MARKET STATS

Broad Applicability

NUMBER OF PROJECTS, BY BUILDING TYPE



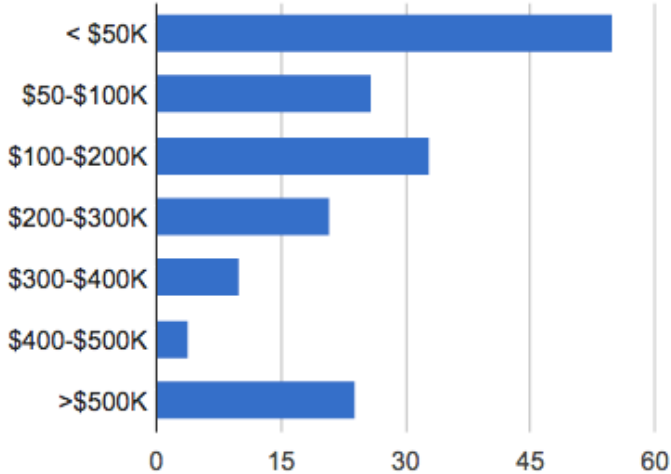
\$ AMOUNT OF PROJECTS, BY BUILDING TYPE



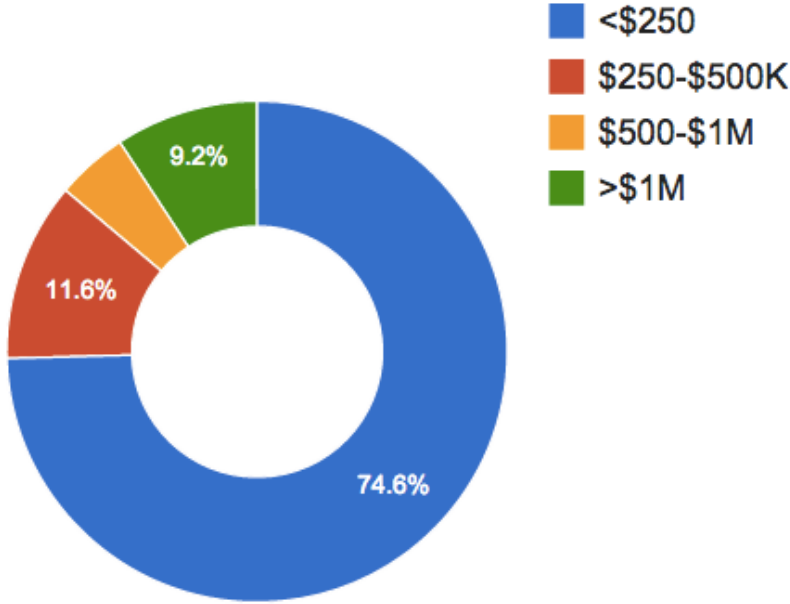
PACE COMMERCIAL MARKET STATS

Broad Applicability

NUMBER OF PROJECTS, BY SIZE



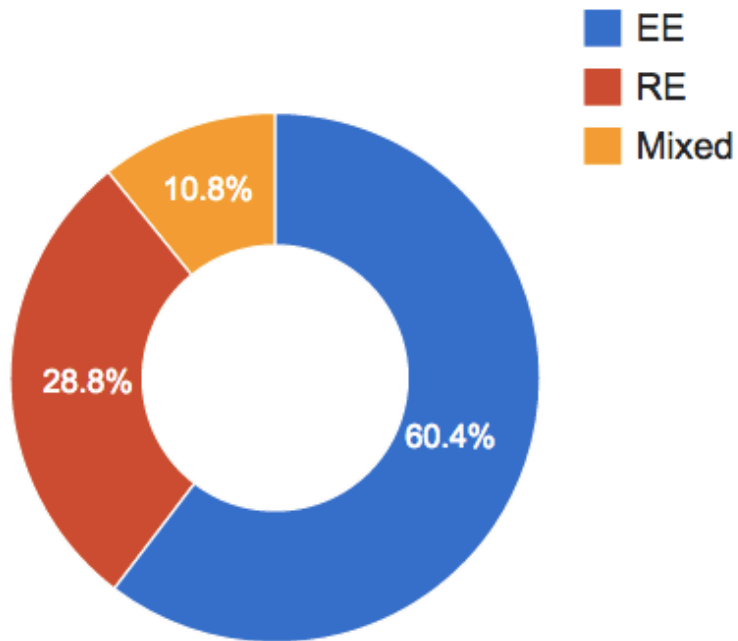
NUMBER OF PROJECTS, BY SIZE



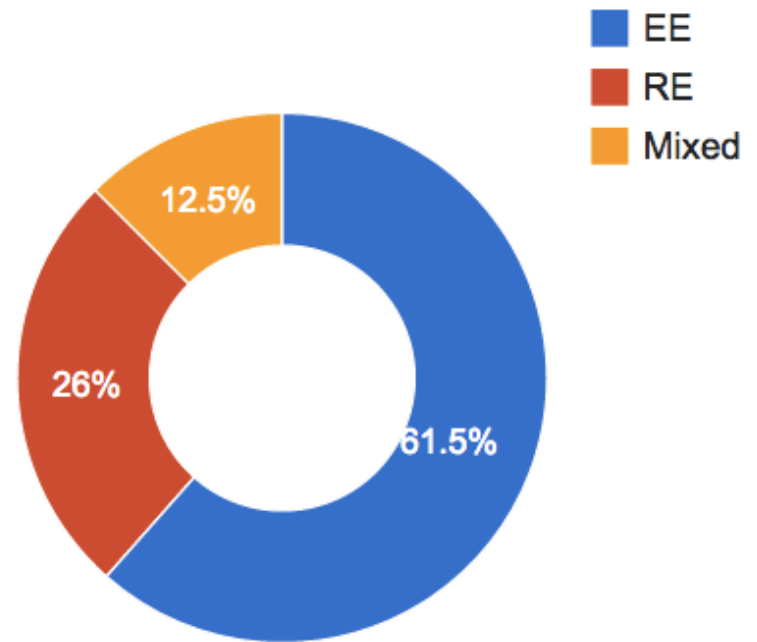
PACE COMMERCIAL MARKET STATS

Broad Applicability

NUMBER OF PROJECTS, BY TYPE OF UPGRADE



\$ AMOUNT OF PROJECTS, BY TYPE OF UPGRADE



PROGRAM ADMINISTRATION

Decentralized Market – Mix of Models & Providers

Low



High

- ✓ PACE Platform – Municipality as “Loan Servicer”
- ✓ Sole municipality
 - Edina (MN), San Francisco (CA), Ann Arbor (MI), Sacramento (CA)
- ✓ Multiple municipalities – Consortiums
 - California (California First, FigTree, LA County)
 - Florida (Florida Green Energy Works, Ygrene)
 - Michigan (MI Lean & Green)
 - New York (Energize New York)
- ✓ Statewide – Uniformity and Scale
 - Connecticut

CHALLENGES

Volume is the answer to all of our problems

- ✓ Complexity – Keep it Simple
- ✓ Get down that learning curve
- ✓ Track and share data
- ✓ Cooperate whenever possible
- ✓ Get to YES faster

Contact information

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Representing PACENation

Vision

PACE is a highly effective financing option that every building owner considers when implementing energy efficiency, renewable energy, and water management upgrades to their properties.

Mission

To be the leader of and advocate for the growing universe of PACE stakeholders; and the provider of information, resources, consensus-based advice and guidance, market network building and solutions to PACE market problems.