The Art and Science of Appraising Green Buildings

Better Buildings Summit: Valuing Energy Efficiency

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May 27, 2015
Beyond the Empire State Building

www.imt.org/resources/detail/green-building-and-property-value
Self-Help
272 North Front St, Wilmington, NC
Valuing High-Performance Buildings

www.imt.org/resources/detail/green-building-and-property-value
Financial Benefits of High-Performance Buildings

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Thank You!

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Commercial Building Appraisals
Impact of C-PACE Financing
Connecticut Green Bank
Attract and Deploy Capital

Attract and deploy capital to finance the clean energy goals for Connecticut

Increase the attractiveness to capital providers

Increase the attractiveness to consumers
Green Bank Financial Tools

- Grants
- Equity
- Loans

- Interest Rate Buy Down
- Special Capital Reserve Fund
- Third Party Insurance
- Energy Savings Performance Contracts
- Connecticut Green Bank
- Subordinated Debt
- Loan Loss Reserves
- Leases, PPAs, and ESAs
- Bonding
- Commercial Property Assessed Clean Energy
- On Bill Repayment
100% financing for energy efficiency or clean energy upgrades.

Using money saved on energy bills, the building owner repays C-PACE financing through an annual benefit assessment charge on the building’s property tax bill.

With additional savings to spare, property owners enjoy increased cash-flow while their building is improved.
Security of senior lien means underlying property value most important financial underwriting criteria

C-PACE calls for:
  – Max 80% LTV
  – Max 35% LiTV (lien to value)

Both are often exceeded
  – Commercial real estate highly leveraged
  – Industrial properties need renewable energy (expensive) ; most of their asset value is in equipment, not real estate
Incremental increase in asset value

\[ \uparrow \text{NOI} \div \text{Cap rate} = \text{Incremental increase in asset value} \]
Example 1:

Precision manufacturer has secured mortgage with national commercial bank at 90% appraised value. Seeks C-PACE financing for 1 MW solar PV facility. Existing mortgage lender orders new, ‘as complete’ appraisal. Solar increases ‘as is’ estimate by 30%

Example 2:

Existing industrial/office space refinances mortgage with regional commercial bank. Seeks C-PACE financing for 250 kW solar PV facility. Existing mortgage lender orders, ‘as complete’ appraisal. Solar increases ‘as is’ estimate by nearly 50%

Big change in asset value but no clear methodology
Thank you!

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