

Office Retrofit Case Study



ECO BENEFITS

Useful life of 25 years

Energy savings of 596,499 kilowatts/year

Total utility cost savings of \$43,902.33/year

Savings are greater than annual expense

Bayview PACE provided ~\$500,000 PACE financing to create ~\$44k in cost savings per year.

Transaction Overview

Project Description

The subject property is a 73,000 square foot multi-tenanted, six-story, suburban office building located north of the Dallas Central Business District. The Project Sponsor partnered with Bayview to implement a cost-saving and energy efficient improvement through the replacement of the HVAC System which will maximize the sustainability of the building. Bayview's ability to provide low rate, long term (25 year amortization) financing utilizing PACE resulted in a cash flow positive project for the borrower. As the demand for energy efficient buildings increases, property owners and mortgage lenders are recognizing that C-PACE offers the kind of innovative structure that enables them to increase the value of their asset.

Pace In Action

Problem

Soon after purchasing the property, the borrower discovered that its HVAC system needed to be completely replaced. The borrower needed a non-recourse financing solution that would satisfy their senior lender while keeping payments low.

PACE Solution

Instead of settling for short-term mezzanine debt, the borrower partnered with Bayview to secure \$432,490 CPACE financing. Payments will be spread over 25 years rather than the typical 3-5-year term.

Bayview PACE at a Glance:

- Fixed rates from 5.0 - 6.0% for up to 30yrs
- LTVs up to 30%
- Financing from ~ \$500K to \$100MM
- Non-recourse
- Interest-only periods of up to 10yrs

Lender Considerations:

✓ Improved Tenant Comfort

✓ Reduced Mortgage LTV

✓ Improvement to DSCR

Financial Breakdown

- Appraised value: \$7,100,000
- Senior Debt: \$5,000,000 (70.42% LTV)
Rate: 4.125% / Term: 25 years
- PACE Financing: \$492,490
Rate: 6.00% / Term: 25 years

Eco Benefits

- Useful life of 25 years
- Energy savings of 596,499 kilowatts/year
- Total utility cost savings of \$43,902.33/year
- Savings are greater than annual expense

Borrower Benefits

- Long amortization period
- Non-recourse
- Lower, fixed rate
- Billed and repaid through property taxes
- No prohibition against transfer of property

Financial Impact

	Bayview Underwritten As-is	Bayview Underwritten with Project	Comparison
Effective Gross Income	1,208,103	1,208,103	-
Utilities	137,716	93,814	(43,902)
PACE Assessment Payment	-	38,526	38,526
All Other Expenses	545,569	545,569	-
Total Expenses	683,285	677,909	(5,376)
NCF	524,818	530,195	5,376
1st Mortgage Balance	5,00,000	5,00,000	-
Annual Amortizing Payment	320,858	320,858	-
All-in DSCR	1.64	1.65	0.02
Debt Yield	7.39%	7.39%	-
Implied Appraisal	7,100,000	7,172,736	72,736
1st Mortgage LTV	70.4%	69.7%	-0.7%

Savings	\$43,902
Annual Payment	\$38,526
NCF Improvement	\$5,376
DSCR Improvement	0.02x
Estimated Gain to Appraisal*	\$72,736
1st Mortgage LTV	70.4 -> 69.7

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